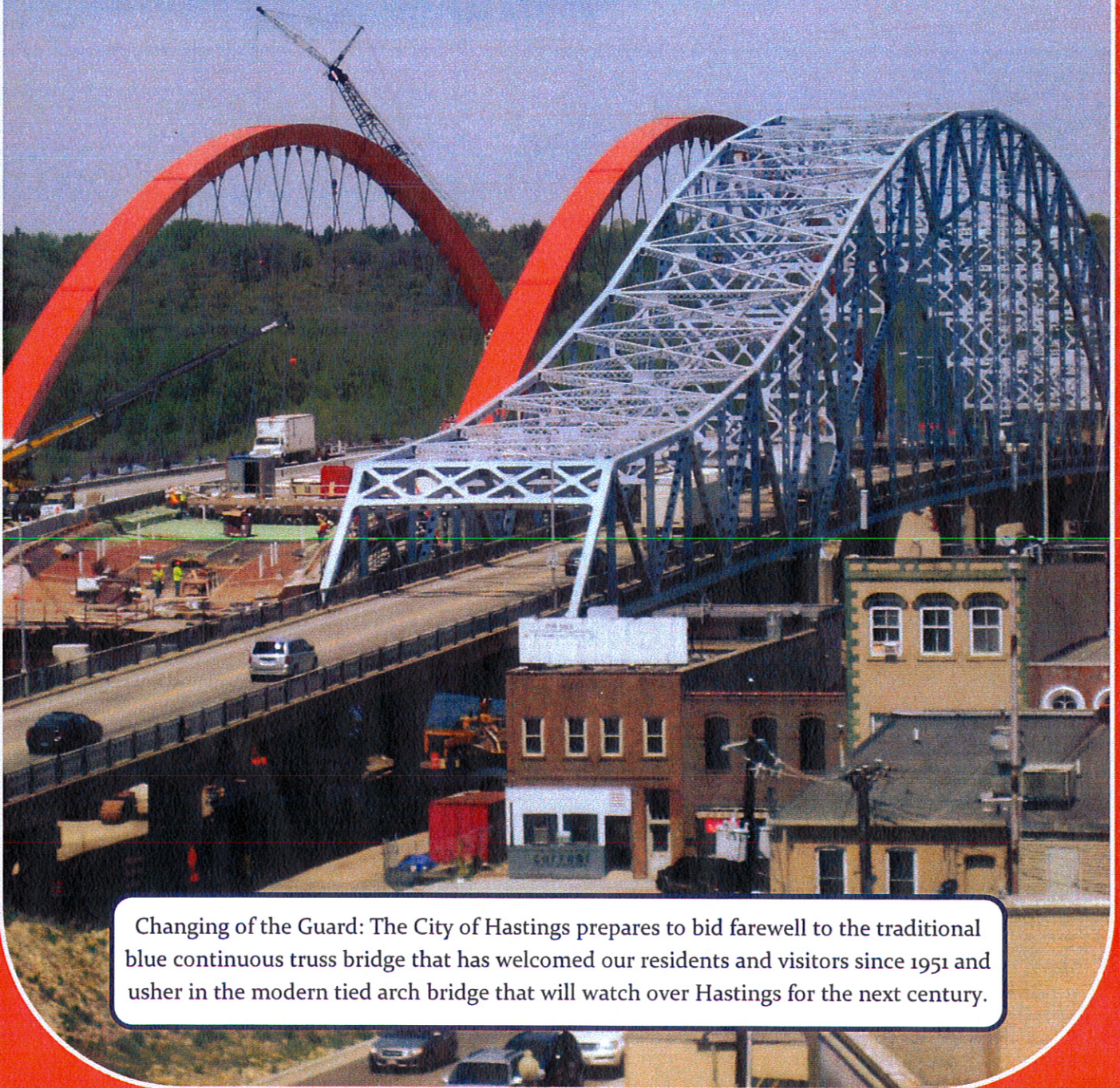


CITY OF HASTINGS

Dakota County, Minnesota

101 Fourth Street East, Hastings, MN 55033



Changing of the Guard: The City of Hastings prepares to bid farewell to the traditional blue continuous truss bridge that has welcomed our residents and visitors since 1951 and usher in the modern tied arch bridge that will watch over Hastings for the next century.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

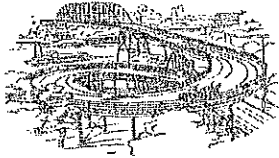
Year Ending December 31, 2012

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF
THE CITY OF HASTINGS
MINNESOTA

For the Year Ended December 31, 2012

Prepared by the City's Finance Department

CITY OF HASTINGS, MINNESOTA
ACKNOWLEDGEMENTS



Hastings on the Mississippi

FINANCE DEPARTMENT

Charlene Stark
Julie Flaten
Kim Niederkorn
Becky Kline
Connie Lang

<p>CITY OF HASTINGS, MINNESOTA COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended December 31, 2012 TABLE OF CONTENTS</p>
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INTRODUCTORY SECTION

**CITY OF
HASTINGS
CITY HALL**

101 4th Street East
Hastings, MN 55033-1955
651-480-2350
Fax: 651-437-7082
www.ci.hastings.mn.us
cityhall@ci.hastings.mn.us

Department of
Building Safety
651-480-2342

Engineering/
Planning/HRA/HPC
651-480-2334

Public Works
1225 Progress Drive
651-480-6185

Parks & Recreation
920 10th Street West
651-480-6175

Police
150 3rd Street East
651-480-2300

Fire
115 5th Street West
651-480-6150

Civic Arena
2801 Red Wing Boulevard
651-480-6159

Aquatic Center
901 Maple Street
651-480-2392

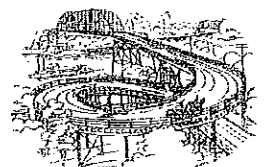
May 24, 2013

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Hastings:

Minnesota state law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statement presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hastings for the fiscal year ended December 31, 2012.

This report consists of the management's representations concerning the finances of the City of Hastings. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hastings has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hastings' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hastings' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hastings' financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hastings for the fiscal year ended December 31, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hastings' financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.



GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hastings' MD&A can be found immediately following the report of the independent auditors.

City Profile

The City of Hastings is a municipal corporation, incorporated in 1857, in the State of Minnesota, within the corporate limits and boundaries established by the Home Rule Charter of the City. The City of Hastings is the county seat of Dakota County. This 155 year-old riverfront city was the birthplace of many early commercial enterprises. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City of Hastings, the Dakota County seat, is located approximately 20 miles south of St. Paul at the junction of the Mississippi and St. Croix Rivers in the east central part of the state. A small portion of the City is located in Washington County. As a part of the seven-county Minneapolis/St. Paul metropolitan area, Hastings is within the jurisdiction of the Metropolitan Council. The City's population grew approximately 18% during the 1990's from 15,478 in 1990 to 18,204 in 2000 (U.S. Census data). The July 1, 2012 US Census report estimates the population for Hastings to be 22,172. The Metropolitan Council projects that the city's population will grow to 27,500 by the year 2020. The City encompasses an area of 11.40 square miles.

The City operates under a council-administrator form of government. Policymaking and legislative authority are vested in the city council, which consists of a mayor and a six-member council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the city's administrator. The City administrator is responsible for carrying out the policies and ordinances of the city council, overseeing the day-to-day operations of the city, and appointing the heads of the city's divisions and departments. The mayor and council members are elected to four-year staggered terms with a two year difference between at-large and ward council seats. Four council members are elected from within their respective wards and the mayor and two council members are elected at-large.

The City of Hastings provides a full range of services. These services include police and fire protection; advanced life support ambulance services, the construction and maintenance of highways, streets, parks, and infrastructure; recreational and cultural facilities and general administrative services. In addition, the City also provides enterprise activities such as: water, sewer and storm water services as well as hydroelectric power generation.

The annual budget serves as the foundation for the City of Hastings financial planning and control. All departments are required to submit requests for appropriation to the City Administrator, who must balance the competing needs against available resources. Based upon direction from the City's Finance Committee (a three member committee of the council) and the requests, a proposed budget is then prepared and submitted to the city council in August and the preliminary levy is adopted by September 15. The council is required to hold public hearings on the proposed budget. The city council may make final adjustments to decrease the budgets and is required to adopt a final budget no later than December 31, the close of the City of Hastings' fiscal year. The budgetary control has traditionally been maintained at the department level.

Division and department managers are held responsible for their budget performance. Department managers may request transfers of appropriations within their departments. Transfers between departments, require city council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted. For the general fund, this comparison is presented on page 39 as part of the basic financial statements for the governmental funds. For the governmental funds, other than the General Fund and the Fire and Ambulance Special Revenue fund, with annual budgets, this comparison is presented in the governmental fund subsection of this report, on page 78 through 84 through 102.

Local Economy

In 2012, continued increases in residential building occurred. It is assumed the city will continue to maintain at the building levels of 2012 into 2013 and possible into 2014. A modest growth pattern will most likely occur as the Hastings area is an area considered to see continued growth for years to come. Commercial remodels decreased from 2011 levels. Below is a chart that gives the past six year history.

Permits	2012	2011	2010	2009	2008	2007
New Residential	39	22	4	15	46	64
New Commercial	1	6	2	2	0	3
Residential remodel	53	70	59	38	28	63
Commercial remodel	29	52	54	39	43	67
All other permits	1743	1207	890	1059	1573	4579
TOTAL	1865	1357	1009	1153	1690	4776
Dollar value of Permits (in millions)	23.8	19.7	17.2	11.5	18.6	61.18

The region has a varied manufacturing/industrial base. Major industries with headquarters or divisions located within the city's boundaries or in close proximity include office and stationery supplies manufacturers, flour and other grain mill products, plastics products, and several financial and insurance institutions. The state, county and school district also all have a major economic presence in the area. Within the city limits, the state has a National Guard armory and a veteran's home complex. The city is also home to the Dakota County government complex and also the center to the Hastings' Independent School District 200 offices.

Major initiatives

In 2012 the State of MN Department of Transportation began the process of building a new bridge across the Mississippi river. The City officials and Public works department are working alongside the State in making decisions on amenities and aesthetics of the bridge design. This will continue into 2013.

Long-term financial planning

The City maintains to have 35%-40% of working capital on hand at the end of the year for cash flow planning during the first half of the year. All funds meet this with the exception of the Aquatic Fund. The General Fund has made progress in increasing its working capital fund

A 5 year Capital Improvement Plan and equipment purchase plan is a part of the annual budget process. This plan is included in the annual budget. It is a planning tool for departments to utilize during the year.

The City of Hastings currently has a debt management policy in place in order to manage the City's debt. The Council has placed three limits on the issuance of debt. a.) Total annual debt service for G.O. debt obligations will not exceed 35% of total budgeted expenditures. b.) Net bonded debt outstanding will not exceed 3.5% of Assessor's market value of taxable property. c.) Gross bonded debt will not exceed \$1,800 per capita. At the end of 2012, the debt ratios for the city are as follows: 19.746%, 1.850%, and \$1,234 respectively.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hastings for its comprehensive annual financial report (CAFR) for the year ended December 31, 2011. This is the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Finally, I wish to acknowledge the contributions and hard work put forth by the entire Finance Department for their work throughout the year. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. Due credit also should be given to the City Administrator, the Mayor and the City Council for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner. And finally to all of the City's departments with their help in compiling information as it relates to their various departments.

Respectfully submitted,



Charlene Stark
Finance Director

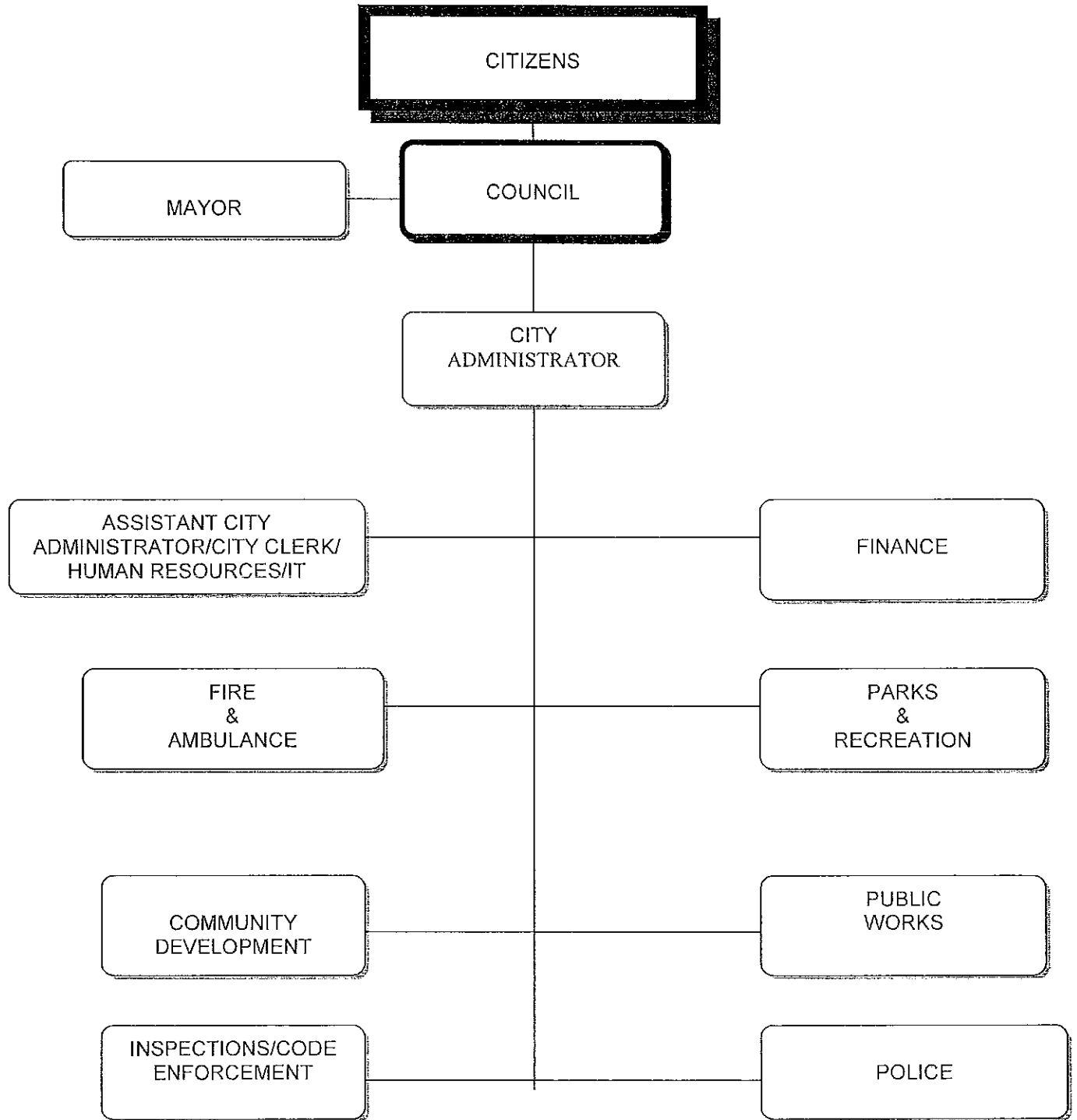
CITY OF HASTINGS, MINNESOTA
 LIST OF OFFICIALS
 FOR THE YEAR ENDED DECEMBER 31, 2012

<u>OFFICE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
City Council:		
Mayor	Paul Hicks	December, 2014
1 st Ward	Anthony Alongi	December, 2012
2 nd Ward	Tony Nelson	December, 2012
3 rd Ward	Joe Balsanek	December, 2012
4 th Ward	Danna Elling-Schultz	December, 2012
At-Large	Mike Slavik	December, 2014
At-Large	Barb Hollenbeck	December, 2014

City Staff:

City Administrator	David M. Osberg
Community Development Director	John Hinzman
Finance Director	Charlene Stark
Fire and EMS Director	Mike Schutt
Parks & Recreation Director	Vacant
Police Chief	Paul Schnell
Public Works Director	Thomas Montgomery
Inspections/Code Enforcement Director	Thomas Bakken

2012 CITY OF HASTINGS, MINNESOTA
ORGANIZATIONAL CHART
December 31, 2012



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hastings
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Hastings
Hastings, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, as of and for the year ended December 31, 2012, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



An independent member of Nexia International

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings as of December 31, 2012, and the respective changes in financial position, the respective budgetary comparison for the general fund and the fire and ambulance special revenue fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress – other postemployment benefit plan, as listed on the table of contents, 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' basic financial statements. The other supplementary information consisting of combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements included in the other supplementary information section, as listed in the table of contents are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements in the other supplementary information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, on our consideration of the City of Hastings' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 City of Hastings' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 24, 2013

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 December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 6 - 9 of this report.

Financial Highlights

- The assets of the City of Hastings exceeded its liabilities at the close of the most recent fiscal year (December 31, 2012) by \$86,563,688 (*net position*). Of this amount, \$8,410,907 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens or creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position decreased by (\$137,937).
- As of the close of the 2012 fiscal year, the City of Hastings governmental funds ending fund balances were \$16,237,195. Approximately 51.54% is restricted for special revenue-police activities, debt service, capital project programs and Permanent Trust fund—Leduc Mansion. Approximately 2.02% of the fund balance is Nonspendable. Approximately 16.66% is committed by City Council for the following activities: Special revenue funds-Parks, Aquatic, Cable TV, Heritage Preservation, Fire & Ambulance and the Arena. Assigned fund balance for capital projects results in 9.38% of the fund balance, the remaining 20.40% is unassigned and is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was, \$3,411,086 or 39% of the total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Hastings' basic financial statements. The City of Hastings' 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 other 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' finances, in manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Hastings' 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 City'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).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, health and sanitation, economic development, and culture and recreation. The business-type activities of the city include the following: water and sewer operations, and a hydro-electric operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Hastings Economic Development Redevelopment Authority (HEDRA). 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 29 - 31 of this report.

Fund financial statements. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The city, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same function 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 financial 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 maintains 18 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 of the general fund, the fire and ambulance fund, the debt service fund, the parks projects fund, and the road improvement construction fund all of which are considered to be major funds. Data from the other 13 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* in the supplementary information section of this report.

The City adopts an annual appropriated budget. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 32- 38 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 water, sewer, storm water, and hydro-electric operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Hastings' various functions. The City of Hastings uses internal service funds to account for its retiree health insurance costs and to account for its compensated absences liability outside of the enterprise funds. These services predominantly benefit governmental rather than business-type functions and have 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 each of the operations mentioned above, all of which have been reported as major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 41 - 43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the city. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Hastings' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 45- 46 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 47 - 74 of this report.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information for the reader. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the notes to the financial report. Combining and individual fund statements and schedules can be found on pages 78 - 106 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City of Hastings, assets exceeded liabilities by \$86,563,688 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (76.05%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less 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' investment in 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.

City of Hastings' Net Position

	Governmental activities	Governmental activities	Business-type activities	Business-type activities	Total	Total
	2011	2012	2011	2012	2011	2012
Current and other assets	\$22,605,577	\$22,769,384	\$ 6,931,402	\$ 7,027,511	\$29,536,979	\$29,796,895
Capital assets	63,598,591	62,286,138	31,423,325	30,273,073	95,021,916	92,559,211
Total assets	86,204,168	85,055,522	38,354,727	37,300,584	124,558,895	122,356,106
Long-term liabilities outstanding	31,989,007	29,865,878	4,343,698	4,158,964	36,332,705	34,024,842
Other liabilities	1,304,366	1,588,769	220,199	178,807	1,524,565	1,767,576
Total liabilities	33,293,373	31,454,647	4,563,897	4,337,771	37,857,270	35,792,418
Net Position:						
Investment in capital assets	36,720,391	39,532,965	27,280,688	26,349,437	64,001,079	65,882,402
Restricted						
Police activities	29,826	14,524	-	-	29,826	14,524
Debt service	10,355,915	10,278,599	284,765	291,130	10,640,680	10,569,729
Capital projects	1,110,710	567,457	-	-	1,110,710	567,457
Permanent endowment-Leduc mansion	1,071,986	1,118,669	-	-	1,071,986	1,118,669
Unrestricted	3,621,967	2,088,661	6,225,377	6,322,246	9,847,344	8,410,907
Total net position	\$52,910,795	\$ 53,600,875	\$33,790,830	\$33,790,830	\$ 86,701,625	\$86,563,688

At the end of 2012, the City of Hastings had positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

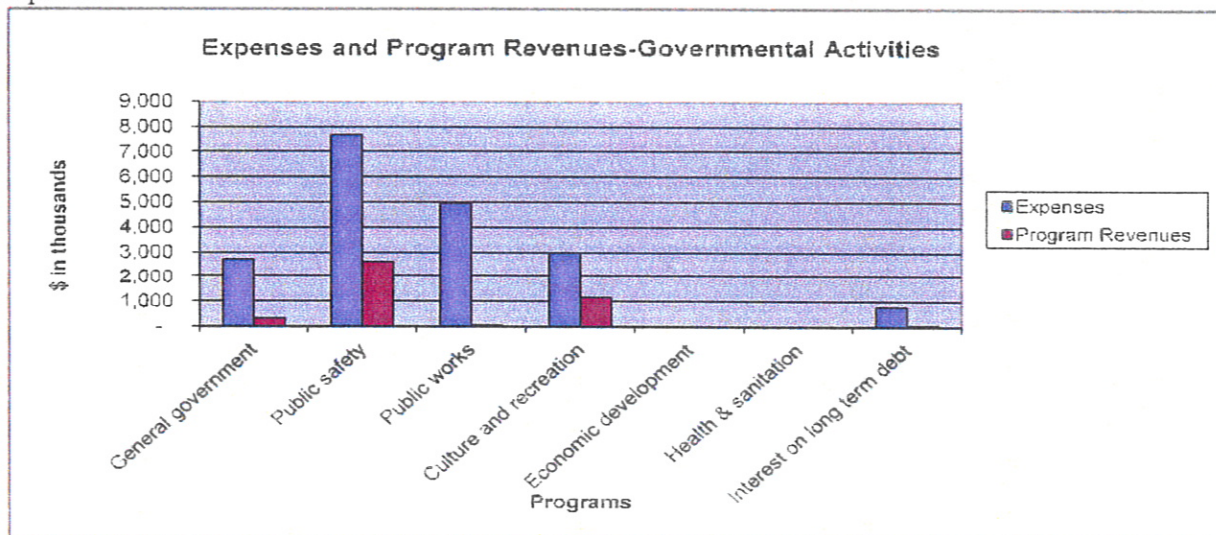
Governmental activities. Governmental activities increased the City of Hastings' net position by \$690,080. The key elements of this increase are as follows:

- *A wind storm caused major destruction to trees in the area which caused the city to spend considerable amount of staffing use of equipment to clean up the city. Dakota County was declared a national disaster. The City was then reimbursed for staff time and equipment used in clearing the tree debris.*
- *Transfers from the Enterprise funds were again used to fund a large portion of the street improvement project this year.*

	Government Activities		Business-type Activities		Total 2011	Total 2012
	2011	2012	2011	2012		
Revenues:						
Program revenues:						
Charges for services	\$ 3,800,371	\$ 4,268,912	\$ 4,970,217	\$ 5,496,413	\$ 8,770,588	\$ 9,765,325
Operating grants and contributions	316,382	933,834	18,800	32,417	335,182	966,251
Capital grants and contributions	2,352,552	949,617	-	35,585	2,352,552	985,202
General revenues:						
Property taxes	10,610,673	11,685,559	(1,055)	-	10,609,618	11,685,559
State aid	46,113	195,713	-	-	46,113	195,713
Other	272,689	300,740	172,762	77,063	445,451	377,803
Total Revenues	17,398,780	18,334,375	5,160,724	5,641,478	22,559,504	23,975,853
Expenses						
General government	2,664,458	2,708,887	-	-	2,664,458	2,708,887
Public safety	7,325,913	7,646,393	-	-	7,325,913	7,646,393
Public works	4,343,248	4,939,914	-	-	4,343,248	4,939,914
Culture & recreation	2,897,432	2,979,509	-	-	2,897,432	2,979,509
Economic development	20,881	24,455	-	-	20,881	24,455
Health & sanitation	102,425	24,057	-	-	102,425	24,057
Interest on long-term debt	928,432	905,223	-	-	928,432	905,223
Water	-	-	2,030,228	2,003,623	2,030,228	2,003,623
Sewer	-	-	1,926,477	1,807,697	1,926,477	1,807,697
Storm	-	-	357,476	417,236	357,476	417,236
Hydro	-	-	739,600	907,562	739,600	907,562
Total Expenses	18,282,789	19,228,438	5,053,781	5,136,118	23,336,570	24,364,556
Increase(Decrease) in net position before transfers and contributions	(884,009)	(894,063)	106,943	505,360	(777,066)	(388,703)
Contributions to primary government	100,893	250,766	-	-	100,893	250,766
Transfers	2,433,679	1,333,377	(2,433,679)	(1,333,377)	-	-
Increase(Decrease) in net position	1,650,563	690,080	(2,326,736)	(828,017)	(676,173)	(137,937)
Net position, January 1	51,260,232	52,910,795	36,117,566	33,790,830	87,377,798	86,701,625
Net position-December 31	\$ 52,910,795	\$ 53,600,875	\$ 33,790,830	\$ 32,962,813	\$ 86,701,625	\$ 86,563,688

City of Hastings' Changes in Net Position

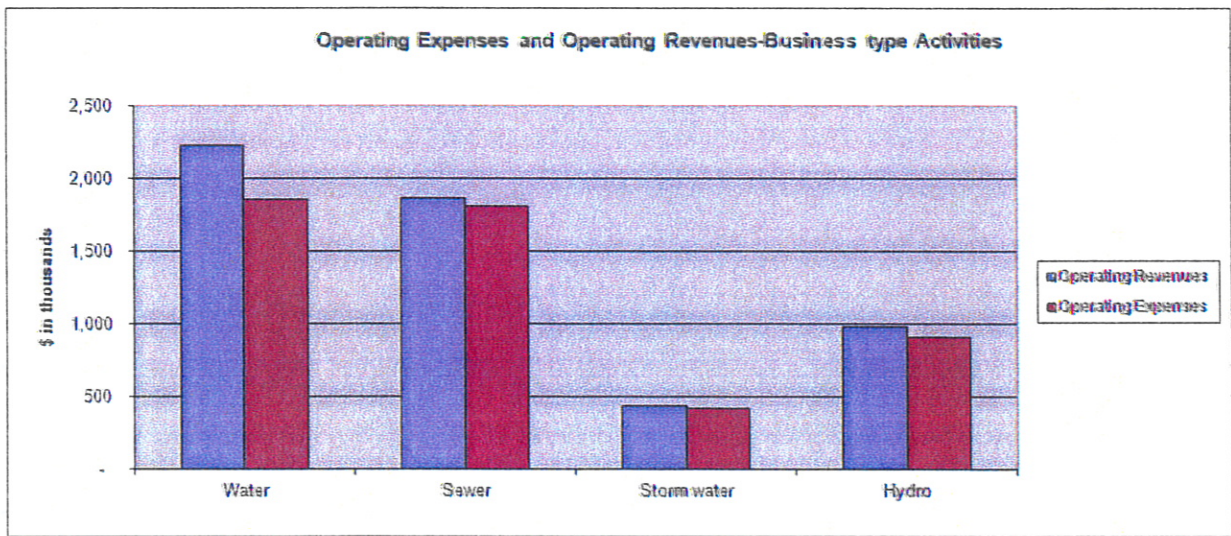
Below are specific graphs, which provide comparisons of the governmental activities revenues and expenses:

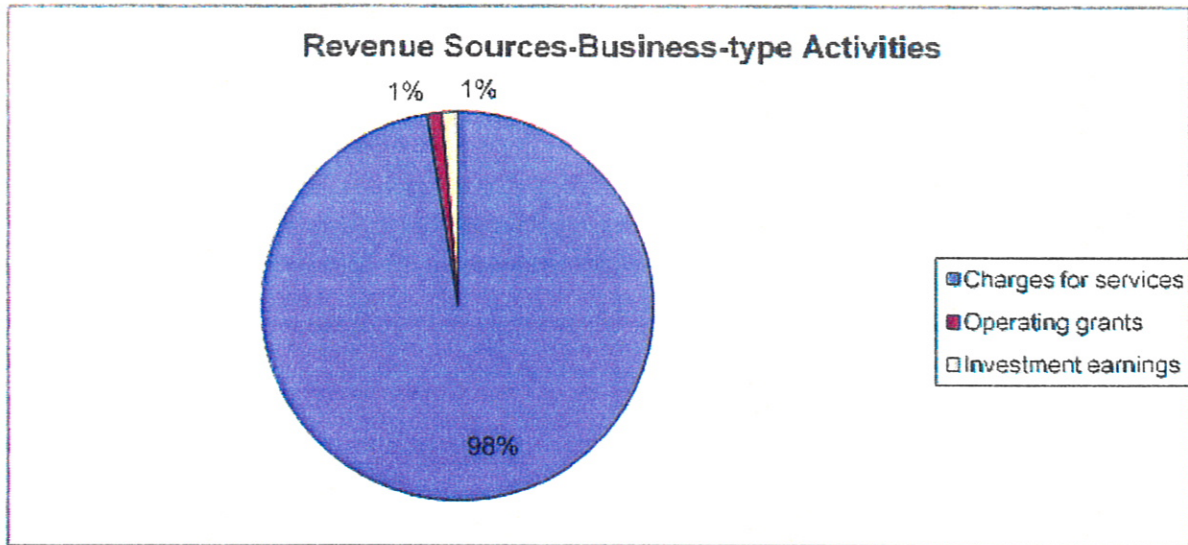


Revenue Sources-Governmental Activities



Business-type activities. Below are graphs showing the business-type activities revenue and expense comparisons.





Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Hastings' *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' 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' governmental funds reported combined ending fund balances of \$16,237,195. Approximately 21.22% of this total amount (\$3,311,955) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed by council to indicate that it is not available for new spending because it has already been committed or is in non-spendable form. Activities such as Police activities, Debt service, and Permanent Trust funds for the Leduc Mansion are restricted or committed by council action. Capital projects are assigned.

The City of Hastings governmental funds reported combined ending fund balances an increase of \$729,678. The increase is due to the net effect of the following factors:

- Debt Service fund's activity resulted in the largest increase of \$884,066. This is due to transfer in of closed construction funds per bond agreements.
- Fire and Ambulance fund's activity resulted in an increase of \$193,892. A \$125,365 increase to Charges for Services accounts for 65% of this increase. Another \$10,231 revenue for investments added to the final fund balance increase.
- Parks Project fund was budgeted for a decline in fund balance. Funds on hand were used to fund a new trail.
- The General fund's activity resulted in an increase of \$393,069. A large portion of the increase was due to the FEMA reimbursement for the storm clean up. The City became the Dakota

- County Fiscal agent in 2012 for the Safe and Sober program which resulted in additional revenues of \$19,000. The City also received revenue for the bridge detail from the State of Minnesota. This resulted in a net gain of \$35,000. A new revenue source for false alarm charges resulted in a revenue increase of \$11,850.

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 \$3,411,086.

The fire and ambulance special revenue fund has a total fund balance of \$1,169,183. This fund accounts for the activities of the Fire and Ambulance department for the City of Hastings.

The debt service fund has a total fund balance of \$6,753,604, most of which is restricted for the payment of debt service.

The parks projects capital project fund accounts for the building and reconstruction of the cities 26 parks. The fund has a total fund balance of \$684,302. It was decided to utilize funds on hand to add to the City's park trail infrastructure this year.

The road improvement construction capital project fund accounts for the building and reconstruction of the city street system. Each year a project is let to reconstruct a section of the cities street infrastructure. The fund has a total fund balance of (\$99,131), a decrease of \$155,956.

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

Unrestricted net position in the respective proprietary funds are: Water - \$3,072,786, Sewer - \$2,917,752 Storm water - \$316,675, and Hydro - \$13,973. The Water fund had a decrease in net position. Transfers out to fund road construction projects led to the decrease. The sewer funds activities also resulted in a decrease in net position. The same projects caused a transfer from the sewer fund to fund the utility work being done. The Storm Water fund's activities resulted in an increase to net position. The Hydro fund's activities resulted in a decrease to net position. The Hydro plant no longer has debt to support thus the revenues are transferred to debt service and the general fund to help keep the tax levy lower.

General Fund Budgetary Highlights

Actual results were \$217,466 less than the amended expenditure budget. The difference from the final budget amounts are because of the following:

- Unemployment expenditures were less than anticipated. A savings of \$30,000.
- Insurance expenditures were reduced by the insurance provider. A savings of \$76,000.
- Supplies for street plowing this year were down due to a carryover from 2011. A savings of \$67,000 resulted.

Actual revenues were \$583,820 higher than the amended revenue budget. The difference from the final budget amounts are because of the following:

- Permit revenues exceeded the budget amount by \$ 58,150. Along with the building activity \$35,000 of electrical permits and \$26,000 for plan reviews were received above the revenue budget for 2012.

- Due to a summer storm which caused many trees to come down the City was declared a national disaster area and FEMA dollars were allocated to help with the clean up costs. This amounted to \$190,396 for the general fund.
- The City took on the role of the Safe and Sober administrator for Dakota County. \$109,000 of revenue for the program is being reported in the general fund. Of this amount \$90,381 is owed to the other Dakota County cities that are a part of the Safe and Sober program.

Capital Assets and Debt Administration

Capital assets. The City of Hastings' investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$92,599,211 (net of accumulated depreciation) a decrease of \$2,462,705. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure.

Major capital asset events during the current fiscal year included the following:

- A \$3.0 million street reconstruction program was completed.

City of Hastings Capital Assets (Net of Depreciation)

	2011	2012	2011	2012	2011	2012
	Governmental	Governmental	Business-	Business-	2011	2012
	Activities	Activities	Type	Type	Total	Total
			Activities	Activities		
Land	\$ 3,286,588	\$ 3,286,588	\$ 349,300	\$ 349,300	\$ 3,635,888	\$ 3,635,888
Construction in Progress	3,694,689	111,233	-	2,432	3,694,689	113,665
Buildings	13,007,173	12,496,789	10,193,820	9,766,140	23,200,993	22,262,929
Improvement other than buildings	1,738,160	1,685,920	2,365,349	2,266,191	4,103,509	3,952,111
Machinery and Equipment	2,403,780	2,243,605	1,373,476	1,098,875	3,777,256	3,342,480
Infrastructure	39,468,201	42,462,003	17,141,380	16,790,136	56,609,581	59,252,139
Total assets	\$ 63,598,591	\$ 62,286,138	\$ 31,423,325	\$ 30,273,074	\$ 95,021,916	\$ 92,559,212

Additional information on the City of Hastings's capital assets can be found in note IV E on pages 57-59.

Long-term debt. At the end of the current fiscal year, the City of Hastings had total G.O. bonded debt outstanding of \$24,479,750. Of this amount, \$4,689,750 comprises debt backed by the full faith and credit of the government and \$19,790,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to assessment. The remainder of the City of Hastings debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) but still carries the City's backing (government obligation).

More detailed information of on debt administration can be found in note H. on page 61-65.

Economic Factors

In 2012, the city experienced an uptick in new home construction. 39 homes were built in 2012 for a total increase in taxable market value of \$7,844,542. However, a decrease of tax capacity incurred between pay year 2012 and pay year 2013. The decrease of net tax capacity was \$640,430. Commercial property is holding steady, a small net gain of tax capacity from pay 2012 to pay 2013 of \$12,983.

Next Year's Budget

The 2013 budget had a levy increase of \$234,920. A 2% increase. The decrease in staffing from the 2012 budget continued in the 2013 budget. It is anticipated it will be a while before staffing levels change.

Requests for Information

This financial report is designed to provide a general overview of the City of Hastings' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director at 101 4th Street E., Hastings, MN 55033.

BASIC FINANCIAL STATEMENTS

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City of Hastings
Statement of Net Position
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hastings Economic Development and Redvelopment Authority
ASSETS				
Cash and investments	\$ 15,922,369	\$ 5,754,986	\$ 21,677,355	\$ 1,049,451
Receivables, net	6,718,828	1,181,516	7,900,344	568,173
Prepaid items	68,026	91,009	159,035	5
Inventories	60,161	-	60,161	-
Capital assets, nondepreciable				
Land and Construction in Progress	3,397,821	351,732	3,749,553	4,604,676
Capital assets, net accumulated depreciation				
Infrastructure	42,462,003	16,790,136	59,252,139	-
Buildings, property, and equipment	16,426,314	13,131,205	29,557,519	279,640
Total assets	<u>\$ 85,055,522</u>	<u>\$ 37,300,584</u>	<u>\$ 122,356,106</u>	<u>\$ 6,501,945</u>
LIABILITIES				
Accounts and salaries payable	\$ 1,121,140	\$ 117,366	\$ 1,238,506	\$ 66,874
Unearned revenues	172,053	-	172,053	-
Interest payable	295,576	61,441	357,017	53,670
Noncurrent liabilities:				
Due within one year	4,609,542	246,002	4,855,544	121,259
Due in more than one year	25,256,336	3,912,962	29,169,298	2,605,668
Total liabilities	<u>31,454,647</u>	<u>4,337,771</u>	<u>35,792,418</u>	<u>2,847,471</u>
NET POSITION				
Investment in capital assets	39,532,965	26,349,437	65,882,402	2,307,389
Restricted for:				
Police activities	14,524	-	14,524	-
Debt service	10,278,599	291,130	10,569,729	-
Capital projects	567,457	-	567,457	-
Permanent endowment-leduc mansion,expendable	1,118,669	-	1,118,669	-
Unrestricted	2,088,661	6,322,246	8,410,907	1,347,085
Total net position	<u>53,600,875</u>	<u>32,962,813</u>	<u>86,563,688</u>	<u>3,654,474</u>
Total liabilities and net position	<u>\$ 85,055,522</u>	<u>\$ 37,300,584</u>	<u>\$ 122,356,106</u>	<u>\$ 6,501,945</u>

The notes to the financial statements are an integral part of this statement.

City of Hastings
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,708,887	\$ 337,874	\$ 15,547	\$ -
Public safety	7,646,393	2,617,151	429,966	-
Public works	4,939,914	47,369	439,643	927,117
Culture and recreation	2,979,509	1,183,146	48,678	-
Economic development	24,455	-	-	-
Health and sanitation	24,057	1,045	-	-
Interest on long-term debt	905,223	82,327	-	22,500
Total governmental activities	<u>19,228,438</u>	<u>4,268,912</u>	<u>933,834</u>	<u>949,617</u>
Business-type activities:				
Water	2,003,623	2,220,064	4,009	13,591
Sewer	1,807,697	1,859,169	28,408	3,919
Storm	417,236	435,361	-	17,591
Hydro	907,562	981,819	-	484
Total business-type activities	<u>5,136,118</u>	<u>5,496,413</u>	<u>32,417</u>	<u>35,585</u>
Total primary government	<u>\$ 24,364,556</u>	<u>\$ 9,765,325</u>	<u>\$ 966,251</u>	<u>\$ 985,202</u>
Component units:				
Hastings Economic Development Redevelopment Authority	928,271	60,926	-	561,738
Total component units	<u>\$ 928,271</u>	<u>\$ 60,926</u>	<u>\$ -</u>	<u>\$ 561,738</u>

General revenues:

- Taxes:
 - Property taxes, levied for general purposes
 - Property taxes, levied for debt service
 - Unrestricted state aid
- Gains on disposal of capital assets
- Unrestricted investment earnings
- Transfers
- Contribution to primary government from component unit
- Total general revenues, transfers, and contributions
- Change in net position
- Net position--beginning
- Net position--ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Hastings Economic Development and Redevelopment Authority
\$ (2,355,466)	\$ -	\$ (2,355,466)	\$ -
(4,599,276)	-	(4,599,276)	-
(3,525,785)	-	(3,525,785)	-
(1,747,685)	-	(1,747,685)	-
(24,455)	-	(24,455)	-
(512)	-	(512)	-
(822,896)	-	(822,896)	-
<u>(13,076,075)</u>	<u>-</u>	<u>(13,076,075)</u>	<u>-</u>
-	234,041	234,041	-
-	83,799	83,799	-
-	35,716	35,716	-
-	74,741	74,741	-
<u>-</u>	<u>428,297</u>	<u>428,297</u>	<u>-</u>
<u>(13,076,075)</u>	<u>428,297</u>	<u>(12,647,778)</u>	<u>-</u>
-	-	-	(305,607)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(305,607)</u>
8,227,080	-	8,227,080	462,852
3,458,479	-	3,458,479	-
195,713	-	195,713	-
7,019	-	7,019	-
293,721	77,063	370,784	14,460
1,333,377	(1,333,377)	-	-
250,766	-	250,766	(250,766)
<u>13,766,155</u>	<u>(1,256,314)</u>	<u>12,509,841</u>	<u>226,546</u>
<u>690,080</u>	<u>(828,017)</u>	<u>(137,937)</u>	<u>(79,061)</u>
<u>52,910,795</u>	<u>33,790,830</u>	<u>86,701,625</u>	<u>3,733,535</u>
<u>\$ 53,600,875</u>	<u>\$ 32,962,813</u>	<u>\$ 86,563,688</u>	<u>\$ 3,654,474</u>

City of Hastings
Balance Sheet
Governmental Funds
December 31, 2012

Major Funds

	General	Fire and Ambulance	Debt Service
ASSETS			
Cash and investments	\$ 3,289,309	\$ 737,501	\$ 6,210,714
Petty cash	560	-	-
Cash held by escrow	1,950	-	1,301
Interest receivable	7,941	2,223	21,716
Accounts receivable, net	119,985	522,602	-
Taxes receivable	747,677	98,112	411,463
Special assessments receivable	1,206	-	4,094,736
Due from other governments	164,404	7,240	-
Prepaid items	23,196	486	3,012
Inventories	49,983	-	-
Total assets	<u>\$ 4,406,211</u>	<u>\$ 1,368,164</u>	<u>\$ 10,742,942</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Cash overdraft	\$ -	\$ -	\$ -
Salaries payable	216,491	94,829	-
Accounts payable	252,309	63,997	7,042
Contracts payable	-	-	-
Due to other governments	128,901	17,571	-
Unearned revenues	172,053	-	-
Deferred revenues	152,192	22,584	3,982,296
Total liabilities	<u>921,946</u>	<u>198,981</u>	<u>3,989,338</u>
Fund balances:			
Nonspendable			
Prepaid items	23,196	486	3,012
Inventories	49,983	-	-
Permanent Endowment-Leduc Mansion	-	-	-
Restricted			
Police activities	-	-	-
Debt service	-	-	6,750,592
Capital projects	-	-	-
Permanent Endowment-Leduc Mansion	-	-	-
Committed			
Park maintenance	-	-	-
Aquatic operations	-	-	-
Cable TV activities	-	-	-
Heritage preservation activities	-	-	-
Fire & ambulance activities	-	1,168,697	-
Arena activities	-	-	-
Assigned			
Capital	-	-	-
Unassigned	3,411,086	-	-
Total fund balances	<u>3,484,265</u>	<u>1,169,183</u>	<u>6,753,604</u>
Total liabilities and fund balances	<u>\$ 4,406,211</u>	<u>\$ 1,368,164</u>	<u>\$ 10,742,942</u>

The notes to the financial statements are an integral part of this statement.

Parks Projects	Road Improvement Construction	Other Governmental Funds	Total Governmental Funds
\$ 718,806	\$ -	\$ 3,006,159	\$ 13,962,489
-	-	600	1,160
-	-	909,325	912,576
4,554	(1,295)	12,545	47,684
-	-	210,751	853,338
-	-	152,316	1,409,568
-	-	-	4,095,942
-	79,485	56,450	307,579
-	-	41,332	68,026
-	-	10,179	60,162
<u>\$ 723,360</u>	<u>\$ 78,190</u>	<u>\$ 4,399,657</u>	<u>\$ 21,718,524</u>
\$ -	\$ 76,988	\$ 16,251	\$ 93,239
-	-	37,461	348,781
39,058	45,578	66,671	474,655
-	54,755	-	54,755
-	-	3,238	149,710
-	-	-	172,053
-	-	31,064	4,188,136
<u>39,058</u>	<u>177,321</u>	<u>154,685</u>	<u>5,481,329</u>
-	-	41,332	68,026
-	-	10,179	60,162
-	-	200,000	200,000
-	-	14,524	14,524
-	-	-	6,750,592
684,302	-	-	684,302
-	-	918,669	918,669
-	-	541,760	541,760
-	-	62,481	62,481
-	-	210,998	210,998
-	-	84,857	84,857
-	-	-	1,168,697
-	-	636,751	636,751
-	-	1,523,421	1,523,421
-	(99,131)	-	3,311,955
<u>684,302</u>	<u>(99,131)</u>	<u>4,244,972</u>	<u>16,237,195</u>
<u>\$ 723,360</u>	<u>\$ 78,190</u>	<u>\$ 4,399,657</u>	<u>\$ 21,718,524</u>

City of Hastings
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 For the Year Ended December 31, 2012

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

Total fund balances	\$	16,237,195
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		62,286,138
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		4,188,136
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable		(24,479,749)
Bonds interest payable		(295,576)
Unamortized discount/premium		26,577
Net position of internal service funds used in governmental activities.		(4,361,846)
Net position of governmental activities	\$	53,600,875

The notes to the financial statements are an integral part of this statement.

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City of Hastings
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	Major Funds			
	General	Fire and Ambulance	Debt Service	Parks Projects
REVENUES				
Property taxes	\$ 6,204,773	\$ 779,422	\$ 3,458,479	\$ -
Gravel tax reimbursement	3,109	-	-	-
Lodging tax	2,777	-	-	-
Special assessments	1,189	-	1,761,573	-
Licenses and permits	403,286	100	-	-
Fines and forfeitures	99,551	-	-	-
Intergovernmental	898,915	133,247	-	-
Charges for services	506,503	1,872,856	320,500	4,400
Investment earnings	37,038	10,231	56,821	16,032
Miscellaneous	12,252	-	-	-
Total revenues	<u>8,169,394</u>	<u>2,795,856</u>	<u>5,597,373</u>	<u>20,432</u>
EXPENDITURES				
Current:				
General government	2,188,513	-	-	-
Public safety	4,424,548	2,823,074	-	-
Public works	1,667,645	-	-	-
Health and sanitation	24,057	-	-	-
Cultural and recreation	81,392	-	-	18,000
Economic development	-	-	-	-
Debt service:				
Principal	-	-	4,340,000	-
Interest and other charges	-	-	911,963	-
Capital outlay	373,901	-	-	66,275
Total expenditures	<u>8,760,056</u>	<u>2,823,074</u>	<u>5,251,963</u>	<u>84,275</u>
Excess (deficiency) of revenues over expenditures	<u>(590,662)</u>	<u>(27,218)</u>	<u>345,410</u>	<u>(63,843)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	267,300	-	-	-
Bond premium/discount	16,111	-	-	-
Transfers in	891,602	308,519	649,579	-
Transfers out	(198,300)	(87,409)	(110,923)	(322,277)
Sale of capital assets	7,019	-	-	-
Total other financing sources (uses)	<u>983,732</u>	<u>221,110</u>	<u>538,656</u>	<u>(322,277)</u>
Net change in fund balances	<u>393,069</u>	<u>193,892</u>	<u>884,066</u>	<u>(386,120)</u>
Fund balances--beginning	<u>3,091,196</u>	<u>975,291</u>	<u>5,869,538</u>	<u>1,070,422</u>
Fund balances--ending	<u>\$ 3,484,265</u>	<u>\$ 1,169,183</u>	<u>\$ 6,753,604</u>	<u>\$ 684,302</u>

The notes to the financial statements are an integral part of this statement.

Road Improvement Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,278,192	\$ 11,720,866
-	-	3,109
-	-	2,777
-	-	1,762,762
-	-	403,386
-	-	99,551
213,985	1,579	1,247,726
15	1,132,057	3,836,331
175	157,455	277,752
-	56,930	69,182
<u>214,175</u>	<u>2,626,213</u>	<u>19,423,442</u>
-	-	2,188,513
-	6,625	7,254,247
479,911	-	2,147,556
-	-	24,057
-	2,357,038	2,456,430
-	24,455	24,455
-	-	4,340,000
-	-	911,963
2,506,568	104,911	3,051,655
<u>2,986,479</u>	<u>2,493,029</u>	<u>22,398,876</u>
(2,772,304)	133,184	(2,975,434)
1,700,000	62,700	2,030,000
92,291	3,779	112,181
1,406,734	90,650	3,347,084
(582,677)	(489,586)	(1,791,172)
-	-	7,019
<u>2,616,348</u>	<u>(332,457)</u>	<u>3,705,112</u>
(155,956)	(199,273)	729,678
56,825	4,444,245	15,507,517
<u>\$ (99,131)</u>	<u>\$ 4,244,972</u>	<u>\$ 16,237,195</u>

City of Hastings
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2012

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

Net change in fund balances -- total governmental funds	\$	729,678
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(1,300,090)
The net effect of various miscellaneous transactions involving capital assets including disposal, which increase or (decrease) net position.		(12,362)
Governmental funds report debt payments as expenditures. However, in the statement of activities the annual bond payments reduce the payable that is setup when debt is incurred.		4,235,000
Changes in bond interest payable.		42,494
Special assessments, property tax and tax increment collected for prior years.		(876,838)
Change in amortized bond issuance costs and discount.		(42,935)
Governmental activities reported in internal service funds.		(54,867)
Governmental funds report bond proceeds as revenue. However, in the statement of activities the proceeds are recorded as a payable and reduced each year as bonds come due.		(2,030,000)
Changes in net position of governmental activities.	\$	690,080

The notes to the financial statements are an integral part of this statement.

City of Hastings
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 6,180,190	\$ 6,180,190	\$ 6,204,773	\$ 24,583
Gravel tax	1,000	1,000	3,109	2,109
Lodging tax	2,500	2,500	2,777	277
Special assessments	-	-	1,189	1,189
Licenses and permits	292,250	292,250	403,286	111,036
Fines and forfeitures	109,000	109,000	99,551	(9,449)
Intergovernmental	586,410	591,360	898,915	307,555
Charges for services	343,829	343,829	506,503	162,674
Investment earnings	35,198	35,198	37,038	1,840
Miscellaneous	15,700	30,246	12,252	(17,994)
Total revenues	<u>7,566,077</u>	<u>7,585,573</u>	<u>8,169,394</u>	<u>583,820</u>
EXPENDITURES				
General government:				
Legal	147,260	147,260	141,350	5,910
Mayor, legislative, city administration	306,294	306,294	285,594	20,700
Finance and accounting	415,827	415,827	413,973	1,854
City clerk and elections	437,387	437,387	428,571	8,816
Planning and economic development	97,850	97,850	99,708	(1,858)
I.T.	424,634	445,405	407,286	38,119
Building maintenance	341,511	376,655	358,657	17,998
Miscellaneous	235,370	235,370	128,713	106,657
Public safety:				
Police	3,976,502	3,999,313	4,076,680	(77,367)
Building safety and code enforcement	398,194	398,194	416,259	(18,065)
Emergency management services	13,875	13,875	16,008	(2,133)
Animal control	9,000	9,000	8,415	585
Public works:				
Engineering	492,830	492,830	506,025	(13,195)
Street maintenance	1,187,208	1,223,208	1,155,402	67,806
Street lights	228,000	228,000	211,966	16,034
Health and sanitation:				
Reforestation	6,866	7,466	6,513	953
Recycling	16,650	16,650	17,544	(894)
Cultural and recreation:				
Senior center	65,888	65,888	31,480	34,408
Leduc mansion	61,050	61,050	49,912	11,138
Total charges to appropriations	<u>8,862,196</u>	<u>8,977,522</u>	<u>8,760,056</u>	<u>217,466</u>
Excess (deficiency) of revenues over expenditures	<u>(1,296,119)</u>	<u>(1,391,949)</u>	<u>(590,662)</u>	<u>801,287</u>
OTHER FINANCING SOURCES AND (USES)				
Bond proceeds	292,103	292,103	267,300	(24,803)
Bond premium/discount	-	-	16,111	16,111
Transfers in	1,167,696	1,267,185	891,602	(375,583)
Transfers out	(198,300)	(198,300)	(198,300)	-
Proceeds on sale of capital asset	-	-	7,019	7,019
Total other financing sources and (uses)	<u>1,261,499</u>	<u>1,360,988</u>	<u>983,732</u>	<u>(377,256)</u>
Net change in fund balances	<u>(34,620)</u>	<u>(30,961)</u>	<u>393,069</u>	<u>424,031</u>
Fund balance-Beginning	<u>3,091,196</u>	<u>3,091,196</u>	<u>3,091,196</u>	<u>-</u>
Fund balance-Ending	<u>\$ 3,056,576</u>	<u>\$ 3,060,235</u>	<u>\$ 3,484,265</u>	<u>424,030</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Fire and Ambulance Special Revenue Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 773,035	\$ 773,035	\$ 779,422	\$ 6,387
Licenses & permits	-	-	100	100
Intergovernmental	145,000	145,000	133,247	(11,753)
Charges for services	1,747,491	1,747,491	1,872,856	125,365
Investment earnings	-	-	10,231	10,231
Miscellaneous	-	650	-	(650)
Total revenues	<u>2,665,526</u>	<u>2,666,176</u>	<u>2,795,856</u>	<u>129,680</u>
EXPENDITURES				
Current:				
Public Safety:				
Personal Services	2,037,700	2,037,700	1,984,574	53,126
Services and Charges	715,922	716,572	685,909	30,663
Supplies	142,495	142,495	152,591	(10,096)
Capital outlay	2,000	10,519	-	10,519
Total expenditures	<u>2,898,117</u>	<u>2,907,286</u>	<u>2,823,074</u>	<u>84,212</u>
Excess (deficiency) of revenues over expenditures	<u>(232,591)</u>	<u>(241,110)</u>	<u>(27,218)</u>	<u>213,892</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers in	300,000	308,519	308,519	-
Transfers out	<u>(67,409)</u>	<u>(67,409)</u>	<u>(87,409)</u>	<u>(20,000)</u>
Total other financing sources and (uses)	<u>232,591</u>	<u>241,110</u>	<u>221,110</u>	<u>(20,000)</u>
Net change in fund balance	-	-	193,892	193,892
Fund balance--beginning	<u>975,291</u>	<u>975,291</u>	<u>975,291</u>	<u>-</u>
Fund balance--ending	<u>\$ 975,291</u>	<u>\$ 975,291</u>	<u>\$ 1,169,183</u>	<u>\$ 193,892</u>

The notes to the financial statements are an integral part of this statement.

City of Hastings
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities-- Enterprise Funds					Governmental Activities-- Internal Service Funds
	Water	Sewer	Storm Water	Hydro	Totals	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,140,328	\$ 2,103,895	\$ 260,620	\$ 250,143	\$ 5,754,986	\$ 1,046,143
Interest receivable	13,902	8,953	1,113	1,129	25,097	4,716
Receivables, net	415,091	445,167	124,040	86,393	1,070,691	-
Special assessment receivable	25,081	60,598	49	-	85,728	-
Prepaid items	824	90,161	21	3	91,009	-
Total current assets	3,595,226	2,708,774	385,843	337,668	7,027,511	1,050,859
Noncurrent assets:						
Advance due from other funds	-	300,000	-	-	300,000	-
Bond discount	-	-	1,060	-	1,060	-
Bond issuance Costs	28,628	-	1,375	-	30,003	-
Capital assets:						
Land and CIP	349,300	-	2,432	-	351,732	-
Buildings and system	8,048,680	144,798	-	6,831,566	15,025,044	-
Improvements other than buildings	3,744,241	-	-	-	3,744,241	-
Machinery and equipment	985,899	522,381	220,638	3,625,723	5,354,641	-
Infrastructure	17,522,833	16,250,715	-	-	33,773,548	-
Less accumulated depreciation	(13,036,664)	(8,693,537)	(17,102)	(6,228,830)	(27,976,133)	-
Total noncurrent assets	17,642,917	8,524,357	208,403	4,228,459	30,604,136	-
TOTAL ASSETS	\$ 21,238,143	\$ 11,233,131	\$ 594,246	\$ 4,566,127	\$ 37,631,647	\$ 1,050,859
LIABILITIES						
Current liabilities:						
Salaries payable	\$ 19,260	\$ 11,469	\$ 11,374	\$ 1,810	\$ 43,913	\$ -
Accounts payable	55,347	4,646	79	7,776	67,848	-
Due to other governments	5,605	-	-	-	5,605	-
Interest payable	61,130	-	311	-	61,441	-
Bond premium	23,386	-	-	-	23,386	-
Compensated absences	6,053	3,815	4,378	806	15,052	107,792
Bonds, notes, and loans payable	230,000	-	-	-	230,000	-
Total current liabilities	400,781	19,930	16,142	10,392	447,245	107,792
Noncurrent liabilities:						
Compensated absences	112,543	71,092	54,401	13,303	251,339	1,231,777
Retiree health insurance	-	-	-	-	-	4,073,136
Advance to/from other funds	-	-	-	300,000	300,000	-
Bonds, notes, and loans payable	3,470,000	-	200,250	-	3,670,250	-
Total noncurrent liabilities	3,582,543	71,092	254,651	313,303	4,221,589	5,304,913
Total liabilities	3,983,324	91,022	270,793	323,695	4,668,834	5,412,705
NET POSITION						
Investment in capital assets	13,890,903	8,224,357	6,778	4,228,459	26,350,497	-
Restricted:						
Debt services	291,130	-	-	-	291,130	-
Unrestricted:	3,072,786	2,917,752	316,675	13,973	6,321,186	(4,361,846)
Total net position	17,254,819	11,142,109	323,453	4,242,432	32,962,813	(4,361,846)
TOTAL NET POSITION AND LIABILITIES	\$ 21,238,143	\$ 11,233,131	\$ 594,246	\$ 4,566,127	\$ 37,631,647	\$ 1,050,859

The notes to the financial statements are an integral part of this statement.

City of Hastings
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities-- Enterprise Funds					Governmental Activities-- Internal Service Funds
	Water	Sewer	Storm	Hydro	Totals	
	-----	-----	-----	-----	-----	-----
Operating revenues:						
Charges for services	\$ 2,220,064	\$ 1,859,169	\$ 435,361	\$ 981,819	\$ 5,496,413	\$ -
Total operating revenues	2,220,064	1,859,169	435,361	981,819	5,496,413	-
Operating expenses:						
Personal services	531,015	324,891	361,239	54,211	1,271,356	268,183
Other services and charges	385,343	88,104	42,789	466,007	982,243	-
Supplies	130,845	4,612	2,536	873	138,866	-
Metro Waste control charge	-	1,016,342	-	-	1,016,342	-
Depreciation	806,858	373,748	10,347	386,471	1,577,424	-
Total operating expense	1,854,061	1,807,697	416,911	907,562	4,986,231	268,183
Operating income (loss)	366,003	51,472	18,450	74,257	510,182	(268,183)
Non-operating revenues (expenses)						
Special assessments	4,009	28,408	-	-	32,417	-
Intergovernmental	13,591	3,919	17,591	484	35,585	15,547
Investment earnings	40,262	30,157	4,626	2,018	77,063	15,969
Bond interest	(149,131)	-	(325)	-	(149,456)	-
Fiscal agent charges	(431)	-	-	-	(431)	-
Total non-operating revenue (expenses)	(91,700)	62,484	21,892	2,502	(4,822)	31,516
Income (loss) before contributions and transfers	274,303	113,956	40,342	76,759	505,360	(236,667)
Capital contributions	72,688	331,647	-	-	404,335	-
Transfers in (out)	(441,307)	(675,192)	-	(621,213)	(1,737,712)	181,800
Change in net assets	(94,316)	(229,589)	40,342	(544,454)	(828,017)	(54,867)
Total net position--beginning	17,349,135	11,371,698	283,111	4,786,886	33,790,830	(4,306,979)
Total net position--ending	\$ 17,254,819	\$ 11,142,109	\$ 323,453	\$ 4,242,432	\$ 32,962,813	\$ (4,361,846)

The notes to the financial statements are an integral part of this statement.

City of Hastings
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities-- Enterprise Funds					Governmental Activities-- Internal Service Funds
	Water	Sewer	Storm	Hydro	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	\$ 2,167,989	\$ 1,863,523	\$ 428,282	\$ 1,006,375	\$ 5,466,169	\$ -
Payments to suppliers for goods and services	(523,522)	(1,142,503)	(45,371)	(470,050)	(2,181,446)	(229,248)
Payments to employees	(542,676)	(320,772)	(319,850)	(53,312)	(1,236,610)	-
Net cash provided (used) by operating activities	1,101,791	400,248	63,061	483,013	2,048,113	(229,248)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (to) from other funds	(441,307)	(675,192)	-	(621,213)	(1,737,712)	181,800
Subsidy from federal and state grants	13,591	3,919	17,591	484	35,585	15,547
Net Cash provided (used) by non capital and financing activities	(427,716)	(671,273)	17,591	(620,729)	(1,702,127)	197,347
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	-	(2,413)	(20,424)	-	(22,837)	-
Principal paid on capital debt	(220,000)	-	-	-	(220,000)	-
Interest paid on capital debt	(152,400)	-	-	-	(152,400)	-
Other receipts-specials assessments and taxes	15,037	10,111	615	-	25,763	-
Net cash provided (used) by capital and related financing activities	(357,363)	7,698	(19,809)	-	(369,474)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received on investments	42,265	32,800	4,357	3,082	82,504	16,465
Net cash provided by investing activities	42,265	32,800	4,357	3,082	82,504	16,465
Net increase (decrease) in cash and cash equivalents	358,977	(230,527)	65,200	(134,634)	59,016	(15,436)
Balance--beginning of the year	2,781,351	2,334,422	195,420	384,777	5,695,970	1,061,579
Balance--end of the year	<u>\$ 3,140,328</u>	<u>\$ 2,103,895</u>	<u>\$ 260,620</u>	<u>\$ 250,143</u>	<u>\$ 5,754,986</u>	<u>\$ 1,046,143</u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 366,003	\$ 51,472	\$ 18,450	\$ 74,257	\$ 510,182	\$ (268,183)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expenses	\$ 806,858	\$ 373,748	\$ 10,347	\$ 386,471	\$ 1,577,424	\$ -
Other income (payments)	(431)	-	-	-	(431)	-
Change in assets and liabilities:						
Accounts receivable	(52,075)	4,354	(7,079)	24,556	(30,244)	-
Prepaid expenses	(198)	(5,441)	2	1	(5,636)	-
Accounts payable	(6,377)	(28,004)	(48)	(3,171)	(37,600)	(16,568)
Salaries payable	108	238	240	(155)	431	55,503
Due to other governments	(328)	-	-	-	(328)	-
Accrued expenses	(11,769)	3,881	41,149	1,054	34,315	-
Total adjustments	735,788	348,776	44,611	408,756	1,537,931	38,935
Net cash provided by operating activities	<u>\$ 1,101,791</u>	<u>\$ 400,248</u>	<u>\$ 63,061</u>	<u>\$ 483,013</u>	<u>\$ 2,048,113</u>	<u>\$ (229,248)</u>
Non cash capital contributions	\$ 72,688	\$ 331,647	\$ -	\$ -	\$ 404,335	\$ -

The notes to the financial statements are an integral part of this statement.

TRUST and AGENCY FUNDS

City of Hastings
Statement of Fiduciary Net Position
Agency and Private-Purpose Trust Funds
December 31, 2012

	Total Combined Agency Funds	Total Combined Trust Funds
ASSETS:		
Cash and cash equivalents	\$ 117,503	\$ 92,213
Account receivable	1,564	-
Interest receivable	-	409
Total Assets	\$ 119,067	92,622
LIABILITIES:		
Accounts payable	\$ 119,067	-
NET POSITION		
Held in trust for Library		\$ 92,622

The notes to the financial statements are an integral part of this statement.

City of Hastings
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	Library Private- Purpose Trust Fund
ADDITIONS	
Investment earnings	\$ 1,463
Total additions	1,463
DEDUCTIONS	
Total deductions	-
Change in net position	1,463
Net position--beginning	91,159
Net position--ending	\$ 92,622

The notes to the financial statements are an integral part of this statement.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Hastings is a municipal corporation formed under the Home Rule Charter of the City and operates under a Council-Administrator form of government. The seven-member Council and Mayor are elected on rotating terms in each odd-numbered year. The accompanying financial statements present the City and its component unit for which the City is considered to be financially accountable. The Economic Development and Redevelopment Authority (EDA), a discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely presented component unit. The City's HEDRA with HRA powers is a component unit that operates for the purpose of providing economic development and redevelopment services to the City of Hastings. The governing body consists of a seven member board of commissioners appointed by the Hastings City Council. The HEDRA has the power to levy taxes, issue debt and enter into contracts and agreements. The Hastings City Council can impose its will upon the HEDRA board and has the ability to veto, overrule, or modify decisions made by the HEDRA board. The HEDRA does not prepare separate financial statements.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, service or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire and Ambulance Special Revenue Fund* accounts for resources and payments related to the operations of the City's firefighting and ambulance services. Revenue sources are ambulance receivables, state aid, interest and tax levy.

The *Debt Service Fund* accounts for resources accumulated and payments for principal and interest on long term general obligation debt and general obligation special assessment debt.

The *Parks Projects Capital Projects Fund* accounts for revenues and expenditures related to the construction, development, and improvements to the City's parks.

The *Road Improvement Construction Capital Projects Fund* accounts for revenues and expenditures related to street construction and improvements.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the activities related to the operation of a water distribution system.

The *Sewer Fund* accounts for resources and payments related to the operation of a sanitary collection system.

The *Storm water Fund* accounts for resources and payments related to the operation of the storm water system.

The *Hydro Fund* accounts for the funds generated by the hydro electric plant. These funds are used to finance the hydro electric operating expenses.

Additionally, the City reports the following fund types:

Internal Service Funds account for the retiree health insurance expenses and the related liability as well as the expenses for the compensated absences paid out upon termination or retirement.

The *Agency Funds* account for deposits for cable security and for the escrow accounts from development related projects.

The *Trust Fund* accounts for a trust created for the Dakota County Library. Ruth Doffing donated money to the City for the sole purpose of funding materials for the Dakota Library.

The *Permanent Fund* accounts for the trust of the Simmons family for the LeDuc Mansion that was transferred over to the City in 2005. The income of this trust is to be used for the operations of the LeDuc Mansion as a historical museum.

CITY OF HASTINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Council holds public hearings and a final budget and tax levy must be prepared, adopted and submitted to the county auditor, no later than December 28.

The appropriated budget is prepared by fund and department. The City's department heads may request transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level. The Council made several supplementary budgetary appropriations for the general fund and various special revenue funds in 2012.

B. Excess of expenditures over appropriations

For the year ended December 31, 2012, expenditures exceeded appropriations in the following departments/programs in the general fund: Planning and Economic Development by \$1,858, Police by \$77,367, Building Safely by 18,065, Emergency Management Services by \$2,133, Engineering by \$13,195 and Recycling by \$894. These excess expenditures were offset by other departments' expenditure savings. Overall the general funds departments had a savings of \$217,466.

Other funds where expenditures exceeded appropriations are; Fire and Ambulance fund by \$10,096, Parks Special Revenue fund by \$38,115, Cable Special Revenue fund by \$26,814, DUI Enforcement Special Revenue fund by \$1,408, Debt Service fund by \$251,092, Drug Awareness Special Revenue fund by \$57.

C. Deficit fund equity

The Guardian Angels tax increment financing capital projects fund had a fund deficit balance of \$503, a decrease of from 2011 by \$917. The NAPA TIF district had a fund balance deficit of \$16,464, an increase from 2011 by \$1,353. The Riverfront TIF district had a deficit of \$748, an increase from 2011 by \$772. These funds deficits are expected to be covered from future tax increment revenues. The Road improvement construction capital project fund has a negative fund deficit balance of \$99,131. This is resulting from expenditures incurred in 2012 for the 2013 road construction project. Future funding for the projected will offset the negative balance in 2013.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

All trade and accounts receivable are shown net of an allowance for uncollectible, which is determined by analysis of historical collection trends. The allowance for the ambulance receivables is equal to 61% of outstanding receivables at year end.

Property taxes are submitted to the County Auditor by December 28 of each year, to be levied on January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable.

3. *Prepaid items and inventories*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government units and fund financial statements.

Materials and supplies, if material, are recorded at cost using first in first out (FIFO) method and reported under the consumption method in the Governmental Funds.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Pursuant to GASB Statement 51, in the case of initial capitalization of intangible assets, the City chose not to retroactively report permanent easements. The City had already accounted for temporary easements and computer software at historical cost and therefore retroactive reporting was not necessary. The amounts of these assets are not material to the financial statements and therefore, have not been reported separately from other capital assets. The City acquired no intangible assets for the year ending December 31, 2012.

Capital assets of the City and its component unit are depreciated using the straight line method over the following estimated useful lives:

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Assets	Years
Buildings	40 - 50
Furniture and Fixtures	5 - 10
Motor Vehicles	5
Heavy Equipment	10
Fire Trucks	10
Park trails	20
Streets and public infrastructure	20
Utility distribution systems	40
Sirens	10
Bridges	45

5. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Under the City's personnel policy and union contracts, City employees are granted vacation and sick leave in varying amounts based upon length of service. Certain City employees are also granted compensatory time. Unused accumulated vacation leave, compensatory time and vested sick leave is paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees at termination. The liabilities for the compensated absences are paid for by the fund that incurs the charge, the liability is shown in the internal service fund and proprietary funds.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term debt reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund equity*

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Non-spendable – portions of fund balance related to prepays, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained by external parties (statute, grantors, bond agreements, etc).

Committed – fund constraints are established and modified by a resolution approved by the City Council prior to year end.

Assigned – consists of internally imposed constraints. These constraints are established by the City Council and/or management. The City Council also delegates the authority to assign fund balance to the Director of Finance or his/her designee.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City’s policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City’s policy to use committed first, then assigned, and finally unassigned amounts.

The City formally adopted a fund balance policy for the General Fund. The policy establishes an unassigned fund balance range of 30% - 40% of the subsequent year’s budgeted expenditures.

8. *Comparative data/reclassifications*

Comparative total data for the prior year has not been presented in the fund financial statements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation *between net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,300,090 difference are as follows:

Capital outlay	\$ 3,051,657
Depreciation expense	<u>(4,351,747)</u>
Net adjustment to decrease <i>net changes in fund balances</i> <i>Total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u>\$ (1,300,090)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the Road Improvement Capital Projects Fund, which adopt project-length budgets, Guardian Angels TIF, River Front TIF, NAPA TIF, and the permanent fund, which are not budgeted. All annual appropriations lapse at fiscal year-end.

On or before mid-May of each year, all departments and agencies of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the city council for review and approval. By September 15, the proposed budget and tax levy must be submitted to the county auditor. The

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

Council holds public hearings and a final budget and tax levy must be prepared, adopted and submitted to the county auditor, no later than December 28.

The appropriated budget is prepared by fund and department. The City's department heads may request transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level. The Council made several supplementary budgetary appropriations for the general fund and various special revenue funds in 2012.

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IV. DETAILED NOTES ON ALL FUNDS

A. Deposits

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Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard 7 Poor's Corporation; and
- f) Time deposits that are fully insured by any Federal agency.

At December 31, 2012 the carrying amount of City's deposits was \$688,010. Of these deposits, none were uncollateralized.

B. Investments

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligation of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and or rated "A" or better by a national bond rating agency.
- d) Bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

CITY OF HASTINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

As of December 31, 2012 the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	Over 10 Years
Federal National Mortgage Assn. Notes (1)	AA+	\$ 1,518,363	\$ -	\$ -	\$ 1,518,363	\$ -
Federal Home Loan Mtg. Corp. Notes (1)	AA+	1,002,000	-	-	1,002,000	-
Federal Loan Bank Notes(1)	AA+	3,869,450	-	-	3,869,450	-
Taxable Municipals	Aa2, AA+	1,852,728	855,089	271,615	726,024	-
Certificates of Deposits	N/R	6,817,816	2,865,481	3,952,335	-	-
External investment pool-4M Fund & PFM	N/A	5,559,160	5,559,160	-	-	-
Money Market	AAAm	621,378	621,378	-	-	-
Total		\$ 21,240,895	\$ 9,901,108	\$ 4,223,950	\$ 7,115,837	\$ -

(1) These investments have call dates that occur in less than one year.
N/R=Not Rated, N/A=Not Applicable

C. Investment Risks

Interest rate risk – The City’s investment policy requires the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity. The policy also states that investments should be purchased to match expected cash flow needs, minimizing the market risk associated with the early sale of investments.

Credit Risk –The City’s investment policy is silent with regards to Credit Risk. All investments with the exception of the 4M fund are collateralized or the investment brokerage firms have SPIC insurance to cover the loss. The City’s external investment pool-4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of pool shares.

Concentration of credit risk – The City’s investment policy requires that no more than 42% of the City’s investment portfolio can be purchased by any one investment institution or broker/dealer. More than 5% of the City’s investment portfolio is in various holdings as follows:

Federal National Mortgage Association	7%
Federal Home Loan Mortgage Corp. Notes	5%
Federal Home Loan Bank Notes	18%
Taxable Municipals	9%

Custodial credit risk – For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investment securities that are in possession of an outside party. As of December 31, 2012, none of the government’s bank balance of \$21,240,895 was exposed to custodial credit risk.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

D. Receivables

Receivables as of year-end for the City's individual governmental major funds, nonmajor funds, proprietary funds, fiduciary funds and component unit in the aggregate, including the applicable allowances for uncollectible accounts. See footnote number 1 regarding the collectibility of accounts receivable.

Receivables	General	Fire and Ambulance	Debt Service	Parks Projects	Road	Other Governmental	Internal Service	Total
					Improvement Construction			
Interest	\$ 7,941	\$ 2,223	\$ 21,716	\$ 4,554	\$ (1,295)	\$ 12,545	\$ 4,716	\$ 52,400
Accounts	119,985	522,602	-	-	-	210,751	-	853,338
Taxes	747,677	98,112	411,463	-	-	152,316	-	1,409,568
Special assessments	1,206	-	4,094,736	-	-	-	-	4,095,942
Due from other governments	164,404	7,240	-	-	79,485	56,450	-	307,579
Total receivables	<u>\$ 1,041,213</u>	<u>\$ 630,177</u>	<u>\$ 4,527,915</u>	<u>\$ 4,554</u>	<u>\$ 78,190</u>	<u>\$ 432,062</u>	<u>\$ 4,716</u>	<u>\$ 6,718,827</u>

Receivables	Water	Sewer	Storm	Hydro	Proprietary	Component
					Total	Unit
Interest	\$ 13,902	\$ 8,953	\$ 1,113	\$ 1,129	\$ 25,097	\$ 4,130
Accounts	415,091	445,167	124,040	86,393	1,070,691	2,508
Taxes	-	-	-	-	-	56,690
Special assessments	25,081	60,598	49	-	85,728	-
Due from other govts	824	90,161	21	3	91,009	-
Loans	-	-	-	-	-	504,845
Total receivables	<u>\$ 454,898</u>	<u>\$ 604,879</u>	<u>\$ 125,223</u>	<u>\$ 87,525</u>	<u>\$ 1,272,525</u>	<u>\$ 568,173</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned* in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General fund)	\$ 151,123	\$ -
Delinquent property taxes receivable (Fire & Ambulance fund)	22,584	-
Delinquent property taxes receivable (Debt Service fund)	83,248	-
Delinquent property taxes receivable (Non-major Governmental funds)	31,184	-
Special assessments not yet due (General fund)	950	-
Special assessment not yet due (Debt service fund)	3,899,047	-
Antenna leases (General Fund)	-	172,053
Total deferred revenue for Governmental funds	<u>\$ 4,188,136</u>	<u>\$ 172,053</u>

CITY OF HASTINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

E. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,286,588	\$ -	\$ -	\$ 3,286,588
Construction in Progress	3,694,689	82,689	(3,666,144)	111,233
Total capital assets not being depreciated	6,981,277	82,689	(3,666,144)	3,397,822
Capital assets being depreciated				
Buildings	19,509,282	-	-	19,509,282
Improvements other than buildings	3,387,403	102,250	(7,012)	3,482,641
Machinery and equipment	9,476,086	456,799	(282,396)	9,650,489
Infrastructure	80,312,802	6,090,024	(1,010,078)	85,392,747
Total capital assets being depreciated	112,685,573	6,649,072	(1,299,486)	118,035,159
Less accumulated depreciated for:				
Buildings	(6,502,109)	(510,385)	-	(7,012,493)
Improvements other than buildings	(1,649,243)	(154,490)	7,012	(1,796,721)
Machinery and equipment	(7,072,306)	(590,649)	256,071	(7,406,884)
Infrastructure	(40,844,600)	(3,096,223)	1,010,078	(42,930,745)
Total accumulated depreciation	(56,068,258)	(4,351,747)	1,273,161	(59,146,843)
Governmental activities, capital assets, net	56,617,315	2,297,325	(26,324)	58,888,316
	<u>\$ 63,598,592</u>	<u>\$ 2,380,014</u>	<u>\$ (3,692,469)</u>	<u>\$ 62,286,138</u>

CITY OF HASTINGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 349,300	\$ -	\$ -	\$ 349,300
Construction in Progress	-	2,432	-	2,432
Total capital assets not being depreciated	349,300	2,432	-	351,732
Capital assets being depreciated				
Buildings	15,022,631	2,413	-	15,025,044
Improvements other than buildings	3,744,240	-	-	3,744,240
Machinery and equipment	5,336,650	17,991	-	5,354,643
Infrastructure	33,371,724	404,335	2,511	33,773,548
Total capital assets being depreciated	57,475,245	424,739	2,511	57,897,475
Less accumulated depreciated for:				
Buildings	(4,828,811)	(430,093)	-	(5,258,904)
Improvements other than buildings	(1,378,891)	(99,158)	-	(1,478,049)
Machinery and equipment	(3,963,173)	(292,592)	-	(4,255,765)
Infrastructure	(16,230,344)	(755,579)	2,511	(16,983,412)
Total accumulated depreciation	(26,401,219)	(1,577,423)	2,511	(27,976,131)
Total capital assets, being depreciated, net	31,074,026	(1,152,683)	-	29,921,342
Business-type activities capital assets, net	\$ 31,423,326	\$ (1,150,251)	\$ -	\$30,273,074

Depreciation expense was charged to function/programs of the City as follows:

Governmental activities:

General government	\$ 252,189
Public safety	379,785
Streets and highways, including depreciation of infrastructure	3,196,693
Culture and recreation	523,080
Total depreciation expense for governmental activities	<u>\$4,351,747</u>

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Business-type activities:

Water	\$ 806,858
Sewer	373,748
Stormwater	10,347
Hydro	386,471
Total depreciation expense for business-type activities:	<u><u>\$1,577,423</u></u>

Discretely presented component unit

Activity for the HEDRA for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,604,675	\$ -	-	4,604,675
Capital assets being depreciated:				
Buildings	724,195	-	-	724,195
Total capital assets being depreciated	724,195	-	-	724,195
Less accumulated depreciated for:				
Buildings	(385,591)	(58,964)	-	(444,555)
Total accumulated depreciation	(385,591)	(58,964)	-	(444,555)
Total capital assets, being depreciated, net	338,604	(58,964)	-	279,640
Discretely Presented Component Unit	<u>\$ 4,943,279</u>	<u>\$ (58,964)</u>	<u>\$ -</u>	<u>\$ 4,884,315</u>

CITY OF HASTINGS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2012

F. Construction commitments

The City has active street construction projects as of December 31, 2012.

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Residential street construction - special assessments	\$ 2,111,829	\$ 54,755

The special assessment portion of the commitment for residential street construction is being financed by special Assessment bonds that will be repaid by the benefiting property owners. The public-purpose portion of this same project is being funded by tax levy.

G. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	Hydro Fund	\$ 300,000
Total		\$ 300,000

The \$300,000 from the sewer fund was money to start up the Hydro plant back in the early 1990's and won't be paid back until the Hydro plant is free from all other debt. Currently the hydro fund is debt free, however the City is currently transferring \$300,000 to the general fund and \$300,000 to the debt service fund in order to lower the tax levy.

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	Transfers In						T-out Total
	General	Fire & Ambulance	Debt	Road Construction	Other Governmental	Internal Service	
General					16,500	181,800	198,300
Fire & Ambulance	87,409				35,000		87,409
Debt			110,923				110,923
Parks Projects				303,527	13,750		322,277
Road Construction	344,021		233,666				582,677
Other Governmental							
Parks & Rec	22,887						22,887
Aquatic Center	8,433						8,433
Cable TV	62						62
Heritage Preservation	1,534						1,534
ERF	15,346	308,519		50,000	25,400		399,265
Arena	9,468						9,468
Water	33,158			408,149			441,307
Wastewater	35,134			640,958			675,192
Hydro	321,213		300,000				621,213
Trust	4,366						4,366
Trust	43,601						43,601
T-in Total	891,602	308,519	649,579	1,405,734	90,650	181,800	3,528,684

Purpose of the transfers are to fund operations, capital purchases, debt obligations, compensated absence, and retiree health benefits.

H. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide for financing of major facilities, street improvements and certain city equipment. Debt service for some of the major facilities is covered in part through agreements with the Hastings' School District with the difference paid from general tax levies. Street improvements are covered by special assessments against benefited properties with any shortfalls being paid from general tax levies. The Equipment Certificates are covered completely by general tax levies.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds for the public facilities generally are issued as 20-year serial bonds with equal debt service payments each year. The original amount of general obligation bonds for the issues listed below is \$ 9,190,000. Of these three bond issues, one is partially funded by the Hastings School District. The School District is obligated 45% for the Parks Maintenance Garage facility.

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The city records the full debt on its books with the commitments from the school district reflected as annual revenues. The general obligation bonds currently outstanding are as follows:

Purpose	Rates	Amount
General Obligation Bonds - facilities	2.80% -3.86%	\$ 3,405,000

Annual debt service requirements to maturity for general obligation-facility bonds are as follows:

Year Ending December 31	Principal	Interest
2013	\$ 740,000	\$ 109,650
2014	770,000	80,775
2015	250,000	61,775
2016	265,000	35,560
2017	275,000	43,750
2018-2022	1,105,000	83,125
Total	\$ 3,405,000	\$ 414,635

Special Assessment G.O. Bonds

Special assessment general obligation bonds generally are issued as 12-year serial bonds with equal debt service payments each year. The original amount of general obligation bonds for the issues listed below is \$27,310,000. The special assessment general obligation bonds currently outstanding are as follows:

Purpose	Rates	Amount
Special Assessment G.O. Bonds	1.82% - 4.41%	\$ 19,790,000

Annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31	Principal	Interest
2013	3,425,000	529,799
2014	2,995,000	446,091
2015	3,055,000	355,440
2016	2,425,000	271,963
2017	1,890,000	205,055
2018-2022	5,820,000	355,967
2023	180,000	1,800
Total	\$ 19,790,000	\$ 2,166,115

Equipment Certificates

Equipment Certificates are general obligations of the city and generally are issued as 3-5 year serial bonds with equal debt service payments each year. They have been used sparingly as a means to purchase certain equipment for the City.

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NOTES TO FINANCIAL STATEMENTS
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The original amount of these certificates for the issues listed below is \$2,004,750. The equipment certificates currently outstanding are as follows:

Purpose	Rates	Amount
Equipment Certificates	1.-3.72%	\$ 1,284,750

Annual debt service requirements to maturity for these equipment certificates are as follows:

Year Ending December 31	Principal	Interest
2013	\$ 336,750	\$ 24,289
2014	324,500	17,508
2015	259,500	10,899
2016	174,500	6,529
2017	119,500	3,484
2018	70,000	1,050
Total	\$ 1,284,750	\$ 63,759

Revenue Bonds

The City also issues bonds where the city pledges income derived from certain enterprise fund activities to pay debt service. These bonds also have are backed by the full faith and credit of the government (general obligation). The original amount of general obligation revenue bonds for the issues listed below is \$4,930,250. The general obligation revenue bonds currently outstanding are as follows:

Purpose	Net Interest	
	Rates	Amount
General Obligation Revenue	1.19% - 4.31%	\$ 3,900,250

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	Principal	Interest
2013	\$ 268,250	\$ 145,015
2014	280,500	135,397
2015	285,500	125,424
2016	300,500	114,960
2017	305,500	103,973
2018-2022	1,105,000	381,000
2023-2027	1,355,000	139,900
Total	\$ 3,900,250	\$ 1,145,669

CITY OF HASTINGS

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From time to time, the City has issued conduit debt to provide financial assistance to private sector entities for projects deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2012 there were five series of these revenue bonds outstanding, with an aggregate principal amount payable of \$32,518,166

Changes in long-term liabilities

Governmental Activities	Beginning			Ending Balance	Due Within One Year
	Balance	Additions	Reductions		
Bonds payable:					
General obligation debt	\$ 4,120,000	\$ -	\$ (715,000)	\$ 3,405,000	\$ 740,000
Special assessment GO debt	21,230,000	1,700,000	(3,140,000)	19,790,000	3,425,000
Equipment certificates	1,334,750	330,000	(380,000)	1,284,750	336,750
Less deferred amounts for issuance costs & prem./disc.	(69,513)	24,993	17,943	(26,577)	-
Total bonds payable	26,615,237	2,054,993	(4,217,057)	24,453,173	4,501,750
Compensated absences	1,284,066	684,866	(629,363)	1,339,569	107,792
Other postemployment benefits obligation	4,089,704	219,353	(235,921)	4,073,136	-
Governmental activity					
Long-term liabilities	\$ 31,989,007	\$ 2,959,212	\$ (5,082,341)	\$ 29,865,878	\$ 4,609,542

Business-Type Activities	Beginning			Ending Balance	Due Within One Year
	Balance	Additions	Reductions		
Bonds payable:					
Revenue bonds	\$ 4,120,250	\$ -	\$ (220,000)	\$ 3,900,250	\$ 230,000
Less deferred amounts for issuance costs & prem./disc.	(8,628)	-	950	(7,678)	950
Total bonds payable	4,111,622	-	(219,050)	3,892,572	230,950
Compensated absences	248,017	130,210	(111,835)	266,392	15,052
Business-Type activity					
Long-term liabilities	\$ 4,359,639	\$ 130,210	\$ (330,885)	\$ 4,158,964	\$ 246,002

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
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Component Unit	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Taxable Lm td Tax Obligation	\$ 2,855,000	\$ -	\$ (105,000)	\$ 2,750,000	\$ 120,000
Less deferred amounts for issuance costs & prem./disc.	(24,332)	-	1,259	(23,073)	1,259
Total bonds payable	2,830,668	-	(103,741)	2,726,927	121,259
Component unit activity					
Long-term liabilities	\$ 2,830,668	\$ -	\$ (103,741)	\$ 2,726,927	\$ 121,259

Minnesota Statutes state that a city's net debt shall not be in excess of 2% of the established market value of that City. For the City of Hastings, the legal debt limit is approximately \$27,973,883 with \$3,405,000 debt applicable to that limit leaving a debt margin of \$24,568,883.

For the governmental activities, compensated absences and other postemployment benefits obligations are generally liquidated by the general and special revenue funds.

I. Revenue Pledged

Bond Issue	Use of Proceeds	Type	Revenue Pledged			Current Year		
			Percent of total debt service	Debt service as a % of net revenues	Term of Pledge	Remaining Principal and Interest	Principal and Interest paid	Pledged Revenue received
Go Water 05	Water	Revenues	100%	100%	2005-2017	364,000	76,725	76,725
GO Water 06	Treatment	Revenues	100%	100%	2006-2027	4,476,500	299,300	299,300
Storm Water Equipment	Equipment	Revenues	100%	100%	2012-2017	205,420	-	-
GO Imp 01	Street Recon.	Special Assessments		88.66	2002-2013	189,255	198,103	35,828
GO Imp 04 A	Street Recon.	Special Assessments		27.67	2004-2015	538,474	181,610	-
GO Imp 04 B	Street Recon.	Special Assessments		36.72	2005-2016	2,252,229	586,765	133,013
GO Imp 05 A	Street Recon.	Special Assessments		49.24	2006-2017	1,629,000	355,403	150,377
GO Imp 06	Street Recon.	Special Assessments		54.32	2007-2018	1,351,100	242,431	43,263
GO Imp 07 A	Refunding	Special Assessments		22.85	2007-2019			
GO Imp 07 B	Street Recon.	Special Assessments		42.2	2008-2020	1,924,958	296,851	69,951
GO Imp 08 A	Street Recon.	Special Assessments		25.13	2009-2021	2,958,029	398,142	44,773
GO Imp 09 A	Street Recon.	Special Assessments		25.08	2010-2022	1,839,258	205,320	63,544
GO Imp 10 B	Street Recon.	Special Assessments		40.15	2011-2016	1,327,356	23,945	47,761
GO Refunding 10A	Refunding	Special Assessments			2010-2015	1,941,700	971,525	581,867
GO Imp 11 A	Street Recon.	Special Assessments			2013-2022	4,064,108	50,928	124,670
GO Imp 12A	Street Recon.	Special Assessments			2013-2023	1,940,649	73	358,822

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of damage to, and the destruction of assets; errors and omissions; injuries to employees and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverage. The LMCIT operates as a common risk management and insurance program for approximately 780 cities. The city pays an annual premium to the LMCIT for insurance coverage. The LMCIT agreement provides that the Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The major reinsurance points are generally \$200,000 per occurrence for property loss or damage and \$460,000 per occurrence for workers' compensation. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance from the prior year.

B. Contingent liabilities

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Employee retirement systems and pension plans

1. Defined benefit pension plans - statewide employees plan

Plan Description

All full-time and certain part-time employees of the City of Hastings are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERAs Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members; the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF and GERF members hired prior to

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members, and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits at 66 for coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees, who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the web at mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088, or by calling (651) 296-7460 or 1- 800-652-9026.

Funding policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by State Statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary. PEPFF members are required to contribute 9.6% of their annual covered salary. The City of Hastings is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$309,614, \$246,870 and \$315,275, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011 and 2010 were \$525,172, \$486,789, and \$467,845, respectively. The city's contributions were equal to the contractually required contributions for each year as set by state statute.

2. Defined contribution plan

Five council members of the City of Hastings are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public employees' retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401 (a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

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Total contributions made by the City of Hastings during fiscal years 2010, 2011, and 2012 were:

Year	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
2012	\$1,882	\$1,882	5.00%	5.00%	5.00%
2011/2010	\$1,920	\$1,920	5.00%	5.00%	5.00%

3. Single employer defined benefit pension plan - volunteer fire relief association

Plan description

The City of Hastings firefighters are covered by a non-employee contributory defined benefit retirement plan administered by the Hastings Firefighter Relief Association (Association), a single employer public employee retirement system. The Association, which was established in 1954, is organized under the Minnesota State Statutes Section 69 and 424A, as amended and provides benefits in accordance with those statutes. The association is governed by a board of six officers and trustees elected by the members of the Association for three-year terms. The City Mayor, City Clerk, and Fire Chief are ex-officio members of the Board of Trustees.

The Association issues a publicly available financial report that includes financial statements and required supplementary information for the Hastings Firefighters' Relief Association. That report may be obtained by writing to the Hastings Firefighters' Relief Association, 115 West 5th Street, Hastings, MN 55033.

For financial reporting purposes, the Association's financial statements are not included in the City of Hastings' financial statements because the Association is not a component unit of the City.

The Association provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by the Association with approval by the Hastings City Council under the applicable state statutes. The defined retirement benefits are based on members' years of service. Vesting begins after the 10th year of service with a 60% benefit increasing by 4% per year to 100% after the 20th year of service.

Full benefits are available after 20 years of service by the member and having attained the age of 50. The service pension prescribed by the Association's by-laws is \$4,500 for each year the individual served as an active member of the Hastings Fire Department. A member of the Association, who has completed 5 or more years of active service with the Fire Department prior to reaching age 50, has the right to retire from the Department without forfeiting the right to a service pension. The member shall be placed on the deferred pension roll. Upon reaching age 50, and provided that at that time the individual has been a member of the Association for at least 5 years, the member may apply for the standard service pension as described above. The Association shall pay interest on the deferred service pension during the period of deferral. The interest rate will be compounded annually, at the rate actually earned on the assets of the Pension Fund, not to exceed 5% per year.

A member of the Association who becomes sick or temporarily disabled to the extent that he/she is unable to perform their regular occupation for a period of seven consecutive days or more, and who is under the care of a physician, is entitled to a sick benefit of \$4 per day, not to exceed \$225 in one calendar year.

The benefit provisions stated in the previous paragraphs of this section are current provisions which apply to active plan participants. Vested, terminated firefighters, who are entitled to benefits and are not receiving them yet, are bound by the provisions in effect at the time they choose to start their benefit.

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Funding policy

Minnesota Statutes Chapter 424A sets out the employer requirements for contributions. The annual employer contribution level for any given year is a combination of the normal cost for that year and an amount to reduce the unfunded actuarial liability. The minimum obligation is the normal cost plus the amount needed to amortize fully the unfunded liability. The City funding requirements equal the minimum obligation less the Minnesota State fire aids and interest on investments calculated at a rate of 5% per annum.

Under state statutes, if the City fails to provide the required funding, the Association may submit a levy to the county auditor in an amount equal to the city requirement, to be levied on all property within the city. A four-year schedule of contributions is set out below.

Year	Schedule of Contributions			
	Five Year Period			
	Minnesota State Aid Contributions	City of Hastings Required Contributions	Total Contributions	Percent Contributed
2012	\$ 119,078	\$ -	\$ 119,078	100%
2011	114,798	-	114,798	100%
2010	110,467	-	110,467	100%
2009	107,082	-	107,082	100%
2008	126,061	-	126,061	100%

The Hastings Firefighters' Relief Association is comprised of volunteers, therefore, there are no payroll expenditures, nor covered payroll expenditure calculations.

Annual Pension Cost

Schedule I and II, prepared by the Fire Relief Association and certified to the City Council by August 1 of each year, determine the municipal contribution for the following calendar year. Plan members, the volunteer firefighters, do not contribute to the plan. Schedules I and II follow enabling state statutes for relief associations. Municipalities are required by state statutes to contribute the amount certified on Schedules I and II. The City's annual contribution for the current year and related information follows on the next page.

Date Certified to City Council:	July 30, 2010
Statutory Assumptions:	
Investment Rate of Rate	5%
Benefit Increase	0%
Administrative Expenses Increase	3.4%
State Aid Increase	0%
Amortization of Deficit/Surplus	10%

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 NOTES TO FINANCIAL STATEMENTS
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Required Supplementary Information: Schedule of Funding Progress

Contributions Required and Contributions Made

Financial requirements of the Relief Association are determined in accordance with *Minnesota Statutes* as follows:

Normal Coast for Next Year (Increase in Pension Benefit Obligation)

Plus: Estimated Expenses for Next Year and 10% of Any Deficits

Less: Anticipated Income Next Year and 10% of Any Surplus

Value Date	Statutory Value of Assets	Statutory Accrued Liability (SAL)	Unfunded SAL (USAL)	Funded Ratio	Covered Payroll	USAL as a Percentage of Covered Payroll
12/31/2012	\$ 3,047,987	\$ 2,967,160	\$ 80,827	102.72%	N/A	N/A
12/31/2011	3,210,142	3,048,471	161,671	105.30%	N/A	N/A
12/31/2010	3,214,441	3,226,849	(12,408)	99.62%	N/A	N/A
12/31/2009	2,667,772	3,222,109	(554,337)	112.92%	N/A	N/A

Contributions totaling \$0 were made by the City and \$110,467 by the State of Minnesota, in accordance with state statute requirements for the year ended December 31, 2010. On behalf payments of fringe benefits were recognized during the period.

The actuarial accrued liability of \$2,967,160 at December 31, 2012 was calculated using the State of Minnesota Schedule I form for Lump sum Pension plans.

VI. RETIREE HEALTH INSURANCE

A. PLAN DESCRIPTION

The City provides dependent health care coverage to retirees after (10) years of service, that were hired prior to 1993. The benefit commences upon retirement or age 55 (whichever is later) and terminates after 10 years or upon reaching Medicare age, whichever comes first. The expenditures for this benefit are accounted for within the internal service fund. In 2008, the City prospectively implemented the requirement of a new accounting pronouncement, GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Retirees

In addition to the benefits described above, The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Eligibility for continuing group health and dental insurance for City retirees is defined as follows:

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- 1) Retirees who are at least 55 years of age and are PERA Basic, PERA Coordinated, or PERA Defined Contribution eligible; or
- 2) Retirees who are members of the PERA Police and Fire Fund who are at least 50 years of age and are PERA Police and Fire Pension eligible; or
- 3) Former employees approved for disability retirement by PERA.

Employees may obtain spouse coverage at retirement or add spouse coverage at the beginning of an enrollment year. Covered spouses may continue coverage after the retiree's death.

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Retirees and spouses are eligible to remain in the City-sponsored group health insurance plan until death or the obtainment of Medicare, provided the applicable premiums are paid.

Disabled police and firefighter

In accordance with Minnesota Statute 299A.465, the City is responsible to continue payment of the City's contribution toward health coverage for police officers or the firefighters Police officers or firefighters disabled in the line of duty; or a surviving spouse and/or dependents of a police officer or the Firefighters killed in the line of duty. The contribution continues until the police officer, Firefighters or surviving spouse reaches age 65 or the dependent in no longer eligible under the contract.

C. PARTICIPANTS

As of the actuarial valuation dated December, 2009, participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	27
Disabled police and firefighters	2
Active employees	<u>109</u>
Total	<u>45</u>
Participating employers	1

D. FUNDING POLICY

The additional cost of using a blended rate for actives and retirees is currently funded on a pay-as-you-go basis. The City Council may change the funding policy at any time.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
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E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2012, was calculated as follows:

Annual required contribution (ARC)	\$ 98,725
Interest on net OPEB obligation	<u>122,691</u>
Annual OPEB Cost	221,416
Contributions made during the year	<u>(237,984)</u>
Increase (decrease) in net OPEB obligation	<u>(16,568)</u>
Net OPEB obligation-beginning of year	4,089,704
 Net OPEB obligation-end of year	 <u>\$4,073,136</u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 and the preceding year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$205,061	118.2%	\$3,670,943
December 31, 2010	614,945	35.2%	4,069,553
December 31, 2011	219,945	90.8%	4,089,704
December 31, 2012	221,416	107.5%	4,073,136

F. FUNDED STATUS AND FUNDING PROGRESS-REQUIRED SUPPLEMENTARY INFORMATION

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero. The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll ((b-a)/c)
January 1, 2010	-	\$4,078,494	\$4,078,494	-	\$2,282,530	1.79

*Using the entry age normal actuarial pay cost method.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

G. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December, 2009 actuarial valuation, the Entry-age Normal Percent of Pay cost method was used. The following assumptions were used:

- Discount rate – 3% (pay-as-you-go funding)
- Payroll growth rate – N/A
- UAAL amortization method-Level dollar over 30 years.
- Salary increase rates – the salary increase rates used in the PERA plan of which the employee is a participant
- Monthly rates – life expectancies were based on 1983 Group Annuity Mortality Tables for Males and Females.
- Retirement rates – the retirement rates used in the PERA plan of which the employee is a participant.
- Dependent status – the marital percentage assessed in 85% of males and 65% of females. Current and future retirees were assumed to have no children.
- Healthcare Cost Trend Rate – an initial rate of 8%, reducing to 4% over 5 years.
- Inflation rate is 3%.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

VII. LEASE COMMITMENT

- A. The City of Hastings entered into an agreement beginning September 1, 2011 through September 1, 2019 to lease space to the Independent School District No. 200 (ISD. 200). The lease requires payments of \$34,000 per year for a total of \$272,000. The City will make payments of \$30,000 each year for a total of \$240,000 for its share of costs associated with renovating the facility for Senior Center purposes.

The prorated carrying value of the building being leased is as follows:

Building	\$ 180,000
Less Accumulated Depreciation	<u>(63,750)</u>
Net	<u>\$ 116,250</u>

Required Supplementary Information Other than MD&A

City of Hastings
 Schedule of Funding Progress Other Post Employment Benefits
 For the year ending December 31, 2012

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero. The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as of Percentage of Covered Payroll ((b-a)/c)
			Actuarial Accrued Liability (UAAL) (b-a)				
January 1, 2007	-	\$3,708,314	\$3,708,314		-	\$2,103,025	1.76
January 1, 2010	-	4,078,494	4,078,494		-	\$2,282,530	1.79

*Using the entry age normal actuarial pay cost method.

City of Hastings Other Major Funds

Debt Service Fund- This fund is used to account for the City of Hastings debt obligations.

Parks Projects Capital Project Fund- This fund is used to account for capital improvements to the City's parks.

Road Improvement Capital Project Fund- This fund is used to account for capital improvements to the City's road infrastructure.

City of Hastings
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,416,918	\$ 3,416,918	\$ 3,458,479	\$ 41,561
Special Assessments	1,005,000	1,005,000	1,761,573	756,573
Charges for services	90,000	90,000	320,500	230,500
Investment earnings	38,994	38,994	56,821	17,827
Total revenues	4,550,912	4,550,912	5,597,373	1,046,461
EXPENDITURES				
Current:				
Debt:				
Principal	4,238,000	4,238,000	4,340,000	(102,000)
Interest and Fiscal agent	762,871	762,871	911,963	(149,092)
Total expenditures	5,000,871	5,000,871	5,251,963	(251,092)
Excess (deficiency) of revenues over expenditures	(449,959)	(449,959)	345,410	795,369
OTHER FINANCING SOURCES AND (USES)				
Transfers in	343,560	343,560	649,579	306,019
Transfers out	(43,560)	(43,560)	(110,923)	(67,363)
Total other financing sources and (uses)	300,000	300,000	538,656	238,656
Net change in fund balance	(149,959)	(149,959)	884,066	1,034,025
Fund balance--beginning	5,869,538	5,869,538	5,869,538	-
Fund balance--ending	\$ 5,719,579	\$ 5,719,579	\$ 6,753,604	\$ 1,034,025

City of Hastings
Schedule of Revenues, Expenditures and Change in Fund Balance
Budget and Actual
Parks Projects Capital Projects Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 4,400	\$ 4,400
Investment earnings	-	-	16,032	16,032
Total revenues	-	-	20,432	20,432
EXPENDITURES				
Other Services and Charges	-	-	18,000	(18,000)
Capital outlay	68,000	101,531	66,275	35,256
Total expenditures	68,000	101,531	84,275	17,256
Excess (deficiency) of revenues over expenditures	(68,000)	(101,531)	(63,843)	37,688
OTHER FINANCING (USES)				
Transfers out	-	(9,000)	(322,277)	(313,277)
Total other financing uses	-	(9,000)	(322,277)	(313,277)
Net change in fund balance	(68,000)	(110,531)	(386,120)	(275,589)
Fund balance--beginning	1,070,422	1,070,422	1,070,422	-
Fund balance--ending	\$ 1,002,422	\$ 959,891	\$ 684,302	\$ (275,589)

City of Hastings
Combining Statement of Fiduciary Net Position
Agency Funds
December 31, 2012

	Cable Access Agency Fund	Letters of Credit Agency Fund	Escrow Agency Fund	Total Agency Funds
ASSETS:				
Cash and cash equivalents	\$ 12,857	\$ 37,309	\$ 67,337	\$ 117,503
Account receivable	-	-	1,564	1,564
Total Assets	<u>\$ 12,857</u>	<u>\$ 37,309</u>	<u>\$ 68,901</u>	<u>\$ 119,067</u>
LIABILITIES:				
Accounts payable	<u>\$ 12,857</u>	<u>\$ 37,309</u>	<u>\$ 68,901</u>	<u>\$ 119,067</u>

City of Hastings
Combining Statement of Changes in Fiduciary Net Position
Agency Funds
For the year ended December 31, 2012

	Balance 01/01/2012	Additions	Deductions	Balance 12/31/2012
<u>CABLE ACCESS</u>				
ASSETS				
Cash and cash equivalents	\$ 12,857	\$ -	\$ -	\$ 12,857
Total Assets	<u>\$ 12,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,857</u>
LIABILITIES				
Accounts Payable	<u>\$ 12,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,857</u>
<u>LETTERS OF CREDIT</u>				
ASSETS				
Cash and cash equivalents	\$ 47,309	\$ -	\$ 10,000	\$ 37,309
Total Assets	<u>\$ 47,309</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 37,309</u>
LIABILITIES				
Accounts Payable	<u>\$ 47,309</u>	<u>\$ 10,000.00</u>	<u>\$ -</u>	<u>\$ 57,309</u>
<u>ESCROW</u>				
ASSETS				
Cash and cash equivalents	\$ 37,555	\$ 52,962	\$ 23,180	\$ 67,337
Accounts receivable	6,998	-	5,434	1,564
Total Assets	<u>\$ 44,553</u>	<u>\$ 52,962</u>	<u>\$ 28,614</u>	<u>\$ 68,901</u>
LIABILITIES				
Accounts Payable	<u>\$ 44,553</u>	<u>\$ 67,110</u>	<u>\$ 42,762</u>	<u>\$ 68,901</u>
<u>TOTAL-ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 97,721	\$ 52,962	\$ 33,180	\$ 117,503
Accounts receivable	6,998	-	5,434	1,564
Total Assets	<u>\$ 104,719</u>	<u>\$ 52,962</u>	<u>\$ 38,614</u>	<u>\$ 119,067</u>
LIABILITIES				
Accounts Payable	<u>\$ 104,719</u>	<u>\$ 77,110</u>	<u>\$ 42,762</u>	<u>\$ 139,067</u>

City of Hastings

Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Parks and Recreation Fund - This fund is used to account for the operations, maintenance and minor improvements of the City's parks.

Aquatic Center Fund - This fund accounts for the operations and the charges which finance the operating activity of the city's outdoor aquatic facility.

Cable Television Fund - This fund is used to account for the grant revenues, franchise fees, and access fees used in the operation of the Local Access Cable Television Channel.

Heritage Preservation Fund - The Heritage Preservation fund accounts for activities of the Heritage Preservation Commission.

Ice Arena Fund - This fund accounts for the various sales and charges which finance the operating activity of the civic ice arena.

DUI Enforcement Equipment - This fund accounts for the seizure of DUI equipment.

Drug Awareness - This fund accounts for the operations and maintenance of the Drug Awareness program.

Capital Projects Funds

Equipment Revolving Fund - This fund is used to account for the departmental purchases of major capital outlays.

Guardian Angels Tax Increment Financing (TIF) Fund - This fund accounts for the activities of the Hastings Guardian Angels Tax Increment District.

River Front Tax Increment Financing (TIF) Fund - This fund accounts for the activities of the River front Tax Increment District.

NAPA Tax Increment Financing (TIF) Fund - This fund accounts for the activities of the NAPA property Tax Increment District.

Permanent Funds

C. Simmons Trust - This fund accounts for the C. Simmons endowments fund. The principal amount of \$200,000 cannot be spent. Only the interest earned.

C. Simmons Residuary Trust - This fund accounts for the C. Simmons funds that are held in a trust. These funds can be spent during the year on capital and programming. Programming for the Leduc mansion is provided by the Dakota County Historical Society.

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City of Hastings
Combining Balance Sheet
Non-major Governmental Funds
December 31, 2012

	Total Special Revenue Non-major Funds	Total Capital Non-major Funds	Total Permanent Non-major Funds	Total All Non-major Funds
ASSETS				
Cash and investments	\$ 1,259,173	\$ 1,544,017	\$ 202,969	\$ 3,006,159
Petty cash	600	-	-	600
Cash held by trustee	-	-	909,325	909,325
Interest receivable	4,675	6,935	935	12,545
Accounts receivable	199,872	-	10,879	210,751
Taxes receivable	151,679	637	-	152,316
Due from other governments	56,450	-	-	56,450
Prepaid items	41,332	-	-	41,332
Inventories	10,179	-	-	10,179
Total assets	<u>\$ 1,723,960</u>	<u>\$ 1,551,589</u>	<u>\$ 1,124,108</u>	<u>\$ 4,399,657</u>
LIABILITIES				
Cash overdraft	-	16,251	-	16,251
Salaries payable	37,461	-	-	37,461
Accounts payable	51,061	10,171	5,439	66,671
Due to other governments	1,492	1,746	-	3,238
Deferred revenues	31,064	-	-	31,064
Total liabilities	<u>121,078</u>	<u>28,168</u>	<u>5,439</u>	<u>154,685</u>
FUND BALANCES				
Nonspendable				
Prepays	41,332	-	-	41,332
Inventory	10,179	-	-	10,179
Permanent	-	-	200,000	200,000
Restricted for:				
Police Activities	14,524	-	-	14,524
Permanent	-	-	918,669	918,669
Committed for:				
Park maintenance	541,760	-	-	541,760
Aquatic operations	62,481	-	-	62,481
Cable TV activities	210,998	-	-	210,998
Heritage preservation activities	84,857	-	-	84,857
Arena activities	636,751	-	-	636,751
Assigned for:				
Capital	-	1,523,421	-	1,523,421
Total fund balances	<u>1,602,882</u>	<u>1,523,421</u>	<u>1,118,669</u>	<u>4,244,972</u>
Total liabilities and fund balances	<u>\$ 1,723,960</u>	<u>\$ 1,551,589</u>	<u>\$ 1,124,108</u>	<u>\$ 4,399,657</u>

City of Hastings
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended December 31, 2012

	Total Non-major Special Revenue Funds	Total Non-major Capital Project Funds	Total Non-major Permanent Funds	Total Non-major Governmental Funds
REVENUES				
Property taxes	\$ 1,254,915	\$ 23,277	\$ -	\$ 1,278,192
Intergovernmental	1,579	-	-	1,579
Charges for services	1,132,057	-	-	1,132,057
Investment earnings	18,024	23,929	115,502	157,455
Miscellaneous	56,930	-	-	56,930
Total revenues	<u>2,463,505</u>	<u>47,206</u>	<u>115,502</u>	<u>2,626,213</u>
EXPENDITURES				
Current:				
Public safety	6,625	-	-	6,625
Cultural and recreation	2,336,187	-	20,851	2,357,038
Economic development	-	24,455	-	24,455
Capital outlay	104,911	-	-	104,911
Total expenditures	<u>2,447,723</u>	<u>24,455</u>	<u>20,851</u>	<u>2,493,029</u>
Excess (deficiency) of revenues over expenditures	<u>15,782</u>	<u>22,751</u>	<u>94,651</u>	<u>133,184</u>
OTHER FINANCING SOURCES AND (USES)				
Bonds issued	62,700	-	-	62,700
Bonds premium/(discount)	3,779	-	-	3,779
Transfers in	39,150	51,500	-	90,650
Transfers out	(42,354)	(399,265)	(47,967)	(489,586)
Total other financing sources and (uses)	<u>63,275</u>	<u>(347,765)</u>	<u>(47,967)</u>	<u>(332,457)</u>
Net change in fund balances	79,057	(325,014)	46,684	(199,273)
Fund balances--beginning	<u>1,523,825</u>	<u>1,848,435</u>	<u>1,071,985</u>	<u>4,444,245</u>
Fund balances--ending	<u>\$ 1,602,882</u>	<u>\$ 1,523,421</u>	<u>\$ 1,118,669</u>	<u>\$ 4,244,972</u>

City of Hastings
Combining Balance Sheet
Non-major Special Revenue Funds
December 31, 2012

	Parks and Recreation	Aquatic Center	Cable Television	Heritage Preservation	Ice Arena
ASSETS					
Cash and investments	\$ 471,973	\$ 47,138	\$ 120,116	\$ 82,958	\$ 522,558
Petty cash	100	-	-	-	500
Interest receivable	1,171	(8)	652	349	2,417
Accounts receivable	6,245	-	90,230	-	103,397
Taxes receivable	123,536	25,028	-	3,115	-
Due from other governments	6,153	-	-	-	50,297
Prepaid items	459	6	40,000	426	441
Inventories	10,179	-	-	-	-
Total assets	<u>\$ 619,816</u>	<u>\$ 72,164</u>	<u>\$ 250,998</u>	<u>\$ 86,848</u>	<u>\$ 679,610</u>
LIABILITIES					
Salaries payable	\$ 22,120	\$ 3,549	\$ -	\$ 730	\$ 11,062
Accounts payable	20,141	973	-	11	29,936
Due to other governments	57	15	-	-	1,420
Deferred revenues	25,100	5,140	-	824	-
Total liabilities	<u>67,418</u>	<u>9,677</u>	<u>-</u>	<u>1,565</u>	<u>42,418</u>
FUND BALANCES					
Nonspendable:					
Prepays	459	6	40,000	426	441
Inventories	10,179	-	-	-	-
Restricted:					
Police activities	-	-	-	-	-
Committed:					
Park maintenance	541,760	-	-	-	-
Aquatic operations	-	62,481	-	-	-
Cable TV activities	-	-	210,998	-	-
Heritage preservation activities	-	-	-	84,857	-
Arena activities	-	-	-	-	636,751
Total fund balances	<u>552,398</u>	<u>62,487</u>	<u>250,998</u>	<u>85,283</u>	<u>637,192</u>
Total liabilities and fund balances	<u>\$ 619,816</u>	<u>\$ 72,164</u>	<u>\$ 250,998</u>	<u>\$ 86,848</u>	<u>\$ 679,610</u>

DUI Enforcement Equipment	Drug Awareness	Total Non-major Special Revenue Funds
\$ 4,483	\$ 9,947	\$ 1,259,173
-	-	600
50	44	4,675
-	-	199,872
-	-	151,679
-	-	56,450
-	-	41,332
-	-	10,179
<u>\$ 4,533</u>	<u>\$ 9,991</u>	<u>\$ 1,723,960</u>
\$ -	\$ -	\$ 37,461
-	-	51,061
-	-	1,492
-	-	31,064
-	-	121,078
-	-	41,332
-	-	10,179
4,533	9,991	14,524
-	-	541,760
-	-	62,481
-	-	210,998
-	-	84,857
-	-	636,751
<u>4,533</u>	<u>9,991</u>	<u>1,602,882</u>
<u>\$ 4,533</u>	<u>\$ 9,991</u>	<u>\$ 1,723,960</u>

City of Hastings
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Special Revenue Funds
For the Year Ended December 31, 2012

	Parks and Recreation	Aquatic Center	Cable Television	Heritage Preservation	Ice Arena
REVENUES					
Property taxes	\$ 1,022,745	\$ 208,485	\$ -	\$ 23,736	\$ -
Intergovernmental	1,052	-	-	527	-
Charges for services	118,607	217,440	339,323	-	455,887
Investment earnings	4,811	390	1,865	1,307	9,362
Miscellaneous	45,107	4,015	-	464	5,000
Total revenues	<u>1,192,322</u>	<u>430,330</u>	<u>341,188</u>	<u>26,034</u>	<u>470,249</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Cultural and recreation	1,151,877	390,590	347,173	20,989	425,558
Capital outlay	66,449	8,148	-	-	18,254
Total expenditures	<u>1,218,326</u>	<u>398,738</u>	<u>347,173</u>	<u>20,989</u>	<u>443,812</u>
Excess (deficiency) of revenues over expenditures	<u>(26,004)</u>	<u>31,592</u>	<u>(5,985)</u>	<u>5,045</u>	<u>26,437</u>
OTHER FINANCING SOURCES AND (USES)					
Bonds issued	62,700	-	-	-	-
Bonds premium/(discount)	3,779	-	-	-	-
Transfers in	33,450	5,700	-	-	-
Transfers out	<u>(22,857)</u>	<u>(8,433)</u>	<u>(62)</u>	<u>(1,534)</u>	<u>(9,468)</u>
Total other financing sources and (uses)	<u>77,072</u>	<u>(2,733)</u>	<u>(62)</u>	<u>(1,534)</u>	<u>(9,468)</u>
Net change in fund balances	51,068	28,859	(6,047)	3,511	16,969
Fund balances--beginning	<u>501,330</u>	<u>33,628</u>	<u>257,045</u>	<u>81,772</u>	<u>620,223</u>
Fund balances--ending	<u>\$ 552,398</u>	<u>\$ 62,487</u>	<u>\$ 250,998</u>	<u>\$ 85,283</u>	<u>\$ 637,192</u>

<u>DUI Enforcement Equipment</u>	<u>Drug Awareness</u>	<u>Total Non-major Special Revenue Funds</u>
\$ -	\$ (51)	\$ 1,254,915
-	-	1,579
800	-	1,132,057
110	179	18,024
2,344	-	56,930
<u>3,254</u>	<u>128</u>	<u>2,463,505</u>
48	6,577	6,625
-	-	2,336,187
12,060	-	104,911
<u>12,108</u>	<u>6,577</u>	<u>2,447,723</u>
<u>(8,854)</u>	<u>(6,449)</u>	<u>15,782</u>
-	-	62,700
-	-	3,779
-	-	39,150
-	-	(42,354)
-	-	63,275
<u>(8,854)</u>	<u>(6,449)</u>	<u>79,057</u>
<u>13,387</u>	<u>16,440</u>	<u>1,523,825</u>
<u>\$ 4,533</u>	<u>\$ 9,991</u>	<u>\$ 1,602,882</u>

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Parks and Recreation Special Revenue Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,019,578	\$ 1,019,578	\$ 1,022,745	\$ 3,167
Intergovernmental	-	-	1,052	1,052
Charges for services	128,500	128,500	118,607	(9,893)
Investment earnings	6,000	6,000	4,811	(1,189)
Miscellaneous	-	11,140	45,107	33,967
Total revenues	<u>1,154,078</u>	<u>1,165,218</u>	<u>1,192,322</u>	<u>27,104</u>
EXPENDITURES				
Current:				
Cultural recreation:				
Personal Services	720,852	720,852	706,650	14,202
Services and Charges	257,611	262,861	338,052	(75,191)
Supplies	87,630	87,630	89,730	(2,100)
Miscellaneous	8,295	30,368	17,445	12,923
Capital outlay	72,000	78,500	66,449	12,051
Total expenditures	<u>1,146,388</u>	<u>1,180,211</u>	<u>1,218,326</u>	<u>(38,115)</u>
Excess (deficiency) of revenues over expenditures	<u>7,690</u>	<u>(14,993)</u>	<u>(26,004)</u>	<u>(11,011)</u>
OTHER FINANCING SOURCES AND (USES)				
Bonds Issued	45,000	45,000	62,700	17,700
Bonds Premium/(Discount)	-	-	3,779	3,779
Transfer in	37,700	51,450	33,450	(18,000)
Transfer out	(22,857)	(22,857)	(22,857)	-
Total other financing sources and (uses)	<u>59,843</u>	<u>73,593</u>	<u>77,072</u>	<u>3,479</u>
Net change in fund balance	<u>67,533</u>	<u>58,600</u>	<u>51,068</u>	<u>(7,532)</u>
Fund balance--beginning	<u>501,330</u>	<u>501,330</u>	<u>501,330</u>	<u>-</u>
Fund balance--ending	<u>\$ 568,863</u>	<u>\$ 559,930</u>	<u>\$ 552,398</u>	<u>\$ (7,532)</u>

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Aquatic Center Special Revenue Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 207,303	\$ 207,303	\$ 208,485	\$ 1,182
Charges for services	212,250	212,250	217,440	5,190
Investment earnings	5,850	5,850	390	(5,460)
Miscellaneous	-	-	4,015	4,015
Total revenues	425,403	425,403	430,330	4,927
EXPENDITURES				
Current:				
Cultural and recreation:				
Personal Services	263,185	263,185	254,217	8,968
Services and Charges	80,885	80,885	75,218	5,667
Supplies	67,900	67,900	60,635	7,265
Miscellaneous	500	500	520	(20)
Capital outlay	4,500	10,200	8,148	2,052
Total expenditures	416,970	422,670	398,738	23,932
Excess (deficiency) of revenues over expenditures	8,433	2,733	31,592	28,859
OTHER FINANCING SOURCES AND (USES)				
Transfer in	-	5,700	5,700	-
Transfer out	(8,433)	(8,433)	(8,433)	-
Total other financing sources and (uses)	(8,433)	(2,733)	(2,733)	-
Net change in fund balance	-	-	28,859	28,859
Fund balance--beginning	33,628	33,628	33,628	-
Fund balance--ending	\$ 33,628	\$ 33,628	\$ 62,487	\$ 28,859

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Cable Television Special Revenue Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 322,000	\$ 322,000	\$ 339,323	\$ 17,323
Investment earnings	6,013	6,013	1,865	(4,148)
Total revenues	328,013	328,013	341,188	13,175
EXPENDITURES				
Current:				
Cultural and recreation:				
Personal Services	16,159	16,159	9,553	6,606
Services and Charges	304,200	304,200	337,620	(33,420)
Total expenditures	320,359	320,359	347,173	(26,814)
Excess (deficiency) of revenues over expenditures	7,654	7,654	(5,985)	(13,639)
OTHER FINANCING SOURCES AND (USES)				
Transfer out	(62)	(62)	(62)	-
Total other financing sources and (uses)	(62)	(62)	(62)	-
Net change in fund balance	7,592	7,592	(6,047)	(13,639)
Fund balance--beginning	257,045	257,045	257,045	-
Fund balance--ending	\$ 264,637	\$ 264,637	\$ 250,998	\$ (13,639)

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Heritage Preservation Special Revenue Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 23,060	\$ 23,060	\$ 23,736	\$ 676
Intergovernmental	-	-	527	527
Investment earnings	2,000	2,000	1,307	(693)
Miscellaneous	600	657	464	(193)
Total revenues	<u>25,660</u>	<u>25,717</u>	<u>26,034</u>	<u>317</u>
EXPENDITURES				
Current:				
Cultural and recreation				
Personal Services	20,477	20,477	19,131	1,346
Services and Charges	2,174	2,174	1,153	1,021
Supplies	950	1,240	39	1,201
Miscellaneous	1,125	1,182	666	516
Total expenditures	<u>24,726</u>	<u>25,073</u>	<u>20,989</u>	<u>4,084</u>
Excess (deficiency) of revenues over expenditures	934	644	5,045	4,401
OTHER FINANCING SOURCES AND (USES)				
Transfer out	(933)	(933)	(1,534)	601
Total other financing sources and (uses)	<u>(933)</u>	<u>(933)</u>	<u>(1,534)</u>	<u>601</u>
Net change in fund balance	1	(289)	3,511	3,800
Fund balance--beginning	<u>81,772</u>	<u>81,772</u>	<u>81,772</u>	<u>-</u>
Fund balance--ending	<u>\$ 81,773</u>	<u>\$ 81,483</u>	<u>\$ 85,283</u>	<u>\$ 3,800</u>

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Ice Arena Special Revenue Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 448,220	\$ 448,220	\$ 455,887	\$ 7,667
Investment earnings	15,400	15,400	9,362	(6,038)
Miscellaneous	-	-	5,000	5,000
Total revenues	<u>463,620</u>	<u>463,620</u>	<u>470,249</u>	<u>6,629</u>
EXPENDITURES				
Current:				
Cultural and recreation:				
Personal Services	238,184	238,184	229,720	8,464
Services and Charges	162,938	162,938	156,017	6,921
Supplies	41,835	41,835	38,810	3,025
Miscellaneous	1,195	1,195	1,011	184
Capital outlay	10,000	64,650	18,254	46,396
Total expenditures	<u>454,152</u>	<u>508,802</u>	<u>443,812</u>	<u>64,990</u>
Excess (deficiency) of revenues over expenditures	9,468	(45,182)	26,437	71,619
OTHER FINANCING SOURCES AND (USES)				
Transfer (out)	(9,468)	(9,468)	(9,468)	-
Total other financing uses	<u>(9,468)</u>	<u>(9,468)</u>	<u>(9,468)</u>	<u>-</u>
Net change in fund balance	-	(54,650)	16,969	71,619
Fund balance--beginning	620,223	620,223	620,223	-
Fund balance--ending	<u>\$ 620,223</u>	<u>\$ 565,573</u>	<u>\$ 637,192</u>	<u>\$ 71,619</u>

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
DUI Enforcement/Equipment Special Revenue Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 10,100	\$ 10,100	\$ 800	\$ (9,300)
Investment earnings	600	600	110	(490)
Miscellaneous	-	-	2,344	2,344
Total revenues	<u>10,700</u>	<u>10,700</u>	<u>3,254</u>	<u>(7,446)</u>
EXPENDITURES				
Current:				
Public Safety				
Services and Charges	-	-	48	(48)
Capital outlay	<u>10,700</u>	<u>10,700</u>	<u>12,060</u>	<u>(1,360)</u>
Total expenditures	<u>10,700</u>	<u>10,700</u>	<u>12,108</u>	<u>(1,408)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(8,854)</u>	<u>(8,854)</u>
Fund balance--beginning	<u>13,387</u>	<u>13,387</u>	<u>13,387</u>	<u>-</u>
Fund balance--ending	<u>\$ 13,387</u>	<u>\$ 13,387</u>	<u>\$ 4,533</u>	<u>\$ (8,854)</u>

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Drug Awareness Special Revenue Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ -	\$ -	\$ (51)	\$ (51)
Investment earnings	300	300	179	(121)
Miscellaneous	550	550	-	(550)
Total revenues	<u>850</u>	<u>850</u>	<u>128</u>	<u>(722)</u>
EXPENDITURES				
Current:				
Public Safety	<u>6,520</u>	<u>6,520</u>	<u>6,577</u>	<u>(57)</u>
Total expenditures	<u>6,520</u>	<u>6,520</u>	<u>6,577</u>	<u>(57)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,670)</u>	<u>(5,670)</u>	<u>(6,449)</u>	<u>(779)</u>
Fund balance--beginning	<u>16,440</u>	<u>16,440</u>	<u>16,440</u>	<u>-</u>
Fund balance--ending	<u>\$ 10,770</u>	<u>\$ 10,770</u>	<u>\$ 9,991</u>	<u>\$ (779)</u>

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City of Hastings
Combining Balance Sheet
Non-major Capital Project and Permanent Funds

	Capital Funds			NAPA TIF	Total Non-major Capital Funds
	Equipment Revolving	Guardian Angels TIF	River Front TIF		
ASSETS					
Cash and investments	\$ 1,534,201	\$ 9,816	\$ -	\$ -	\$ 1,544,017
Cash held by trustee	-	-	-	-	-
Interest receivable	6,935	-	-	-	6,935
Accounts receivable	-	-	-	-	-
Taxes receivable	-	409	228	-	637
Total assets	<u>\$ 1,541,136</u>	<u>\$ 10,225</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 1,551,589</u>
LIABILITIES					
Cash overdraft	\$ -	\$ -	\$ 292	\$ 15,959	\$ 16,251
Accounts payable	-	10,171	-	-	10,171
Due to other governments	-	557	684	505	1,746
Total liabilities	<u>-</u>	<u>10,728</u>	<u>976</u>	<u>16,464</u>	<u>28,168</u>
FUND BALANCES					
Nonspendable:					
Permanent	-	-	-	-	-
Restricted for:					
Capital projects	-	(503)	(748)	(16,464)	(17,715)
Permanent	-	-	-	-	-
Assigned for:					
Capital	<u>1,541,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,541,136</u>
Total fund balances	<u>1,541,136</u>	<u>(503)</u>	<u>(748)</u>	<u>(16,464)</u>	<u>1,523,421</u>
Total liabilities and fund balances	<u>\$ 1,541,136</u>	<u>\$ 10,225</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 1,551,589</u>

Permanent Fund		Total
C. Simmons Trust	C. Simmons Residuary Trust	Non-major Permanent Funds
\$ 202,864	\$ 105	\$ 202,969
-	909,325	909,325
902	33	935
-	10,879	10,879
-	-	-
<u>\$ 203,766</u>	<u>\$ 920,342</u>	<u>\$ 1,124,108</u>
\$ -	\$ -	\$ -
-	5,439	5,439
-	-	-
-	5,439	5,439
200,000	-	200,000
-	-	-
3,766	914,903	918,669
-	-	-
<u>203,766</u>	<u>914,903</u>	<u>1,118,669</u>
<u>\$ 203,766</u>	<u>\$ 920,342</u>	<u>\$ 1,124,108</u>

City of Hastings
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Capital and Permanent Funds
For the Year Ended December 31, 2012

	Capital Funds			Total Non-major Capital Funds	
	Equipment Revolving	Guardian Angels TIF	River Front TIF		NAPA TIF
REVENUES					
Property taxes	\$ -	\$ 22,592	\$ 685	\$ -	\$ 23,277
Investment earnings	23,929	-	-	-	23,929
Total revenues	<u>23,929</u>	<u>22,592</u>	<u>685</u>	<u>-</u>	<u>47,206</u>
EXPENDITURES					
Current:					
Cultural and recreation	-	-	-	-	-
Economic development	-	21,645	1,457	1,353	24,455
Total expenditures	<u>-</u>	<u>21,645</u>	<u>1,457</u>	<u>1,353</u>	<u>24,455</u>
Excess (deficiency) of revenues over expenditures	23,929	947	(772)	(1,353)	22,751
OTHER FINANCING SOURCES AND (USES)					
Transfers in	51,500	-	-	-	51,500
Transfers out	(399,265)	-	-	-	(399,265)
Total other financing sources and (uses)	<u>(347,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(347,765)</u>
Net change in fund balances	(323,836)	947	(772)	(1,353)	(325,014)
Fund balances--beginning	<u>1,864,972</u>	<u>(1,450)</u>	<u>24</u>	<u>(15,111)</u>	<u>1,848,435</u>
Fund balances--ending	<u>\$ 1,541,136</u>	<u>\$ (503)</u>	<u>\$ (748)</u>	<u>\$ (16,464)</u>	<u>\$ 1,523,421</u>

Permanent Funds		Total
C. Simmons Trust	C. Simmons Residuary Trust	Non-major Permanent Funds
\$ -	\$ -	\$ -
3,206	112,296	115,502
<u>3,206</u>	<u>112,296</u>	<u>115,502</u>
-	20,851	20,851
-	-	-
<u>-</u>	<u>20,851</u>	<u>20,851</u>
3,206	91,445	94,651
-	-	-
<u>(4,366)</u>	<u>(43,601)</u>	<u>(47,967)</u>
<u>(4,366)</u>	<u>(43,601)</u>	<u>(47,967)</u>
(1,160)	47,844	46,684
204,926	867,059	1,071,985
<u>\$ 203,766</u>	<u>\$ 914,903</u>	<u>\$ 1,118,669</u>

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Equipment Revolving Capital Project Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 67,314	\$ 67,314	\$ 23,929	\$ (43,385)
Total revenues	<u>67,314</u>	<u>67,314</u>	<u>23,929</u>	<u>(43,385)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers in	51,500	51,500	51,500	-
Transfers out	(374,535)	(428,243)	(399,265)	28,978
Total other financing sources and (uses)	<u>(323,035)</u>	<u>(376,743)</u>	<u>(347,765)</u>	<u>28,978</u>
Net change in fund balance	(255,721)	(309,429)	(323,836)	(14,407)
 Fund balance--beginning	 <u>1,864,972</u>	 <u>1,864,972</u>	 <u>1,864,972</u>	 <u>-</u>
Fund balance--ending	<u>\$ 1,609,251</u>	<u>\$ 1,555,543</u>	<u>\$ 1,541,136</u>	<u>\$ (14,407)</u>

City of Hastings

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or division to other departments or divisions of the city and to other governmental units, on a cost reimbursement basis.

Compensated Absences Fund – This fund accounts for the liability of all compensated absences due upon separation from the City.

Retiree Health Insurance Fund – This fund accounts for the liability and annual expenses to the City for health insurance premiums for current retirees and certain employees eligible for this benefit.

City of Hastings
Combining Statement of Net Position
Internal Service Funds
December 31, 2012

	Compensated Absences	Retiree Health Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,019,169	\$ 26,974	\$ 1,046,143
Interest receivable	4,549	167	4,716
Total assets	\$ 1,023,718	\$ 27,141	\$ 1,050,859
LIABILITIES			
Compensated absences	\$ 1,339,569	-	\$ 1,339,569
Retiree health insurance	-	4,073,136	4,073,136
Total liabilities	1,339,569	4,073,136	5,412,705
NET POSITION			
Unrestricted	(315,851)	(4,045,995)	(4,361,846)
Total net position and liabilities	\$ 1,023,718	\$ 27,141	\$ 1,050,859

City of Hastings
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2012

	Compensated Absences	Retiree Health Insurance	Total
Operating expenses:			
Personal services			
Income (loss)	\$ 89,872	\$ 178,311	\$ 268,183
Non-operating revenues (expenses)	(89,872)	(178,311)	(268,183)
Intergovernmental	-	15,547	15,547
Investment earnings	16,446	(477)	15,969
Total non-operating revenues	16,446	15,070	31,516
Transfer in	131,800	50,000	181,800
Change in net position	58,374	(113,241)	(54,867)
Total net position--beginning	(374,225)	(3,932,754)	(4,306,979)
Total net position--ending	\$ (315,851)	\$ (4,045,995)	\$ (4,361,846)

City of Hastings
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2012

	Compensated Absences	Retiree Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers for goods and services	\$ (34,369)	\$ (194,879)	\$ (229,248)
Net cash provided (used) by operating activities	(34,369)	(194,879)	(229,248)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer In	131,800	50,000	181,800
Subsidy from federal and state grants	-	15,547	15,547
Net cash provided by noncapital and related financing activities	131,800	65,547	197,347
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	16,345	120	16,465
Net cash provided by investing activities	16,345	120	16,465
Net (decrease) in cash and cash equivalents	113,776	(129,212)	(15,436)
Cash and cash equivalents--beginning of the year	905,393	156,186	1,061,579
Cash and cash equivalents--end of the year	<u>\$ 1,019,169</u>	<u>\$ 26,974</u>	<u>\$ 1,046,143</u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (89,872)	\$ (178,311)	\$ (268,183)
Adjustments to reconcile operating income to net Change in assets and liabilities:			
Accounts payable	-	(16,568)	(16,568)
Salaries payable	55,503	-	55,503
Total adjustments	55,503	(16,568)	38,935
Net cash provided by operating activities	<u>\$ (34,369)</u>	<u>\$ (194,879)</u>	<u>\$ (229,248)</u>

COMPONENT UNIT

City of Hastings
 Balance Sheet
 Economic Development Housing and Redevelopment Authority
 December 31, 2012

ASSETS

Cash and investments	\$	1,049,450
Interest receivable		4,130
Receivables, net		2,508
Taxes receivable		56,690
Loan receivable		504,845
Prepaid items		5
Total assets	\$	<u>1,617,628</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Salaries payable	\$	3,363
Accounts payable		17,253
Contracts payable		46,258
Deferred revenues		460,569
Total liabilities		<u>527,443</u>

Fund balances:

Nonespendable

Prepaid items		5
Loan receivables		504,845
Unassigned		585,336
Total fund balances		<u>1,090,186</u>
Total liabilities and fund balances	\$	<u>1,617,629</u>

City of Hastings Economic Development Housing and Redevelopment Authority
 Reconciliation of the Balance Sheet
 To the Statement of Net Position
 For the Year Ended December 31, 2012

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

Total fund balances	\$ 1,090,186
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,884,316
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	460,569
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Cost of issuance	23,073
Bonds payable	(2,750,000)
Interest payable	<u>(53,670)</u>
Net position of governmental activities	<u><u>\$ 3,654,474</u></u>

City of Hastings
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Economic Development Housing and Redevelopment Authority
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 397,458	\$ 397,458	\$ 462,852	\$ 65,394
Intergovernmental	145,000	450,125	561,738	111,613
Charges for services	40,500	40,500	54,401	13,901
Investment earnings	29,900	29,900	14,460	(15,440)
Total revenues	612,858	917,983	1,093,451	175,468
EXPENDITURES				
Current:				
Economic development:				
Personal Services	114,935	114,935	104,519	10,416
Services and Charges	159,480	1,095,100	869,488	225,612
Supplies	1,000	1,000	197	803
Payment to primary government	271,331	271,331	250,766	20,565
Capital outlay	437,000	437,000	-	437,000
Total expenditures	983,746	1,919,366	1,224,970	694,396
Excess (deficiency) of revenues over expenditures	(370,888)	(1,001,383)	(131,519)	869,864
Fund balance--beginning	1,221,705	1,221,706	1,221,706	-
Fund balance--ending	\$ 850,817	\$ 220,323	\$ 1,090,187	\$ 869,864

City of Hastings Economic Development Housing and Redevelopment Authority
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2012

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

Net change in fund balances -- Housing and Redevelopment Authority	\$ (131,519)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(58,964)
Change in Long Term Debt	104,897
Change in Loan receivable	<u>6,525</u>
Changes in net position of governmental activities.	<u><u>\$ (79,061)</u></u>

The notes to the financial statements are an integral part of this statement.

City of Hastings

Statistical Section (Unaudited)

This part of the City of Hastings' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

- Table 1 – Net Position by Component
- Table 2 – Changes in Net Position
- Table 3 – Fund Balances, Governmental Funds
- Table 4 – Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, property taxes.

- Table 5 – Assessed and Estimated Actual Value of Taxable Property
- Table 6 – Property Tax Rates Direct and Overlapping Governments
- Table 7 – Principal Property Taxpayers
- Table 8 – Property Tax Levies and collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

- Table 9 – Ratios of Outstanding Debt by Type
- Table 10- Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Debt Per Capita
- Table 11 - Direct and Overlapping Governmental activities Debt
- Table 12 – Legal Debt Margin Information
- Table 13 - Pledged Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

- Table 14 – Demographic and Economic Statistics
- Table 15 – Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.

Table 16 – Full-time Equivalent City Government Employees by Function

Table 17 – Operating Indicators by Function/Program

Table 18 – Capital Asset Statistics by Function/Program

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HASTINGS, MINNESOTA
NET POSITION BY COMPONENT
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal year				
	2004	2005	2006	2007	2008
Governmental activities:					
Investment in capital assets	\$25,247,306	\$21,990,765	\$29,378,457	\$32,481,716	\$34,957,913
Restricted for:					
Police activities	-	-	-	-	-
Debt service	2,434,002	17,555,823	6,537,251	6,134,319	6,929,395
Capital projects	-	-	-	-	-
Permanent Funds - Non Expendable	1,548,215	1,253,021	1,317,243	1,387,083	1,152,273
Unrestricted	16,997,695	11,904,005	17,940,780	16,138,431	10,675,588
Total governmental activities net position	<u>\$46,227,218</u>	<u>\$52,703,614</u>	<u>\$55,173,731</u>	<u>\$56,141,549</u>	<u>\$53,715,169</u>
Business-type activities:					
Investment in capital assets	\$22,900,136	\$21,673,774	\$21,937,927	\$25,083,101	\$27,133,948
Restricted for:					
Debt service	640,367	-	378,630	514,506	626,945
Unrestricted	7,826,375	12,360,037	13,914,067	12,225,081	9,746,881
Total business-type activities net position	<u>\$31,366,878</u>	<u>\$34,033,811</u>	<u>\$36,230,624</u>	<u>\$37,822,688</u>	<u>\$37,507,774</u>
Primary government:					
Investment in capital assets	\$48,147,442	\$43,664,539	\$51,316,384	\$57,564,817	\$62,091,861
Restricted for:					
Police activities	-	-	-	-	-
Debt service	3,074,369	17,555,823	6,915,881	6,648,825	7,556,340
Capital projects	-	-	-	-	-
Permanent Funds - Non Expendable	1,548,215	1,253,021	1,317,243	1,387,083	1,152,273
Unrestricted	24,824,070	24,264,042	31,854,847	28,363,512	20,422,469
Total primary government net position	<u>\$77,594,096</u>	<u>\$86,737,425</u>	<u>\$91,404,355</u>	<u>\$93,964,237</u>	<u>\$91,222,943</u>

Table 1

2009	2010	2011	2012
\$31,650,562	\$35,000,053	\$36,720,391	\$39,532,965
-	-	29,826	14,524
10,294,502	13,314,697	10,355,915	10,278,599
-	-	1,110,710	567,457
1,117,351	1,117,351	1,071,986	1,118,669
11,229,027	1,828,131	3,621,967	2,088,661
<u>\$54,291,442</u>	<u>\$51,260,232</u>	<u>\$52,910,795</u>	<u>\$53,600,875</u>
\$29,312,893	\$28,099,759	\$27,280,688	\$26,349,437
626,945	283,255	284,765	291,130
6,531,574	7,734,552	6,225,377	6,322,246
<u>\$36,471,412</u>	<u>\$36,117,566</u>	<u>\$33,790,830</u>	<u>\$32,962,813</u>
\$60,963,455	\$63,099,812	\$64,001,079	\$65,882,402
-	-	29,826	14,524
10,921,447	13,597,952	10,640,680	10,569,729
-	-	1,110,710	567,457
1,117,351	1,117,351	1,071,986	1,118,669
17,760,601	9,562,683	9,847,344	8,410,907
<u>\$90,762,854</u>	<u>\$87,377,798</u>	<u>\$86,701,625</u>	<u>\$86,563,688</u>

CITY OF HASTINGS, MINNESOTA
CHANGES IN NET POSITION
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	2004	2005	2006
Expenses			
Governmental activities:			
General government	\$1,884,670	\$1,854,405	\$2,854,691
Public safety	4,868,638	5,199,872	6,484,190
Public works	3,685,517	3,911,440	4,729,315
Culture and recreation	2,212,753	2,787,437	2,706,743
Economic development	99,948	1,234,760	4,667,163
Health and sanitation	61,006	59,256	45,928
Interest on long-term debt	1,571,748	1,819,215	1,363,336
Total governmental activities expenses	<u>14,384,280</u>	<u>16,866,385</u>	<u>22,851,366</u>
Business-type activities:			
Water	1,368,218	1,477,153	1,373,927
Sewer	1,470,986	1,558,425	1,615,423
Storm	-	-	-
Transit	299,581	333,170	350,679
Hydro	1,210,516	978,565	949,906
Total business-type activities expenses	<u>4,349,301</u>	<u>4,347,313</u>	<u>4,289,935</u>
Total primary government expenses	<u>\$18,733,581</u>	<u>\$21,213,698</u>	<u>\$27,141,301</u>
Program revenues			
Governmental activities:			
Charges for services:			
Public safety	\$1,974,009	\$1,772,736	\$2,153,352
Public works	4,676,561	139,087	295,656
Culture and recreation	1,487,408	1,092,559	1,047,376
Other activities	484,297	447,035	2,119,861
Operating grants and contributions	797,889	1,672,007	1,010,711
Capital grants and contributions	1,618,316	6,469,879	7,421,613
Total governmental activities program revenues	<u>11,038,480</u>	<u>11,593,303</u>	<u>14,048,569</u>
Business-type activities:			
Charges for services:			
Water	2,152,479	1,888,867	1,891,134
Sewer	1,837,223	1,816,229	1,795,202
Storm	-	-	-
Transit	52,157	47,440	47,376
Hydro	1,271,387	1,304,734	1,715,514
Operating grants and contributions	180,545	202,205	210,056
Capital grants and contributions	675,207	755,667	1,860,899
Total business-type activities program revenues	<u>6,168,998</u>	<u>6,015,142</u>	<u>7,520,181</u>
Total primary government program revenues	<u>\$17,207,478</u>	<u>\$17,608,445</u>	<u>\$21,568,750</u>
Net (expense) revenue:			
Governmental activities	(\$3,345,800)	(\$5,273,082)	(\$8,802,797)
Business-type activities	1,819,697	1,667,829	3,230,246
Total primary government net (expense) revenue	<u>(1,526,103)</u>	<u>(3,605,253)</u>	<u>(5,572,551)</u>

Table 2
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Fiscal Year					
2007	2008	2009	2010	2011	2012
\$2,713,772	\$4,582,428	\$2,123,135	\$2,779,891	\$2,664,458	\$2,708,887
6,532,532	7,476,921	7,400,096	7,756,228	7,325,913	7,646,393
4,319,907	4,954,805	5,203,268	5,153,734	4,343,248	4,939,914
2,868,371	2,918,080	2,815,492	2,986,387	2,897,432	2,979,509
76,570	81,817	21,480	40,217	20,881	24,455
122,491	116,893	115,836	49,720	102,425	24,057
1,181,604	1,165,837	1,178,588	986,667	928,432	905,223
17,815,247	21,296,781	18,857,895	19,752,844	18,282,789	19,228,438
1,533,129	2,132,957	2,198,818	2,067,995	2,030,228	2,003,623
1,722,813	1,773,593	1,863,561	1,897,487	1,926,477	1,807,697
-	-	-	187,854	357,476	417,236
372,677	402,241	413,870	150,295	-	-
864,858	806,659	895,453	1,235,657	739,600	907,562
4,493,477	5,115,450	5,371,702	5,539,288	5,053,781	5,136,118
\$22,308,724	\$26,412,231	\$24,229,597	\$25,292,132	\$23,336,570	\$24,364,556
\$2,235,906	\$1,878,151	\$2,087,384	\$2,287,058	\$2,182,932	\$2,617,151
79,463	74,324	34,454	22,450	28,665	47,369
1,119,217	1,260,935	1,019,365	1,085,722	1,179,969	1,183,146
1,503,592	1,782,460	393,163	360,025	408,805	421,246
816,105	822,680	1,627,296	261,553	316,382	933,834
1,057,065	23,026	1,647,922	1,140,804	2,352,552	949,617
6,811,348	5,841,576	6,809,584	5,157,612	6,469,305	6,152,363
2,373,183	2,170,786	1,954,185	1,849,918	1,665,738	2,220,064
1,796,278	1,846,845	1,783,977	1,773,167	1,775,610	1,859,169
-	-	-	-	398,602	435,361
50,697	52,286	58,229	57,673	18,109	-
1,411,193	1,142,448	1,150,480	1,091,940	1,468,823	981,819
246,041	255,293	291,515	274,347	147,930	32,417
370,274	-	920,008	-	-	35,585
6,247,666	5,467,658	6,158,394	5,047,045	5,474,812	5,564,415
\$13,059,014	\$11,309,234	\$12,967,978	\$10,204,657	\$11,944,117	\$11,716,778
(\$11,003,899)	(\$15,455,205)	(\$12,048,311)	(\$14,595,232)	(\$11,813,484)	(\$13,076,075)
1,754,189	352,208	786,692	(492,243)	421,031	428,297
(9,249,710)	(15,102,997)	(11,261,619)	(15,087,475)	(11,392,453)	(12,647,778)

CITY OF HASTINGS, MINNESOTA
CHANGES IN NET POSITION (CONTINUED)
 Last Nine Fiscal Years
 (Accrual Basis of Accounting)

	2004	2005	2006
General revenues and other changes in net position			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes	\$6,186,607	\$6,281,933	\$7,398,802
Property taxes, levied for debt service	1,655,956	2,120,999	2,072,752
Unrestricted grants and contributions	706,727	787,525	626,425
Gain (Loss) on disposal of capital assets	145,694	7	27,469
Investment earnings	455,433	573,082	824,698
Contribution to permanent fund	-	1,196,675	-
Contribution of capital assets	(1,682,359)	-	-
Transfers	(356,009)	789,257	322,768
Total governmental activities	<u>7,112,049</u>	<u>11,749,478</u>	<u>11,272,914</u>
Business-type activities:			
Property taxes, levied for general purposes	-	14,676	105
Gain (Loss) on disposal of capital assets	7,890	1,234	-
Investment earnings	252,420	259,842	532,582
Miscellaneous	136,273	7,570	29,163
Contribution of capital assets	1,682,359	-	-
Transfers	356,009	(789,257)	(322,768)
Total business-type activities	<u>2,434,951</u>	<u>(505,935)</u>	<u>239,082</u>
Total primary government	<u>\$9,547,000</u>	<u>\$11,243,543</u>	<u>\$11,511,996</u>
Change in net assets:			
Governmental activities	\$3,766,249	\$6,476,396	\$2,470,117
Business-type activities	4,254,648	1,161,894	3,469,328
Total primary government	<u>\$8,020,897</u>	<u>\$7,638,290</u>	<u>\$5,939,445</u>

Table 2
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Fiscal Year	2007	2008	2009	2010	2011	2012
	\$7,703,556	\$8,066,976	\$8,460,160	\$8,231,863	\$7,648,745	\$8,227,080
	2,485,996	2,713,753	2,546,338	2,765,702	2,961,928	3,458,479
	569,456	294,736	571,741	48,135	46,113	195,713
	6,938	8,331	15,190	22,064	63,245	7,019
	996,040	135,744	464,105	389,655	209,444	293,721
	-	-	-	-	-	-
	-	-	-	25,000	100,893	250,766
	209,731	1,809,285	760,704	539,121	2,433,679	1,333,377
	11,971,717	13,028,825	12,818,238	12,021,540	13,464,047	13,766,155
	(81)	-	69,126	72,747	(1,055)	-
	(30,229)	(11,885)	4,626	-	-	-
	830,451	463,312	187,982	177,004	172,762	77,063
	27,473	-	-	-	-	-
	-	-	-	-	-	-
	(209,731)	(1,809,285)	(973,439)	(539,121)	(2,433,679)	(1,333,377)
	617,883	(1,357,858)	(711,705)	(289,370)	(2,261,972)	(1,256,314)
	\$12,589,600	\$11,670,967	\$12,106,533	\$11,732,170	\$11,202,075	\$12,509,841
	\$967,818	(\$2,426,380)	\$769,927	(\$2,573,692)	\$1,650,563	\$690,080
	2,372,072	(1,005,650)	74,987	(781,613)	(1,840,941)	(828,017)
	\$3,339,890	(\$3,432,030)	\$844,914	(\$3,355,305)	(\$190,378)	(\$137,937)

CITY OF HASTINGS, MINNESOTA
 FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2003	2004	2005
General Fund:			
Reserved for:			
Prepaid items	\$29,037	\$25,288	\$15,247
Inventories	834	1,758	2,938
Unreserved:			
Designated for working capital	2,484,071	2,957,362	3,191,615
Undesignated	1,208,352	1,477,376	1,801,271
Nonspendable:			
Prepaid items	-	-	-
Inventories	-	-	-
Unassigned:	-	-	-
Total general fund	<u>\$3,722,294</u>	<u>\$4,461,784</u>	<u>\$5,011,071</u>
All other governmental funds:			
Reserved for:			
Prepaid items	\$27,004	\$3,945	\$3,870
Encumbrances	-	-	-
Inventories	2,742	2,535	5,309
Loan receivables	97,178	115,353	170,951
Debt service	5,677,301	6,320,271	11,234,137
Unreserved, reported in:			
Special revenue funds designated for working capital	1,303,951	1,604,914	1,625,319
Capital projects funds designated for working capital	600,158	965,909	1,047,021
Capital projects funds designated for subsequent years expenditures	-	-	-
Special revenue funds	788,048	853,071	1,172,509
Capital projects funds	5,437,648	4,391,230	3,112,982
Permanent funds	-	-	1,253,021
Nonspendable			
Prepaid	-	-	-
Inventories	-	-	-
Permanent endowment-Leduc mansion	-	-	-
Restricted			
Police activities	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment-Leduc mansion	-	-	-
Committed			
Park maintenance	-	-	-
Aquatic operatins	-	-	-
Cable TV activities	-	-	-
Heritage preservation activities	-	-	-
Fire & ambulance activities	-	-	-
Arena activities	-	-	-
Assigned			
Capital	-	-	-
Unassigned			
Capital	-	-	-
Total all other governmental funds	<u>\$13,934,030</u>	<u>\$14,257,228</u>	<u>\$19,625,119</u>

Table 3

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$29,661	\$45,455	\$69,849	\$41,997	\$25,887	\$ -	\$ -
1,043	1,545	2,384	1,607	2,196	-	-
3,735,686	3,437,275	2,248,855	2,760,945	2,325,627	-	-
577,693	-	-	-	-	-	-
-	-	-	-	-	16,121	23,196
-	-	-	-	-	50,505	49,983
-	-	-	-	-	3,024,570	3,411,086
<u>\$4,344,083</u>	<u>\$3,484,275</u>	<u>\$2,321,088</u>	<u>\$2,804,549</u>	<u>\$2,353,710</u>	<u>\$3,091,196</u>	<u>\$3,484,265</u>
\$2,863	\$4,039	\$15,372	\$16,840	\$7,076	\$ -	\$ -
-	-	-	-	-	-	-
5,615	6,421	3,129	5,325	8,785	-	-
-	-	-	-	-	-	-
7,039,058	6,601,983	6,929,395	10,294,502	7,127,461	-	-
-	-	-	-	-	-	-
1,748,687	2,455,948	2,100,660	2,185,268	1,898,549	-	-
440,901	310,873	141,940	98,134	98,134	-	-
-	-	-	-	-	-	-
1,137,750	866,262	1,102,628	889,276	982,832	-	-
3,324,324	2,741,884	2,594,230	3,177,071	2,234,757	-	-
1,317,152	1,387,083	987,145	1,117,351	1,169,288	-	-
-	-	-	-	-	60,694	44,830
-	-	-	-	-	10,685	10,179
-	-	-	-	-	200,000	200,000
-	-	-	-	-	29,826	14,524
-	-	-	-	-	5,868,913	6,750,592
-	-	-	-	-	1,110,710	684,302
-	-	-	-	-	871,986	918,669
-	-	-	-	-	489,345	541,760
-	-	-	-	-	33,293	62,481
-	-	-	-	-	199,424	210,998
-	-	-	-	-	81,426	84,857
-	-	-	-	-	975,108	1,168,697
-	-	-	-	-	619,939	636,751
-	-	-	-	-	1,864,972	1,523,421
-	-	-	-	-	-	(99,131)
<u>\$15,016,350</u>	<u>\$14,374,493</u>	<u>\$13,874,499</u>	<u>\$17,783,767</u>	<u>\$13,526,882</u>	<u>\$12,416,321</u>	<u>\$ 12,752,930</u>

CITY OF HASTINGS, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

	2003	2004	2005	2006
Revenues:				
Taxes	\$6,276,083	\$7,817,327	\$8,404,727	\$9,421,277
Special assessments	962,955	1,707,287	1,821,527	1,745,613
Licenses and permits	900,360	758,848	684,289	611,164
Fines and forfeitures	93,104	102,526	95,265	101,843
Intergovernmental	2,789,616	1,525,822	2,026,189	1,855,583
Charges for services	2,654,541	3,337,647	2,560,287	2,648,780
Investment earnings	245,949	384,254	510,570	731,304
Miscellaneous	92,492	210,885	1,680,502	86,056
Total revenues	14,015,100	15,844,596	17,783,356	17,201,620
Expenditures:				
Current:				
General government	1,484,584	1,552,972	1,518,098	1,834,070
Public safety	4,294,813	4,543,209	4,793,117	5,440,076
Public works	1,610,764	3,367,122	1,817,809	2,232,441
Health and sanitation	52,566	61,006	59,256	45,928
Cultural and recreation	1,655,884	1,722,576	2,193,993	2,191,142
Economic development	114,963	99,948	1,229,072	454,188
Capital outlay	7,179,400	6,374,880	4,920,389	5,370,762
Debt service:				
Principal retirement	1,415,000	2,105,000	2,805,000	8,070,000
Interest	775,883	944,142	1,069,226	1,272,263
Paying agent fees	47,131	77,535	99,049	-
Lease payments	539,203	542,509	553,821	-
Total expenditures	19,170,191	21,390,899	21,058,830	26,910,870
Revenues over (under) expenditures	(5,155,091)	(5,546,303)	(3,275,474)	(9,709,250)

Table 4
Page 1 of 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$10,162,799	\$10,774,232	\$10,890,647	\$10,979,537	\$10,600,376	\$11,726,752
1,492,728	1,644,242	1,512,922	1,258,181	1,984,103	1,762,762
597,177	330,184	270,891	289,754	386,248	403,386
108,150	109,384	103,759	102,394	89,732	99,551
1,537,281	1,077,388	2,664,567	973,766	832,084	1,247,726
2,905,340	3,265,553	3,159,842	3,185,599	3,158,347	3,585,565
879,494	67,260	432,713	353,965	179,685	277,752
138,588	48,638	41,007	35,107	17,003	69,182
<u>17,821,557</u>	<u>17,316,881</u>	<u>19,076,348</u>	<u>17,178,303</u>	<u>17,247,578</u>	<u>19,172,676</u>
2,066,452	1,457,439	1,767,798	1,851,881	2,203,841	2,188,513
6,015,340	6,971,264	6,946,168	7,335,640	6,823,812	7,254,247
1,543,980	2,049,244	2,027,247	1,831,715	1,533,922	2,147,556
122,491	116,893	115,836	49,720	102,425	24,057
2,319,293	2,406,910	2,232,625	2,469,108	2,375,358	2,456,430
76,206	81,453	21,116	40,187	20,881	24,455
5,986,008	6,239,208	2,939,974	2,945,743	4,819,686	3,051,655
5,590,000	3,790,000	4,150,000	8,135,000	4,065,000	4,340,000
1,255,428	1,183,146	1,195,773	1,094,782	985,238	911,963
-	-	-	-	-	-
-	-	-	-	-	-
<u>24,975,198</u>	<u>24,295,557</u>	<u>21,396,537</u>	<u>25,753,776</u>	<u>22,930,163</u>	<u>22,398,876</u>
<u>(7,153,641)</u>	<u>(6,978,676)</u>	<u>(2,320,189)</u>	<u>(8,575,473)</u>	<u>(5,682,585)</u>	<u>(3,226,200)</u>

Continued

CITY OF HASTINGS, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED)
 Last Ten Fiscal Years

	2003	2004	2005	2006
Other financing sources (uses):				
Debt issued	5,520,000	6,965,000	7,875,000	2,335,000
Bond premiums	-	-	43,760	35,045
Bond discounts	-	-	-	-
Payment to refunded bond paying agent	-	-	-	-
Special items	(865,799)	-	-	-
Transfers in	1,813,024	1,480,619	4,008,320	4,281,192
Transfers out	(1,091,071)	(1,836,628)	(2,734,435)	(2,232,421)
Sale of capital assets	-	-	7	14,676
Total other financing sources (uses)	<u>5,376,154</u>	<u>6,608,991</u>	<u>9,192,652</u>	<u>4,433,492</u>
Net change in fund balance	<u>\$221,063</u>	<u>\$1,062,688</u>	<u>\$5,917,178</u>	<u>(\$5,275,758)</u>
Debt service as a percentage of noncapital expenditures	18.3%	20.3%	24.0%	43.4%

Table 4
Page 2 of 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
4,510,000	3,464,999	5,805,000	3,185,000	3,964,750	2,030,000
12,927	32,880	86,370	72,067	-	112,181
-	-	-	-	(1,711)	-
-	-	-	-	(1,705,000)	-
-	-	-	-	-	-
3,148,820	4,391,652	2,830,867	1,977,416	4,139,595	3,597,850
(2,026,709)	(2,582,367)	(2,024,509)	(1,375,776)	(1,172,669)	(1,791,172)
6,938	8,331	15,190	22,064	84,545	7,019
<u>5,651,976</u>	<u>5,315,495</u>	<u>6,712,918</u>	<u>3,880,771</u>	<u>5,309,510</u>	<u>3,955,878</u>
<u>(\$1,501,665)</u>	<u>(\$1,663,181)</u>	<u>\$4,392,729</u>	<u>(\$4,694,702)</u>	<u>(\$373,075)</u>	<u>\$729,678</u>
36.0%	27.5%	29.0%	40.5%	40.5%	27.9%

CITY OF HASTINGS, MINNESOTA
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

Fiscal Year Ended December 31,	Residential Property	Commercial/Industrial Property	All Other	Total Tax Capacity	Adjustment For Fiscal Disparities	Adjusted Tax Capacity Value	Total Direct Tax Rate	Estimated Market Value	Tax Capacity as a Percent of EMV
2003	10,075,956	3,661,481	27,530	13,764,967	1,175,462	14,940,429	50.077%	1,029,278,500	1.34%
2004	12,025,911	3,673,253	271,501	15,970,665	1,134,448	17,105,113	50.110%	1,222,350,200	1.31%
2005	13,686,986	4,180,620	309,002	18,176,608	1,165,093	19,341,701	50.515%	1,426,271,500	1.27%
2006	14,995,810	4,580,393	338,551	19,914,754	1,268,408	21,183,162	50.010%	1,629,275,900	1.22%
2007	15,690,677	4,792,637	354,238	20,837,552	1,431,710	22,269,262	49.235%	1,777,044,800	1.17%
2008	15,564,978	4,754,243	351,401	20,670,622	1,698,644	22,369,266	49.475%	1,852,486,200	1.12%
2009	15,709,176	4,798,287	354,656	20,862,119	2,000,871	22,862,990	49.730%	1,844,253,600	1.13%
2010	14,843,341	4,533,823	335,109	19,712,272	2,083,795	21,796,067	52.677%	1,731,987,800	1.14%
2011	13,726,993	4,192,840	309,906	18,229,738	2,118,897	20,348,635	55.195%	1,596,607,900	1.14%
2012	12,205,065	3,727,975	275,546	16,208,585	2,083,131	18,291,716	55.195%	1,398,694,164	1.16%

Source: Springsted, Inc

CITY OF HASTINGS, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years

Table 6

Fiscal Year	City Direct Rate	City Debt Rate	Total City Rate	Overlapping Rates*			Total
				School District	Other Districts	County	
2003	34.467	15.610	50.077	22.906	4.743	32.463	110.189
2004	36.995	13.115	50.110	22.050	2.420	30.300	104.880
2005	35.269	15.246	50.515	22.126	4.650	28.267	105.558
2006	36.969	13.041	50.010	18.683	4.996	26.318	100.007
2007	34.986	14.249	49.235	18.157	4.346	25.127	96.865
2008	34.540	14.935	49.475	16.665	4.915	25.201	96.256
2009	35.753	13.977	49.730	16.735	4.834	25.821	97.120
2010	36.496	16.181	52.677	20.206	5.331	27.269	105.483
2011	36.165	19.030	55.195	22.140	5.471	29.149	111.955
2012	47.053	19.030	66.083	25.435	5.827	31.426	128.771

Source: Dakota County Treasurer - Auditor's Office

Note: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

*Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners; for example, although the county property tax rates apply to all City property owners, Other Districts rates apply only to the approximately one-third of City property owners whose property is located within that District's geographic boundaries.

CITY OF HASTINGS, MINNESOTA
 PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Table 7

Taxpayer	2012			2003		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Regina Medical Complex	546,477	1	2.78%	\$ -	-	0.00%
Wal-Mart	256,856	2	1.31%	187,494	1	1.25%
Inch III Hastings LLC	185,504	3	0.94%	-	-	0.00%
Xcel Energy (NSP Company)	183,260	4	0.93%	\$150,245	2	1.00%
Hastings Country Club	175,900	5	0.89%	-	-	0.00%
Three Rivers Partnership	140,862	6	0.72%	94,528	4	0.63%
Target Corporation	117,250	7	0.60%	108,790	3	0.73%
VMA 1000 LLC	100,000	8	0.51%	90,521	5	0.60%
Camegaran LLC	98,985	9	0.50%	-	-	0.00%
KCP Hastings LLC	95,684	10	0.49%	-	-	0.00%
County Crossroads Ctr. Ltd. Partnership				76,314	10	0.51%
Smead Manufacturing Company				81,560	8	0.54%
Hastings Westview LLC				79,502	9	0.53%
Intek Weatherseal Products, Inc				84,374	6	0.56%
Archdiocese of St. Paul & Minneapolis				82,368	7	0.55%
Total	<u>\$ 1,900,778</u>		<u>6.88%</u>	<u>\$ 1,035,696</u>		<u>6.92%</u>
Total All Property	<u>\$19,677,218</u>			<u>\$14,976,032</u>		

Source: Springsted, Inc.

CITY OF HASTINGS, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Table 8

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year*	Collected Within The Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	4,832,620	4,770,693	98.72%	53,433	4,824,126	99.82%
2004	5,931,140	5,846,623	98.58%	57,098	5,903,721	99.54%
2005	8,601,840	7,984,873	92.83%	89,630	8,074,503	93.87%
2006	9,673,024	9,412,936	97.31%	77,640	9,490,576	98.11%
2007	10,640,171	10,076,645	94.70%	153,831	10,230,476	96.15%
2008	11,547,277	10,578,434	91.61%	145,894	10,724,328	92.87%
2009	11,581,472	10,820,341	93.43%	320,707	11,141,048	96.20%
2010	11,581,000	10,699,472	92.39%	252,169	10,951,641	94.57%
2011	11,264,000	10,723,507	95.20%	247,368	10,970,875	97.40%
2012	11,746,000	11,565,238	98.46%	-	11,565,238	98.46%

* The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy starting in 2002 was affected by legislative changes in 2001 to the Minnesota property tax law.

Source: Springsted, Inc. Numbers presented are the most recent available

CITY OF HASTINGS, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Total Governmental Activities	Percentage of Tax Capacity
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds	Certificates of Indebtedness	Lease Revenue Bonds		
2003	4,660,000	19,885,000	-	420,000	-	24,965,000	166.70%
2004	4,475,000	24,715,000	-	635,000	-	29,825,000	174.76%
2005	8,620,000	25,745,000	-	530,000	-	34,895,000	195.07%
2006	7,175,000	25,270,000	-	745,000	-	33,190,000	169.24%
2007	6,630,000	24,565,000	-	915,000	-	32,110,000	154.10%
2008	6,045,000	24,545,000	-	1,195,000	-	31,785,000	152.54%
2009	5,425,000	26,665,000	-	1,350,000	-	33,440,000	160.48%
2010	6,500,000	20,585,000	-	1,405,000	-	28,490,000	144.79%
2011	4,120,000	21,230,000	-	1,334,750	-	26,684,750	146.38%
2012	3,405,000	19,790,000	-	1,284,750	-	24,479,750	151.36%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 9

Business-Type Activities				Total Business-Type Activities	Per Customer	Total Primary Government	Per Capita	Percentage of Income
Sewer/ Water Hydro Bonds	Term Loan Payable	Certificates of Participation	Capital Leases					
8,180,000	-	-	-	8,180,000	1,360	33,145,000	1,676	644.08
5,835,000	-	-	-	5,835,000	902	35,660,000	1,736	739.80
5,875,000	-	-	-	5,875,000	854	40,770,000	1,897	842.55
8,705,000	-	-	-	8,705,000	1,258	41,895,000	1,850	778.05
8,365,000	-	-	-	8,365,000	1,193	40,475,000	1,787	730.80
7,885,000	-	-	-	7,885,000	1,098	39,670,000	1,751	702.34
4,340,000	-	-	-	4,340,000	605	37,780,000	1,643	731.58
4,135,000	-	-	-	4,135,000	576	32,625,000	1,418	629.59
4,120,250	-	-	-	4,120,250	574	30,805,000	1,339	595.71
3,900,250	-	-	-	3,900,250	543	28,380,000	1,234	546.48

CITY OF HASTINGS, MINNESOTA

Table 10

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Estimated Market Value	Per Capita
	Gross Governmental Debt	Less Debt Service Fund Balance	Net Governmental Debt		
2003	24,965,000	5,677,301	19,287,699	2%	975.0
2004	29,825,000	6,320,271	23,504,729	2%	1144.0
2005	34,895,000	11,234,137	23,660,863	2%	1101.1
2006	33,190,000	7,039,058	26,150,942	2%	1154.5
2007	32,110,000	6,601,983	25,508,017	1%	1126.1
2008	31,785,000	6,929,395	24,855,605	1%	1097.3
2009	33,440,000	10,338,297	23,101,703	1%	1004.4
2010	28,490,000	7,127,461	21,362,539	1%	928.8
2011	26,684,750	5,869,538	20,815,212	1%	905.0
2012	24,479,750	6,753,604	17,726,146	1%	770.7

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF HASTINGS, MINNESOTA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2012

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
School Districts:			
Hastings School District #200	52,855,000	60.83%	32,151,697
Counties:			
Dakota County	52,255,000	4.70%	2,455,985
Washington County	167,100,000	0.10%	1,671,000
Other:			
Met Council	1,724,988,995	63.00%	1,086,743,067
Hasting Economic Development & Redevelopment Authority		100.00%	2,855,000
Subtotal - overlapping debt			1,125,876,748
City direct debt		100.00%	24,453,173
Total direct and overlapping debt			\$1,150,329,921

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

CITY OF HASTINGS, MINNESOTA
 LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2012

Market value	<u>\$1,398,694,164</u>
Debt limit (2% of market value)	<u>27,973,883</u>
Debt applicable to limit:	
General obligation bonds	3,405,000
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	<u>3,405,000</u>
Legal debt margin	<u><u>\$24,568,883</u></u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$20,585,570	\$28,241,254	\$32,321,654	\$35,585,518
Total net debt applicable to limit	<u>9,790,000</u>	<u>9,490,000</u>	<u>13,180,000</u>	<u>7,920,000</u>
Legal debt margin	<u><u>\$10,795,570</u></u>	<u><u>\$18,751,254</u></u>	<u><u>\$19,141,654</u></u>	<u><u>\$27,665,518</u></u>

Amount of Debt Applicable to Debt Limit:

Total net debt applicable to the limit as a percentage of debt limit	47.56%	33.60%	40.78%	22.26%
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Note: Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent of total assessed property value. However, the City has established a more conservative internal limit of no more than 5 percent. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 12

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$35,540,896	\$37,049,724	\$36,885,072	\$34,639,756	\$31,932,158	\$27,973,883
<u>6,630,000</u>	<u>6,045,000</u>	<u>5,425,000</u>	<u>6,500,000</u>	<u>4,120,000</u>	<u>3,405,000</u>
<u>\$28,910,896</u>	<u>\$31,004,724</u>	<u>\$31,460,072</u>	<u>\$28,139,756</u>	<u>\$27,812,158</u>	<u>\$24,568,883</u>
18.65%	16.32%	14.71%	18.76%	12.90%	12.17%

CITY OF HASTINGS, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2003	2,152,479	838,567	1,313,912	35,000	39,287	17.69
2004	1,888,867	877,636	1,011,231	40,000	37,617	13.03
2005	1,891,134	947,922	943,212	40,000	35,798	12.44
2006	2,373,183	816,381	1,556,802	40,000	37,793	20.01
2007	2,170,786	1,401,068	769,718	40,000	130,592	4.51
2008	1,939,509	1,889,420	50,089	155,000	243,045	0.13
2009	1,849,918	2,020,737	(170,819)	195,000	177,516	(0.46)
2010	1,665,738	1,875,071	(209,333)	205,000	163,146	(0.57)
2011	1,785,770	1,864,798	(79,028)	215,000	157,901	(0.21)
2012	2,220,064	1,854,061	366,003	220,000	156,401	0.97

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

Table 13

Utility Service Charges	Less Operating Expenses	Hydro Electric Revenue Bonds				Coverage	Special Assessment Collections	Improvement Bonds			
		Net Available Revenue	Debt Service		Principal			Interest	Debt Service		Coverage
			Principal	Interest					Principal	Interest	
1,271,387	501,203	770,184	505,000	391,776	0.86	900,360	1,235,000	548,326	0.50		
1,304,734	465,830	838,904	2,305,000	441,343	0.31	1,707,287	1,820,000	715,753	0.67		
1,715,514	363,917	1,351,597	560,000	296,555	1.58	1,821,527	1,905,000	844,743	0.66		
1,411,193	481,171	930,022	575,000	266,047	1.11	1,745,613	8,070,000	1,272,263	0.19		
1,142,448	615,941	526,507	300,000	237,468	0.98	1,492,725	2,875,000	862,427	0.40		
1,150,480	574,043	576,437	325,000	221,167	1.06	1,643,697	3,790,000	1,183,146	0.33		
1,091,940	616,995	474,945	3,350,000	186,866	0.13	1,511,966	4,150,000	1,195,773	0.28		
899,692	666,526	233,166	-	-	-	1,258,181	7,265,000	748,805	0.16		
911,370	739,600	171,770	-	-	-	1,982,875	5,770,000	985,238	0.29		
981,819	907,562	74,257	-	-	-	1,651,781	3,140,000	589,809	0.44		

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2003	19,782	766,770,102	38,761	4.20%
2004	20,546	828,311,990	40,315	4.10%
2005	21,489	889,988,424	41,416	3.50%
2006	21,998	938,401,243	42,658	3.50%
2007	22,436	985,798,227	43,938	3.50%
2008	23,132	1,046,870,615	45,256	6.10%
2009	23,826	1,089,059,501	45,709	6.75%
2010	22,000	995,542,795	45,252	6.80%
2011	22,227	995,657,248	44,795	5.70%
2012	22,355	656,141,605	29,351	5.80%

Sources: Population, Personal Income and Per Capita Income provided by the Minnesota State Demographic Center. Unemployment rate provided by the Minnesota Department of Employment and Economic Assistance.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF HASTINGS, MINNESOTA
 PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Table 15

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Dakota County	1,700	1	18.65%	2,027	1	22.93%
Regina Medical Center	700	2	7.68%	650	3	7.35%
Independent School District # 200	614	3	6.74%	600	4	6.79%
Smead Manufacturing Company	400	4	4.39%	900	2	10.18%
Wal-Mart	300	5	3.29%	186	7	2.10%
Intek Plastics	163	6	1.79%	300	5	3.39%
Augustana Health Care Center	150	7	1.65%	-	-	0.00%
Allina Medical Clinic	145	8	1.59%	200	6	2.26%
Con-Agra	115	9	1.26%	178	9	2.01%
City of Hastings	108	10	1.18%	120	10	1.32%
Target	-		-	180	8	1.97%
Total	4,395		48.22%	5,341		60.32%

Source: Hastings Community Development Department & Springsted Inc.

CITY OF HASTINGS, MINNESOTA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of December 31,			
	2003	2004	2005	2006
General government:				
Administration	2.50	2.50	3.40	3.00
City Clerk	0.67	0.67	0.67	0.67
Finance	4.00	4.00	4.00	3.75
Building Maintenance	1.00	1.00	1.00	2.00
Planning	1.95	1.95	1.95	1.95
Information Technology	1.50	1.50	2.00	2.00
Public Safety:				
Police	30.00	29.50	29.50	32.50
Building Inspections	4.00	4.00	5.00	5.00
Code Enforcement	1.00	1.00	1.00	1.00
Public Works:				
Engineering	6.48	6.48	6.98	7.98
Streets	9.00	8.00	7.50	9.72
Culture and Recreation:				
Reforestation	0.50	0.50	0.50	0.50
Parks	5.92	6.50	7.00	7.00
Aquatic Center	1.38	1.38	1.38	1.38
Cable Television	0.30	0.30	0.30	
Heritage Preservation	0.65	0.50	0.50	0.50
Fire and Ambulance	13.00	13.00	13.00	15.50
Civic Arena	3.20	2.62	2.62	2.62
Economic Development	0.20	0.15	0.25	0.65
Housing and Redevelopment	0.90	1.10	1.10	1.10
Water	5.56	5.56	5.50	4.85
Wastewater	3.01	3.01	3.14	3.85
Transit	4.33	4.33	4.83	4.83
Stormwater	0.00	0.00	0.00	0.00
Hydro Electric	1.75	2.75	3.18	0.90
Total	102.80	102.30	106.30	113.25

Source: City Budget

Table 16

Full-Time Equivalent Employees as of December 31,					
2007	2008	2009	2010	2011	2012
1.00	1.00	1.00	1.00	1.00	1.00
3.42	3.17	3.17	4.50	4.15	4.25
3.75	3.75	3.75	3.75	3.75	3.75
2.00	2.25	2.00	2.00	2.00	2.00
2.60	2.60	2.60	2.60	2.00	1.00
3.00	4.00	4.00	4.00	3.00	3.00
33.50	35.50	34.50	33.50	33.50	33.00
5.00	4.00	4.00	4.00	4.00	3.60
1.00	1.00	1.00	1.00	1.00	0.80
7.63	6.68	6.68	6.68	6.68	4.75
9.72	9.72	8.02	8.02	4.32	5.30
0.50	0.50	0.50	0.50	0.00	0.00
8.50	10.00	9.50	9.50	9.00	8.63
1.00	1.00	1.00	1.00	1.00	1.00
0.75	0.75	0.75	0.75	0.75	0.25
17.00	17.00	16.00	16.00	16.00	15.60
2.50	2.50	2.50	2.50	2.00	2.00
0.65	0.65	0.65	0.65	1.25	1.05
1.05	1.00	1.00	0.00	0.00	0.00
4.85	4.85	7.05	7.05	7.05	6.45
3.85	3.85	3.55	3.55	3.55	4.20
4.83	5.18	5.33	0.00	0.00	0.00
0.00	0.00	0.00	0.00	3.70	3.70
0.90	0.90	0.70	0.70	0.70	0.50
<u>119.00</u>	<u>121.85</u>	<u>119.25</u>	<u>113.25</u>	<u>110.40</u>	<u>105.83</u>

CITY OF HASTINGS, MINNESOTA
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	Fiscal Year		
	2003	2004	2005
Police:			
Physical arrests	N/A	N/A	N/A
Parking violations	N/A	N/A	N/A
Traffic violations	4,570	5,823	6,077
Felony offenses	641	663	716
Gross misdemeanor offenses			
Minor miscellaneous offenses	941	989	943
Calls for service	12,394	13,412	13,672
Part 1 Crimes	-	-	-
Part 2 Crimes	-	-	-
Fire:			
Emergency responses	N/A	N/A	2,709
Fires extinguished	N/A	N/A	N/A
Inspections	N/A	N/A	N/A
Building inspection:			
Permits issued:			
Residential	1,998	2,179	2,662
Commercial	137	99	129
Water:			
Average daily consumption (thousands of gallons)	2,639	2,639	2,000
Peak daily consumption (thousands of gallons)	7,200	7,200	7,700
Transit:			
Total route miles	84,106	81,499	88,567
Passengers	33,865	30,229	30,830

Sources: Various City departments.

Note: Indicators are not available for the general government function.

* Police department has changed reporting system and no longer have this data available.

Table 17

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
N/A	222	221	281	*	*	*
N/A	981	603	570	*	*	*
6,661	5,193	6,170	3,943	*	*	*
158	167	153	148	138	158	*
148	140	129	107	778	6	*
110	139	115	86	95	65	*
13,459	15,638	14,977	14,760	Unavailable	19,434	*
-	-	703	631	597	637	*
-	-	757	818	664	789	*
N/A	2,752	2,823	2,507	Unavailable	2,974	2,974
N/A	N/A	63	467	Unavailable	86	86
N/A	N/A	N/A	383	Unavailable	288	288
2,006	4,706	1,491	1,025	885	912	1,802
147	70	82	128	124	157	63
2,000	2,100	2,515	1,800	1,700	1,900	1,900
7,500	6,775	6,635	6,890	5,295	5,180	5,180
86,165	87,582	93,120	89,351	29,453	-	-
31,468	32,355	33,815	31,525	10,120	-	-

CITY OF HASTINGS, MINNESOTA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2003	2004	2005	2006	2007
Police:					
Stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Other public works:					
Streets (miles)	115.0	115.0	102.1	102.1	102.1
Streetlights					
Parks and recreation:					
Acreage	265	406	406	406	406
Playgrounds	20	21	21	21	21
Baseball/softball diamonds	21	21	21	21	21
Soccer/football fields	10	10	10	10	10
Water:					
Water mains (miles)	85.8	86.6	86.6	86.6	86.6
Fire hydrants	1,400	1,200	1,223	1,223	1,223
Storage capacity (thousands of gallons)	2,750	2,750	2,275	2,275	2,275
Wastewater:					
Sanitary sewers (miles)	85.8	86.6	89.6	89.6	89.6
Storm sewers (miles)	53.0	55.0	55.0	55.0	55.0
Treatment capacity (thousands of gallons)					
Transit-minibuses	4	4	4	4	4

Sources: Various City departments.

Note: No capital asset indicators are available for the general government or library function.

^(a)The _____ Highway opened in 20XX.

^(b)The twelve athletic fields in _____ Park were out of service during most of 20XX while they were rehabilitated.

Preparer's Notes:

1. Governments should present this information by function or programmatic categories consistent with the level of detail required for expenses by Statement 34, as amended. See paragraphs 36 and 38. Professional judgment should be used to determine if additional detail is warranted based on the individual circumstances of a government and the needs of the users of its financial report. Governments may categorize the information differently if they cannot report it on a functional or programmatic basis or if it would be more meaningful to do so.

Table 18

Fiscal Year				
2008	2009	2010	2011	2012
1	1	1	1	1
1	1	1	1	1
102.1	102.1	102.1	102.1	102.1
406	406	406	406	406
21	21	21	21	21
21	21	21	21	21
10	10	10	10	10
86.6	86.6	86.6	86.6	86.6
1,223	1,223	1,223	1,223	1,223
2,275	2,275	2,275	2,275	2,275
89.6	89.6	89.6	89.6	89.6
55.0	55.0	55.0	55.0	55.0
4	4	-	-	-



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Hastings
Hastings, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, as of and for the year ended December 31, 2012, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings as of December 31, 2012, and the respective changes in financial position, the respective budgetary comparison for the general fund and the fire and ambulance special revenue fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress – other postemployment benefit plan, as listed on the table of contents, 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' basic financial statements. The other supplementary information consisting of combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

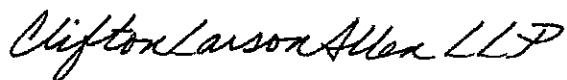
The combining and individual fund financial statements included in the other supplementary information section, as listed in the table of contents are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements in the other supplementary information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, on our consideration of the City of Hastings' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 City of Hastings' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 24, 2013



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Management
City of Hastings
Hastings, Minnesota

In planning and performing our audit of the financial statements of the City of Hastings as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal control and operating efficiency. Our comment and suggestion regarding that matter is summarized below. A separate communication dated May 24, 2013, contains our written communication of a material weakness in the City's internal control. This letter does not affect our communication dated May 24, 2013.

Formal documentation of the Review Process

During our audit fieldwork, we noted that while the bank reconciliations are being reviewed by the Finance Director, there is no formal documentation of this review.

We recommend that the Finance Director sign, or initial and date the reconciliations to document that this review process took place in a timely manner throughout the year. This documentation could also be kept electronically via an e-mail approving the reconciliation if the City wishes to keep this process paperless.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Mayor, the City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 24, 2013



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**INDEPENDENT AUDITORS' REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

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 accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings (the City), Minnesota, as of December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated May 24, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and miscellaneous provisions. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Hastings, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivision*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Hastings, Minnesota's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 24, 2013



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Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings for the year ended December 31, 2012, and have issued our report thereon dated May 24, 2013. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Hastings are described in Note 1 to the financial statements.

- GASBS 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, supersedes GASBS 20*. GASBS 20 gave governments the choice to elect to follow only GASB's authoritative literature, or to follow FASB and AICPA pronouncements that did not conflict with GASB pronouncements. Upon adoption of GASBS 62, all governmental accounting guidance is codified into the GASB literature.
- GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance on deferred outflows and inflows of resources. It also renames the residual amounts from "net assets" to "net position". These financial statements include the statement of net position, which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Adoption of future GASB standards will include reporting of some items previously reported as assets and liabilities as deferred outflows and inflows of resources.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Qualitative aspects of accounting practices (continued)

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the useful lives of capital assets, the valuation of investments, and the allowance for uncollectible accounts receivable. Management's estimate of the useful lives of capital assets is based on authoritative guidance and past experience. Management's estimate of the investments at fair value is based on published market values at December 31, 2012. Management's estimate of the allowance for doubtful accounts is based on collection history of ambulance billings.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

The following immaterial misstatements detected as a result of audit procedures were corrected by management:

- The adjustment to correct interest payable in the water fund at December 31, 2012 in the amount of \$7,270.

The prior year special assessments receivable balance in the debt service fund was understated by \$109,792 and the related fund balance was understated by the same amount. These amounts are immaterial individually and in the aggregate and will therefore be corrected through current year activity.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated May 24, 2013.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

We have provided a separate letter to you dated May 24, 2013, communicating internal control related matters relevant to the group audit and identified by us or by a component auditor during the audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the combining and individual fund financial statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 24, 2013.

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota
Page 4

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the introductory and statistical sections (the other information) in order to identify material inconsistencies between the audited financial statements and the other information.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * * * *

This communication is intended solely for the information and use of the Honorable Mayor and Members of the City Council and management of the City of Hastings and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 24, 2013



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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

We have audited, in accordance with the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Hastings' basic financial statements, and have issued our report thereon dated May 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hastings' 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 City of Hastings' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hastings' 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However we did identify a deficiency in internal control, described below that we consider to be a significant deficiency.

Honorable Mayor and
Members of the City Council
City of Hastings, Minnesota

Audit Adjustment

Condition: As part of the audit, we proposed two audit adjustments to revise the City's books at year-end. These adjustments were related to accrued interest payable for the water fund and an adjustment to the market value of investments in the general fund.

Criteria: City management is responsible for establishing and maintaining internal controls for the proper recording of all the City's transactions including adjusting for year-end accruals.

Effect: Two adjustments were required to bring the financial statements into accordance with generally accepted accounting principles (GAAP).

Cause: The City's established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP did not detect the misstatements in a timely manner.

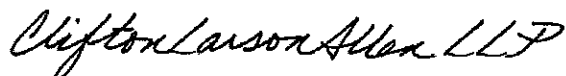
Recommendation: We recommend the City continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hastings' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 24, 2013