

# City of Hastings

Dakota County, Minnesota  
101 Fourth Street East, Hastings, MN 55033



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ending December 31, 2013

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COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
OF  
THE CITY OF HASTINGS  
MINNESOTA

For the Year Ended December 31, 2013

Prepared by the City's Finance Department

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**CITY OF HASTINGS, MINNESOTA**  
**ACKNOWLEDGEMENTS**



**FINANCE DEPARTMENT**

Charlene Stark  
Rebecca Petersen  
Kim Niederkorn  
Lauren Foss  
Connie Lang  
Carol Latham  
Kathleen Belisle

**CITY OF HASTINGS, MINNESOTA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended December 31, 2013  
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# **INTRODUCTORY SECTION**



June 3, 2014

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

Minnesota state law requires that every city with a population in excess of 2,500 publish within six months of the close of each fiscal year, a complete set of financial statements 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. This report is published to fulfill that requirement for the fiscal year ended December 31, 2013.

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 City 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 who have issued an unmodified ("clean") opinion on the financial statements of the City of Hastings for the fiscal year ended December 31, 2013. 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 unmodified opinion that the City of Hastings' financial statements for the fiscal year ended December 31, 2013, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.



GAAP requires 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 Charter declares that the City operates under a "Mayor-Council Plan"- form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor and six other members, all elected on a non-partisan basis. 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 Councilmembers are elected from within their respective wards and the Mayor and two Councilmembers are elected at-large. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions and/or citizen committees and hiring the City Administrator. The City Administrator is the chief administrative officer of the City and is responsible to the Council for the administration of the City's affairs set forth in the City's Charter. This includes carrying out the policies and ordinances of the City, overseeing the day-to-day operations of the city, and the heads of various departments and City employees.

The City of Hastings provides a full range of services, including police and fire protection, advanced and basic life support ambulance services, the construction and maintenance of highways, streets, parks, and infrastructure, and 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 City also contributes to joint powers recreational operations, Hastings Family Aquatic Center, the Civic Arena, and several other important community-based events and projects.

The Council is required to adopt a final budget by no later than the close of the fiscal year. The annual budget represents the financial plan and priorities of the City of Hastings. It is intended to clearly communicate the City's goals and how resources are allocated to those priorities in an easy to understand manner. In essence, the budget process is an ongoing process whereby

priorities and goals are established and funded in alignment with Council directives and our CORE values.

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 made, a proposed budget is then prepared and submitted to the City Council and the preliminary levy is adopted no later than September 15<sup>th</sup>. The City Council may make adjustments to decrease the final levy from the adopted preliminary levy and is required to adopt a final budget no later than December 31<sup>st</sup>, 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 42 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 84 through 85 and page 96 through 104.

**Local Economy**

In 2013, the City continued to see growth in the economic environment. Local indicators point to continued stability. 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.

From a local housing stock, the City saw continued increases in residential building in 2013 and it is anticipated that the City will continue to see growth in this area. Below is a chart that gives the past six year history.

Permits	2013	2012	2011	2010	2009	2008
New Residential	37	39	22	4	15	46
New Commercial	4	1	6	2	2	0
Residential remodel	60	53	70	59	38	28
Commercial remodel	41	29	52	54	39	43
All other permits	1488	1743	1207	890	1059	1573
<b>TOTAL</b>	<b>1630</b>	<b>1865</b>	<b>1357</b>	<b>1009</b>	<b>1153</b>	<b>1690</b>
Dollar value of Permits (in millions)	\$ 21.9	\$ 23.8	\$ 19.7	\$ 17.2	\$ 11.5	\$ 18.6

## Major Initiatives

In 2013, the City saw substantial completion of the Mississippi River bridge crossing project, which will be fully completed by mid-2014. In addition, major initiatives for a riverfront economic redevelopment project and a downtown/Levee Park “Riverfront Renaissance” underscore the strengthening position and investment in the City of Hastings.

Additionally, the City is continually working to update our aging infrastructure. An updated five-year Capital Improvement Plan is being developed for 2015-2019 as part of the 2015 budget preparation process.

## Long-Term Financial Planning

The City is required to strategically develop and adopt a Comprehensive Plan; this was last updated in 2009. The City continues to focus on maintaining the quality of life in the City of Hastings in alignment with our CORE Values—Communication, Optimal Service, Respect for Resources, and Enthusiasm. These values drive the development of our strategic plan, our budget process, and our communication strategy.

## Relevant Financial Policies

The City has adopted a set of financial management policies that focus on long-term financial planning and strategic budgeting. Policies cover such areas as debt management, investments, capital reserves, and internal controls. The City’s fund balance policy specifies a goal to maintain an unassigned fund balance in the General Fund of 30%-40% of the subsequent year’s budgeted expenditures. A history of fund balance information can be found in Table 3 on page 126.

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.

Policy	2013 Year End
a.) Total annual debt service for G.O. debt obligations will not exceed 35% of total budgeted expenditures.	26.97%,
b.) Net bonded debt outstanding will not exceed 3.5% of Assessor’s market value of taxable property.	1.26%,
c.) Gross bonded debt will not exceed \$1,800 per capita.	\$1,385

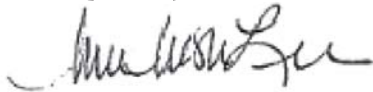
## Awards and Acknowledgements

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, 2012. This is the 16<sup>th</sup> 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.

The preparation of this report would not have been possible without the dedicated services of the City staff. I would like to express my appreciation to the City Council for their leadership and foresight in maintaining our financial position, the City's Management Team members for their thoughtful and deliberate approach to developing and living within our annual budget, and specifically to the Finance Department staff for their dedication and expertise throughout the year.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Melanie Mesko Lee". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping tail.

Melanie Mesko Lee  
City Administrator

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CITY OF HASTINGS, MINNESOTA  
LIST OF OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>OFFICE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
<b>City Council:</b>		
Mayor	Paul Hicks	December, 2014
1 <sup>st</sup> Ward	Anthony Alongi	December, 2016
2 <sup>nd</sup> Ward	Joe Balsanek	December, 2016
3 <sup>rd</sup> Ward	Tony Nelson	December, 2016
4 <sup>th</sup> Ward	Danna Elling-Schultz	December, 2016
At-Large	Ed Riveness	December, 2014
At-Large	Barb Hollenbeck	December, 2014

**Management Team:**

City Administrator	Melanie Mesko Lee
Assistant City Administrator	Julie Flaten
Building Official	Tom Bakken
Community Development Director	John Hinzman
Finance Director	Charlene Stark
Fire and EMS Director	Michael Schutt
Parks & Recreation Director	Chris Jenkins
Police Chief	Bryan Schafer
Public Works Director	Thomas Montgomery

**CORE Values:**

Communication

- We value and promote participation and interactions with citizens and staff.
- We will seek to assure timely and open communications while providing background and context for the decisions that are made.

Optimal Service

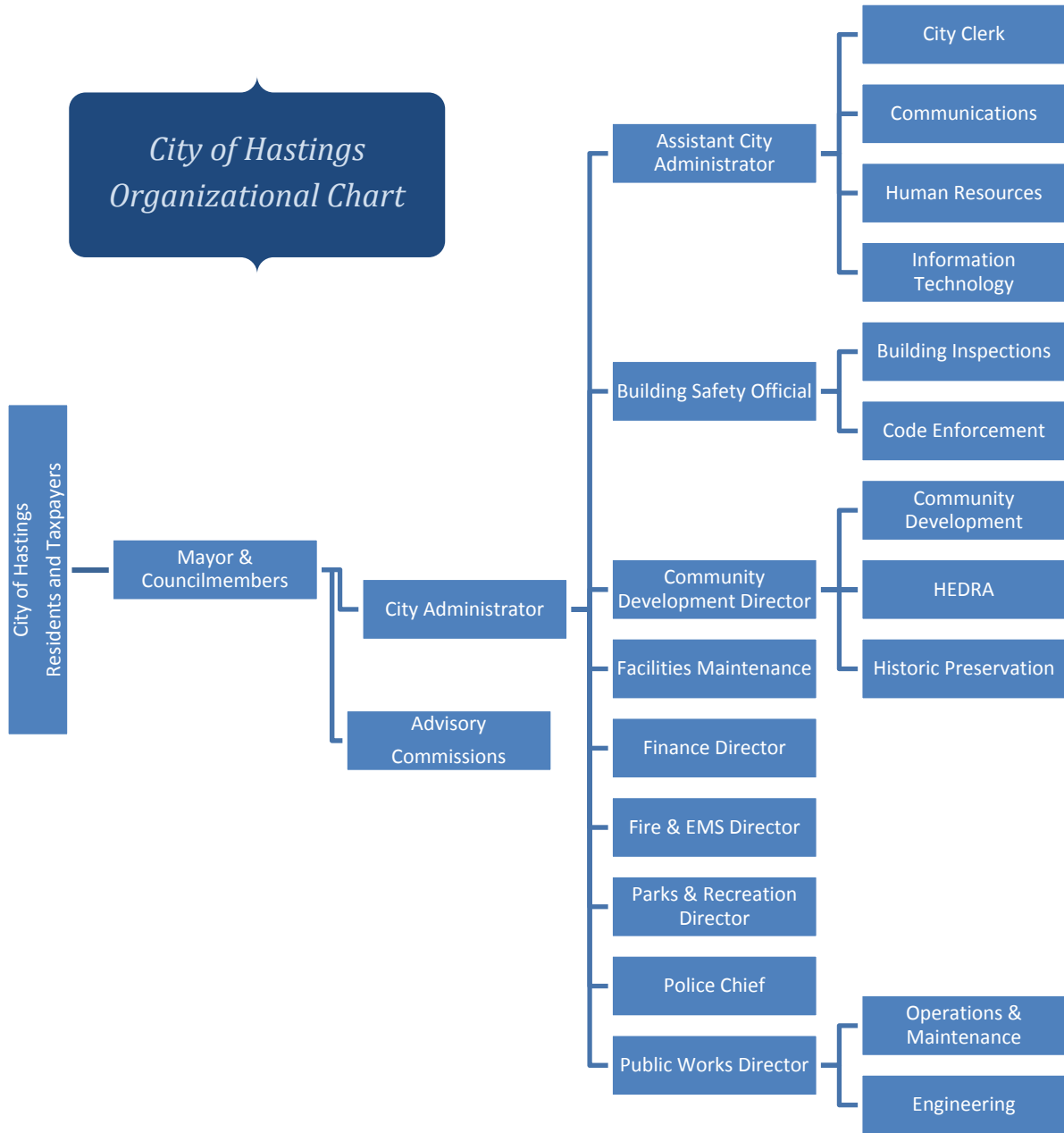
- We recognize the importance of providing timely, courteous and respectful service to the public and to one another.
- We will seek to serve the public and other employees in a constructive, creative and practical manner.

Respect for Resources

- We recognize the value of using all City resources in an efficient and effective manner.
- We will seek to utilize City resources to serve the common good of all.

Enthusiasm

- We are committed to protect and promote the unique characteristics of our community, including its history and scenic beauty.
- We will seek to infuse enthusiasm and enjoyment into our daily interactions with citizens, visitors and other employees.





Government Finance Officers Association

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, 2012**

Executive Director/CEO



# **FINANCIAL SECTION**

## 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, 2013, 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.

### ***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, 2013, 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.

### ***Emphasis-of-Matter***

As discussed in Note VIII.A to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of December 31, 2013. Our opinion is not modified with respect to this matter.

As discussed in Note VIII.B to the financial statements, the beginning net position of Water, Sewer, and Hydro business-type activities and the discretely presented component unit have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

### ***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 combining and individual nonmajor fund financial statements, the individual fund budget and actual schedules of the debt service fund, parks capital projects fund, the nonmajor special revenue and capital project funds, and the component unit are presented for purposes of additional analysis and are not a required part of the basic financial statements.

*Other Information (Continued)*

The combining and individual nonmajor fund financial statements, the individual fund budget and actual schedules of the debt service fund, parks capital projects fund, the nonmajor special revenue and capital project funds, and the component unit (the supplementary information), 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 supplementary information is 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2014, 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  
June 3, 2014

## Management's Discussion and Analysis

As management of the City of Hastings, Minnesota (the City), 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, 2013. 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 - 10 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, 2013) by \$89,037,761 (*net position*). Of this amount, \$10,148,446 (*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 increased by \$2,859,811.
- As of the close of the 2013 fiscal year, the City of Hastings governmental funds ending fund balances were \$18,362,566. Approximately 50.77% is restricted for special revenue-police activities, debt service, capital project programs and permanent trust fund—Leduc Historic Estate. Approximately 2.05% of the fund balance is nonspendable. Approximately 22.3% 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 7.6% of the fund balance, the remaining 17.28% 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 \$3,482,239 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, sewer, storm, and hydro-electric operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Hastings Economic Development and 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 31-33 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 34-41 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 44-46 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 48-49 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 51-79 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 84-112 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 \$89,037,761 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (76.2%) 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
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 24,307,644	\$ 22,769,384	\$ 10,373,273	\$ 7,027,511	\$ 34,680,917	\$ 29,796,895
Capital assets	63,623,447	62,286,138	28,867,233	30,273,073	92,490,680	92,559,211
Total assets	<u>87,931,091</u>	<u>85,055,522</u>	<u>39,240,506</u>	<u>37,300,584</u>	<u>127,171,597</u>	<u>122,356,106</u>
Long-term liabilities outstanding	29,525,475	29,865,878	6,778,595	4,158,964	36,304,070	34,024,842
Other liabilities	<u>1,573,723</u>	<u>1,588,769</u>	<u>256,043</u>	<u>178,807</u>	<u>1,829,766</u>	<u>1,767,576</u>
Total liabilities	<u>31,099,198</u>	<u>31,454,647</u>	<u>7,034,638</u>	<u>4,337,771</u>	<u>38,133,836</u>	<u>35,792,418</u>
Net Position:						
Investment in capital assets	41,738,376	39,532,965	25,478,576	26,349,437	67,216,952	65,882,402
Restricted						
Police activities	13,898	14,524	-	-	13,898	14,524
Debt service	9,292,124	10,278,599	551,253	291,130	9,843,377	10,569,729
Capital projects	677,082	567,457	-	-	677,082	567,457
Permanent endowment						
Leduc Historic Estate	1,138,006	1,118,669	-	-	1,138,006	1,118,669
Unrestricted	<u>3,972,407</u>	<u>2,088,661</u>	<u>6,176,039</u>	<u>6,322,246</u>	<u>10,148,446</u>	<u>8,410,907</u>
Total net position	<u><u>56,831,893</u></u>	<u><u>53,600,875</u></u>	<u><u>32,205,868</u></u>	<u><u>32,962,813</u></u>	<u><u>89,037,761</u></u>	<u><u>86,563,688</u></u>

At the end of 2013, 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 \$3,551,636. The key elements of this increase are as follows:

- *The City received a donation of park land which is recognized as a capital contribution*
- *Transfers from the Enterprise funds were again used to fund a large portion of the street improvement project this year.*
- *The City received a significant amount of State Aid for street projects.*
- *The City experienced numerous staffing vacancies during the year, which resulted in lower than anticipated salary related expenses.*

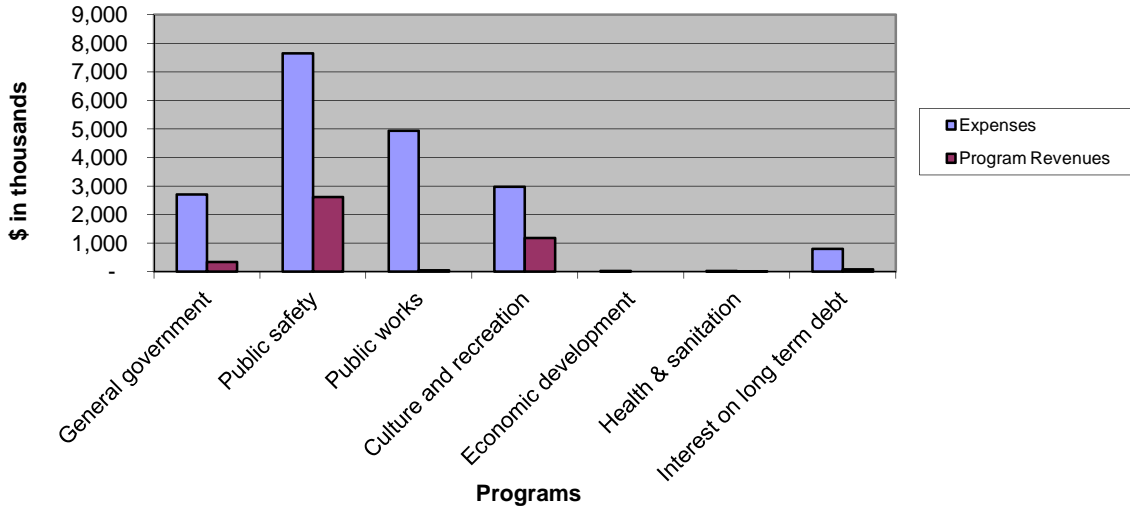


### City of Hastings' Changes in Net Position

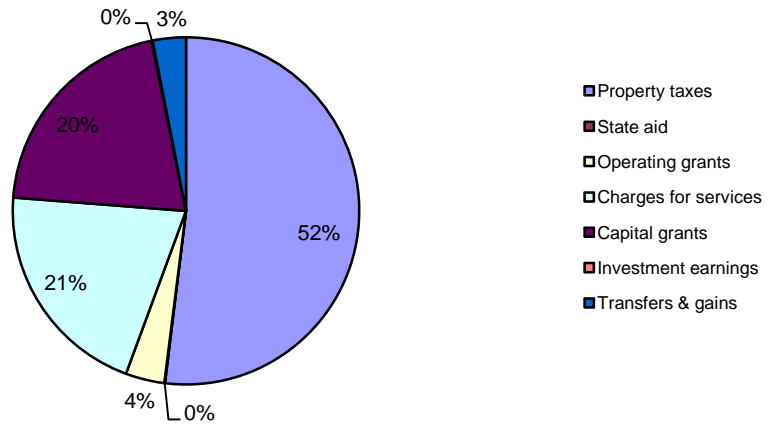
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>	Business-type Activities <u>2013</u>	Business-type Activities <u>2012</u>	Total <u>2013</u>	Total <u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,654,724	\$ 4,268,912	\$ 5,380,685	\$ 5,496,413	\$ 10,035,409	\$ 9,765,325
Operating grants and contributions	820,431	933,834	-	32,417	820,431	966,251
Capital grants and contributions	4,648,382	949,617	-	35,585	4,648,382	985,202
General revenues:						
Property taxes	11,736,990	11,685,559	-	-	11,736,990	11,685,559
State aid	15,067	195,713	-	-	15,067	195,713
Other income (loss)	(5,035)	300,740	(57,568)	77,063	(62,603)	377,803
Total Revenues	<u>21,870,559</u>	<u>18,334,375</u>	<u>5,323,117</u>	<u>5,641,478</u>	<u>27,193,676</u>	<u>23,975,853</u>
Expenses						
General government	2,368,033	2,708,887	-	-	2,368,033	2,708,887
Public safety	8,022,727	7,646,393	-	-	8,022,727	7,646,393
Public works	5,059,797	4,939,914	-	-	5,059,797	4,939,914
Culture & recreation	2,844,498	2,979,509	-	-	2,844,498	2,979,509
Economic development	34,119	24,455	-	-	34,119	24,455
Health & sanitation	19,447	24,057	-	-	19,447	24,057
Interest on long-term debt	647,902	905,223	-	-	647,902	905,223
Water	-	-	2,181,086	2,003,623	2,181,086	2,003,623
Sewer	-	-	1,867,680	1,807,697	1,867,680	1,807,697
Transit	-	-	346,846	417,236	346,846	417,236
Hydro	-	-	941,730	907,562	941,730	907,562
Total Expenses	<u>18,996,523</u>	<u>19,228,438</u>	<u>5,337,342</u>	<u>5,136,118</u>	<u>24,333,865</u>	<u>24,364,556</u>
Increase in net position before transfers and contributions	2,874,036	(894,063)	(14,225)	505,360	2,859,811	(388,703)
Contributions to primary government	-	250,766	-	-	-	250,766
Transfers	677,600	1,333,377	(677,600)	(1,333,377)	-	-
Increase in net position	3,551,636	690,080	(691,825)	(828,017)	2,859,811	(137,937)
Net position, January 1	53,600,875	52,910,795	32,962,813	33,790,830	86,563,688	86,701,625
cummulative effect of change in accounting principal and prior period adjustment	(320,618)	-	(65,120)	-	(385,738)	-
Net position-beginning adjusted	53,280,257	52,910,795	32,897,693	33,790,830	86,177,950	86,701,625
Net position-December 31	<u>\$ 56,831,893</u>	<u>\$ 53,600,875</u>	<u>\$ 32,205,868</u>	<u>\$ 32,962,813</u>	<u>\$ 89,037,761</u>	<u>\$ 86,563,688</u>

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

**Expenses and Program Revenues-Governmental Activities**

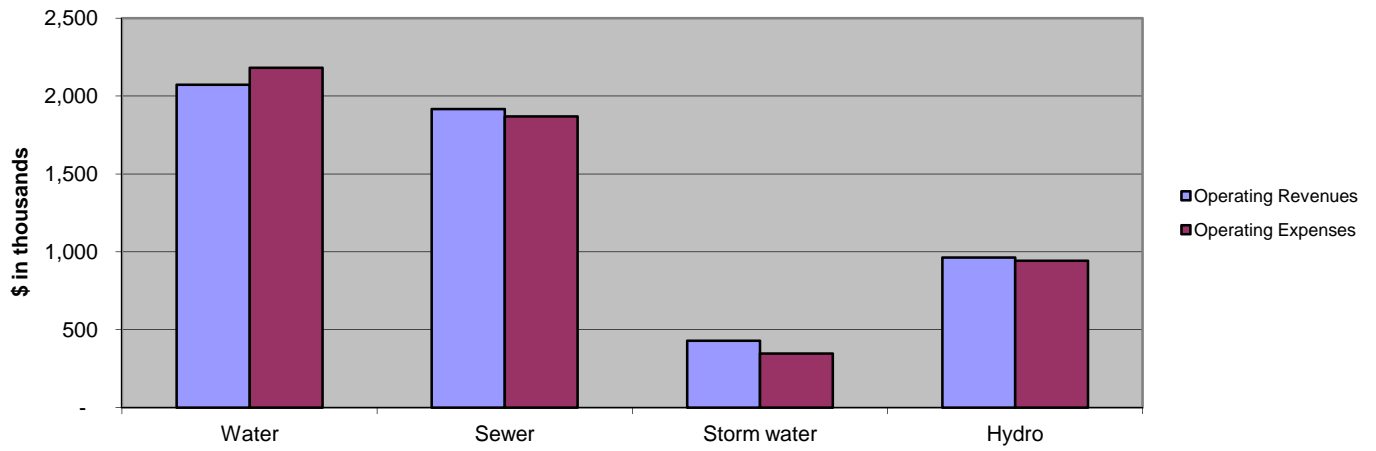


**Revenue Sources-Governmental Activities**

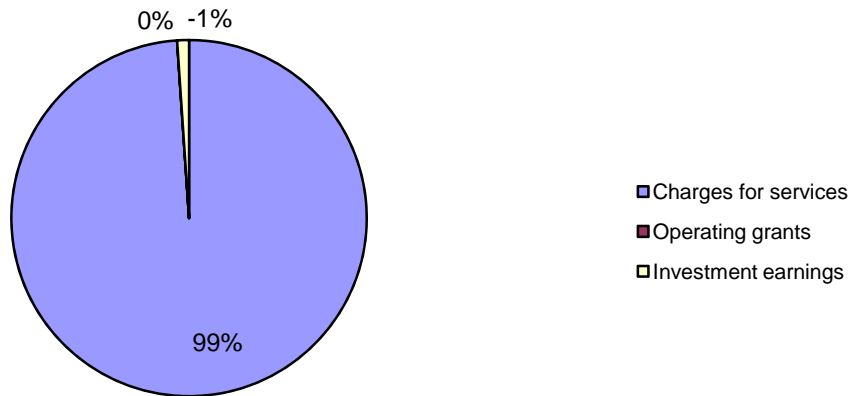


**Business-type activities.** Below are graphs showing the business-type activities revenue and expense comparisons.

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



**Revenue Sources-Business-type Activities**



**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 \$18,362,566. Approximately 17.28% of this total amount (\$3,173,459) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed or assigned 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 Historic Estate are restricted or committed by council action. Capital projects fund balance is assigned.

The City of Hastings governmental funds reported a combined ending fund balances an increase of \$2,125,371. The increase is primarily due to the effect of the following factors:

- Debt Service fund's activity resulted in a large increase of \$942,391. This is primarily a result of crossover refunding bonds issued that have not yet reached the crossover date.
- Fire and Ambulance fund's activity resulted in an increase of \$1,225,437. The fund issued equipment certificates to purchase a fire truck that was not yet purchased as of year-end.

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 \$3,482,239.

The Fire and Ambulance special revenue fund has a total fund balance of \$2,394,620. 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 \$7,695,995, 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 City's 26 parks. The fund has a total fund balance of \$676,672.

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 City's street infrastructure. The fund has a total fund balance of (\$289,757), a decrease of \$190,626.

**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 - \$2,880,981, Sewer - \$3,050,830, Storm water - \$313,563, and Hydro - \$(69,335). The Water fund had a decrease in net position. Transfers out to fund road construction projects led to the decrease. The Sewer fund's 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 \$481,594 less than the amended expenditure budget. The most significant differences from the final budget amounts are due to the following:

- Several vacancies in key positions during the year resulted in significant cost savings, including expenditures under budget of \$41,126 in IT, \$92,082 in Police, \$56,976 in Administration and City Clerk, \$37,757 in Streets and \$70,126 in Finance;
- Budgeted equipment purchases of \$58,000 in Administration and City Clerk and \$22,731 in IT were not made;
- Workers compensation insurance expenses were \$43,533 lower than anticipated;

Actual revenues were \$194,752 higher than the amended revenue budget. The difference from the final budget amounts are because of the following:

- Building permit revenue exceed budget by \$11,566 and electrical permit revenue exceeded budget by \$12,931;
- Plan and specification reviews were over budget by \$19,466;
- Dividend funds received from the League of MN Cities Insurance Trust were \$65,304 higher than budget;
- Several unanticipated miscellaneous items were received, including a refund of assessments paid to LOGIS of \$18,012;
- The City was reimbursed for staff time from various entities, and total reimbursements were \$41,405 higher than budgeted;
- Property tax collections including fiscal disparities were \$59,699 higher than budgeted;
- The factors detailed above coupled with other misc overages in budget, offset the deficit in investment earnings, which is a result of a significant market value adjustment;

Significant changes between original and final budgets were a result of:

- The City acted as the fiscal agent for a police grant, resulting in a budget adjustment for both intergovernmental revenue and police expenditures in the General fund of \$256,637;
- The City installed a new phone system that was originally not included in the budget resulting in an adjustment of \$46,961;

## 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, 2013, amounts to \$92,839,980 (net of accumulated depreciation) an increase of \$170,416. 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 \$2.0 million street reconstruction program was completed, and an additional \$4.1 million of new street construction projects were in progress at year-end.

**City of Hastings Capital Assets  
(Net of Depreciation)**

	2013 Governmental Activities	2012 Governmental Activities	2013 Business- Type Activities	2012 Business- Type Activities	2013 Total	2012 Total
Land	\$ 3,672,691	\$ 3,286,588	\$ 349,300	\$ 349,300	\$ 4,021,991	\$ 3,635,888
Construction in Progress	4,903,981	111,233	-	2,432	4,903,981	113,665
Buildings	12,047,511	12,496,789	9,336,047	9,766,140	21,383,558	22,262,929
Improvement other than buildings	1,537,441	1,685,920	2,167,032	2,266,191	3,704,473	3,952,111
Machinery and Equipment	2,256,482	2,243,605	899,865	1,098,875	3,156,347	3,342,480
Infrastructure	39,208,341	42,462,003	16,464,289	16,790,136	55,672,630	59,252,139
Total assets	<u>\$ 63,626,447</u>	<u>\$ 62,286,138</u>	<u>\$ 29,216,533</u>	<u>\$ 30,273,074</u>	<u>\$ 92,842,980</u>	<u>\$ 92,559,212</u>

Additional information on the City of Hastings’s capital assets can be found in note IV F on pages 62-63.

**Long-term debt.** At the end of the current fiscal year, the City of Hastings had total G.O. bonded debt outstanding of \$24,093,000. Of this amount, \$5,588,000 comprises debt backed by the full faith and credit of the government and \$18,505,000 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 (\$6,402,000) represents bonds secured solely by specified revenue sources (i.e. revenue bonds) but still carries the City’s backing (government obligation).

More detailed information on debt administration can be found in note I. on page 66-69.

**Economic Factors**

In 2013, the city experienced levels of new construction consistent with the uptick noted in the prior year with 37 new homes being built. Total increase in taxable market value of residential new construction was \$8,044,800. Despite the new construction, a decrease of tax capacity of \$102,000 was incurred between pay year 2013 and pay year 2014. Commercial property is holding steady, with a small net loss of tax capacity from pay year 2013 to pay year 2014 of \$25,906.

**Next Year’s Budget**

The 2014 budget had a levy decrease of \$370,000. The City anticipates receiving \$510,000 of Local Government Aid from the State of Minnesota, which was partially used to decrease the City’s levy. Minor adjustments to the overall staffing levels were made in the 2014 budget as a result of changing needs and operational pressures. The City will continue to evaluate staffing on an annual basis.

**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 4<sup>th</sup> Street E., Hastings, MN 55033, [FinanceDept@hastingsmn.gov](mailto:FinanceDept@hastingsmn.gov) or 651-480-2350.

# **BASIC FINANCIAL STATEMENTS**

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City of Hastings  
Statement of Net Position  
December 31, 2013

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Hastings Economic
	Activities	Activities		Development and Redevelopment Authority
<b>ASSETS</b>				
Cash and investments	\$ 17,680,971	\$ 8,709,959	\$ 26,390,930	\$ 1,392,714
Receivables, net	6,449,526	1,215,834	7,665,360	618,779
Prepaid items	112,245	98,180	210,425	-
Inventories	64,902	-	64,902	-
Capital assets, nondepreciable				
Land and construction in progress	8,576,672	349,300	8,925,972	4,604,676
Capital assets, net accumulated depreciation				
Infrastructure	39,208,342	16,464,289	55,672,631	-
Buildings, property, and equipment	15,838,433	12,402,944	28,241,377	220,676
Total assets	<u>\$ 87,931,091</u>	<u>\$ 39,240,506</u>	<u>\$ 127,171,597</u>	<u>\$ 6,836,845</u>
<b>LIABILITIES</b>				
Accounts and salaries payable	\$ 1,110,059	\$ 149,266	\$ 1,259,325	\$ 19,704
Unearned revenues	180,732	-	180,732	-
Interest payable	282,932	106,777	389,709	52,555
Noncurrent liabilities:				
Due within one year	5,684,504	502,601	6,187,105	125,000
Due in more than one year	23,840,971	6,275,994	30,116,965	2,505,000
Total liabilities	<u>31,099,198</u>	<u>7,034,638</u>	<u>38,133,836</u>	<u>2,702,259</u>
<b>NET POSITION</b>				
Net investment in capital assets	41,738,376	25,478,576	67,216,952	2,195,352
Restricted for:				
Police activities	13,898	-	13,898	-
Debt service	9,292,124	551,253	9,843,377	-
Capital projects	677,082	-	677,082	-
Permanent endowment- Leduc				
Historic Estate, expendable	1,138,006	-	1,138,006	-
Unrestricted	<u>3,972,407</u>	<u>6,176,039</u>	<u>10,148,446</u>	<u>1,939,234</u>
Total net position	<u>56,831,893</u>	<u>32,205,868</u>	<u>89,037,761</u>	<u>4,134,586</u>
Total liabilities and net position	<u>\$ 87,931,091</u>	<u>\$ 39,240,506</u>	<u>\$ 127,171,597</u>	<u>\$ 6,836,845</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,368,033	\$ 456,533	\$ 18,058	\$ -
Public safety	8,022,727	2,925,521	530,633	9,131
Public works	5,059,797	35,134	208,032	4,253,148
Culture and recreation	2,844,498	1,156,963	41,208	386,103
Economic development	34,119	-	-	-
Health and sanitation	19,447	-	22,500	-
Interest on long-term debt	647,902	80,573	-	-
Total governmental activities	<u>18,996,523</u>	<u>4,654,724</u>	<u>820,431</u>	<u>4,648,382</u>
Business-type activities:				
Water	2,181,086	2,071,576	-	-
Sewer	1,867,680	1,915,861	-	-
Storm	346,846	430,074	-	-
Hydro	941,730	963,174	-	-
Total business-type activities	<u>5,337,342</u>	<u>5,380,685</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,333,865</u>	<u>\$ 10,035,409</u>	<u>\$ 820,431</u>	<u>\$ 4,648,382</u>
<b>Component units:</b>				
Hastings Economic Development Redevelopment Authority	<u>506,740</u>	<u>48,272</u>	<u>-</u>	<u>110,285</u>
Total component units	<u>\$ 506,740</u>	<u>\$ 48,272</u>	<u>\$ -</u>	<u>\$ 110,285</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

    Total general revenues and transfers

    Change in net position

    Net position-beginning - as previously reported

    Change in accounting principle (see note VIII)

    Prior period adjustment (see note VIII)

    Net position-beginning - as restated

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
\$ (1,893,442)	\$ -	\$ (1,893,442)	\$ -
(4,557,442)	-	(4,557,442)	-
(563,483)	-	(563,483)	-
(1,260,224)	-	(1,260,224)	-
(34,119)	-	(34,119)	-
3,053	-	3,053	-
(567,329)	-	(567,329)	-
<u>(8,872,986)</u>	<u>-</u>	<u>(8,872,986)</u>	<u>-</u>
-	(109,510)	(109,510)	-
-	48,181	48,181	-
-	83,228	83,228	-
-	21,444	21,444	-
-	43,343	43,343	-
<u>(8,872,986)</u>	<u>43,343</u>	<u>(8,829,643)</u>	<u>-</u>
-	-	-	(348,183)
-	-	-	(348,183)
8,545,583	-	8,545,583	597,167
3,191,407	-	3,191,407	-
15,067	-	15,067	-
20,072	-	20,072	-
(25,107)	(57,568)	(82,675)	5,109
677,600	(677,600)	-	-
<u>12,424,622</u>	<u>(735,168)</u>	<u>11,689,454</u>	<u>602,276</u>
<u>3,551,636</u>	<u>(691,825)</u>	<u>2,859,811</u>	<u>254,093</u>
<u>53,600,875</u>	<u>32,962,813</u>	<u>86,563,688</u>	<u>3,654,474</u>
<u>(320,618)</u>	<u>(31,063)</u>	<u>(351,681)</u>	<u>(23,073)</u>
<u>-</u>	<u>(34,057)</u>	<u>(34,057)</u>	<u>249,092</u>
<u>53,280,257</u>	<u>32,897,693</u>	<u>86,177,950</u>	<u>3,880,493</u>
<u>\$ 56,831,893</u>	<u>\$ 32,205,868</u>	<u>\$ 89,037,761</u>	<u>\$ 4,134,586</u>

City of Hastings  
Balance Sheet  
Governmental Funds  
December 31, 2013

	Major Funds		
	General	Fire and Ambulance	Debt Service
<b>ASSETS</b>			
Cash and investments	\$ 3,142,617	\$ 1,574,824	\$ 5,762,651
Petty cash	475	-	-
Cash held by escrow	92,904	-	1,492,409
Interest receivable	5,341	2,794	13,157
Accounts receivable, net	122,373	837,164	-
Taxes receivable	800,395	141,944	422,700
Special assessments receivable	705	-	3,360,877
Due from other governments	132,947	1,994	5,195
Due from other funds	160,000	-	-
Prepaid items	41,660	21,934	3,520
Inventories	58,634	-	-
Total assets	<u>\$ 4,558,051</u>	<u>\$ 2,580,654</u>	<u>\$ 11,060,509</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Liabilities:			
Cash overdraft	\$ -	\$ -	\$ -
Salaries payable	242,594	99,772	-
Accounts payable	256,117	54,482	10,587
Contracts payable	-	-	-
Due to other governments	176,005	12,973	-
Due to other funds	-	-	-
Unearned revenues	180,341	-	-
Total liabilities	<u>855,057</u>	<u>167,227</u>	<u>10,587</u>
Deferred inflows of resources:			
Unavailable revenue	<u>\$ 120,461</u>	<u>\$ 18,807</u>	<u>\$ 3,353,927</u>
Fund balances:			
Nonspendable			
Prepaid items	41,660	21,934	3,520
Inventories	58,634	-	-
Permanent Endowment-Leduc Historic Estate	-	-	-
Restricted			
Police activities	-	-	-
Debt service	-	-	7,692,475
Capital projects	-	-	-
Permanent Endowment-Leduc Historic Estate	-	-	-
Committed			
Park maintenance	-	-	-
Aquatic operations	-	-	-
Cable TV activities	-	-	-
Heritage preservation activities	-	-	-
Fire & ambulance activities	-	2,372,686	-
Arena activities	-	-	-
Assigned			
Capital	-	-	-
Unassigned	3,482,239	-	-
Total fund balances (deficits)	<u>3,582,533</u>	<u>2,394,620</u>	<u>7,695,995</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,558,051</u>	<u>\$ 2,580,654</u>	<u>\$ 11,060,509</u>

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

<u>Parks Projects</u>	<u>Road Improvement Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 670,605	\$ 36,899	\$ 3,022,272	\$ 14,209,868
-	-	600	1,075
-	-	927,584	2,512,897
1,993	(1,102)	8,250	30,433
-	-	240,629	1,200,166
4,484	-	179,987	1,549,510
-	-	-	3,361,582
-	165,117	14	305,267
-	-	-	160,000
-	-	45,131	112,245
-	-	6,268	64,902
<u>\$ 677,082</u>	<u>\$ 200,914</u>	<u>\$ 4,430,735</u>	<u>\$ 23,507,945</u>

\$ -	\$ -	\$ 7,064	\$ 7,064
-	-	38,375	380,741
-	55,258	52,338	428,782
-	110,296	-	110,296
-	-	1,262	190,240
-	160,000	-	160,000
-	-	391	180,732
<u>-</u>	<u>325,554</u>	<u>99,430</u>	<u>1,457,855</u>

<u>\$ 410</u>	<u>\$ 165,117</u>	<u>\$ 28,802</u>	<u>\$ 3,687,524</u>
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-	-	45,131	112,245
-	-	6,268	64,902
-	-	200,000	200,000
-	-	13,898	13,898
-	-	-	7,692,475
676,672	-	-	676,672
-	-	938,006	938,006
-	-	705,537	705,537
-	-	118,588	118,588
-	-	222,044	222,044
-	-	86,697	86,697
-	-	-	2,372,686
-	-	590,646	590,646
-	-	1,394,711	1,394,711
-	(289,757)	(19,023)	3,173,459
<u>676,672</u>	<u>(289,757)</u>	<u>4,302,503</u>	<u>18,362,566</u>
<u>\$ 677,082</u>	<u>\$ 200,914</u>	<u>\$ 4,430,735</u>	<u>\$ 23,507,945</u>

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City of Hastings  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 For the Year Ended December 31, 2013

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

Total fund balances	\$	18,362,566
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		63,623,447
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		3,687,524
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		(24,093,000)
Bonds interest payable		(282,932)
Unamortized discount/premium		(333,071)
Net position of internal service funds used in governmental activities.		<u>(4,132,641)</u>
Net position of governmental activities	\$	<u><u>56,831,893</u></u>

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

City of Hastings  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2013

	Major Funds			
	General	Fire and Ambulance	Debt Service	Parks Projects
<b>REVENUES</b>				
Property taxes	\$ 6,069,438	\$ 1,112,276	\$ 3,191,407	\$ 3,786
Gravel tax reimbursement	697	-	-	-
Lodging tax	3,310	-	-	-
Special assessments	361	-	1,112,492	-
Licenses and permits	394,821	-	-	-
Fines and forfeitures	95,103	-	-	-
Intergovernmental	863,517	174,729	5,195	-
Charges for services	580,547	2,077,618	80,573	4,400
Investment earnings (loss)	(10,621)	(7,297)	(64,011)	(10,553)
Miscellaneous	60,029	20	-	-
Total revenues	<u>8,057,202</u>	<u>3,357,346</u>	<u>4,325,656</u>	<u>(2,367)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,070,522	-	-	-
Public safety	4,700,210	2,908,651	-	-
Public works	1,670,868	-	-	-
Health and sanitation	19,447	-	-	-
Cultural and recreation	106,270	-	-	5,263
Economic development	-	-	-	-
Debt service:				
Principal	-	-	4,501,750	-
Interest and other charges	-	-	731,640	-
Capital outlay	288,330	241,849	-	-
Total expenditures	<u>8,855,647</u>	<u>3,150,500</u>	<u>5,233,390</u>	<u>5,263</u>
Excess (deficiency) of revenues over expenditures	<u>(798,445)</u>	<u>206,846</u>	<u>(907,734)</u>	<u>(7,630)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	226,800	1,086,000	3,035,000	-
Bond premium/discount	-	-	110,125	-
Redemption of refunded bonds	-	-	(1,595,000)	-
Transfers in	921,584	-	300,000	-
Transfers out	(277,100)	(67,409)	-	-
Insurance recoveries	19,224	-	-	-
Proceeds on sale of capital assets	6,205	-	-	-
Total other financing sources (uses)	<u>896,713</u>	<u>1,018,591</u>	<u>1,850,125</u>	<u>-</u>
Net changes in fund balances	98,268	1,225,437	942,391	(7,630)
Fund balances--beginning	3,484,265	1,169,183	6,753,604	684,302
Fund balances--ending	<u>\$ 3,582,533</u>	<u>\$ 2,394,620</u>	<u>\$ 7,695,995</u>	<u>\$ 676,672</u>

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



Road Improvement Construction	Other Governmental Funds	Total Governmental Funds
\$ 34,012	\$ 1,378,088	\$ 11,789,007
-	-	697
-	-	3,310
-	-	1,112,853
-	-	394,821
-	-	95,103
3,584,883	3,564	4,631,888
-	1,129,924	3,873,062
6,108	70,757	(15,617)
-	10,355	70,404
<u>3,625,003</u>	<u>2,592,688</u>	<u>21,955,528</u>
-	-	2,070,522
-	601	7,609,462
-	-	1,670,868
-	-	19,447
-	2,204,476	2,316,009
-	34,119	34,119
-	-	4,501,750
-	-	731,640
<u>5,099,040</u>	<u>159,670</u>	<u>5,788,889</u>
<u>5,099,040</u>	<u>2,398,866</u>	<u>24,742,706</u>
<u>(1,474,037)</u>	<u>193,822</u>	<u>(2,787,178)</u>
1,265,000	97,200	5,710,000
-	-	110,125
-	-	(1,595,000)
531,186	16,500	1,769,270
(512,775)	(266,296)	(1,123,580)
-	858	20,082
-	15,447	21,652
<u>1,283,411</u>	<u>(136,291)</u>	<u>4,912,549</u>
<u>(190,626)</u>	<u>57,531</u>	<u>2,125,371</u>
<u>(99,131)</u>	<u>4,244,972</u>	<u>16,237,195</u>
<u>\$ (289,757)</u>	<u>\$ 4,302,503</u>	<u>\$ 18,362,566</u>

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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, 2013

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

Net change in fund balances -- total governmental funds	\$	2,125,371
<p>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.</p>		
		1,372,531
<p>The net effect of various miscellaneous transactions involving capital assets including disposal, which increase or (decrease) net position.</p>		
Donation of capital asset		395,234
Loss on disposal		(187,366)
Transfer out of assets to business-type activities		(243,091)
<p>Governmental funds report debt payments as expenditures. However, in the government wide financial statements the annual bond payments reduce the payable that is setup when debt is incurred.</p>		
Redemption of refunded debt.		4,501,750
		1,595,000
Changes in bond interest payable.		12,644
Special assessments, property tax and tax increment collected for prior years.		(665,729)
Intergovernmental revenue earned but not available.		165,117
Change in amortized bond premium and discount.		71,095
Governmental activities reported in internal service funds.		229,205
<p>Governmental funds report bond proceeds as revenue. However, in the government wide financial statements the proceeds are recorded as a payable and reduced each year as bonds come due.</p>		
Bonds issued		(5,710,000)
Bond premium		(110,125)
		3,551,636
Changes in net position of governmental activities.	\$	3,551,636

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 and Actual  
General Fund  
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 6,009,739	\$ 6,009,739	\$ 6,069,438	\$ 59,699
Franchise taxes				
Gravel tax	1,000	1,000	697	(303)
Lodging tax	2,500	2,500	3,310	810
Special assessments	-	-	361	361
Licenses and permits	364,200	364,200	394,821	30,621
Fines and forfeitures	106,500	106,500	95,103	(11,397)
Intergovernmental	586,910	894,285	863,517	(30,768)
Charges for services	395,582	427,428	580,547	153,119
Investment earnings (loss)	55,198	55,198	(10,621)	(65,819)
Miscellaneous	3,200	1,600	60,029	58,429
Total revenues	<u>7,524,829</u>	<u>7,862,450</u>	<u>8,057,202</u>	<u>194,752</u>
<b>EXPENDITURES</b>				
General government:				
Legal	147,260	147,260	144,802	2,458
Mayor, legislative, city administration	345,230	345,230	285,171	60,059
Finance and accounting	452,003	452,003	413,648	38,355
City clerk and elections	398,542	398,542	303,986	94,556
Planning and economic development	100,838	100,838	99,625	1,213
I.T.	400,104	447,583	353,796	93,787
Building maintenance	277,345	322,720	337,212	(14,492)
Miscellaneous	212,763	244,609	223,686	20,923
Public safety:				
Police	4,181,421	4,514,994	4,383,249	131,745
Building safety and code enforcement	417,813	417,813	423,374	(5,561)
Emergency management services	5,000	5,000	3,380	1,620
Animal control	9,000	9,000	6,561	2,439
Public works:				
Engineering	506,404	506,404	527,929	(21,525)
Street maintenance	1,049,487	1,049,487	992,099	57,388
Street lights	223,000	223,000	231,412	(8,412)
Health and sanitation:				
Reforestation	7,000	8,200	6,226	1,974
Recycling	16,675	16,675	13,221	3,454
Cultural and recreation:				
Senior center	65,883	65,883	48,619	17,264
Leduc Historic Estate	62,000	62,000	57,651	4,349
Total charges to appropriations	<u>8,877,768</u>	<u>9,337,241</u>	<u>8,855,647</u>	<u>481,594</u>
Excess (deficiency) of revenues over expenditures	<u>(1,352,939)</u>	<u>(1,474,791)</u>	<u>(798,445)</u>	<u>676,346</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Bonds issued	221,500	221,500	226,800	5,300
Transfers in	1,246,821	1,336,675	921,584	(415,091)
Transfers out	(277,100)	(277,100)	(277,100)	-
Insurance recoveries	-	-	19,224	19,224
Proceeds on sale of capital asset	-	-	6,205	6,205
Total other financing sources and (uses)	<u>1,191,221</u>	<u>1,281,075</u>	<u>896,713</u>	<u>(384,362)</u>
Net change in fund balances	<u>(161,718)</u>	<u>(193,716)</u>	<u>98,268</u>	<u>291,984</u>
Fund balance-Beginning	<u>3,484,265</u>	<u>3,484,265</u>	<u>3,484,265</u>	<u>-</u>
Fund balance-Ending	<u>\$ 3,322,547</u>	<u>\$ 3,290,549</u>	<u>\$ 3,582,533</u>	<u>291,984</u>

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

City of Hastings  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
Fire and Ambulance Special Revenue Fund  
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 1,107,285	\$ 1,107,285	\$ 1,112,276	\$ 4,991
Intergovernmental	120,000	120,000	174,729	54,729
Charges for services	1,782,490	1,782,490	2,077,618	295,128
Investment earnings (loss)	-	-	(7,297)	(7,297)
Miscellaneous	-	20	20	-
Total revenues	<u>3,009,775</u>	<u>3,009,795</u>	<u>3,357,346</u>	<u>347,551</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety:				
Personal Services	2,038,069	2,038,069	1,967,930	70,139
Services and Charges	755,602	755,602	763,332	(7,730)
Supplies	138,695	138,695	168,439	(29,744)
Miscellaneous	-	20	8,950	(8,930)
Capital outlay	222,000	229,595	241,849	(12,254)
Total expenditures	<u>3,154,366</u>	<u>3,161,981</u>	<u>3,150,500</u>	<u>11,481</u>
Excess (deficiency) of revenues over expenditures	<u>(144,591)</u>	<u>(152,186)</u>	<u>206,846</u>	<u>359,032</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Bonds issued	212,000	212,000	1,086,000	874,000
Transfers out	(67,409)	(67,409)	(67,409)	-
Total other financing sources and (uses)	<u>144,591</u>	<u>144,591</u>	<u>1,018,591</u>	<u>874,000</u>
Net change in fund balance	-	(7,595)	1,225,437	1,233,032
Fund balance--beginning	<u>1,169,183</u>	<u>1,169,183</u>	<u>1,169,183</u>	<u>-</u>
Fund balance--ending	<u>\$ 1,169,183</u>	<u>\$ 1,161,588</u>	<u>\$ 2,394,620</u>	<u>\$ 1,233,032</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, 2013

	Business-type Activities					Governmental Activities-- Internal Service Funds
	Enterprise Funds					
	Water	Sewer	Storm Water	Hydro	Totals	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 6,038,247	\$ 2,222,036	\$ 266,764	\$ 182,912	\$ 8,709,959	\$ 964,195
Interest receivable	10,255	5,732	832	719	17,538	2,568
Receivables, net	407,558	467,892	125,256	94,935	1,095,641	-
Special assessment receivable	48,473	54,182	-	-	102,655	-
Prepaid items	820	97,360	-	-	98,180	-
Total current assets	<u>6,505,353</u>	<u>2,847,202</u>	<u>392,852</u>	<u>278,566</u>	<u>10,023,973</u>	<u>966,763</u>
Noncurrent assets:						
Advance due from other funds	-	300,000	-	-	300,000	-
Capital assets:						
Land and construction in progress	349,300	-	-	-	349,300	-
Buildings and system	8,048,680	144,798	-	6,831,566	15,025,044	-
Improvements other than buildings	3,744,240	-	-	-	3,744,240	-
Machinery and equipment	1,011,120	598,067	220,638	3,627,513	5,457,338	-
Infrastructure	17,725,377	16,269,056	-	-	33,994,433	-
Less accumulated depreciation	(13,730,432)	(8,971,995)	(29,805)	(6,621,590)	(29,353,822)	-
Total noncurrent assets	<u>17,148,285</u>	<u>8,339,926</u>	<u>190,833</u>	<u>3,837,489</u>	<u>29,516,533</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,653,638</u>	<u>\$ 11,187,128</u>	<u>\$ 583,685</u>	<u>\$ 4,116,055</u>	<u>\$ 39,540,506</u>	<u>\$ 966,763</u>
<b>LIABILITIES</b>						
Current liabilities:						
Salaries payable	\$ 21,728	\$ 12,749	\$ 12,979	\$ 2,099	\$ 49,555	\$ -
Accounts payable	43,012	7,549	6,096	31,257	87,914	-
Due to other governments	11,690	-	-	107	11,797	-
Interest payable	106,500	-	277	-	106,777	-
Compensated absences	7,132	4,589	4,597	783	17,101	120,004
Bonds, notes, and loans payable	445,000	-	40,500	-	485,500	-
Total current liabilities	<u>635,062</u>	<u>24,887</u>	<u>64,449</u>	<u>34,246</u>	<u>758,644</u>	<u>120,004</u>
Noncurrent liabilities:						
Compensated absences	113,057	71,485	55,340	13,655	253,537	1,165,169
Retiree health insurance	-	-	-	-	-	3,814,231
Advance to/from other funds	-	-	-	300,000	300,000	-
Bonds, notes, and loans payable	5,900,957	-	121,500	-	6,022,457	-
Total noncurrent liabilities	<u>6,014,014</u>	<u>71,485</u>	<u>176,840</u>	<u>313,655</u>	<u>6,575,994</u>	<u>4,979,400</u>
Total liabilities	<u>6,649,076</u>	<u>96,372</u>	<u>241,289</u>	<u>347,901</u>	<u>7,334,638</u>	<u>5,099,404</u>
<b>NET POSITION</b>						
Net investment in capital assets	13,572,328	8,039,926	28,833	3,837,489	25,478,576	-
Restricted:						
Debt service	551,253	-	-	-	551,253	-
Unrestricted:	2,880,981	3,050,830	313,563	(69,335)	6,176,039	(4,132,641)
Total net position	<u>17,004,562</u>	<u>11,090,756</u>	<u>342,396</u>	<u>3,768,154</u>	<u>32,205,868</u>	<u>(4,132,641)</u>
<b>TOTAL NET POSITION AND LIABILITIES</b>	<u>\$ 23,653,638</u>	<u>\$ 11,187,128</u>	<u>\$ 583,685</u>	<u>\$ 4,116,055</u>	<u>\$ 39,540,506</u>	<u>\$ 966,763</u>

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, 2013

	Business-type Activities				Totals	Governmental
	Enterprise Funds					Activities--
	Water	Sewer	Storm	Hydro		Internal Service
	Funds	Funds	Funds	Funds	Funds	Funds
Operating revenues:						
Charges for services	\$ 2,033,128	\$ 1,903,072	\$ 430,289	\$ 963,174	\$ 5,329,663	\$ -
Total operating revenues	2,033,128	1,903,072	430,289	963,174	5,329,663	-
Operating expenses:						
Personal services	528,644	316,745	314,750	50,361	1,210,500	46,132
Other services and charges	507,072	102,486	14,251	665,426	1,289,235	-
Supplies	135,924	3,427	2,924	2,980	145,255	-
Metro waste control charge	-	1,081,660	-	-	1,081,660	-
Depreciation	779,885	363,362	12,703	222,963	1,378,913	-
Total operating expense	1,951,525	1,867,680	344,628	941,730	5,105,563	46,132
Operating income (loss)	81,603	35,392	85,661	21,444	224,100	(46,132)
Non-operating revenues (expenses)						
Special assessments	38,448	12,789	(215)	-	51,022	-
Intergovernmental	-	-	-	-	-	9,827
Investment earnings (loss)	(39,441)	(14,642)	(1,982)	(1,503)	(57,568)	(9,490)
Bond interest	(186,899)	-	(2,218)	-	(189,117)	-
Fiscal agent charges	(42,662)	-	-	-	(42,662)	-
Total non-operating revenue (expenses)	(230,554)	(1,853)	(4,415)	(1,503)	(238,325)	337
Income (loss) before contributions and transfers	(148,951)	33,539	81,246	19,941	(14,225)	(45,795)
Capital contributions	227,168	15,922	-	-	243,090	-
Transfers in (out)	(361,340)	(178,269)	(59,868)	(321,213)	(920,690)	275,000
Change in net position	(283,123)	(128,808)	21,378	(301,272)	(691,825)	229,205
Total net position--beginning as previously reported	17,254,819	11,142,109	323,453	4,242,432	32,962,813	(4,361,846)
Prior period adjustment (see Note VIII)	61,494	77,455	-	(173,006)	(34,057)	-
Cumulative effect of change in accounting principle	(28,628)	-	(2,435)	-	(31,063)	-
Total net position--beginning as restated	17,287,685	11,219,564	321,018	4,069,426	32,897,693	(4,361,846)
Total net position--ending	\$ 17,004,562	\$ 11,090,756	\$ 342,396	\$ 3,768,154	\$ 32,205,868	\$ (4,132,641)

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, 2013

	Business-type Activities- Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Storm	Hydro		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers and users	\$ 2,040,662	\$ 1,880,346	\$ 429,073	\$ 954,632	\$ 5,304,713	\$ -
Payments to suppliers for goods and services	(649,242)	(1,191,868)	(11,137)	(644,815)	(2,497,062)	(187,430)
Payments to employees	(524,583)	(314,298)	(311,987)	(49,744)	(1,200,612)	(172,003)
Net cash provided (used) by operating activities	866,837	374,180	105,949	260,073	1,607,039	(359,433)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers (to) from other funds	(361,340)	(188,137)	(50,000)	(321,213)	(920,690)	275,000
Subsidy from federal and state grants	-	-	-	-	-	9,827
Net cash provided (used) by non capital and financing activities	(361,340)	(188,137)	(50,000)	(321,213)	(920,690)	284,827
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from capital debt	2,859,970	-	-	-	2,859,970	-
Purchases of capital assets	(25,221)	(75,683)	(7,436)	(4,998)	(113,338)	-
Principal paid on capital debt	(230,000)	-	(38,250)	-	(268,250)	-
Interest paid on capital debt	(143,551)	-	(2,253)	-	(145,804)	-
Fiscal agent and other debt related fees	(48,037)	-	-	-	(48,037)	-
Other receipts-special assessments and taxes	15,056	19,204	(166)	-	34,094	-
Net cash provided (used) by capital and related financing activities	2,428,217	(56,479)	(48,105)	(4,998)	2,318,635	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received on investments	(35,794)	(11,421)	(1,701)	(1,093)	(50,009)	(7,341)
Net cash provided (used) by investing activities	(35,794)	(11,421)	(1,701)	(1,093)	(50,009)	(7,341)
Net increase (decrease) in cash and cash equivalents	2,897,920	118,143	6,143	(67,231)	2,954,975	(81,947)
Balance--beginning of the year	3,140,327	2,103,893	260,621	250,143	5,754,984	1,046,142
Balance--end of the year	<u>\$ 6,038,247</u>	<u>\$ 2,222,036</u>	<u>\$ 266,764</u>	<u>\$ 182,912</u>	<u>\$ 8,709,959</u>	<u>\$ 964,195</u>

<b>Reconciliation of operating income(loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 81,603	\$ 35,392	\$ 85,661	\$ 21,444	\$ 224,100	\$ (46,132)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expenses	779,885	363,362	12,703	222,963	1,378,913	-
Change in assets and liabilities:						
Accounts receivable	7,534	(22,726)	(1,216)	(8,542)	(24,950)	-
Prepaid items	4	(7,199)	21	3	(7,171)	-
Accounts payable	(6,250)	2,904	6,017	23,588	26,259	(258,905)
Salaries payable	4,061	2,447	2,763	617	9,888	(54,396)
Total adjustments	785,234	338,788	20,288	238,629	1,382,939	(313,301)
Net cash provided (used) by operating activities	<u>\$ 866,837</u>	<u>\$ 374,180</u>	<u>\$ 105,949</u>	<u>\$ 260,073</u>	<u>\$ 1,607,039</u>	<u>\$ (359,433)</u>
Non cash capital contributions from governmental activities	\$ 227,168	\$ 15,922	\$ -	\$ -	\$ 243,090	\$ -

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  
Fiduciary Funds  
December 31, 2013

	<u>Total Combined Agency Funds</u>	<u>Total Combined Trust Funds</u>	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 99,907	\$ 91,598	
Interest receivable	-	265	
Total Assets	<u>\$ 99,907</u>	<u>91,863</u>	
<b>LIABILITIES:</b>			
Accounts payable	<u>\$ 99,907</u>	-	
<b>NET POSITION</b>			
Held in trust for Library		<u>\$ 91,863</u>	

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, 2013

	Library Private- Purpose Trust Fund
<b>ADDITIONS</b>	
Investment earnings	\$ (759)
<b>DEDUCTIONS</b>	
Total deductions	-
Change in net position	(759)
Net position--beginning	92,622
Net position--ending	\$ 91,863

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

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# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### 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 Mayor-Council 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 Hastings Economic Development and Redevelopment Authority (HEDRA), 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 under accrual accounting. However, debt service expenditures, as

# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 Historic Estate that was transferred over to the City in 2005. The income of this trust is to be used for the operations of the LeDuc Historic Estate as a historical museum.

# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, except for the two internal service revenue funds activity.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

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

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

### **D. Assets, liabilities, and net position or equity**

#### **1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize investments which are direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers; acceptances of United States' banks eligible for purchase of by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; guaranteed investment contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories, repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualifies as a "depository" by the City entity, 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 Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers, and in the Minnesota Municipal Investment Pool.

Investments for the City, as well as for its component unit, are reported at fair value, based upon quoted market prices, except for investments in 2a7-like external investment pools, which are stated at amortized costs and approximate fair value. Investment income is accrued at the balance sheet date.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loan) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding

# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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 71% of outstanding receivables at year end.

Property taxes are submitted to the County Auditor by December 28<sup>th</sup> of each year, to be levied on January 1<sup>st</sup> 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<sup>th</sup> and the second half payment due on October 15<sup>th</sup>.

Unpaid taxes at December 31<sup>st</sup> 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 wide 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. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, special assessments, loans receivable, and amounts due from other governments.

### 5. *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.



# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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, 2013.

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

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

### 6. *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.

### 7. *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 position. Bond premiums and discounts, are deferred and amortized evenly over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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 sources 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.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

**8. 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. The Director of Finance has designated the authority to assign fund balance to the Assistant Finance Director.

*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.

**9. 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 position 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 \$1,372,531 difference are as follows:

Capital outlay	\$ 5,788,889
Capitalized expenses reported as current expenditures	59,178
Depreciation expense	<u>(4,475,536)</u>
Net adjustment to decrease <i>net changes in fund balances</i>	
<i>Total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>1,372,531</u></u>

# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### 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 15th, the proposed budget is presented to the city council for review and approval. By September 15th, the proposed budget and tax levy must be submitted to the county auditor. The 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 28th.

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 2013.

#### B. Excess of expenditures over appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations in the following departments/programs in the general fund: Building Maintenance by \$14,492, Building Safety and Code Enforcement by \$5,561, Engineering by \$21,525 and Streetlights by \$8,412. These excess expenditures were offset by other departments' expenditure savings. Overall the general fund's departments had a savings of \$481,594.

Other funds where expenditures exceeded appropriations was the Cable Special Revenue Fund by \$29,616.

#### C. Deficit fund equity

The Guardian Angels tax increment financing capital projects fund had a fund deficit balance of \$4,107, a \$3,604 decrease from 2012. The NAPA TIF district had a fund balance deficit of \$14,853, an increase of \$1,611 from 2012. The Riverfront TIF district had a deficit of \$63, an increase of \$685 from 2012. These fund's 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 \$289,757. This results from expenditures incurred in 2013 for the 2014 road construction project. Future funding for the projected will offset the negative balance in 2014.

### 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.

## CITY OF HASTINGS

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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;
- 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 & Poor's Corporation; and
- f) Time deposits that are fully insured by any Federal agency.

At December 31, 2013 the carrying amount of City's deposits was \$669,097. Of these deposits, \$125,375 were not insured or collateralized, resulting in a collateral deficiency of \$137,913.

#### **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.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

- 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.
- h) Any security which is an obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55

As of December 31, 2013 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	AAA	\$ 1,575,659	\$ -	\$ -	\$ 1,238,588	\$ 337,071
Federal Home Loan Mrg. Corp. Notes	AAA/AA+	741,510	-	-	741,510	-
Federal Loan Bank Notes	AAA/AA+	5,028,379	-	-	5,028,379	-
Federal Farm Credit	AAA	226,363	-	-	226,363	-
Taxable Municipals	AAA/AA+	939,448	-	261,708	677,741	-
Certificates of Deposit		7,544,937	1,781,136	5,763,801	-	-
External investment pool-4M Fund & PFM	N/A	4,554,500	4,554,500	-	-	-
Money Market	N/A	1,598,765	1,598,765	-	-	-
Total		\$ 22,209,561	\$ 7,934,401	\$ 6,025,509	\$ 7,912,580	\$ 337,071

**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 the following issuers:

Federal National Mortgage Association	7%
Federal Home Loan Bank Notes	26%

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. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The City’s investment policy requires that when securities are held in safekeeping by a

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broker/dealer, that they must provide asset protection through SIPC and at least another \$10,000,000 supplemental insurance protection.

**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 are shown in the table below. See footnote number 1 regarding the collectability of accounts receivable.

Receivables	General	Fire and Ambulance	Debt Service	Parks Projects	Road Improvement Construction	Other Governmental	Internal Service	Total
Interest	\$ 5,341	\$ 2,794	\$ 13,157	\$ 1,993	\$ (1,102)	\$ 8,250	\$ 2,568	\$ 33,001
Accounts	122,373	837,164	-	-	-	240,629	-	1,200,166
Taxes	800,395	141,944	422,700	4,484	-	179,987	-	1,549,510
Special assessments	705	-	3,360,877	-	-	-	-	3,361,582
Due from other governments	132,947	1,994	5,195	-	165,117	14	-	305,267
<b>Total</b>	<b>\$ 1,061,761</b>	<b>\$ 983,896</b>	<b>\$ 3,801,929</b>	<b>\$ 6,477</b>	<b>\$ 164,015</b>	<b>\$ 428,880</b>	<b>\$ 2,568</b>	<b>\$ 6,449,526</b>

Receivables	Water	Sewer	Stormwater	Hydro	Proprietary Total	Component Unit
Interest	\$ 10,255	\$ 5,732	\$ 832	\$ 719	\$ 17,538	\$ 3,633
Accounts	407,558	467,892	125,256	94,935	1,095,641	2,824
Taxes	-	-	-	-	-	80,183
Special assessments	48,473	54,182	-	-	102,655	-
Due from other governments	-	-	-	-	-	13,407
Loans	-	-	-	-	-	518,732
<b>Total</b>	<b>\$ 466,286</b>	<b>\$ 527,806</b>	<b>\$ 126,088</b>	<b>\$ 95,654</b>	<b>\$ 1,215,834</b>	<b>\$ 618,779</b>

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Significant receivable balances not expected to be collected within one year of December 31, 2013 are as follows:

Receivables	Special Assessment Receivable	Delinquent Property Taxes	Loan Receivable	Total
General	\$ 1,000	\$ 17,000	\$ -	\$ 18,000
Fire and Ambulance	-	2,000	-	2,000
Debt Service	2,726,000	10,000	-	2,736,000
Other Governmental	-	4,000	-	4,000
Water	36,000	-	-	36,000
Sewer	46,000	-	-	46,000
Component Unit	-	1,000	445,121	446,121
<b>Total</b>	<b>\$ 2,809,000</b>	<b>\$ 34,000</b>	<b>\$ 445,121</b>	<b>\$ 3,288,121</b>

**E. Unavailable and Unearned Revenue**

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflows of resources* in the governmental funds were as follows:

	Delinquent Property Taxes	Special Assessments	Loans Receivable	Due From Other Governments	Total
Primary Government:					
General	\$ 119,812	\$ 649	\$ -	\$ -	\$ 120,461
Fire and Ambulance	18,807	-	-	-	18,807
Debt Service	64,279	3,289,648	-	-	3,353,927
Parks Projects	410	-	-	-	410
Road Improvement Construction	-	-	-	165,117	165,117
Other Governmental	28,802	-	-	-	28,802
Component Unit	9,555	-	451,750	-	461,305

Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned.

	Antenna Lease Revenue	Gift Cards Outstanding
General	\$ 180,341	\$ -
Other Governmental	-	391

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**F. Capital Assets**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,286,588	\$ 386,103	\$ -	\$ 3,672,691
Construction in Progress	111,233	6,966,730	(2,173,982)	4,903,981
Total capital assets not being depreciated	<u>3,397,822</u>	<u>7,352,833</u>	<u>(2,173,982)</u>	<u>8,576,672</u>
Capital assets being depreciated				
Buildings	19,509,282	59,327	-	19,568,608
Improvements other than buildings	3,482,641	-	-	3,482,641
Machinery and equipment	9,650,489	644,590	(306,057)	9,989,022
Infrastructure	85,392,747	1,929,237	(2,150,763)	85,171,221
Total capital assets being depreciated	<u>118,035,159</u>	<u>2,633,154</u>	<u>(2,456,820)</u>	<u>118,211,493</u>
Less accumulated depreciated for:				
Buildings	(7,012,493)	(511,604)	-	(7,524,097)
Improvements other than buildings	(1,796,721)	(148,479)	-	(1,945,200)
Machinery and equipment	(7,406,884)	(576,521)	250,865	(7,732,540)
Infrastructure	(42,930,745)	(3,238,932)	206,798	(45,962,879)
Total accumulated depreciation	<u>(59,146,843)</u>	<u>(4,475,536)</u>	<u>457,662</u>	<u>(63,164,717)</u>
Total capital assets, being depreciated, net	<u>58,888,316</u>	<u>(1,842,383)</u>	<u>(1,999,158)</u>	<u>55,046,775</u>
Governmental activities capital assets, net	<u>\$ 62,286,138</u>	<u>\$ 5,510,450</u>	<u>\$ (4,173,140)</u>	<u>\$ 63,623,447</u>



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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 349,300	\$ -	\$ -	\$ 349,300
Construction in Progress	2,432	7,436	9,868	-
Total capital assets not being depreciated	<u>351,732</u>	<u>7,436</u>	<u>-</u>	<u>349,300</u>
Capital assets being depreciated				
Buildings	15,025,044	-	-	15,025,044
Improvements other than buildings	3,744,240	-	-	3,744,240
Machinery and equipment	5,354,643	105,905	3,210	5,457,338
Infrastructure	33,773,548	252,958	32,073	33,994,433
Total capital assets being depreciated	<u>57,897,476</u>	<u>358,863</u>	<u>35,283</u>	<u>58,221,055</u>
Less accumulated depreciated for:				
Buildings	(5,258,904)	(430,093)	-	(5,688,997)
Improvements other than buildings	(1,478,049)	(99,159)	-	(1,577,208)
Machinery and equipment	(4,428,773)	(131,911)	(3,210)	(4,557,474)
Infrastructure	(16,844,467)	(717,750)	(32,073)	(17,530,144)
Total accumulated depreciation	<u>(28,010,193)</u>	<u>(1,378,913)</u>	<u>(35,283)</u>	<u>(29,353,823)</u>
Total capital assets, being depreciated, net	<u>29,887,282</u>	<u>(1,020,050)</u>	<u>-</u>	<u>28,867,232</u>
Business-type activities capital assets, net	<u>\$ 30,239,015</u>	<u>\$ (1,012,614)</u>	<u>\$ -</u>	<u>\$ 29,216,532</u>

The beginning balances for business-type activities reflect the prior period adjustment discussed in footnote VIII

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

**Governmental activities:**

General government	\$ 251,379
Public safety	366,653
Streets and highways, including depreciation of infrastructure	3,310,588
Culture and recreation	<u>546,916</u>

Total depreciation expense for governmental activities \$ 4,475,536

**Business-type activities:**

Water	\$ 779,885
Sewer	363,362
Stormwater	12,703
Hydro	<u>222,963</u>

Total depreciation expense for business-type activities: \$ 1,378,913

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**Discretely presented component unit**

Activity for the HEDRA for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,604,676	\$ -	\$ -	\$ 4,604,676
Capital assets being depreciated:				
Buildings	724,195	-	-	724,195
Less accumulated depreciated for:				
Buildings	(444,555)	(58,964)	-	(503,519)
Total capital assets, being depreciated, net	279,640	(58,964)	-	220,676
Component unit capital assets, net	<u>\$ 4,884,316</u>	<u>\$ (58,964)</u>	<u>\$ -</u>	<u>\$ 4,825,352</u>

**G. Committed Contracts**

The City and Component Unit has the following contract commitments as of December 31, 2013:

Entity	Commitment	Expensed to date	Remaining Commitment
City	Fire Apparatus vehicle purchase agreement	\$ -	\$ 1,199,994
City	Seal Coating project	173,386	30,096
City	2012 Construction projects	2,658,736	49,596
City	2013 Construction projects	4,608,365	62,774
Component Unit	Block 16 improvements	518,363	34,505
Component Unit	Hudson Demolition	160,800	36,884

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.

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**H. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of December 31, 2013, is as follows:

Receivable	Payable	Amount
General	Road Improvement Construction	\$ 160,000
Sewer Fund	Hydro Fund	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 makes transfers to the general fund and to the debt service fund in order to lower the tax levy.

The \$160,000 interfund balance is a temporary borrowing to cover a cash shortage in the 2013 construction project. It will be repaid upon receipt of a state aid payment.

	Transfers In						Total
	General	Debt	Road Construction	Other Governmental	Internal Service	Wastewater	
General	\$ -	\$ -	\$ -	\$ 1,500	\$ 275,000	\$ -	\$ 276,500
LeDuc	600	-	-	-	-	-	600
Fire & Ambulance	52,409	-	-	15,000	-	-	67,409
Road Construction	512,775	-	-	-	-	-	512,775
Other Governmental							
Parks & Rec	22,857	-	-	-	-	-	22,857
Aquatic Center	8,433	-	-	-	-	-	8,433
Cable TV	63	-	-	-	-	-	63
Police DUI	20,000	-	-	-	-	-	20,000
Police Drug	6,000	-	-	-	-	-	6,000
Heritage Preservation	933	-	-	-	-	-	933
ERF	150,375	-	-	-	-	-	150,375
Arena	9,468	-	-	-	-	-	9,468
Water	33,157	-	328,183	-	-	-	361,340
Wastewater	35,134	-	153,003	-	-	-	188,137
Stormwater	-	-	50,000	-	-	9,868	59,868
Hydro	21,213	300,000	-	-	-	-	321,213
Trust	3,062	-	-	-	-	-	3,062
Trust	45,105	-	-	-	-	-	45,105
<b>Total</b>	<b>\$ 921,584</b>	<b>\$ 300,000</b>	<b>\$ 531,186</b>	<b>\$ 16,500</b>	<b>\$ 275,000</b>	<b>\$ 9,868</b>	<b>\$ 2,054,138</b>

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

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

**I. Long-term debt**

Crossover Refunding

On February 21, 2013, the City issued \$5,805,000 in General Obligation Refunding Bonds, Series 2013A with an average interest rate of 2% to refund \$1,595,000 of outstanding 2004B Series Bonds, and advance refund \$1,675,000 of outstanding 2005A Series Bonds and 2,655,000 of outstanding 2006B Series Bonds. For the 2005A and 2006B refunding, the net proceeds of \$4,302,284 were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2014 for the 2005A Series and February 1, 2017 for the 2006B Series. The City advance refunded the bonds to reduce its total debt service payments over the last thirteen years of the bonds by \$340,273 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$313,460. The City is responsible for the debt service of the refunded bonds before the crossover date and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds before the crossover date is payable from the escrow account. Assets held with the escrow agent total \$4,294,720 at December 31, 2013.

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 \$ 7,220,000. 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. 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	2.00% - 3.86%	3,230,000

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

Year Ending December 31	Principal	Interest
2014	\$ 1,345,000	\$ 85,597
2015	250,000	51,125
2016	265,000	27,060
2017	275,000	37,500
2018	270,000	30,475
2019	290,000	22,400
2020	175,000	14,300
2021	180,000	8,100
2022	180,000	2,700
	<u>\$ 3,230,000</u>	<u>\$ 279,257</u>

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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 \$27,715,000. The special assessment general obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Special Assessment G.O. Bonds	1.76%-4.41%	18,505,000

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,895,000	\$ 461,491
2015	3,180,000	347,043
2016	2,540,000	276,855
2017	2,005,000	219,255
2018	1,750,000	166,220
2019	1,555,000	141,805
2020	1,335,000	72,339
2021	995,000	41,563
2022	810,000	19,465
2023	310,000	6,480
2024	130,000	1,593
	<u>\$ 18,505,000</u>	<u>\$1,754,109</u>

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. The original amount of these certificates for the issues listed below is \$2,989,750. The equipment certificates currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Equipment Certificates	1.0% - 3.72%	2,358,000

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 324,500	\$ 30,143
2015	444,500	28,652
2016	359,500	23,402
2017	314,500	19,069
2018	265,000	14,734
2019	195,000	11,149
2020	85,000	8,991
2021	90,000	7,348
2022	90,000	5,480
2023	95,000	3,420
2024	95,000	1,164
	<u>\$ 2,358,000</u>	<u>\$ 153,552</u>

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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 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 \$7,700,250. The general obligation revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
General Obligation Revenue	1.19%-4.31%	6,402,000

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 485,500	\$ 211,319
2015	285,500	173,274
2016	300,500	164,160
2017	305,500	154,573
2018	2,695,000	48,950
2019	245,000	44,150
2020	240,000	39,300
2021	250,000	34,400
2022	255,000	29,350
2023	265,000	24,150
2024	265,000	18,850
2025	265,000	13,550
2026	270,000	8,200
2027	275,000	2,750
	<u>\$ 6,402,000</u>	<u>\$ 966,976</u>

Conduit Debt

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, 2013 there were five series of these revenue bonds outstanding, with an aggregate principal amount payable of \$30,796,020.

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NOTES TO FINANCIAL STATEMENTS  
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Changes in long-term liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation debt	\$ 3,405,000	\$ 565,000	\$ (740,000)	\$ 3,230,000	\$ 1,345,000
Special assessment GO debt	19,790,000	3,735,000	(5,020,000)	18,505,000	3,895,000
Equipment certificates	1,284,750	1,410,000	(336,750)	2,358,000	324,500
Less deferred amounts for premium and discount	294,044	110,125	(71,098)	333,071	
Total bonds payable	24,773,794	5,820,125	(6,167,848)	24,426,071	5,564,500
Compensated absences	1,339,569	667,542	(721,938)	1,285,173	120,004
Other postemployment benefits obligation	4,073,136	256,179	(515,084)	3,814,231	-
Governmental activity					
Long-term liabilities	<u>\$ 30,186,499</u>	<u>\$ 6,743,846</u>	<u>\$ (7,404,870)</u>	<u>\$ 29,525,475</u>	<u>\$ 5,684,504</u>

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 3,900,250	\$ 2,770,000	\$ (268,250)	\$ 6,402,000	\$ 485,500
Less deferred amounts for premium and discount	23,386	89,970	(7,399)	105,957	
Total bonds payable	3,923,636	2,859,970	(275,649)	6,507,957	485,500
Compensated absences	266,392	107,253	(103,007)	270,638	17,101
Business-Type activity					
Long-term liabilities	<u>\$ 4,190,028</u>	<u>\$ 2,967,223</u>	<u>\$ (378,656)</u>	<u>\$ 6,778,595</u>	<u>\$ 502,601</u>

Component Unit	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Taxable limited tax obligation	\$ 2,750,000	\$ -	\$ (120,000)	\$ 2,630,000	\$ 125,000
Total bonds payable	2,750,000	-	(120,000)	2,630,000	125,000
Component unit activity					
Long-term liabilities	<u>\$ 2,750,000</u>	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ 2,630,000</u>	<u>\$ 125,000</u>

Minnesota Statutes state that a city's net debt shall not be in excess of 3% of the established market value of that City. For the City of Hastings, the legal debt limit is approximately \$39,865,402 with \$3,230,000 debt applicable to that limit leaving a debt margin of \$36,635,402.

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

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

**J. 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	\$ 275,400	\$ 72,000	\$ 72,000
GO Water 06 and as refunded by GO Refunding 13A	Water Treatment Plant	Revenues	100%	100%	2006-2027	6,232,200	301,400	301,400
Storm Water Equipment	Equipment	Revenues	100%	100%	2012-2017	165,555	39,864	39,864
GO Imp 04 A	Street Recon.	Special Assessments	27.67%	N/A	2004-2015	357,904	180,570	-
GO Refunding 13A	Street Recon.	Special Assessments	36.72%	N/A	2013-2016	1,705,918	546,311	106,976
GO Imp 05 A and as refunded by GO Refunding 13A	Street Recon.	Special Assessments	49.24%	N/A	2006-2017	1,002,600	345,647	126,519
GO Imp 06	Street Recon.	Special Assessments	54.32%	N/A	2007-2018	1,116,700	234,400	46,891
GO Imp 07 B	Street Recon.	Special Assessments	42.20%	N/A	2008-2020	1,636,645	288,313	63,760
GO Imp 08 A	Street Recon.	Special Assessments	25.13%	N/A	2009-2021	2,571,111	386,918	46,535
GO Imp 09 A	Street Recon.	Special Assessments	25.08%	N/A	2010-2022	1,632,463	206,795	78,768
GO Imp 10 B	Street Recon.	Special Assessments	40.15%	N/A	2011-2016	1,184,554	142,803	37,554
GO Imp 11 A	Street Recon.	Special Assessments	43.11%	N/A	2013-2022	2,810,694	445,103	124,635
GO Imp 12A	Street Recon.	Special Assessments	35.96%	N/A	2013-2023	1,908,275	-	35,745
GO Imp 13B	Street Recon.	Special Assessments	38.26%	N/A	2014-2024	1,399,341	-	71,481

**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



# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

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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, firefighters, 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 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.

CITY OF HASTINGS

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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, 2013, 2012, and 2011 were \$284,638, \$309,614 and \$246,870, respectively. The City’s contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2013, 2012 and 2011 were \$484,125, \$525,172 and \$486,789, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statute.

2. Defined contribution plan

Six 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% 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% of employer contributions and four-tenths of one percent of the assets in each member’s account annually.

Total contributions made by the City of Hastings during fiscal years 2013, 2012, and 2011 were:

Year	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
2013	\$ 1,920	\$ 1,920	5.00%	5.00%	5.00%
2012	1,882	1,882	5.00%	5.00%	5.00%
2011	1,920	1,920	5.00%	5.00%	5.00%

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS

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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 5<sup>th</sup> 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.

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.

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NOTES TO FINANCIAL STATEMENTS  
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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 five-year schedule of contributions is set out below.

Schedule of Contributions						
Five Year Period						
Year	Minnesota		City of Hastings		Total Contributions	Percent Contributed
	State Aid Contributions		Required Contributions			
2013	\$ 164,373		\$ -		\$ 164,373	100%
2012	119,078		-		119,078	100%
2011	114,798		-		114,798	100%
2010	110,467		-		110,467	100%
2009	107,082		-		107,082	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<sup>st</sup> 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 Clerk:	July 22, 2013
Statutory Assumptions:	
Investment Rate of Rate	5%
Benefit Increase	0%
Administrative Expenses Increase	3.4%
State Aid Increase	0%
Amortization of Deficit/Surplus	10%

Required Supplementary Information: Schedule of Funding Progress

Value Date	Statutory Value of Assets	Statutory Accrued Liability (SAL)	Unfunded SAL (USAL)	Funded Ratio	Covered Payroll	USAL as a Percentage of Covered Payroll
12/31/2013	\$3,909,740	\$2,980,277	\$929,463	131.19%	N/A	N/A
12/31/2012	3,403,187	2,967,160	436,027	114.70%	N/A	N/A
12/31/2011	3,215,829	3,048,471	167,358	105.49%	N/A	N/A
12/31/2010	3,334,387	3,053,003	281,384	109.22%	N/A	N/A
12/31/2009	3,220,611	3,219,269	1,342	112.92%	N/A	N/A

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Contributions Required and Contributions Made

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

Normal Cost 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

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, 2013. On behalf payments of fringe benefits were recognized during the period.

The actuarial accrued liability of \$2,980,277 at December 31, 2013 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 Other Post Employment Benefit (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:

- 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

# CITY OF HASTINGS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 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 is no longer eligible under the contract.

### **C. PARTICIPANTS**

As of the actuarial valuation dated January 01, 2013, participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	16
Active Employees	<u>100</u>
Total	<u><u>116</u></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.

### **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, 2013, was calculated as follows:

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS  
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Annual required contribution (ARC)	\$ 96,688
Interest on net OPEB obligation	159,491
Amortization of net OPEB obligation	(221,716)
Interest on amortization	(4,391)
Annual OPEB cost	<u>30,072</u>
Contributions made during the year	<u>(203,113)</u>
Increase (decrease) in net OPEB obligation	(173,041)
Net OPEB obligation - Beginning of the year	4,073,136
Adjustment for new valuation	<u>(85,864)</u>
Net OPEB obligation - End of year	<u>\$ 3,814,231</u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 and the preceding two years was as follows:

Fiscal Year Ended	Percentage of Annual OPEB Cost			
	December 31,	Annual OPEB Cost	Contributed	Net OPEB Obligation
2011	\$	219,945	90.80%	\$ 4,089,704
2012		221,416	107.50%	4,073,136
2013		30,072	675.40%	3,814,231

**F. FUNDED STATUS AND FUNDING PROGRESS**

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	Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of covered payroll
January 1,	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2013	\$ -	\$ 3,979,142	\$ 3,979,142	-	\$ 6,765,777	58.80%

\*Using the entry age normal actuarial pay cost method.

**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.

CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

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 January 2013 actuarial valuation, the Entry-age Normal Percent of Pay cost method was used. The following assumptions were used:

- Discount rate – 4% (pay-as-you-go funding)
- Payroll growth rate – N/A
- UAAL amortization method-Level dollar amount on a closed basis
- Salary increase rates – N/A
- Mortality rates – life expectancies were based on the RP 2000 Combined Healthy Table projected to 2013 with blue collar adjustment for Police and Fire.
- 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 7.5%, reducing to 5% over 5 years.
- Inflation rate is 2.5%.

There were some changes in assumptions from the 2010 valuation to the 2013 valuation. The discount rate was increased from 3% to 4%, the healthcare cost trend rate was changed from an initial rate of 8% to 7.5%, and the inflation rate was reduced from 3% to 2.5%.

**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	(68,250)
Net	<u>\$ 111,750</u>

**VIII. EQUITY RESTATEMENT**

- A. For the year ended December 31, 2013, the City implemented GASB Statement No.65, *Items Previously Reported as Assets and Liabilities* resulted in accounts previously presented as liabilities being reclassified as deferred inflows of resources. In addition, GASB 65 results in the restatements of beginning net position to reflect the change in accounting for bond issuance costs. Prior to GASB 65, bond issuance costs were capitalized and amortized over the life of the bond. GASB 65 requires the expensing of issuance costs (excluding bond insurance) in the year of issuance.
- B. For the year ended December 31, 2013, a correction to the prior year financial statements was made to record errors in prior year depreciation and to recognize grant revenue relating to a prior year. The beginning balances of the capital asset table in footnote IV. F. reflect the adjustment detailed below.



CITY OF HASTINGS

NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

The restatement of net position due to the elimination of deferred charges and the prior period adjustments is summarized as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Hydro</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position - as previously reported	\$ 17,254,819	\$ 11,142,109	\$ 323,453	\$ 4,242,432	\$ 53,600,875	\$ 32,962,813
Change in accounting principle	(28,628)	-	(2,435)	-	(320,618)	(31,063)
Prior period adjustments						
Accumulated depreciation correction	61,494	77,455	-	(173,006)	-	(34,057)
Net Position - as restated	<u>\$ 17,287,685</u>	<u>\$ 11,219,564</u>	<u>\$ 321,018</u>	<u>\$ 4,069,426</u>	<u>\$ 53,280,257</u>	<u>\$ 32,897,693</u>

	<u>Component Unit</u>
Fund balance - as previously reported	\$ 1,090,187
Prior period adjustments	
Recognize grant revenue	<u>249,092</u>
Fund balance - as restated	<u>\$ 1,339,279</u>
	<u>Component Unit</u>
Net Position - as previously reported	\$ 3,654,474
Change in accounting principle	(23,073)
Prior period adjustments	
Recognize grant revenue	<u>249,092</u>
Net Position - as restated	<u>\$ 3,880,493</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, 2013

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 January 1,	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 a percentage of covered payroll ((b-a)/c)
2013	\$ -	\$ 3,979,142	\$ 3,979,142	-	\$ 6,765,777	58.8%
2010	-	4,078,494	4,078,494	-	2,282,530	179.0%
2007	-	3,708,314	3,708,314	-	2,103,025	176.0%

\*Using the entry age normal actuarial pay cost method.

\*\* The City changed actuaries for the 2013 actuarial valuation. The covered payroll amounts reported differ by actuary and the nature of the OPEB.

# **SUPPLEMENTARY INFORMATION**

## **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 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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 3,173,000	\$ 3,173,000	\$ 3,191,407	\$ 18,407
Intergovernmental	-	-	5,195	5,195
Special assessments	1,430,000	1,430,000	1,112,492	(317,508)
Charges for services	90,000	90,000	80,573	(9,427)
Investment earnings (loss)	38,994	38,994	(64,011)	(103,005)
Total revenues	<u>4,731,994</u>	<u>4,731,994</u>	<u>4,325,656</u>	<u>(406,338)</u>
<b>EXPENDITURES</b>				
Debt:				
Principal	4,750,609	4,750,609	4,501,750	248,859
Interest and Fiscal agent	633,009	633,009	731,640	(98,631)
Total expenditures	<u>5,383,618</u>	<u>5,383,618</u>	<u>5,233,390</u>	<u>150,228</u>
Excess (deficiency) of revenues over expenditures	<u>(651,624)</u>	<u>(651,624)</u>	<u>(907,734)</u>	<u>(256,110)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Bonds issued	-	-	3,035,000	3,035,000
Bond premium	-	-	110,125	110,125
Redemption of refunded bonds	-	-	(1,595,000)	(1,595,000)
Transfers in	563,483	563,483	300,000	(263,483)
Transfers out	(13,545)	(13,545)	-	13,545
Total other financing sources and (uses)	<u>549,938</u>	<u>549,938</u>	<u>1,850,125</u>	<u>1,300,187</u>
Net change in fund balance	<u>(101,686)</u>	<u>(101,686)</u>	<u>942,391</u>	<u>1,044,077</u>
Fund balance--beginning	<u>6,753,604</u>	<u>6,753,604</u>	<u>6,753,604</u>	<u>-</u>
Fund balance--ending	<u>\$ 6,651,918</u>	<u>\$ 6,651,918</u>	<u>\$ 7,695,995</u>	<u>\$ 1,044,077</u>

City of Hastings  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
Parks Projects Capital Projects Fund  
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 38,120	\$ 38,120	\$ 3,786	\$ (34,334)
Charges for services	-	-	4,400	4,400
Miscellaneous	-	-	(10,553)	(10,553)
Total revenues	<u>38,120</u>	<u>38,120</u>	<u>(2,367)</u>	<u>(40,487)</u>
<b>EXPENDITURES</b>				
Cultural and recreation:				
Other services and charges	-	-	5,263	(5,263)
Capital outlay	<u>353,120</u>	<u>353,120</u>	-	<u>353,120</u>
Total expenditures	<u>353,120</u>	<u>353,120</u>	<u>5,263</u>	<u>347,857</u>
Excess (deficiency) of revenues over expenditures	<u>(315,000)</u>	<u>(315,000)</u>	<u>(7,630)</u>	<u>307,370</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers in (out)	<u>50,000</u>	<u>50,000</u>	-	<u>(50,000)</u>
Total other financing uses	<u>50,000</u>	<u>50,000</u>	-	<u>(50,000)</u>
Net change in fund balance	(265,000)	(265,000)	(7,630)	257,370
Fund balance--beginning	<u>684,302</u>	<u>684,302</u>	<u>684,302</u>	<u>-</u>
Fund balance--ending	<u>\$ 419,302</u>	<u>\$ 419,302</u>	<u>\$ 676,672</u>	<u>\$ 257,370</u>

City of Hastings  
 Combining Statement of Fiduciary Net Position  
 Agency Funds  
 December 31, 2013

	Cable Access Agency Fund	Letters of Credit Agency Fund	Escrow Agency Fund	Total Agency Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 12,857	\$ 46,209	\$ 40,841	\$ 99,907
<b>LIABILITIES:</b>				
Accounts payable	\$ 12,857	\$ 46,209	\$ 40,841	\$ 99,907



City of Hastings  
Combining Statement of Changes in Fiduciary Net Position  
Agency Funds  
For the year ended December 31, 2013

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
<b><u>CABLE ACCESS</u></b>				
ASSETS				
Cash and cash equivalents	\$ 12,857	\$ -	\$ -	\$ 12,857
LIABILITIES				
Accounts payable	\$ 12,857	\$ -	\$ -	\$ 12,857
<b><u>LETTERS OF CREDIT</u></b>				
ASSETS				
Cash and cash equivalents	\$ 37,309	\$ 8,900	\$ -	\$ 46,209
LIABILITIES				
Accounts payable	\$ 37,309	\$ 8,900	\$ -	\$ 46,209
<b><u>ESCROW</u></b>				
ASSETS				
Cash and cash equivalents	\$ 67,337	\$ 40,998	\$ 67,494	\$ 40,841
Accounts receivable	1,564	8,000	9,564	-
Total assets	\$ 68,901	\$ 48,998	\$ 77,058	\$ 40,841
LIABILITIES				
Accounts payable	\$ 68,901	\$ 103,696	\$ 131,756	\$ 40,841
<b><u>TOTAL-ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and cash equivalents	\$ 117,503	\$ 49,898	\$ 67,494	\$ 99,907
Accounts receivable	1,564	8,000	9,564	-
Total assets	\$ 119,067	\$ 57,898	\$ 77,058	\$ 99,907
LIABILITIES				
Accounts payable	\$ 119,067	\$ 112,596	\$ 131,756	\$ 99,907

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# **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 can be spent.

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 Historical Estate is provided by the Dakota County Historical Society.

City of Hastings  
Combining Balance Sheet  
Non-major Governmental Funds  
December 31, 2013

	Total Special Revenue Non-major Funds	Total Capital Non-major Funds	Total Permanent Non-major Funds	Total All Non-major Funds
<b>ASSETS</b>				
Cash and investments	\$ 1,420,231	\$ 1,403,586	\$ 198,455	\$ 3,022,272
Petty cash	600	-	-	600
Cash held by trustee	-	-	927,584	927,584
Interest receivable	3,563	4,066	621	8,250
Accounts receivable	229,283	-	11,346	240,629
Taxes receivable	175,728	4,259	-	179,987
Due from other governments	14	-	-	14
Due from other funds	-	-	-	-
Prepaid items	45,131	-	-	45,131
Inventories	6,268	-	-	6,268
Total assets	<u>\$ 1,880,818</u>	<u>\$ 1,411,911</u>	<u>\$ 1,138,006</u>	<u>\$ 4,430,735</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
Liabilities:				
Cash overdraft	\$ -	\$ 7,064	\$ -	\$ 7,064
Salaries payable	38,375	-	-	38,375
Accounts payable	26,496	25,842	-	52,338
Due to other governments	1,262	-	-	1,262
Unearned revenues	391	-	-	391
Total liabilities	<u>66,524</u>	<u>32,906</u>	<u>-</u>	<u>99,430</u>
Deferred inflows of resources:				
Unavailable revenue	<u>25,485</u>	<u>3,317</u>	<u>-</u>	<u>28,802</u>
Fund Balances:				
Nonspendable				
Prepays	45,131	-	-	45,131
Inventory	6,268	-	-	6,268
Permanent	-	-	200,000	200,000
Restricted for:				
Police Activities	13,898	-	-	13,898
Permanent	-	-	938,006	938,006
Committed for:				
Park maintenance	705,537	-	-	705,537
Aquatic operations	118,588	-	-	118,588
Cable TV activities	222,044	-	-	222,044
Heritage preservation activities	86,697	-	-	86,697
Arena activities	590,646	-	-	590,646
Assigned for:				
Capital	-	1,394,711	-	1,394,711
Unassigned	-	(19,023)	-	(19,023)
Total fund balances	<u>1,788,809</u>	<u>1,375,688</u>	<u>1,138,006</u>	<u>4,302,503</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,880,818</u>	<u>\$ 1,411,911</u>	<u>\$ 1,138,006</u>	<u>\$ 4,430,735</u>

City of Hastings  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-major Governmental Funds  
For the Year Ended December 31, 2013

	Total Non-major Special Revenue Funds	Total Non-major Capital Project Funds	Total Non-major Permanent Funds	Total Non-major Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,345,277	\$ 32,811	\$ -	\$ 1,378,088
Intergovernmental	3,564	-	-	3,564
Charges for services	1,129,924	-	-	1,129,924
Investment earnings (loss)	(6,432)	(12,550)	89,739	70,757
Miscellaneous	10,355	-	-	10,355
Total revenues	<u>2,482,688</u>	<u>20,261</u>	<u>89,739</u>	<u>2,592,688</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	601	-	-	601
Cultural and recreation	2,182,241	-	22,235	2,204,476
Economic development	-	34,119	-	34,119
Capital outlay	159,670	-	-	159,670
Total expenditures	<u>2,342,512</u>	<u>34,119</u>	<u>22,235</u>	<u>2,398,866</u>
Excess (deficiency) of revenues over expenditures	<u>140,176</u>	<u>(13,858)</u>	<u>67,504</u>	<u>193,822</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Bonds issued	97,200	-	-	97,200
Transfers in	-	16,500	-	16,500
Transfers out	(67,754)	(150,375)	(48,167)	(266,296)
Insurance recoveries	858	-	-	858
Proceeds on sale of capital assets	15,447	-	-	15,447
Total other financing sources and (uses)	<u>45,751</u>	<u>(133,875)</u>	<u>(48,167)</u>	<u>(136,291)</u>
Net change in fund balances	185,927	(147,733)	19,337	57,531
Fund balances--beginning	<u>1,602,882</u>	<u>1,523,421</u>	<u>1,118,669</u>	<u>4,244,972</u>
Fund balances--ending	<u>\$ 1,788,809</u>	<u>\$ 1,375,688</u>	<u>\$ 1,138,006</u>	<u>\$ 4,302,503</u>

City of Hastings  
Combining Balance Sheet  
Non-major Special Revenue Funds  
December 31, 2013

	Parks and Recreation	Aquatic Center	Cable Television	Heritage Preservation	Ice Arena
<b>ASSETS</b>					
Cash and investments	\$ 613,042	\$ 93,555	\$ 130,795	\$ 84,664	\$ 484,342
Petty cash	100	-	-	-	500
Interest receivable	1,082	116	544	233	1,523
Accounts receivable	10,086	-	90,485	-	128,712
Taxes receivable	141,650	30,310	706	3,062	-
Due from other governments	-	-	-	-	14
Prepaid items	216	710	43,374	355	476
Inventories	6,268	-	-	-	-
Total assets	<u>\$ 772,444</u>	<u>\$ 124,691</u>	<u>\$ 265,904</u>	<u>\$ 88,314</u>	<u>\$ 615,567</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
Liabilities:					
Salaries payable	\$ 26,040	\$ -	\$ 422	\$ 797	\$ 11,116
Accounts payable	13,681	662	-	11	12,142
Due to other governments	59	16	-	-	1,187
Unearned revenues	-	391	-	-	-
Total liabilities	<u>39,780</u>	<u>1,069</u>	<u>422</u>	<u>808</u>	<u>24,445</u>
Deferred inflows of resources:					
Unavailable revenue	<u>20,643</u>	<u>4,324</u>	<u>64</u>	<u>454</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Prepays	216	710	43,374	355	476
Inventories	6,268	-	-	-	-
Restricted:					
Police activities	-	-	-	-	-
Committed:					
Park maintenance	705,537	-	-	-	-
Aquatic operations	-	118,588	-	-	-
Cable TV activities	-	-	222,044	-	-
Heritage preservation activities	-	-	-	86,697	-
Arena activities	-	-	-	-	590,646
Total fund balances	<u>712,021</u>	<u>119,298</u>	<u>265,418</u>	<u>87,052</u>	<u>591,122</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 772,444</u>	<u>\$ 124,691</u>	<u>\$ 265,904</u>	<u>\$ 88,314</u>	<u>\$ 615,567</u>

DUI Enforcement Equipment	Drug Awareness	Total Non-major Special Revenue Funds
\$ 6,760	\$ 7,073	\$ 1,420,231
-	-	600
39	26	3,563
-	-	229,283
-	-	175,728
-	-	14
-	-	45,131
-	-	6,268
<u>\$ 6,799</u>	<u>\$ 7,099</u>	<u>\$ 1,880,818</u>
\$ -	\$ -	\$ 38,375
-	-	26,496
-	-	1,262
-	-	391
<u>-</u>	<u>-</u>	<u>66,524</u>
<u>-</u>	<u>-</u>	<u>25,485</u>
-	-	45,131
-	-	6,268
6,799	7,099	13,898
-	-	705,537
-	-	118,588
-	-	222,044
-	-	86,697
<u>-</u>	<u>-</u>	<u>590,646</u>
<u>6,799</u>	<u>7,099</u>	<u>1,788,809</u>
<u>\$ 6,799</u>	<u>\$ 7,099</u>	<u>\$ 1,880,818</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, 2013

	Parks and Recreation	Aquatic Center	Cable Television	Heritage Preservation	Ice Arena
<b>REVENUES</b>					
Property taxes	\$ 1,082,955	\$ 233,076	\$ 5,951	\$ 23,295	\$ -
Intergovernmental	-	-	-	404	-
Charges for services	107,933	206,255	358,313	-	451,162
Investment earnings (loss)	(937)	192	(1,213)	(629)	(3,828)
Miscellaneous	6,786	-	-	416	2,029
Total revenues	<u>1,196,737</u>	<u>439,523</u>	<u>363,051</u>	<u>23,486</u>	<u>449,363</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	-	-	-
Cultural and recreation	1,028,823	370,197	348,568	20,784	413,869
Capital outlay	88,492	4,082	-	-	67,096
Total expenditures	<u>1,117,315</u>	<u>374,279</u>	<u>348,568</u>	<u>20,784</u>	<u>480,965</u>
Excess (deficiency) of revenues over expenditures	<u>79,422</u>	<u>65,244</u>	<u>14,483</u>	<u>2,702</u>	<u>(31,602)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Bonds issued	97,200	-	-	-	-
Transfers out	(22,857)	(8,433)	(63)	(933)	(9,468)
Insurance recoveries	5,858	-	-	-	(5,000)
Proceeds on sale of capital assets	-	-	-	-	-
Total other financing sources and (uses)	<u>80,201</u>	<u>(8,433)</u>	<u>(63)</u>	<u>(933)</u>	<u>(14,468)</u>
Net change in fund balances	159,623	56,811	14,420	1,769	(46,070)
Fund balances--beginning	<u>552,398</u>	<u>62,487</u>	<u>250,998</u>	<u>85,283</u>	<u>637,192</u>
Fund balances--ending	<u>\$ 712,021</u>	<u>\$ 119,298</u>	<u>\$ 265,418</u>	<u>\$ 87,052</u>	<u>\$ 591,122</u>



DUI Enforcement Equipment	Drug Awareness	Total Non-major Special Revenue Funds
\$ -	\$ -	\$ 1,345,277
-	3,160	3,564
6,261	-	1,129,924
35	(52)	(6,432)
1,124	-	10,355
<u>7,420</u>	<u>3,108</u>	<u>2,482,688</u>
601	-	601
-	-	2,182,241
-	-	159,670
<u>601</u>	<u>-</u>	<u>2,342,512</u>
<u>6,819</u>	<u>3,108</u>	<u>140,176</u>
-	-	97,200
(20,000)	(6,000)	(67,754)
-	-	858
15,447	-	15,447
<u>(4,553)</u>	<u>(6,000)</u>	<u>45,751</u>
2,266	(2,892)	185,927
<u>4,533</u>	<u>9,991</u>	<u>1,602,882</u>
<u>\$ 6,799</u>	<u>\$ 7,099</u>	<u>\$ 1,788,809</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 1,073,103	\$ 1,073,103	\$ 1,082,955	\$ 9,852
Charges for services	111,700	111,700	107,933	(3,767)
Investment earnings (loss)	8,000	8,000	(937)	(8,937)
Miscellaneous	-	3,004	6,786	3,782
Total revenues	<u>1,192,803</u>	<u>1,195,807</u>	<u>1,196,737</u>	<u>930</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Personal services	742,715	742,715	619,140	123,575
Services and charges	319,578	319,578	304,579	14,999
Supplies	103,380	103,380	96,208	7,172
Miscellaneous	5,295	9,708	8,896	812
Capital outlay	97,000	97,000	88,492	8,508
Total expenditures	<u>1,267,968</u>	<u>1,272,381</u>	<u>1,117,315</u>	<u>155,066</u>
Excess (deficiency) of revenues over expenditures	<u>(75,165)</u>	<u>(76,574)</u>	<u>79,422</u>	<u>155,996</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Bonds Issued	91,000	91,000	97,200	6,200
Transfer out	(22,857)	(22,857)	(22,857)	-
Insurance recoveries	-	-	5,858	(5,858)
Total other financing sources and (uses)	<u>68,143</u>	<u>68,143</u>	<u>80,201</u>	<u>342</u>
Net change in fund balance	<u>(7,022)</u>	<u>(8,431)</u>	<u>159,623</u>	<u>156,338</u>
Fund balance--beginning	<u>552,398</u>	<u>552,398</u>	<u>552,398</u>	<u>-</u>
Fund balance--ending	<u>\$ 545,376</u>	<u>\$ 543,967</u>	<u>\$ 712,021</u>	<u>\$ 156,338</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 231,211	\$ 231,211	\$ 233,076	\$ 1,865
Charges for services	231,650	231,650	206,255	(25,395)
Investment earnings (loss)	5,850	5,850	192	(5,658)
Total revenues	<u>468,711</u>	<u>468,711</u>	<u>439,523</u>	<u>(29,188)</u>
<b>EXPENDITURES</b>				
Current:				
Cultural and recreation:				
Personal services	265,488	265,488	208,005	57,483
Services and charges	96,140	111,140	103,544	7,596
Supplies	67,650	67,650	58,384	9,266
Miscellaneous	500	500	264	236
Capital outlay	<u>30,500</u>	<u>15,500</u>	<u>4,082</u>	<u>11,418</u>
Total expenditures	<u>460,278</u>	<u>460,278</u>	<u>374,279</u>	<u>85,999</u>
Excess (deficiency) of revenues over expenditures	8,433	8,433	65,244	56,811
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers out	<u>(8,433)</u>	<u>(8,433)</u>	<u>(8,433)</u>	<u>-</u>
Net change in fund balance	-	-	56,811	56,811
Fund balance--beginning	<u>62,487</u>	<u>62,487</u>	<u>62,487</u>	<u>-</u>
Fund balance--ending	<u>\$ 62,487</u>	<u>\$ 62,487</u>	<u>\$ 119,298</u>	<u>\$ 56,811</u>

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 6,001	\$ 6,001	\$ 5,951	\$ (50)
Charges for services	315,000	315,000	358,313	43,313
Investment earnings (loss)	<u>6,013</u>	<u>6,013</u>	<u>(1,213)</u>	<u>(7,226)</u>
Total revenues	<u>327,014</u>	<u>327,014</u>	<u>363,051</u>	<u>36,037</u>
<b>EXPENDITURES</b>				
Current:				
Cultural and recreation:				
Personal services	14,752	14,752	7,464	7,288
Services and charges	<u>304,200</u>	<u>304,200</u>	<u>341,104</u>	<u>(36,904)</u>
Total expenditures	<u>318,952</u>	<u>318,952</u>	<u>348,568</u>	<u>(29,616)</u>
Excess (deficiency) of revenues over expenditures	8,062	8,062	14,483	6,421
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers out	<u>(62)</u>	<u>(62)</u>	<u>(63)</u>	<u>(1)</u>
Net change in fund balance	8,000	8,000	14,420	6,420
Fund balance--beginning	<u>250,998</u>	<u>250,998</u>	<u>250,998</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 258,998</u></u>	<u><u>\$ 258,998</u></u>	<u><u>\$ 265,418</u></u>	<u><u>\$ 6,420</u></u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 23,062	\$ 23,062	\$ 23,295	\$ 233
Intergovernmental	-	-	404	404
Investment earnings (loss)	2,000	2,000	(629)	(2,629)
Miscellaneous	600	600	416	(184)
Total revenues	<u>25,662</u>	<u>25,662</u>	<u>23,486</u>	<u>(2,176)</u>
<b>EXPENDITURES</b>				
Current:				
Cultural and recreation:				
Personal services	21,005	21,005	19,452	1,553
Services and charges	1,604	1,604	726	878
Supplies	995	995	92	903
Miscellaneous	1,125	1,125	514	611
Total expenditures	<u>24,729</u>	<u>24,729</u>	<u>20,784</u>	<u>3,945</u>
Excess (deficiency) of revenues over expenditures	933	933	2,702	1,769
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers out	(933)	(933)	(933)	-
Net change in fund balance	-	-	1,769	1,769
Fund balance--beginning	<u>85,283</u>	<u>85,283</u>	<u>85,283</u>	<u>-</u>
Fund balance--ending	<u>\$ 85,283</u>	<u>\$ 85,283</u>	<u>\$ 87,052</u>	<u>\$ 1,769</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, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 428,420	\$ 428,420	\$ 451,162	\$ 22,742
Investment earnings (loss)	15,400	15,400	(3,828)	(19,228)
Miscellaneous	-	-	2,029	2,029
Total revenues	<u>443,820</u>	<u>443,820</u>	<u>449,363</u>	<u>5,543</u>
<b>EXPENDITURES</b>				
Current:				
Cultural and recreation:				
Personal services	243,238	243,238	186,900	56,338
Services and charges	171,891	171,891	191,549	(19,658)
Supplies	41,835	41,835	34,284	7,551
Miscellaneous	1,195	1,195	1,136	59
Capital outlay	57,000	90,500	67,096	23,404
Total expenditures	<u>515,159</u>	<u>548,659</u>	<u>480,965</u>	<u>67,694</u>
Excess (deficiency) of revenues over expenditures	(71,339)	(104,839)	(31,602)	73,237
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers out	(9,468)	(9,468)	(9,468)	-
Insurance recoveries	-	-	(5,000)	(5,000)
Total other financing sources and (uses)	<u>(9,468)</u>	<u>(9,468)</u>	<u>(14,468)</u>	<u>(5,000)</u>
Net change in fund balance	(80,807)	(114,307)	(46,070)	68,237
Fund balance--beginning	<u>637,192</u>	<u>637,192</u>	<u>637,192</u>	<u>-</u>
Fund balance--ending	<u>\$ 556,385</u>	<u>\$ 522,885</u>	<u>\$ 591,122</u>	<u>\$ 68,237</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 6,261	\$ 6,261
Investment earnings (loss)	600	600	35	(565)
Miscellaneous	-	-	1,124	1,124
Total revenues	<u>600</u>	<u>600</u>	<u>7,420</u>	<u>6,820</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Miscellaneous	<u>1,600</u>	<u>1,600</u>	<u>601</u>	<u>999</u>
Excess (deficiency) of revenues over expenditures	(1,000)	(1,000)	6,819	7,819
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers out	(20,000)	(20,000)	(20,000)	-
Proceeds on sale of capital assets	<u>12,000</u>	<u>12,000</u>	<u>15,447</u>	<u>3,447</u>
Total other financing sources and (uses)	<u>(8,000)</u>	<u>(8,000)</u>	<u>(4,553)</u>	<u>3,447</u>
Net change in fund balance	(9,000)	(9,000)	2,266	11,266
Fund balance--beginning	<u>4,533</u>	<u>4,533</u>	<u>4,533</u>	<u>-</u>
Fund balance--ending	<u>\$ (4,467)</u>	<u>\$ (4,467)</u>	<u>\$ 6,799</u>	<u>\$ 11,266</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, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment earnings (loss)	\$ 300	\$ 300	\$ (52)	\$ (352)
Intergovernmental	-	-	3,160	3,160
Miscellaneous	<u>550</u>	<u>550</u>	<u>-</u>	<u>(550)</u>
Total revenues	<u>850</u>	<u>850</u>	<u>3,108</u>	<u>2,258</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	850	850	3,108	2,258
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balance	<u>(5,150)</u>	<u>(5,150)</u>	<u>(2,892)</u>	<u>2,258</u>
Fund balance--beginning	<u>9,991</u>	<u>9,991</u>	<u>9,991</u>	<u>-</u>
Fund balance--ending	<u>\$ 4,841</u>	<u>\$ 4,841</u>	<u>\$ 7,099</u>	<u>\$ 2,258</u>



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City of Hastings  
Combining Balance Sheet  
Non-major Capital Project and Permanent Funds  
December 31, 2013

	Capital Project Funds				Total Non-major Capital Project Funds
	Equipment Revolving	Guardian Angels TIF	River Front TIF	NAPA TIF	
<b>ASSETS</b>					
Cash and investments	\$ 1,390,645	\$ 12,941	\$ -	\$ -	\$ 1,403,586
Cash held by trustee	-	-	-	-	-
Interest receivable	4,066	-	-	-	4,066
Accounts receivable, net	-	-	-	-	-
Taxes receivable	-	3,832	457	(30)	4,259
Total assets	<u>\$ 1,394,711</u>	<u>\$ 16,773</u>	<u>\$ 457</u>	<u>\$ (30)</u>	<u>\$ 1,411,911</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
Liabilities:					
Cash overdraft	\$ -	\$ -	\$ 520	\$ 6,544	\$ 7,064
Accounts payable	-	17,563	-	8,279	25,842
Total liabilities	<u>-</u>	<u>17,563</u>	<u>520</u>	<u>14,823</u>	<u>32,906</u>
Deferred inflows of resrouces:					
Unavailable revenue	-	3,317	-	-	3,317
Fund Balances:					
Nonspendable:					
Permanent	-	-	-	-	-
Restricted for:					
Permanent	-	-	-	-	-
Assigned for:					
Capital	1,394,711	-	-	-	1,394,711
Unassigned	<u>-</u>	<u>(4,107)</u>	<u>(63)</u>	<u>(14,853)</u>	<u>(19,023)</u>
Total fund balances	<u>1,394,711</u>	<u>(4,107)</u>	<u>(63)</u>	<u>(14,853)</u>	<u>1,375,688</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,394,711</u>	<u>\$ 16,773</u>	<u>\$ 457</u>	<u>\$ (30)</u>	<u>\$ 1,411,911</u>

<u>Permanent Funds</u>		Total
<u>C. Simmons Trust</u>	<u>C.Simmons Residuary Trust</u>	<u>Non-major Permanent Funds</u>
\$ 198,455	\$ -	\$ 198,455
-	927,584	927,584
577	44	621
-	11,346	11,346
-	-	-
<u>\$ 199,032</u>	<u>\$ 938,974</u>	<u>\$ 1,138,006</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
200,000	-	200,000
(968)	938,974	938,006
-	-	-
-	-	-
<u>199,032</u>	<u>938,974</u>	<u>1,138,006</u>
<u>\$ 199,032</u>	<u>\$ 938,974</u>	<u>\$ 1,138,006</u>

City of Hastings  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-major Capital Project and Permanent Funds  
For the Year Ended December 31, 2013

	Capital Project Funds			Total Non-major Capital Project Funds	
	Equipment Revolving	Guardian Angels TIF	River Front TIF		NAPA TIF
<b>REVENUES</b>					
Property taxes	\$ -	\$ 13,958	\$ 685	\$ 18,168	\$ 32,811
Investment earnings (loss)	(12,550)	-	-	-	(12,550)
Total revenues	<u>(12,550)</u>	<u>13,958</u>	<u>685</u>	<u>18,168</u>	<u>20,261</u>
<b>EXPENDITURES</b>					
Current:					
Cultural and recreation	-	-	-	-	-
Economic development	-	17,562	-	16,557	34,119
Total expenditures	<u>-</u>	<u>17,562</u>	<u>-</u>	<u>16,557</u>	<u>34,119</u>
Excess (deficiency) of revenues over expenditures	(12,550)	(3,604)	685	1,611	(13,858)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Transfers in	16,500	-	-	-	16,500
Transfers out	(150,375)	-	-	-	(150,375)
Total other financing sources and (uses)	<u>(133,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,875)</u>
Net change in fund balances	(146,425)	(3,604)	685	1,611	(147,733)
Fund balances--beginning	<u>1,541,136</u>	<u>(503)</u>	<u>(748)</u>	<u>(16,464)</u>	<u>1,523,421</u>
Fund balances--ending	<u>\$ 1,394,711</u>	<u>\$ (4,107)</u>	<u>\$ (63)</u>	<u>\$ (14,853)</u>	<u>\$ 1,375,688</u>

<u>Permanent Funds</u>		Total
<u>C. Simmons Trust</u>	<u>C. Simmons Residuary Trust</u>	<u>Non-major Permanent Funds</u>
\$ -	\$ -	\$ -
(1,672)	91,411	89,739
<u>(1,672)</u>	<u>91,411</u>	<u>89,739</u>
-	22,235	22,235
-	-	-
<u>-</u>	<u>22,235</u>	<u>22,235</u>
(1,672)	69,176	67,504
-	-	-
(3,062)	(45,105)	(48,167)
<u>(3,062)</u>	<u>(45,105)</u>	<u>(48,167)</u>
(4,734)	24,071	19,337
<u>203,766</u>	<u>914,903</u>	<u>1,118,669</u>
<u>\$ 199,032</u>	<u>\$ 938,974</u>	<u>\$ 1,138,006</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment earnings (loss)	\$ -	\$ -	(12,550)	\$ (12,550)
Total revenues	<u>-</u>	<u>-</u>	<u>(12,550)</u>	<u>(12,550)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers in	-	-	16,500	16,500
Transfers out	<u>(108,000)</u>	<u>(197,854)</u>	<u>(150,375)</u>	<u>47,479</u>
Total other financing sources and (uses)	<u>(108,000)</u>	<u>(197,854)</u>	<u>(133,875)</u>	<u>63,979</u>
Net change in fund balance	<u>(108,000)</u>	<u>(197,854)</u>	<u>(146,425)</u>	<u>51,429</u>
Fund balance--beginning	<u>1,541,136</u>	<u>1,541,136</u>	<u>1,541,136</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 1,433,136</u></u>	<u><u>\$ 1,343,282</u></u>	<u><u>\$ 1,394,711</u></u>	<u><u>\$ 51,429</u></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 Fund Net Position  
Internal Service Funds  
December 31, 2013

	Compensated Absences	Retiree Health Insurance	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 890,823	\$ 73,372	\$ 964,195
Interest receivable	2,530	38	2,568
Total assets	\$ 893,353	\$ 73,410	\$ 966,763
<b>LIABILITIES</b>			
Compensated absences	\$ 1,285,173	\$ -	\$ 1,285,173
Retiree health insurance	-	3,814,231	3,814,231
Total liabilities	1,285,173	3,814,231	5,099,404
<b>NET POSITION</b>			
Unrestricted	(391,820)	(3,740,821)	(4,132,641)
Total net position and liabilities	\$ 893,353	\$ 73,410	\$ 966,763



City of Hastings  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended December 31, 2013

	Compensated Absences	Retiree Health Insurance	Total
Operating revenues:			
Charges for services	\$ -	\$ -	\$ -
Operating expenses:			
Personal services	117,607	(71,475)	46,132
Operating income (loss)	(117,607)	71,475	(46,132)
Non-operating revenues (expenses)			
Intergovernmental	-	9,827	9,827
Investment earnings	(8,362)	(1,128)	(9,490)
Total non-operating revenues	(8,362)	8,699	337
Income (loss) before transfers	(125,969)	80,174	(45,795)
Transfer in	50,000	225,000	275,000
Change in net position	(75,969)	305,174	229,205
Total net position--beginning	(315,851)	(4,045,995)	(4,361,846)
Total net position--ending	\$ (391,820)	\$ (3,740,821)	\$ (4,132,641)

City of Hastings  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2013

	Compensated Absences	Retiree Health Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers for goods and services	\$ -	\$ (187,430)	\$ (187,430)
Payments to employees	(172,003)	-	(172,003)
Net cash provided (used) by operating activities	(172,003)	(187,430)	(359,433)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in	50,000	225,000	275,000
Subsidy from federal and state grants	-	9,827	9,827
Net cash provided by noncapital and related financing activities	50,000	234,827	284,827
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	(6,342)	(999)	(7,341)
Net cash provided (used) by investing activities	(6,342)	(999)	(7,341)
Net (decrease) in cash and cash equivalents	(128,345)	46,398	(81,947)
Cash and cash equivalents--beginning of the year	1,019,168	26,974	1,046,142
Cash and cash equivalents--end of the year	<u>\$ 890,823</u>	<u>\$ 73,372</u>	<u>\$ 964,195</u>
<b>Reconciliation of operating income( loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (117,607)	\$ 71,475	\$ (46,132)
Change in assets and liabilities:			
Accounts payable	-	(258,905)	(258,905)
Salaries payable	(54,396)	-	(54,396)
Total adjustments	(54,396)	(258,905)	(313,301)
Net cash provided (used) by operating activities	<u>\$ (172,003)</u>	<u>\$ (187,430)</u>	<u>\$ (359,433)</u>

# **COMPONENT UNIT**

City of Hastings Economic Development and Redevelopment Authority  
 Balance Sheet  
 December 31, 2013

**ASSETS**

Cash and investments	\$	1,392,714
Interest receivable		3,633
Receivables, net		2,824
Taxes receivable		80,183
Due from other governments		13,407
Loan receivable		518,732
Total assets	\$	2,011,493

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**

Liabilities:

Salaries payable	\$	3,658
Accounts payable		11,002
Contracts payable		5,000
Due to other governments		44
Total liabilities		19,704

Deferred inflows of resources

Unavailable revenue		461,305
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Fund balances:

Nonspendable

Loan receivables		518,732
------------------	--	---------

Unassigned		1,011,752
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Total fund balances		1,530,484
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Total liabilities, deferred inflows of resources and fund balances	\$	2,011,493
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City of Hastings Economic Development and Redevelopment Authority  
 Reconciliation of the Balance Sheet  
 To the Statement of Net Position  
 For the Year Ended December 31, 2013

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

Total fund balances	\$ 1,530,484
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Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,825,352
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	461,305
--	---------

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	(2,630,000)
Interest payable	(52,555)
	(2,682,555)

Net position of governmental activities	\$ 4,134,586
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City of Hastings Economic Development and Redevelopment Authority  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 595,176	\$ 595,176	\$ 599,374	\$ 4,198
Intergovernmental	-	180,645	110,285	(70,360)
Charges for services	18,000	18,000	22,762	4,762
Investment earnings	26,000	26,000	5,109	(20,891)
Miscellaneous	25,000	25,000	22,567	(2,433)
Total revenues	<u>664,176</u>	<u>844,821</u>	<u>760,097</u>	<u>(84,724)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development:				
Personal services	92,715	92,715	93,109	(394)
Services and charges	217,643	398,288	193,133	205,155
Supplies	900	900	-	900
Miscellaneous	85,400	85,400	20,918	64,482
Payment to primary government	12,593	12,593	12,593	-
Debt service:				
Principal	120,000	120,000	120,000	-
Interest and other charges	129,938	129,938	129,138	800
Total expenditures	<u>659,189</u>	<u>839,834</u>	<u>568,891</u>	<u>270,943</u>
Excess (deficiency) of revenues over expenditures	4,987	4,987	191,206	186,219
Fund balance--beginning - as previously reported	1,090,186	1,090,186	1,090,186	-
Prior period adjustment (see note VIII)	-	-	249,092	249,092
Fund balance--beginning - as restated	<u>1,090,186</u>	<u>1,090,186</u>	<u>1,339,278</u>	<u>249,092</u>
Fund balance--ending	<u>\$ 1,095,173</u>	<u>\$ 1,095,173</u>	<u>\$ 1,530,484</u>	<u>\$ 435,311</u>

City of Hastings Economic Development 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, 2013

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

Net change in fund balances -- Housing and Redevelopment Authority	\$ 191,206
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)
Special assessments, property tax and tax increment collected for prior years.	(2,207)
Change in long term debt	121,115
Change in loan receivable	2,943
Change in net position of governmental activities.	\$ 254,093

# 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 Ten Fiscal Years

(Accrual Basis of Accounting)

Unaudited

	Fiscal year			
	2004	2005	2006	2007
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 25,247,306	\$ 21,990,765	\$ 29,378,457	\$ 32,481,716
Restricted for:				
Police activities	-	-	-	-
Debt service	2,434,002	17,555,823	6,537,251	6,134,319
Capital projects	-	-	-	-
Permanent Funds - Non Expendable	1,548,215	1,253,021	1,317,243	1,387,083
Unrestricted	16,997,695	11,904,005	17,940,780	16,138,431
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>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 22,900,136	\$ 21,673,774	\$ 21,937,927	\$ 25,083,101
Restricted for:				
Debt service	640,367	-	378,630	514,506
Unrestricted	7,826,375	12,360,037	13,914,067	12,225,081
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>
<b>Primary government:</b>				
Net investment in capital assets	\$ 48,147,442	\$ 43,664,539	\$ 51,316,384	\$ 57,564,817
Restricted for:				
Police activities	-	-	-	-
Debt service	3,074,369	17,555,823	6,915,881	6,648,825
Capital projects	-	-	-	-
Permanent Funds - Non Expendable	1,548,215	1,253,021	1,317,243	1,387,083
Unrestricted	24,824,070	24,264,042	31,854,847	28,363,512
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>

**Table 1**

2008	2009	2010	2011	2012	2013
\$ 34,957,913	\$ 31,650,562	\$ 35,000,053	\$ 36,720,391	\$ 39,532,965	\$ 41,738,376
-	-	-	29,826	14,524	13,898
6,929,395	10,294,502	13,314,697	10,355,915	10,278,599	9,292,124
-	-	-	1,110,710	567,457	677,082
1,152,273	1,117,351	1,117,351	1,071,986	1,118,669	1,138,006
10,675,588	11,229,027	1,828,131	3,621,967	2,088,661	3,972,407
<u>\$ 53,715,169</u>	<u>\$ 54,291,442</u>	<u>\$ 51,260,232</u>	<u>\$ 52,910,795</u>	<u>\$ 53,600,875</u>	<u>\$ 56,831,893</u>
\$ 27,133,948	\$ 29,312,893	\$ 28,099,759	\$ 27,280,688	\$ 26,349,437	\$ 25,478,576
626,945	626,945	283,255	284,765	291,130	551,253
9,746,881	6,531,574	7,734,552	6,225,377	6,322,246	6,176,039
<u>\$ 37,507,774</u>	<u>\$ 36,471,412</u>	<u>\$ 36,117,566</u>	<u>\$ 33,790,830</u>	<u>\$ 32,962,813</u>	<u>\$ 32,205,868</u>
\$ 62,091,861	\$ 60,963,455	\$ 63,099,812	\$ 64,001,079	\$ 65,882,402	\$ 67,216,952
-	-	-	29,826	14,524	13,898
7,556,340	10,921,447	13,597,952	10,640,680	10,569,729	9,843,377
-	-	-	1,110,710	567,457	677,082
1,152,273	1,117,351	1,117,351	1,071,986	1,118,669	1,138,006
20,422,469	17,760,601	9,562,683	9,847,344	8,410,907	10,148,446
<u>\$ 91,222,943</u>	<u>\$ 90,762,854</u>	<u>\$ 87,377,798</u>	<u>\$ 86,701,625</u>	<u>\$ 86,563,688</u>	<u>\$ 89,037,761</u>

**CITY OF HASTINGS, MINNESOTA**

**CHANGES IN NET POSITION**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

Unaudited

	2004	2005	2006
<b>Expenses</b>			
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>
<b>Program revenues</b>			
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>
<b>Net (expense) revenue:</b>			
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**  
**Page 1 of 2**

		Fiscal Year											
		2007	2008	2009	2010	2011	2012	2013					
\$	2,713,772	\$	4,582,428	\$	2,123,135	\$	2,779,891	\$	2,664,458	\$	2,708,887	\$	2,368,033
	6,532,532		7,476,921		7,400,096		7,756,228		7,325,913		7,646,393		8,022,727
	4,319,907		4,954,805		5,203,268		5,153,734		4,343,248		4,939,914		5,059,797
	2,868,371		2,918,080		2,815,492		2,986,387		2,897,432		2,979,509		2,844,498
	76,570		81,817		21,480		40,217		20,881		24,455		34,119
	122,491		116,893		115,836		49,720		102,425		24,057		19,447
	1,181,604		1,165,837		1,178,588		986,667		928,432		905,223		647,902
	<u>17,815,247</u>		<u>21,296,781</u>		<u>18,857,895</u>		<u>19,752,844</u>		<u>18,282,789</u>		<u>19,228,438</u>		<u>18,996,523</u>
	1,533,129		2,132,957		2,198,818		2,067,995		2,030,228		2,003,623		2,181,086
	1,722,813		1,773,593		1,863,561		1,897,487		1,926,477		1,807,697		1,867,680
	-		-		-		187,854		357,476		417,236		346,846
	372,677		402,241		413,870		150,295		-		-		-
	864,858		806,659		895,453		1,235,657		739,600		907,562		941,730
	<u>4,493,477</u>		<u>5,115,450</u>		<u>5,371,702</u>		<u>5,539,288</u>		<u>5,053,781</u>		<u>5,136,118</u>		<u>5,337,342</u>
\$	<u>22,308,724</u>	\$	<u>26,412,231</u>	\$	<u>24,229,597</u>	\$	<u>25,292,132</u>	\$	<u>23,336,570</u>	\$	<u>24,364,556</u>	\$	<u>24,333,865</u>
\$	2,235,906	\$	1,878,151	\$	2,087,384	\$	2,287,058	\$	2,182,932	\$	2,617,151	\$	2,925,521
	79,463		74,324		34,454		22,450		28,665		47,369		35,134
	1,119,217		1,260,935		1,019,365		1,085,722		1,179,969		1,183,146		1,156,963
	1,503,592		1,782,460		393,163		360,025		408,805		421,246		537,106
	816,105		822,680		1,627,296		261,553		316,382		933,834		820,431
	1,057,065		23,026		1,647,922		1,140,804		2,352,552		949,617		4,648,382
	<u>6,811,348</u>		<u>5,841,576</u>		<u>6,809,584</u>		<u>5,157,612</u>		<u>6,469,305</u>		<u>6,152,363</u>		<u>10,123,537</u>
	2,373,183		2,170,786		1,954,185		1,849,918		1,665,738		2,220,064		2,071,576
	1,796,278		1,846,845		1,783,977		1,773,167		1,775,610		1,859,169		1,915,861
	-		-		-		-		398,602		435,361		430,074
	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		963,174
	246,041		255,293		291,515		274,347		147,930		32,417		-
	370,274		-		920,008		-		-		35,585		-
	<u>6,247,666</u>		<u>5,467,658</u>		<u>6,158,394</u>		<u>5,047,045</u>		<u>5,474,812</u>		<u>5,564,415</u>		<u>5,380,685</u>
\$	<u>13,059,014</u>	\$	<u>11,309,234</u>	\$	<u>12,967,978</u>	\$	<u>10,204,657</u>	\$	<u>11,944,117</u>	\$	<u>11,716,778</u>	\$	<u>15,504,222</u>
\$	(11,003,899)	\$	(15,455,205)	\$	(12,048,311)	\$	(14,595,232)	\$	(11,813,484)	\$	(13,076,075)	\$	(8,872,986)
	1,754,189		352,208		786,692		(492,243)		421,031		428,297		43,343
	<u>(9,249,710)</u>		<u>(15,102,997)</u>		<u>(11,261,619)</u>		<u>(15,087,475)</u>		<u>(11,392,453)</u>		<u>(12,647,778)</u>		<u>(8,829,643)</u>

Continued

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

	2004	2005	2006
<b>General revenues and other changes in net position</b>			
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 (loss)	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>
<b>Change in net position:</b>			
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>

		Fiscal Year					
2007	2008	2009	2010	2011	2012	2013	
\$ 7,703,556	\$ 8,066,976	\$ 8,460,160	\$ 8,231,863	\$ 7,648,745	\$ 8,227,080	\$ 8,545,583	
2,485,996	2,713,753	2,546,338	2,765,702	2,961,928	3,458,479	3,191,407	
569,456	294,736	571,741	48,135	46,113	195,713	15,067	
6,938	8,331	15,190	22,064	63,245	7,019	20,072	
996,040	135,744	464,105	389,655	209,444	293,721	(25,107)	
-	-	-	-	-	-	-	
-	-	-	25,000	100,893	250,766	-	
209,731	1,809,285	760,704	539,121	2,433,679	1,333,377	677,600	
11,971,717	13,028,825	12,818,238	12,021,540	13,464,047	13,766,155	12,424,622	
(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	(57,568)	
27,473	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(209,731)	(1,809,285)	(973,439)	(539,121)	(2,433,679)	(1,333,377)	(677,600)	
617,883	(1,357,858)	(711,705)	(289,370)	(2,261,972)	(1,256,314)	(735,168)	
\$ 12,589,600	\$ 11,670,967	\$ 12,106,533	\$ 11,732,170	\$ 11,202,075	\$ 12,509,841	\$ 11,689,454	
\$ 967,818	\$ (2,426,380)	\$ 769,927	\$ (2,573,692)	\$ 1,650,563	\$ 690,080	\$ 3,551,636	
2,372,072	(1,005,650)	74,987	(781,613)	(1,840,941)	(828,017)	(691,825)	
\$ 3,339,890	\$ (3,432,030)	\$ 844,914	\$ (3,355,305)	\$ (190,378)	\$ (137,937)	\$ 2,859,811	

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

	2004	2005	2006
General Fund:			
Reserved for:			
Prepaid items	\$ 25,288	\$ 15,247	\$ 29,661
Inventories	1,758	2,938	1,043
Unreserved:			
Designated for working capital	2,957,362	3,191,615	3,735,686
Undesignated	1,477,376	1,801,271	577,693
Nonspendable:			
Prepaid items	-	-	-
Inventories	-	-	-
Unassigned:	-	-	-
Total general fund	<u>\$ 4,461,784</u>	<u>\$ 5,011,071</u>	<u>\$ 4,344,083</u>
All other governmental funds:			
Reserved for:			
Prepaid items	\$ 3,945	\$ 3,870	\$ 2,863
Encumbrances	-	-	-
Inventories	2,535	5,309	5,615
Loan receivables	115,353	170,951	-
Debt service	6,320,271	11,234,137	7,039,058
Unreserved, reported in:			
Special revenue funds designated for working capital	1,604,914	1,625,319	1,748,687
Capital projects funds designated for working capital	965,909	1,047,021	440,901
Capital projects funds designated for subsequent years expenditures	-	-	-
Special revenue funds	853,071	1,172,509	1,137,750
Capital projects funds	4,391,230	3,112,982	3,324,324
Permanent funds	-	1,253,021	1,317,152
Nonspendable			
Prepaid	-	-	-
Inventories	-	-	-
Permanent endowment-Leduc Historical Estate	-	-	-
Restricted			
Police activities	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment-Leduc Historical Estate	-	-	-
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>\$ 14,257,228</u>	<u>\$ 19,625,119</u>	<u>\$ 15,016,350</u>



**Table 3**

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
\$ 45,455	\$ 69,849	\$ 41,997	\$ 25,887	\$ -	\$ -	\$ -
1,545	2,384	1,607	2,196	-	-	-
3,437,275	2,248,855	2,760,945	2,325,627	-	-	-
-	-	-	-	-	-	-
-	-	-	-	16,121	23,196	41,660
-	-	-	-	50,505	49,983	58,634
-	-	-	-	3,024,570	3,411,086	3,486,430
<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>	<u>\$ 3,586,724</u>
\$ 4,039	\$ 15,372	\$ 16,840	\$ 7,076	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
6,421	3,129	5,325	8,785	-	-	-
-	-	-	-	-	-	-
6,601,983	6,929,395	10,294,502	7,127,461	-	-	-
-	-	-	-	-	-	-
2,455,948	2,100,660	2,185,268	1,898,549	-	-	-
310,873	141,940	98,134	98,134	-	-	-
-	-	-	-	-	-	-
866,262	1,102,628	889,276	982,832	-	-	-
2,741,884	2,594,230	3,177,071	2,234,757	-	-	-
1,387,083	987,145	1,117,351	1,169,288	-	-	-
-	-	-	-	60,694	44,830	70,585
-	-	-	-	10,685	10,179	6,268
-	-	-	-	200,000	200,000	200,000
-	-	-	-	29,826	14,524	13,898
-	-	-	-	5,868,913	6,750,592	7,692,475
-	-	-	-	1,110,710	684,302	676,672
-	-	-	-	871,986	918,669	938,006
-	-	-	-	489,345	541,760	705,537
-	-	-	-	33,293	62,481	118,588
-	-	-	-	199,424	210,998	222,044
-	-	-	-	81,426	84,857	86,697
-	-	-	-	975,108	1,168,697	2,372,686
-	-	-	-	619,939	636,751	590,646
-	-	-	-	1,864,972	1,523,421	1,394,711
-	-	-	-	-	(99,131)	(312,971)
<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>	<u>\$ 14,775,842</u>

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

	2004	2005	2006	2007
Revenues:				
Taxes	\$ 7,817,327	\$ 8,404,727	\$ 9,421,277	\$ 10,162,799
Special assessments	1,707,287	1,821,527	1,745,613	1,492,728
Licenses and permits	758,848	684,289	611,164	597,177
Fines and forfeitures	102,526	95,265	101,843	108,150
Intergovernmental	1,525,822	2,026,189	1,855,583	1,537,281
Charges for services	3,337,647	2,560,287	2,648,780	2,905,340
Investment earnings	384,254	510,570	731,304	879,494
Miscellaneous	210,885	1,680,502	86,056	138,588
Total revenues	<u>15,844,596</u>	<u>17,783,356</u>	<u>17,201,620</u>	<u>17,821,557</u>
Expenditures:				
Current:				
General government	1,552,972	1,518,098	1,834,070	2,066,452
Public safety	4,543,209	4,793,117	5,440,076	6,015,340
Public works	3,367,122	1,817,809	2,232,441	1,543,980
Health and sanitation	61,006	59,256	45,928	122,491
Cultural and recreation	1,722,576	2,193,993	2,191,142	2,319,293
Economic development	99,948	1,229,072	454,188	76,206
Capital outlay	6,374,880	4,920,389	5,370,762	5,986,008
Debt service:				
Principal retirement	2,105,000	2,805,000	8,070,000	5,590,000
Interest	944,142	1,069,226	1,272,263	1,255,428
Paying agent fees	77,535	99,049	-	-
Lease payments	542,509	553,821	-	-
Total expenditures	<u>21,390,899</u>	<u>21,058,830</u>	<u>26,910,870</u>	<u>24,975,198</u>
Revenues over (under) expenditures	<u>(5,546,303)</u>	<u>(3,275,474)</u>	<u>(9,709,250)</u>	<u>(7,153,641)</u>

**Table 4**  
**Page 1 of 2**

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 10,774,232	\$ 10,890,647	\$ 10,979,537	\$ 10,600,376	\$ 11,726,752	\$ 11,793,014
1,644,242	1,512,922	1,258,181	1,984,103	1,762,762	1,112,853
330,184	270,891	289,754	386,248	403,386	394,821
109,384	103,759	102,394	89,732	99,551	95,103
1,077,388	2,664,567	973,766	832,084	1,247,726	4,631,888
3,265,553	3,159,842	3,185,599	3,158,347	3,585,565	3,873,062
67,260	432,713	353,965	179,685	277,752	(15,617)
48,638	41,007	35,107	17,003	69,182	70,404
<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>	<u>21,955,528</u>
1,457,439	1,767,798	1,851,881	2,203,841	2,188,513	2,070,522
6,971,264	6,946,168	7,335,640	6,823,812	7,254,247	7,609,462
2,049,244	2,027,247	1,831,715	1,533,922	2,147,556	1,670,868
116,893	115,836	49,720	102,425	24,057	19,447
2,406,910	2,232,625	2,469,108	2,375,358	2,456,430	2,316,009
81,453	21,116	40,187	20,881	24,455	34,119
6,239,208	2,939,974	2,945,743	4,819,686	3,051,655	5,788,889
3,790,000	4,150,000	8,135,000	4,065,000	4,340,000	4,501,750
1,183,146	1,195,773	1,094,782	985,238	911,963	731,640
-	-	-	-	-	-
-	-	-	-	-	-
<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>24,742,706</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>	<u>(2,787,178)</u>

Continued

**CITY OF HASTINGS, MINNESOTA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED)**

Last Ten Fiscal Years

Unaudited

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	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Other financing sources (uses):				
Bonds issued	\$6,965,000	\$ 7,875,000	\$ 2,335,000	\$ 4,510,000
Bond premiums	-	43,760	35,045	12,927
Bond discounts	-	-	-	-
Payment to refunded bond paying agent	-	-	-	-
Special items	-	-	-	-
Transfers in	1,480,619	4,008,320	4,281,192	3,148,820
Transfers out	(1,836,628)	(2,734,435)	(2,232,421)	(2,026,709)
Insurance recoveries	-	-	-	-
Proceeds on sale of capital assets	-	7	14,676	6,938
Total other financing sources (uses)	<u>6,608,991</u>	<u>9,192,652</u>	<u>4,433,492</u>	<u>5,651,976</u>
Net change in fund balance	<u>\$1,062,688</u>	<u>\$ 5,917,178</u>	<u>\$ (5,275,758)</u>	<u>\$ (1,501,665)</u>
Debt service as a percentage of noncapital expenditures	20.3%	24.0%	43.4%	36.0%

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	3,464,999	\$	5,805,000	\$	3,185,000	\$	3,964,750	\$	2,030,000	\$	5,710,000
	32,880		86,370		72,067		-		112,181		110,125
	-		-		-		(1,711)		-		-
	-		-		-		(1,705,000)		-		(1,595,000)
	-		-		-		-		-		-
	4,391,652		2,830,867		1,977,416		4,139,595		3,597,850		1,769,270
	(2,582,367)		(2,024,509)		(1,375,776)		(1,172,669)		(1,791,172)		(1,123,580)
	-		-		-		-		-		20,082
	8,331		15,190		22,064		84,545		7,019		21,652
	<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>4,912,549</u>
<u>\$</u>	<u>(1,663,181)</u>	<u>\$</u>	<u>4,392,729</u>	<u>\$</u>	<u>(4,694,702)</u>	<u>\$</u>	<u>(373,075)</u>	<u>\$</u>	<u>729,678</u>	<u>\$</u>	<u>2,125,371</u>
	27.5%		29.0%		40.5%		27.9%		27.1%		27.6%

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

**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
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	13,688,542	4,181,095	309,037	18,178,675	1,431,710	19,610,385	49.235%	1,777,044,800	1.02%
2008	15,690,677	4,792,637	354,238	20,837,552	1,698,644	22,536,196	49.475%	1,852,486,200	1.12%
2009	15,564,978	4,754,243	351,401	20,670,622	2,000,871	22,671,493	49.730%	1,844,253,600	1.12%
2010	15,709,176	4,798,287	354,656	20,862,119	2,083,795	22,945,914	52.677%	1,731,987,800	1.20%
2011	14,843,341	4,533,823	335,109	19,712,272	2,118,897	21,831,169	55.195%	1,596,607,900	1.23%
2012	13,726,993	4,192,840	309,906	18,229,738	2,083,131	20,312,869	66.083%	1,398,694,164	1.30%
2013	11,684,807	3,569,065	263,800	15,517,672	2,093,112	17,610,784	68.547%	1,328,846,744	1.17%

Source: Springsted, Inc

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

**Table 6**

Fiscal Year	City Direct Rate	City Debt Rate	Total City Rate	Overlapping Rates*			Total
				School District	Other Districts	County	
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
2013	50.496	18.051	68.547	23.932	5.854	33.421	131.754

Source: Dakota County Treasurer - Auditor's Office and Springsted

\*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

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

**Table 7**

Taxpayer	2013			2004		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Regina Medical Complex	\$ 549,995	1	3.12%	\$ 177,443	1	0.00%
Wal-Mart	256,856	2	1.46%	159,188	2	0.93%
Xcel Energy (NSP Company)	211,638	3	1.20%	151,825	3	0.00%
Hastings Center LLC	185,504	4	1.05%			0.00%
Three Rivers Partnership	140,862	5	0.80%	115,889	5	0.00%
Target Corporation	117,250	6	0.67%	123,702	4	0.72%
Camegaran LLC	100,929	7	0.57%			0.00%
VMA 1000 LLC	100,000	8	0.57%	96,251	6	0.56%
KCP Hastings LLC	95,684	9	0.54%			0.00%
Smead Manufacturing Company	93,562	10	0.53%	81,560	9	0.48%
Augustana HCC of Hastings				86,938	7	0.51%
Intek Weatherseal Product				86,140	8	0.50%
Hastings Westview LLC				79,502	10	0.47%
Total	<u>\$ 1,852,280</u>		<u>7.39%</u>	<u>\$ 1,158,438</u>		<u>4.18%</u>
Total All Property	<u>\$ 17,610,784</u>			<u>\$ 17,066,307</u>		

Source: Springsted, Inc.



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

**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
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%	156,386	10,233,031	96.17%
2008	11,547,277	10,578,434	91.61%	148,266	10,726,700	92.89%
2009	11,581,472	10,820,341	93.43%	331,294	11,151,635	96.29%
2010	11,581,000	10,699,472	92.39%	267,842	10,967,314	94.70%
2011	11,264,000	10,723,507	95.20%	282,741	11,006,248	97.71%
2012	11,746,000	11,565,238	98.46%	121,203	11,686,441	99.49%
2013	11,980,920	11,855,934	98.96%	-	11,855,934	98.96%

\* The net levy excludes state aid for property tax relief and fiscal disparities, if applicable.

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

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

Fiscal Year	Governmental Activities			Total Governmental Activities	Percentage of Tax Capacity
	General Obligation Bonds	Improvement Bonds	Certificates of Indebtedness		
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%
2013	3,313,451	18,735,004	2,377,616	24,426,071	151.02%

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

**Table 9**

Business-Type Activities		Per Customer	Total Primary Government	Per Capita	Percentage of Income
Sewer/ Water Hydro Bonds	Total Business-Type Activities				
\$ 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	865.56%
8,705,000	8,705,000	1,258	41,895,000	1,850	823.27%
8,365,000	8,365,000	1,193	40,475,000	1,787	796.48%
7,885,000	7,885,000	1,098	39,670,000	1,751	788.42%
4,340,000	4,340,000	605	37,780,000	1,643	829.47%
4,135,000	4,135,000	576	32,625,000	1,418	706.68%
4,120,250	4,120,250	574	30,805,000	1,339	661.91%
3,900,250	3,900,250	543	28,380,000	1,270	607.21%
6,507,957	6,507,957	866	30,934,028	1,385	605.88%

**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

Unaudited

Fiscal Year	Governmental Activities			Estimated Market Value	Per Capita
	Gross Governmental Debt	Less Debt Service Fund Balance	Net Governmental Debt		
2004	\$ 29,825,000	\$ 6,320,271	\$ 23,504,729	2%	\$ 1,188
2005	34,895,000	11,234,137	23,660,863	2%	1,152
2006	33,190,000	7,039,058	26,150,942	2%	1,217
2007	32,110,000	6,601,983	25,508,017	1%	1,126
2008	31,785,000	6,929,395	24,855,605	1%	1,097
2009	33,440,000	10,338,297	23,101,703	1%	1,020
2010	28,490,000	7,127,461	21,362,539	1%	929
2011	26,684,750	5,869,538	20,815,212	1%	905
2012	24,479,750	6,753,604	17,726,146	1%	793
2013	24,426,071	7,692,475	16,733,596	1%	749

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, 2013  
 Unaudited

**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	\$ 46,935,000	57.49%	\$ 26,982,932
Counties:			
Dakota County	46,485,000	4.59%	2,133,662
Washington County	139,195,000	0.01%	1,391,950
Other:			
Met Council	16,715,000	0.59%	98,619
Metropolitan Transit District	327,345,000	0.74%	2,422,353
Hastings Economic Development & Redevelopment Authority	2,630,000	100.00%	<u>2,630,000</u>
Subtotal - overlapping debt			35,659,515
City direct debt		100.00%	<u>24,093,000</u>
Total direct and overlapping debt			<u><u>\$ 59,752,515</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

\*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

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

**Legal Debt Margin Calculation for Fiscal Year 2013**

Market value	\$ 1,328,846,744
Debt limit (3% of market value)	<u>39,865,402</u>
Debt applicable to limit:	
General obligation bonds	3,230,000
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>3,230,000</u>
Legal debt margin	<u><u>\$ 36,635,402</u></u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 28,241,254	\$ 32,321,654	\$ 53,378,277	\$ 53,311,344
Total net debt applicable to limit	<u>9,490,000</u>	<u>13,180,000</u>	<u>7,920,000</u>	<u>6,630,000</u>
Legal debt margin	<u><u>\$ 18,751,254</u></u>	<u><u>\$ 19,141,654</u></u>	<u><u>\$ 45,458,277</u></u>	<u><u>\$ 46,681,344</u></u>

Amount of Debt Applicable to Debt Limit:

Total net debt applicable to the limit as a percentage of debt limit	33.60%	40.78%	14.84%	12.44%
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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**

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<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 55,574,586	\$ 55,327,608	\$ 51,959,634	\$ 47,898,237	\$ 41,960,825	\$ 39,865,402
<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>3,230,000</u>
<u>\$ 49,529,586</u>	<u>\$ 49,902,608</u>	<u>\$ 45,459,634</u>	<u>\$ 43,778,237</u>	<u>\$ 38,555,825</u>	<u>\$ 36,635,402</u>
10.88%	9.81%	12.51%	8.60%	8.11%	8.10%

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

Fiscal Year	Water Revenue Bonds						Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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	
2013	2,033,128	1,951,525	81,603	268,250	186,899	0.18	

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



Table 13

Hydro Electric Revenue Bonds						Improvement Bonds			
Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
			Principal	Interest			Principal	Interest	
\$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
963,174	1,228,088	(264,914)	-	-	-	1,112,853	3,425,000	665,837	0.27

**CITY OF HASTINGS, MINNESOTA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years  
 Unaudited

**Table 14**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
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	956,141,681	42,771	5.80%
2013	22,339	1,113,532,133	49,847 *	4.90%

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.

\* Figure for Dakota County - City of Hastings information is unavailable

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

**Table 15**

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Dakota County	1,800	1	19.75%	2,027	1	22.93%
Independent School District # 200	719	2	7.89%	700	2	7.92%
Regina Medical Center	650	3	7.13%	692	3	7.83%
Smead Manufacturing Company	300	4	3.29%	600	4	6.79%
Wal-Mart	300	5	3.29%	275	6	3.11%
Allina Medical Clinic	250	6	2.74%	184	8	2.08%
Augustana Health Care Center	160	7	1.76%	135	10	1.53%
Intek Plastics	160	8	1.76%	300	5	3.39%
Con-Agra	117	9	1.28%			0.00%
City of Hastings	108	10	1.18%	187	7	2.12%
Target				150	9	1.70%
<b>Total</b>	<b>4,564</b>		<b>50.08%</b>	<b>5,250</b>		<b>59.40%</b>

Source: Hastings Community Development Department & Springsted Inc.

**CITY OF HASTINGS, MINNESOTA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**

Last Ten Fiscal Years

Unaudited

Function/Program	Full-Time Equivalent Employees as of December 31,			
	2004	2005	2006	2007
General government:				
Administration	2.50	3.40	3.00	1.00
City Clerk	0.67	0.67	0.67	3.42
Finance	4.00	4.00	3.75	3.75
Building Maintenance	1.00	1.00	2.00	2.00
Planning	1.95	1.95	1.95	2.60
Information Technology	1.50	2.00	2.00	3.00
Public Safety:				
Police	29.50	29.50	32.50	33.50
Building Inspections	4.00	5.00	5.00	5.00
Code Enforcement	1.00	1.00	1.00	1.00
Public Works:				
Engineering	6.48	6.98	7.98	7.63
Streets	8.00	7.50	9.72	9.72
Culture and Recreation:				
Reforestation	0.50	0.50	0.50	0.50
Parks	6.50	7.00	7.00	8.50
Aquatic Center	1.38	1.38	1.38	1.00
Cable Television	0.30	0.30	-	-
Heritage Preservation	0.50	0.50	0.50	0.75
Fire and Ambulance	13.00	13.00	15.50	17.00
Civic Arena	2.62	2.62	2.62	2.50
Economic Development	0.15	0.25	0.65	0.65
Housing and Redevelopment	1.10	1.10	1.10	1.05
Water	5.56	5.50	4.85	4.85
Wastewater	3.01	3.14	3.85	3.85
Transit	4.33	4.83	4.83	4.83
Stormwater	-	-	-	-
Hydro Electric	2.75	3.18	0.90	0.90
Total	<u>102.30</u>	<u>106.30</u>	<u>113.25</u>	<u>119.00</u>

Source: City Budget

**Table 16**

Full-Time Equivalent Employees as of December 31,						
2008	2009	2010	2011	2012	2013	
1.00	1.00	1.00	1.00	1.00	1.00	1.00
3.17	3.17	4.50	4.15	4.25	4.10	4.10
3.75	3.75	3.75	3.75	3.75	4.75	4.75
2.25	2.00	2.00	2.00	2.00	2.00	2.00
2.60	2.60	2.60	2.00	1.00	1.00	1.00
4.00	4.00	4.00	3.00	3.00	3.00	3.00
35.50	34.50	33.50	33.50	33.00	33.50	33.50
4.00	4.00	4.00	4.00	3.60	3.60	3.60
1.00	1.00	1.00	1.00	0.80	0.80	0.80
6.68	6.68	6.68	6.68	4.75	4.75	4.75
9.72	8.02	8.02	4.32	5.30	4.80	4.80
0.50	0.50	0.50	-	-	-	-
10.00	9.50	9.50	9.00	8.63	8.63	8.63
1.00	1.00	1.00	1.00	1.00	1.00	1.00
-	-	-	-	-	0.15	0.15
0.75	0.75	0.75	0.75	0.25	0.25	0.25
17.00	16.00	16.00	16.00	15.60	15.60	15.60
2.50	2.50	2.50	2.00	2.00	2.00	2.00
0.65	0.65	0.65	1.25	1.05	0.38	0.38
1.00	1.00	-	-	-	0.37	0.37
4.85	7.05	7.05	7.05	6.45	5.80	5.80
3.85	3.55	3.55	3.55	4.20	3.55	3.55
5.18	5.33	-	-	-	-	-
-	-	-	3.70	3.70	3.50	3.50
0.90	0.70	0.70	0.70	0.50	0.50	0.50
<u>121.85</u>	<u>119.25</u>	<u>113.25</u>	<u>110.40</u>	<u>105.83</u>	<u>105.03</u>	

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

Function/Program	Fiscal Year		
	2004	2005	2006
<b>Police:</b>			
Physical arrests	N/A	N/A	N/A
Parking violations	N/A	N/A	N/A
Traffic violations	5,823	6,077	6,661
Felony offenses	663	716	158
Gross misdemeanor offenses			148
Minor miscellaneous offenses	989	943	110
Calls for service	13,412	13,672	13,459
Part 1 Crimes	-	-	-
Part 2 Crimes	-	-	-
<b>Fire:</b>			
Emergency responses	N/A	2,709	N/A
Fires extinguished	N/A	N/A	N/A
Inspections	N/A	N/A	N/A
<b>Building inspection:</b>			
Permits issued:			
Residential	2,179	2,662	2,006
Commercial	99	129	147
<b>Culture and recreation:</b>			
Students participating in swim lessons	-	-	-
Ice rental hours	-	-	-
Turf rental hours	-	-	-
Recreational skaters	-	-	-
<b>Water:</b>			
Average daily consumption (thousands of gallons)	2,639	2,000	2,000
Peak daily consumption (thousands of gallons)	7,200	7,700	7,500
<b>Transit:</b>			
Total route miles	81,499	88,567	86,165
Passengers	30,229	30,830	31,468

Sources: Various City departments.  
 Note: Indicators are not available for the general government function.  
 The City began tracking indicators for culture and recreation in 2013  
 \* Police department has changed reporting system and no longer have this data available.

Table 17

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
222	221	281	*	*	369	337
981	603	570	*	*	*	368
5,193	6,170	3,943	*	*	*	1,561
167	153	148	138	158	*	*
140	129	107	778	6	*	*
139	115	86	95	65	*	*
15,638	14,977	14,760	18,778	19,434	21,330	20,665
-	703	631	597	637	*	557
-	757	818	664	789	*	668
2,752	2,823	2,507	Unavailable	2,974	2,974	3,201
N/A	63	467	Unavailable	86	86	42
N/A	N/A	383	Unavailable	288	288	334
4,706	1,491	1,025	885	912	1,802	1,549
70	82	128	124	157	63	81
-	-	-	-	-	-	569
-	-	-	-	-	-	2,185
-	-	-	-	-	-	303
-	-	-	-	-	-	4,089
2,100	2,515	1,800	1,700	1,900	1,900	2,554
6,775	6,635	6,890	5,295	5,180	5,180	6,310
87,582	93,120	89,351	29,453	-	-	-
32,355	33,815	31,525	10,120	-	-	-

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

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
Police:					
Stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Other public works:					
Streets (miles)	115.0	102.1	102.1	102.1	102.1
Streetlights					
Culture and recreation:					
Acreage	406	406	406	406	406
Playgrounds	21	21	21	21	21
Baseball/softball diamonds	21	21	21	21	21
Soccer/football fields	10	10	10	10	10
Water:					
Water mains (miles)	86.6	86.6	86.6	86.6	86.6
Fire hydrants	1,200	1,223	1,223	1,223	1,223
Storage capacity (thousands of gallons)	2,750	2,275	2,275	2,275	2,275
Wastewater:					
Sanitary sewers (miles)	86.6	89.6	89.6	89.6	89.6
Storm sewers (miles)	55.0	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 function.



**Table 18**

Fiscal Year				
2009	2010	2011	2012	2013
1	1	1	1	1
1	1	1	1	1
102.1	102.1	102.1	102.1	102.1
406	406	406	406	420
21	21	21	21	21
21	21	21	21	21
10	10	10	10	10
86.6	86.6	86.6	86.6	104.9
1,223	1,223	1,223	1,223	1,334
2,275	2,275	2,275	2,275	2,750
89.6	89.6	89.6	89.6	88.7
55.0	55.0	55.0	55.0	73.0
4	-	-	-	-

Management  
City of Hastings  
Hastings, Minnesota

In planning and performing our audit of the financial statements of the City of Hastings (the City) as of and for the year ended December 31, 2013, 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 June 3, 2014, contains our written communication of a material weakness in the City's internal control. This letter does not affect our communication dated June 3, 2014.

**Formal documentation of the Review Process**

During our audit fieldwork, we noted that while the Finance Department inherently reviews all disbursements as part of the check writing process, only disbursements greater than \$500 have the approval formally documented. This leads to department heads within the City being able to both request items for purchase and subsequently approve the invoice for payment before being submitted to the Finance Department for payment.

We recommend that the City review their purchasing policies surround these disbursements and make changes as necessary to allow for a formal approval process over purchases which were both initiated and approved by a department head.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various City personnel, and we will be pleased to discuss it 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.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 3, 2014



**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, 2013, 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 June 3, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains 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*, except as noted below. 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.

At December 31, the City was not in compliance with Minnesota Statute §118A.03 related to collateralization of deposits. The City was under collateralized on \$125,375 of deposits with one financial institution resulting a total deficiency of \$137,913 in pledged collateral.

The purpose of this report is solely to describe the scope of our testing of compliance to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

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

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 3, 2014

**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, 2013, 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 June 3, 2014.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

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 City of Hastings' financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below to be a material weakness.

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

### **Prior Period Restatement**

**Condition:** As part of the audit, beginning net position was restated within four opinion units for errors in the prior year's financial statements. These restatements related to capital assets and depreciation within three opinion units and the other one related to revenue recognition of grant receivables and the related revenues.

**Criteria:** City management is responsible for establishing and maintaining internal controls for the proper calculation of and recording all of the City's transactions including those items which are calculated by a piece of software the City owns.

**Effect:** These items were material to the financial statements for the year ended December 31, 2012 and, therefore, beginning net position was required to be restated.

**Cause:** The City's established controls to ensure that all calculations and 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 and checks and balances should be implemented to ensure that all calculations and adjustments to accounts are appropriate at year-end and in accordance with GAAP. This includes items that are calculated by computer software which is supplied by a third-party vendor.

**City Response:** City management is continually reviewing the processes and procedures around adjusting account balances for audit purposes as well as recording and calculating depreciation. These errors were found internally through this process and we will continue to make changes to processes and procedures as necessary to prevent in the future.

### **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*.

### **City of Hastings' Response to Finding**

City of Hastings' response to the finding identified in our audit is described previously. City of Hastings' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

**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 City of Hastings' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hastings' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 3, 2014

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, 2013, and have issued our report thereon dated June 3, 2014. 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 the City of Hastings are described in Note 1 to the financial statements.

For the year ended December 31, 2013, the financial statements include the impact of adoption of Governmental Accounting Standards Board Statement Nos. 65 and 66.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this statement resulted in a restatement of beginning net position for governmental and business-type activities to reflect a change in accounting principle. GASB Statement No. 66, *Technical Corrections—2012*, improves accounting and financial reporting for state and local governmental entities by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

We noted no transactions entered into by the City of Hastings 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, the allowance for uncollectible accounts receivable, and other postemployment benefits. 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, 2013. Management's estimate of the allowance for doubtful accounts is based on collection history of ambulance billings. Management's estimate for other postemployment benefits is based on the actuarial valuation conducted by and independent third-party.

***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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

***Corrected misstatements***

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Beginning net position was restated for the following items:

Beginning net position was restated to reflect the correction of errors related to the calculation of depreciation in the water, sewer, and hydro business-type activity funds. These errors resulted in beginning net position being understated in the water and sewer funds by \$61,494 and \$77,455, respectively. The hydro fund's beginning net position was overstated by \$173,066.

Beginning net position was also restated for the discretely presented component unit due to an error in revenue recognition related to grants receivable and the related revenue resulting in beginning net position being understated by \$249,092.



***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 June 3, 2014.

***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 of Hastings' 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 of Hastings' 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.

***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.

**Other information in documents containing audited financial statements (continued)**

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 June 3, 2014.

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  
June 3, 2014