



**CITY OF HASTINGS**  
**Barry County, Michigan**

Annual Financial Report

For the year ended June 30, 2020

**CITY OF HASTINGS**  
**Table of Contents**  
**June 30, 2020**

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**Financial Section**

<i>Independent Auditor's Report</i> .....	1
<i>Management's Discussion and Analysis</i> .....	5
<i>Basic Financial Statements</i> .....	13
Government-wide Financial Statements:	
Statement of Net Position .....	14
Statement of Activities .....	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund .....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Library Special Revenue Fund .....	23
Proprietary Funds:	
Statement of Net Position .....	24
Reconciliation of Net Position of Proprietary Funds to Net Position of Business-type Activities .....	25
Statement of Revenues, Expenses and Changes in Net Position .....	26
Reconciliation of Changes in Net Position of Proprietary Funds to Changes in Net Position of Business-type Activities .....	27
Statement of Cash Flows .....	28

**CITY OF HASTINGS**  
**Table of Contents (Continued)**  
**June 30, 2020**

---

Fiduciary Funds:

Statement of Fiduciary Net Assets and Liabilities .....	30
---	----

Component Units:

Combining Statement of Net Position .....	31
Combining Statement of Activities .....	32

Notes to Basic Financial Statements .....	33
---	----

*Required Supplementary Information*

MERS Agent Multiple-Employer Plan:

Schedule of Changes in the City’s Net Pension Liability and Related Ratios.....	64
Schedule of the Net Pension Liability.....	66
Schedule of Contributions .....	68

Single-employer Other Postemployment Benefits Plan:

Schedule of Changes in the City’s Net OPEB Liability and Related Ratios .....	70
Schedule of the Net OPEB Liability .....	72
Schedule of Contributions .....	73

*Supplementary Information*

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds.....	75
Combining Balance Sheet.....	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	78
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Major Streets Special Revenue Fund .....	80
Local Streets Special Revenue Fund.....	81
Cemetery Special Revenue Fund .....	82
Drug Enforcement Special Revenue Fund.....	83
Police Training Special Revenue Fund .....	84
Internal Service Funds .....	85
Combining Statement of Net Position .....	86
Combining Statement of Revenues, Expense, and Changes in Net Position .....	87
Combining Statement of Cash Flows .....	88
Agency Funds .....	89
Combining Statement of Fiduciary Net Assets and Liabilities.....	90
Combining Statement of Changes in Assets and Liabilities .....	91

**CITY OF HASTINGS**  
**Table of Contents (Continued)**  
**June 30, 2020**

---

Component Units.....	92
Brownfield Redevelopment Authority:	
Balance Sheet.....	93
Schedule of Revenues, Expenditures and Changes in Fund Balances.....	94
Downtown Development Authority:	
Balance Sheet.....	95
Schedule of Revenues, Expenditures and Changes in Fund Balances.....	96
Local Development Finance Authority:	
Balance Sheet.....	97
Schedule of Revenues, Expenditures and Changes in Fund Balances.....	98

*Internal Control and Compliance*

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	100
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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR’S REPORT

December 11, 2020

City Council and Management  
City of Hastings

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Hastings (the “City”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

### Management’s Responsibility for the Financial Statements

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

### Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation 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, and the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hastings as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hastings' 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.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants  
Grand Rapids, Michigan



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**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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As management of the City of Hastings (“the City”), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the City’s financial statements, which immediately follow this section.

**Financial Highlights**

- The City’s expenses exceeded revenues by \$397,128.
- Total expenses of the City’s programs were \$10,155,509.
- Total revenues, including all program and general revenues, were \$9,758,381.
- Total net position at the end of the year was \$22,785,470, down from \$23,182,598 at the end of the prior year. Net position of the governmental activities decreased by \$635,285 and net position of the business-type activities increased by \$238,157.
- At the close of the current year, the City’s governmental funds reported combined ending fund balances of \$4,340,736, an increase of \$616,274 from the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$2,131,903, or 47 percent of total General Fund expenditures and transfers out.

**Overview of the Financial Statements**

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the City:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *Government-wide financial statements* that provide both short-term and long-term information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City, reporting the City’s operations in more detail than the Government-wide statements.
  - ♦ *Governmental funds statements* tell how basic services such as City administration, public safety, public works, recreation and cultural, etc. were financed in the short term as well as what remains for future spending.
  - ♦ *Proprietary funds statements* are used to report business-type activities in the government-wide financial statements.
  - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplementary Information follows and includes combining and individual fund schedules.

**Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances and report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the City's net position, and how they have changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the City's overall health, one should consider additional non-financial factors such as changes in the City's property tax-base and the condition of City buildings and other facilities.

In the Government-wide financial statements, the City's activities are presented as follows:

- *Governmental activities:* The City's basic services are included here, such as general government, public safety, public works, recreation and cultural and other services. State revenue sharing and property taxes finance most of these activities.
- *Business-type activities:* The City's Water and Sewer Enterprise fund is included here. Charges for service finance most of these activities.
- The government-wide financial statements include not only the City (known as the primary government), but also a legally separate Downtown Development Authority, Local Development Finance Authority, and Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

**Condensed Government-wide Financial Statements**

The Statement of Net Position provides financial information on the City as a whole.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>						
Current assets	\$ 5,115,614	\$ 4,383,223	\$ 2,715,936	\$ 2,848,644	\$ 7,831,550	\$ 7,231,867
Noncurrent assets	21,200,418	21,880,342	13,047,715	12,784,343	34,248,133	34,664,685
<b>Total Assets</b>	<u>26,316,032</u>	<u>26,263,565</u>	<u>15,763,651</u>	<u>15,632,987</u>	<u>42,079,683</u>	<u>41,896,552</u>
<b>Deferred Outflows</b>	<u>975,085</u>	<u>771,995</u>	<u>180,230</u>	<u>142,691</u>	<u>1,155,315</u>	<u>914,686</u>
<b>Liabilities</b>						
Current and other liabilities	385,724	358,079	123,213	311,123	508,937	669,202
Long-term liabilities	16,044,535	15,086,874	3,733,589	3,598,174	19,778,124	18,685,048
<b>Total Liabilities</b>	<u>16,430,259</u>	<u>15,444,953</u>	<u>3,856,802</u>	<u>3,909,297</u>	<u>20,287,061</u>	<u>19,354,250</u>
<b>Deferred Inflows</b>	<u>137,122</u>	<u>231,586</u>	<u>25,345</u>	<u>42,804</u>	<u>162,467</u>	<u>274,390</u>
<b>Net position</b>						
Net investment in capital assets	18,065,709	18,755,067	12,223,862	11,910,490	30,289,571	30,665,557
Restricted	4,078,792	3,851,124	-	-	4,078,792	3,851,124
Unrestricted (deficit)	(11,420,765)	(11,247,170)	(162,128)	(86,913)	(11,582,893)	(11,334,083)
<b>Total Net Position</b>	<u>\$ 10,723,736</u>	<u>\$ 11,359,021</u>	<u>\$ 12,061,734</u>	<u>\$ 11,823,577</u>	<u>\$ 22,785,470</u>	<u>\$ 23,182,598</u>

**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

The Statement of Activities presents changes in net position from operating results:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 867,816	\$ 875,932	\$ 3,011,306	\$ 2,878,356	\$ 3,879,122	\$ 3,754,288
Operating grants	1,251,086	1,499,960	45,744	38,485	1,296,830	1,538,445
Capital grants	159,659	322,613	196,464	-	356,123	322,613
General revenues:						
Property taxes	3,209,708	3,030,180	-	-	3,209,708	3,030,180
Unrestricted grants and contributions	767,557	789,566	-	-	767,557	789,566
Unrestricted investment earnings	157,645	109,583	32,571	-	190,216	109,583
Loss on disposal of capital assets	(16,589)	-	(7,325)	-	(23,914)	-
Other	124,636	30,185	(41,897)	858	82,739	31,043
<b>Total Revenues</b>	<b>6,521,518</b>	<b>6,658,019</b>	<b>3,236,863</b>	<b>2,917,699</b>	<b>9,758,381</b>	<b>9,575,718</b>
<b>Expenses</b>						
General government	(69,838)	(341,757)	-	-	(69,838)	(341,757)
Public safety	3,004,974	805,282	-	-	3,004,974	805,282
Public works	2,341,602	(152,540)	-	-	2,341,602	(152,540)
Health and welfare	4,618	-	-	-	4,618	-
Community and economic development	449,381	676,742	-	-	449,381	676,742
Recreation and culture	1,426,066	1,290,846	-	-	1,426,066	1,290,846
Water and sewer	-	-	2,998,706	2,828,158	2,998,706	2,828,158
<b>Total Expenses</b>	<b>7,156,803</b>	<b>2,278,573</b>	<b>2,998,706</b>	<b>2,828,158</b>	<b>10,155,509</b>	<b>5,106,731</b>
Change in net position, before transfers	(635,285)	4,379,446	238,157	89,541	(397,128)	4,468,987
Transfers	-	22,073	-	(22,073)	-	-
Change in net position	(635,285)	4,401,519	238,157	67,468	(397,128)	4,468,987
Net position, beginning of year	11,359,021	6,957,502	11,823,577	11,756,109	23,182,598	18,713,611
Net position, end of year	<u>\$ 10,723,736</u>	<u>\$ 11,359,021</u>	<u>\$ 12,061,734</u>	<u>\$ 11,823,577</u>	<u>\$ 22,785,470</u>	<u>\$ 23,182,598</u>

**Financial Analysis of the City as a Whole**

The City's financial position is the product of many factors. Growth during the year in income and property tax collections and interest income were the significant contributors to the operating revenue increase. A reduction in state revenue sharing reduced anticipated state shared revenues. Total net position decreased by only \$397,128 during the year due to these revenue factors and close budgetary control of City expenses.

Property taxes were the main source on revenues for the City, contributing 49.2% of revenues from governmental activities. Licenses, permits, fines and forfeitures and other user fees accounted for 24 percent of revenues; another 19 percent came from state and other intergovernmental sources, and the remainder from interest earnings and miscellaneous sources.

**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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The City's expenses related to governmental activities were predominantly related to public safety (42%); public works (32.7%); recreation and cultural (19.9%) and community and economic development (6.3%).

Property tax revenues, our biggest source of revenue, increased by approximately \$179,528 from 2018-19 to 2019-20. The City of Hastings has had relatively slow growth over the last few years, however, we saw a slight increase in the market value for property within the City along with some new construction in fiscal year 2019-20.

Based on the results of our water and sewer rate study, the City Council agreed to finance \$9.4 million dollars in necessary Waste Water Treatment Plant improvements. The debt will be refunded over the next 20 years with the rate increases recommended by the study.

Emphasis was placed on improving the City's outdated IT infrastructure. This budget year, the City Council agreed with staff's request to put an emphasis on updating the IT infrastructure and contracted support for the employees.

During the State mandated shutdown due to the COVID-19 pandemic, the City was able to keep all employees working within the budgeted amount for wages and benefits. This allowed continued customer service and no gap in the providing of services to residents. In the subsequent fiscal year the City will receive federal funding from CARES Act grant to offset increased expenditures due to the COVID-19 pandemic necessary to protect employees and keep them safe while working.

### **Financial Analysis of the City's Funds**

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs.

The City utilizes three kinds of funds:

- *Governmental funds:* Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the City-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Proprietary funds:* The city maintains two types of proprietary funds, and *Enterprise Fund* and two *Internal Service Funds*. Enterprise funds are used to report the same functions as *business-type* activities in the government-wide financial statements. Internal service funds are used to report functions of the City where exchanges happen internally. The City uses the enterprise fund to account for its Water and Sewer fund, and the internal service funds to account for the Equipment Revolving and Administrative Services Funds.
- *Fiduciary funds:* The City is the trustee, or fiduciary, for assets that belong to others, such as property taxes. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and/or paid to those to whom the assets belong. The City excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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The City uses funds to record and analyze financial information. The City of Hasting's funds are described as follows:

**Major Funds**

The *General Fund* is the primary operating fund. The General Fund had total revenues of \$4,914,775, total expenditures of \$4,011,138, and transfers to other funds of \$513,155. It ended the fiscal year with a fund balance of \$2,888,519, up from \$2,498,037 at June 30, 2019.

The *Library Fund Special Revenue Fund* accounts for operation of the City's library. The Library Fund had total revenues of \$506,112, total expenditures of \$717,964, and transfers from other funds of \$290,155. It ended the year with a fund balance of \$609,710, up from \$531,397 at June 30, 2019.

**Nonmajor Funds**

The *Major and Local Streets Special Revenue Funds* collect distributions of motor vehicle highway taxes from the State of Michigan for use in maintaining City roads. The Funds had total revenues of \$1,020,012, total expenditures of \$1,113,825, and net transfers from other funds of \$220,000 resulting in an increase in fund balances of \$126,187 from June 30, 2019. Fund balances at June 30, 2020 consisted of \$310,011 in the Major Streets Fund and \$383,179 in the Local Streets Fund.

The *Cemetary Special Revenue Fund* collects mainly property taxes and contributions to maintain and operate the City's cemetary. Total revenues were \$165,130 and expenditures totaled \$143,426. It ended the year with a fund balance of \$123,424, up from \$101,720 at June 30, 2019.

The *Drug Enforcement Special Revenue Fund* collects fines and forfeitures for law enforcement use. Total revenues were \$6,262 and expenditures totaled \$7,499. It ended the year with a fund balance of \$23,834, down from \$25,071 at June 30, 2019.

The *Police Training Special Revenue Fund* received State grant funds along with matching General Fund contributions for law enforcement training. Total revenues were \$1,966, expenditures totaled \$4,141 and transfers from other funds of \$3,000. It ended the year with a fund balance of \$2,059, up from \$1,234 at June 30, 2019.

**Proprietary Funds**

The *Water and Sewer Enterprise Fund* collects mainly charges for services from the operation of water and wastewater removal services for the City residents. Total revenues were \$3,236,863 and expenses were \$2,998,706 for the year. It ended the year with a net position of \$12,061,734, up from \$11,823,577 at June 30, 2019.

The *Equipment Revolving Internal Service Fund* collects equipment rental fees from other City funds to be used for future maintenance and public safety vehicles and equipment. Total operating revenues were \$732,813, nonoperating revenues totaled \$66,550 and operating expenses were \$690,187 for the year. It ended the year with a net position of \$2,317,329, up from \$2,208,155 at June 30, 2019.

The *Administrative Services Internal Service Fund* collects charges for services for administrative services to City funds. Total operating revenues were \$1,383,872, nonoperating revenues totaled \$15,544 and operating expenses were \$1,606,121 for the year. It ended the year with a net position of \$1,630,179, down from \$1,836,884 at June 30, 2019.

**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

**Fiduciary Funds**

The *General Agency and Current Tax Collection Funds* are operated as Agency Funds of the City. The assets of these funds are being held for the future payment to the governmental units and businesses and individuals entitled to the monies. Balances on hand at June 30, 2020 totaled \$180.

**General Fund Budgetary Highlights**

Each City department provides a budget amount at the beginning of the fiscal year. This amount is an expected expenditure amount for each department. Overall, the departments stayed well within their budgets, and the budget was amended four (4) times during the fiscal year.

- Budget amendments in the General Fund related to projects that were eliminated in some areas and reallocated to needs for projects in other areas.
- Added 2 FTEs to the police department along with the purchase of new vehicles
- Incurred significant unexpected repairs to fire vehicles
- Added a project to replace streets lights along the State Street corridor
- Elimated capital projects planned for parks due to COVID-19 pandemic and uncertain revenue reductions
- Personnel costs remained consistent during the COVID-19 pandemic shut down as no staff reductions were implemented
- Additional costs were incurred in Community Services due to significant spring flooding
- Received a Brownfield grant to be used for an environmental study on vacant property slated to be developed into housing.

**Capital Asset and Debt Administration**

Capital Assets

By the end of 2020, the City's governmental activities had a \$28,397,845 investment in a broad range of capital assets, including land, land improvements, infrastructure, buildings and improvements, equipment, library books and vehicles. The business-type activities had a \$24,198,352 investment in a broad range of capital assets including land, land improvements, buildings and improvements, equipment, water system and sewer system (Note E).

Capital asset purchases for the governmental and business-type activities totaled \$503,359 and \$783,411 for the fiscal year, respectively. Accumulated depreciation for the governmental and business-type activities increased by \$1,023,495 and \$512,714, respectfully. The net book value of capital assets at June 30, 2020 is detailed as follows:

	Governmental Activities	Business-type Activities
Land	\$ 1,568,287	\$ 99,200
Construction in progress	145,127	1,103,966
Land improvements	1,751,750	12,811
Infrastructure	7,488,729	-
Buildings and improvements	5,479,243	3,148,862
Equipment	836,950	1,654,750
Library Books	22,347	-
Vehicles	773,276	-
Water system	-	5,630,097
Sewer System	-	1,397,959
	<b>\$ 18,065,709</b>	<b>\$ 13,047,715</b>
<b>Net Capital Assets</b>		



**CITY OF HASTINGS**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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Long-Term Debt

At year end, the City had \$239,028 in unused vacation and sick pay. Debt increases were \$247,038 during the current year, and debt retirements were \$282,825 during the current year (Note G).

At year end, the City had \$216,721 in unused vacation and sick pay. Debt increases were \$203,491 during the current year, and debt reductions were \$208,809 during the current year (Note G).

**Factors Bearing on the City's Future**

At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The City's original General Fund budget for 2020-21 anticipates a net increase in year end fund balance of \$26,888. This estimate reflects, continuing reductions in state shared revenues and an increased effort to control/reduce costs within the City, while continuing to maintain a high quality of taxpayer service.
- The City will be eliminating the Administrative Services Fund and close it into the General Fund during fiscal year 2020-21.
- The City continues to look for opportunities to reduce our OPEB obligation.
- During the 2020-21 fiscal year, the Water and Sewer Enterprise Fund will see increased revenue based on a rate study done in 2019 and a \$9.4 million dollar addition of assets in the form of updates to the Wastewater Treatment Plant. In addition, the Water System will see significant maintenance to the water towers along with pumps at the water plant and wells.
- The Equipment Revolving Fund will enter into a \$380,000 seven year installment purchase agreement for the acquisition of a new Vactor and will purchase additional trucks (including a new dump truck).
- The Major Streets Fund will have a resurfacing project that is part of an MDOT matching grant.
- The City is slated to receive almost \$500,000 in MEDC grants for low-income housing projects.
- Federal CARES Funding will offset a portion of the State Revenue Sharing losses/reductions.
- The City initiated partnerships with developers for housing development projects within the City limits. The projects will potentially bring 100-125 units ranging from market rate to low income housing. The projects total cost for construction is approximately \$26 million.
- Addition of the Community Redevelopment District/tax abatement to take the abandon Kmart building and potentially create three store fronts.
- Upgrading of outdated hardware to improve staff efficiency and customer service.

**Contacting the City's Financial Management**

This financial report is designed to provide the City's citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane M. Saurman, Director of Finance, City of Hastings, 201 E State St, Hastings, MI 49058.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HASTINGS**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash	\$ 2,058	\$ -	\$ 2,058	\$ -
Cash equivalents, deposits and investments (Note B)	5,279,668	1,679,490	6,959,158	654,098
Accounts receivable	156,040	435,895	591,935	-
Internal balances	(589,895)	589,895	-	-
Due from other governmental units	235,382	-	235,382	-
Inventories (Note A)	12,632	9,121	21,753	-
Prepaid expenses	19,729	1,535	21,264	-
Other assets	505,308	-	505,308	23,738
Investment in joint venture (Note A)	2,629,401	-	2,629,401	-
Capital assets not being depreciated (Note E)	1,713,415	1,203,166	2,916,581	-
Capital assets being depreciated, net (Note E)	16,352,294	11,844,549	28,196,843	-
<b>Total Assets</b>	<b>26,316,032</b>	<b>15,763,651</b>	<b>42,079,683</b>	<b>677,836</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension amounts	904,350	167,156	1,071,506	-
Deferred OPEB amounts	70,735	13,074	83,809	-
<b>Total Deferred Outflows of Resources</b>	<b>975,085</b>	<b>180,230</b>	<b>1,155,315</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	205,260	48,577	253,837	353,559
Accrued liabilities	46,881	11,854	58,735	-
Long term obligations (Note F):				
Due within one year	133,583	62,782	196,365	-
Due in more than one year	83,137	783,378	866,515	-
Net pension liability	7,854,184	1,451,721	9,305,905	-
Net OPEB liability	8,107,214	1,498,490	9,605,704	-
<b>Total Liabilities</b>	<b>16,430,259</b>	<b>3,856,802</b>	<b>20,287,061</b>	<b>353,559</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension amounts	137,122	25,345	162,467	-
<b>Net Position</b>				
Net investment in capital assets	18,065,709	12,223,862	30,289,571	-
Restricted for:				
Major and local streets	693,190	-	693,190	-
Drug enforcement	23,834	-	23,834	-
Library operations	408,943	-	408,943	-
Building improvement revolving loans	200,000	-	200,000	-
Joint airport authority	2,629,401	-	2,629,401	-
Cemetery operations	123,424	-	123,424	-
Unrestricted (deficit)	(11,420,765)	(162,128)	(11,582,893)	324,277
<b>Total Net Position</b>	<b>\$ 10,723,736</b>	<b>\$ 12,061,734</b>	<b>\$ 22,785,470</b>	<b>\$ 324,277</b>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Statement of Activities**  
**For the year ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental activities:					
General government	\$ (69,838)	\$ 66,966	\$ 135,650	\$ 6,544	\$ 278,998
Public safety	3,004,974	314,463	24,941	-	(2,665,570)
Public works	2,341,602	56,301	880,740	82,688	(1,321,873)
Health and welfare	4,618	-	-	-	(4,618)
Airport	-	-	9,434	-	9,434
Community and economic development	449,381	7,163	132,262	70,427	(239,529)
Recreation and cultural	1,426,066	422,923	68,059	-	(935,084)
<b>Total governmental activities</b>	<b>7,156,803</b>	<b>867,816</b>	<b>1,251,086</b>	<b>159,659</b>	<b>(4,878,242)</b>
Business-type Activities:					
Water and sewer	2,998,706	3,011,306	45,744	196,464	254,808
<b>Total Primary Government</b>	<b>\$ 10,155,509</b>	<b>\$ 3,879,122</b>	<b>\$ 1,296,830</b>	<b>\$ 356,123</b>	<b>(4,623,434)</b>
<b>Component Units</b>					
Brownfield Development Authority	\$ 11,163	\$ -	\$ -	\$ -	(11,163)
Downtown Development Authority	386,772	6,478	46,723	-	(333,571)
Local Development Finance Authority	4,032	6,415	10,772	-	13,155
<b>Total Component Units</b>	<b>\$ 401,967</b>	<b>\$ 12,893</b>	<b>\$ 57,495</b>	<b>\$ -</b>	<b>(331,579)</b>

Continued on next page.

**CITY OF HASTINGS**  
**Statement of Activities**  
**For the year ended June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>Changes in Net Position</b>				
Net (expense) revenue	\$ (4,878,242)	\$ 254,808	\$ (4,623,434)	\$ (331,579)
General revenues:				
Property taxes	3,209,708	-	3,209,708	433,476
Unrestricted grants and contributions	767,557	-	767,557	-
Unrestricted investment earnings	157,645	32,571	190,216	10,049
Gain (loss) on sale of capital assets	(16,589)	(7,325)	(23,914)	35,731
Other	124,636	(41,897)	82,739	-
<b>Total General Revenues</b>	<u>4,242,957</u>	<u>(16,651)</u>	<u>4,226,306</u>	<u>479,256</u>
<b>Change in Net Position</b>	<u>(635,285)</u>	<u>238,157</u>	<u>(397,128)</u>	<u>147,677</u>
<b>Net Position - Beginning of Year</b>	<u>11,359,021</u>	<u>11,823,577</u>	<u>23,182,598</u>	<u>176,600</u>
<b>Net Position - End of Year</b>	<u>\$ 10,723,736</u>	<u>\$ 12,061,734</u>	<u>\$ 22,785,470</u>	<u>\$ 324,277</u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

<b>Assets</b>	<u>General</u>	<u>Library</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash	\$ 785	\$ 468	\$ 805	\$ 2,058
Cash equivalents, deposits and investments (Note B)	2,423,713	616,185	742,839	3,782,737
Accounts receivable	16,848	-	-	16,848
Accrued interest receivable	11,675	4,066	-	15,741
Due from other governmental units	113,725	-	121,657	235,382
Prepaid expenditures	15,221	767	-	15,988
Other assets	505,308	-	-	505,308
<b>Total Assets</b>	<u>\$ 3,087,275</u>	<u>\$ 621,486</u>	<u>\$ 865,301</u>	<u>\$ 4,574,062</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 18,551	\$ 6,416	\$ 15,089	\$ 40,056
Due to other governmental units	29	-	-	29
Payroll withholdings payable	3,110	-	-	3,110
Accrued payroll	24,182	5,360	7,705	37,247
Performance deposits payable	140,947	-	-	140,947
<b>Total Liabilities</b>	<u>186,819</u>	<u>11,776</u>	<u>22,794</u>	<u>221,389</u>
<b>Deferred inflows of resources</b>				
Unavailable revenues - long-term receivables	11,937	-	-	11,937
<b>Fund Balances</b>				
Nonspendable	520,529	767	-	521,296
Restricted	105,966	408,943	840,448	1,355,357
Committed	-	200,000	-	200,000
Assigned	130,121	-	2,059	132,180
Unassigned	2,131,903	-	-	2,131,903
<b>Total Fund Balances</b>	<u>2,888,519</u>	<u>609,710</u>	<u>842,507</u>	<u>4,340,736</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,087,275</u>	<u>\$ 621,486</u>	<u>\$ 865,301</u>	<u>\$ 4,574,062</u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2020**

<b>Total governmental fund balances</b>		<b>\$ 4,340,736</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of assets is \$28,397,846 and accumulated depreciation is \$10,332,137 in the governmental funds.		18,065,709
Amounts reported in the internal service funds include \$5,939,740 in assets and \$3,541,875 in accumulated depreciation.		(2,397,865)
Some items are recorded as revenues and expenditures in the fund statements when paid or received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.		
Deferred long-term receivables		11,937
An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities.		
Total internal service fund net position		3,947,508
Internal service net position accounted for in business-type activities		(589,895)
The government's investment in its joint venture is not a current financial resource, and therefore is not reported in the funds.		
Investment in joint venture		2,629,401
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end were:		
Compensated absences		(216,720)
Compensated absences, reported in internal service funds		56,360
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	\$(7,854,184)	
Deferred outflows	904,350	
Deferred inflows	<u>(137,122)</u>	(7,086,956)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(8,107,214)	
Deferred outflows	<u>70,735</u>	<u>(8,036,479)</u>
<b>Total net position - governmental activities</b>		<b><u><u>\$ 10,723,736</u></u></b>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2020**

	General	Library	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 3,071,702	\$ -	\$ 138,006	\$ 3,209,708
Special assessments	43,926	-	-	43,926
Licenses and permits	26,501	-	31,701	58,202
Federal sources	26,167	4,926	4,624	35,717
State sources	887,880	10,607	962,823	1,861,310
Intergovernmental sources	506,694	405,694	-	912,388
Charges for services	48,951	6,776	42,615	98,342
Fines and forfeits	13,520	10,453	1,601	25,574
Investment income and rentals	144,708	10,530	11,401	166,639
Other revenue	144,726	57,136	599	202,461
<b>Total Revenues</b>	<u>4,914,775</u>	<u>506,122</u>	<u>1,193,370</u>	<u>6,614,267</u>
<b>Expenditures</b>				
Current:				
General government	185,752	-	-	185,752
Public safety	2,696,851	-	11,640	2,708,491
Public works	572,018	-	1,257,251	1,829,269
Health and welfare	4,618	-	-	4,618
Community and economic development	197,227	-	-	197,227
Recreation and cultural	354,672	717,964	-	1,072,636
<b>Total Expenditures</b>	<u>4,011,138</u>	<u>717,964</u>	<u>1,268,891</u>	<u>5,997,993</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>903,637</u>	<u>(211,842)</u>	<u>(75,521)</u>	<u>616,274</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	290,155	373,000	663,155
Transfers out	(513,155)	-	(150,000)	(663,155)
<b>Total Other Financing Sources (Uses)</b>	<u>(513,155)</u>	<u>290,155</u>	<u>223,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	390,482	78,313	147,479	616,274
<b>Fund Balances, Beginning of Year</b>	<u>2,498,037</u>	<u>531,397</u>	<u>695,028</u>	<u>3,724,462</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,888,519</u>	<u>\$ 609,710</u>	<u>\$ 842,507</u>	<u>\$ 4,340,736</u>

See accompanying notes to basic financial statements.



**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 June 30, 2020**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 616,274</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:	
Capital outlays	\$ 489,109
Depreciation expense	<u>(1,023,495)</u> (534,386)
In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	(16,589)
Certain receivables, such as those for special assessments, are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements. Net change in deferred inflows for special assessments receivable	(5,361)
The City's investment in its joint venture is not a current financial resource, and therefore is not reported in the governmental funds. Change in value of investment in joint venture	9,434
In the Statement of Net Position, accumulated vacation/sick pay is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$208,809) exceeded the amounts earned (\$203,491). Amounts accrued in the internal service funds	23,632
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	(421,473)
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	(236,017)
A portion of the Internal Service Funds net income is included in the business-type activities of the City. Net income (loss) from internal service funds	(97,531)
Loss from the internal service funds allocated to business-type activities	<u>26,732</u>
<b>Total changes in net position - governmental activities</b>	<b><u><u>\$ (635,285)</u></u></b>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual	Variance Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 3,037,000	\$ 3,037,000	\$ 3,071,702	\$ 34,702
Special assessments	27,500	27,500	43,926	16,426
Licenses and permits	25,000	25,000	26,501	1,501
Federal sources	16,000	16,000	26,167	10,167
State sources	877,118	877,118	887,880	10,762
Intergovernmental sources	523,132	523,132	506,694	(16,438)
Charges for services	42,760	42,760	48,951	6,191
Fines and forfeits	14,000	14,000	13,520	(480)
Investment income and rentals	155,500	155,500	144,708	(10,792)
Other revenue	6,200	6,200	144,726	138,526
<b>Total Revenues</b>	<b>4,724,210</b>	<b>4,724,210</b>	<b>4,914,775</b>	<b>190,565</b>
<b>Expenditures</b>				
Current:				
General government:				
City counsel	61,536	61,536	48,177	13,359
Mayor	15,817	15,817	14,313	1,504
Board of review	2,286	2,286	2,190	96
Assessor	100,343	102,543	100,617	1,926
Elections	29,040	29,040	20,455	8,585
Total general government	209,022	211,222	185,752	25,470
Public safety:				
Law enforcement	2,257,505	2,257,505	2,190,235	67,270
Fire department	557,645	577,645	506,616	71,029
Total public safety	2,815,150	2,835,150	2,696,851	138,299
Public works:				
Parking lots - non SAD	47,640	47,640	37,134	10,506
Parking lots - SAD	74,655	80,655	56,738	23,917
Street lighting	95,587	132,587	127,106	5,481
Community services	332,328	375,328	351,040	24,288
Total public works	550,210	636,210	572,018	64,192
Health and welfare:				
Other grant programs	-	6,500	4,618	1,882
Community and economic development:				
Economic development	194,018	179,018	172,385	6,633
Community development grants	-	5,000	2,550	2,450
Cable access	29,753	29,753	22,292	7,461
Total community and economic development	223,771	213,771	197,227	16,544

Continued on next page.

**CITY OF HASTINGS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Recreation and cultural:				
Parks	\$ 399,837	\$ 285,137	\$ 327,342	\$ (42,205)
Arts and cultural	-	30,000	27,330	2,670
Total recreation and cultural	<u>399,837</u>	<u>315,137</u>	<u>354,672</u>	<u>(39,535)</u>
<b>Total Expenditures</b>	<u>4,197,990</u>	<u>4,217,990</u>	<u>4,011,138</u>	<u>206,852</u>
<b>Excess of Revenues Over Expenditures</b>	<u>526,220</u>	<u>506,220</u>	<u>903,637</u>	<u>(182,935)</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(513,155)</u>	<u>(513,155)</u>	<u>(513,155)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	13,065	(6,935)	390,482	397,417
<b>Fund Balances, Beginning of Year</b>	<u>2,498,037</u>	<u>2,498,037</u>	<u>2,498,037</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 2,511,102</u></u>	<u><u>\$ 2,491,102</u></u>	<u><u>\$ 2,888,519</u></u>	<u><u>\$ 397,417</u></u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Library Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual	Variance Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Federal sources	\$ 11,000	\$ 11,000	\$ 4,926	\$ (6,074)
State sources	7,000	7,000	10,607	3,607
Intergovernmental sources	366,233	366,233	405,694	39,461
Charges for services	9,300	9,300	6,776	(2,524)
Fines and forfeits	12,000	12,000	10,453	(1,547)
Investment income and rentals	6,000	6,000	10,530	4,530
Other revenue	41,500	41,500	57,136	15,636
<b>Total Revenues</b>	<u>453,033</u>	<u>453,033</u>	<u>506,122</u>	<u>53,089</u>
<b>Expenditures</b>				
Current:				
Recreation and cultural:				
Library	<u>720,314</u>	<u>751,014</u>	<u>717,964</u>	<u>33,050</u>
<b>Deficiency of Revenues Over Expenditures</b>	(267,281)	(297,981)	(211,842)	86,139
<b>Other Financing Sources</b>				
Transfers in	<u>290,155</u>	<u>290,155</u>	<u>290,155</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	22,874	(7,826)	78,313	86,139
<b>Fund Balances, Beginning of Year</b>	<u>531,397</u>	<u>531,397</u>	<u>531,397</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 554,271</u></u>	<u><u>\$ 523,571</u></u>	<u><u>\$ 609,710</u></u>	<u><u>\$ 86,139</u></u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
<b>Assets</b>		
<b>Current Assets</b>		
Cash equivalents, deposits and investments (Note B)	\$ 1,679,490	\$ 1,496,931
Accounts receivable	435,895	123,451
Inventories (Note A)	9,121	12,632
Prepaid expenses	1,535	3,741
<b>Total Current Assets</b>	<u>2,126,041</u>	<u>1,636,755</u>
<b>Noncurrent Assets</b>		
Capital assets not being depreciated (Note E)	1,203,166	258,800
Capital assets being depreciated, net (Note E)	11,844,549	2,139,065
<b>Total Noncurrent Assets</b>	<u>13,047,715</u>	<u>2,397,865</u>
<b>Total Assets</b>	<u>15,173,756</u>	<u>4,034,620</u>
<b>Deferred Outflows of Resources</b>		
Deferred pension amounts	167,156	-
Deferred OPEB amounts	13,074	-
<b>Total Deferred Outflows of Resources</b>	<u>180,230</u>	<u>-</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	48,577	24,257
Accrued liabilities	11,854	6,495
Current portion of noncurrent liabilities	62,782	38,987
<b>Total Current Liabilities</b>	<u>123,213</u>	<u>69,739</u>
<b>Long-term Liabilities</b>		
Long-term liabilities, net of current portion	783,378	17,373
Net pension liability	1,451,721	-
Net OPEB liability	1,498,490	-
<b>Total Long-term Liabilities</b>	<u>3,733,589</u>	<u>17,373</u>
<b>Total Liabilities</b>	<u>3,856,802</u>	<u>87,112</u>
<b>Deferred Inflows of Resources</b>		
Deferred pension amounts	25,345	-
<b>Net Position</b>		
Invested in capital assets, net of related debt	12,223,862	2,397,865
Unrestricted (deficit)	(752,023)	1,549,643
<b>Total Net Position</b>	<u>\$ 11,471,839</u>	<u>\$ 3,947,508</u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Reconciliation of Net Position of Proprietary Funds to**  
**Net Position of Business-type Activities**  
**For the year ended June 30, 2020**

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**Net Position - total enterprise funds** \$ 11,471,839

Amounts reported for *business-type activities* in the statement of net position differ because:

Internal service funds are used by management to charge the cost of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net position of the internal service funds is allocated to the enterprise fund and reported in the statement of net position.

Net position of business-type activities accounted for in governmental-type internal service funds

589,895

**Net Position of business-type activities**

\$ 12,061,734

**CITY OF HASTINGS**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the year ended June 30, 2020**

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
<b>Operating Revenues</b>		
Licenses and permits	\$ 5,880	\$ -
Federal sources	196,464	-
Charges for services	3,005,426	2,116,685
Other operating revenue	45,744	-
<b>Total Operating Revenues</b>	<u>3,253,514</u>	<u>2,116,685</u>
<b>Operating Expenses</b>		
Personnel services	648,854	1,223,077
Materials and supplies	219,938	157,053
Other services and charges	1,583,599	614,900
Other operating expenses	33,601	15,768
Depreciation	512,714	285,512
<b>Total Operating Expenses</b>	<u>2,998,706</u>	<u>2,296,310</u>
<b>Operating Income (Loss)</b>	<u>254,808</u>	<u>(179,625)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment earnings	32,571	30,909
Gain (Loss) on disposal of capital assets	(7,325)	48,726
Other nonoperating revenues (expenses)	(15,165)	2,459
<b>Total Nonoperating Revenues</b>	<u>10,081</u>	<u>82,094</u>
<b>Changes in Net Position</b>	264,889	(97,531)
<b>Net Position, Beginning of Year</b>	<u>11,206,950</u>	<u>4,045,039</u>
<b>Net Position, End of Year</b>	<u><u>\$ 11,471,839</u></u>	<u><u>\$ 3,947,508</u></u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Reconciliation of Net Position of Proprietary Funds to**  
**Change in Net Position of Business-type Activities**  
**For the year ended June 30, 2020**

---

**Change in Net Position - total enterprise funds** \$ 264,889

Amounts reported for *business-type activities* in the statement of net position differ because:

Internal service funds are used by management to charge the cost of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the operating income of the internal service funds is allocated to the enterprise fund and reported in the statement of activities.

Net operating income from business-type activities accounted for in governmental-type internal service funds (26,732)

**Change in net position of business-type activi** \$ 238,157



**CITY OF HASTINGS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	<u>Business-Type Activities Enterprise Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from services provided	\$ 3,206,354	\$ 2,016,407
Payments to suppliers for goods and services	(1,361,788)	(636,474)
Payments to employees for services	(507,173)	(1,262,598)
Payments for internal services	<u>(675,264)</u>	<u>(97,216)</u>
<b>Net Cash Provided By Operating Activities</b>	<u>662,129</u>	<u>20,119</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Receipts from nonoperating activities	<u>2,138</u>	<u>2,460</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital assets acquisitions	(783,411)	(224,356)
Proceeds from disposal of capital assets	-	125,951
Payments to retire long-term debt	(50,000)	-
Interest paid on long-term debt	<u>(17,477)</u>	<u>-</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(850,888)</u>	<u>(98,405)</u>
<b>Cash Flows From Investing Activities</b>		
Interest received	32,571	30,909
(Purchase) sale of investments	<u>154,050</u>	<u>44,917</u>
<b>Net Cash Provided By Investing Activities</b>	<u>186,621</u>	<u>75,826</u>
<b>Net Increase (Decrease) in Cash</b>	<u>-</u>	<u>-</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>200</u>	<u>-</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 200</u></u>	<u><u>\$ -</u></u>

Continued on next page.

**CITY OF HASTINGS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Business-Type Activities	Governmental Activities
	Enterprise	Internal Service
<b>Reconciliation of Operating Income To Net Cash Provided By Operating Activities</b>		
Operating income (loss)	\$ 254,808	\$ (179,625)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	512,714	285,512
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(47,160)	(101,458)
(Increase) decrease in due from other governments	-	1,180
(Increase) decrease in inventory	621	21,816
(Increase) decrease in prepaid expenses	(1,535)	6,184
(Increase) decrease in deferred outflows - pension	(27,332)	-
(Increase) decrease in deferred outflows - OPEB	(10,207)	-
Increase (decrease) in accounts payable	(198,999)	6,264
Increase (decrease) in accrued liabilities	624	(38,066)
Increase (decrease) in compensated absences	19,531	18,312
Increase (decrease) in net pension liability	117,905	-
Increase (decrease) in deferred inflows - pension	(12,672)	-
Increase (decrease) in OPEB liability	58,619	-
Increase (decrease) in deferred inflows - OPEB	(4,787)	-
Total adjustments	407,322	199,744
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 662,129</b>	<b>\$ 20,119</b>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Agency Funds**  
**Statement of Fiduciary Net Assets and Liabilities**  
**For the year ended June 30, 2020**

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<b>Assets</b>		
Cash equivalents, deposits and investments (Note B)		<u>\$ 180</u>
<b>Liabilities</b>		
Accounts payable		\$ 150
Due to other governmental units		<u>30</u>
<b>Total Liabilities</b>		<u>\$ 180</u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Component Units**  
**Combining Statement of Net Position**  
**June 30, 2020**

	Brownfield Redevelopment Authority	Downtown Development Authority	Local Development Finance Authority	Total
<b>Assets</b>				
Cash equivalents, deposits and investments (Note B)	\$ 32	\$ 334,687	\$ 319,379	\$ 654,098
Land held for resale	-	-	23,738	23,738
<b>Total Assets</b>	<u>32</u>	<u>334,687</u>	<u>343,117</u>	<u>677,836</u>
<b>Liabilities</b>				
Accounts payable	<u>352,459</u>	<u>1,100</u>	<u>-</u>	<u>353,559</u>
<b>Net Position</b>				
Unrestricted (deficit)	<u>\$ (352,427)</u>	<u>\$ 333,587</u>	<u>\$ 343,117</u>	<u>\$ 324,277</u>

See accompanying notes to basic financial statements.

**CITY OF HASTINGS**  
**Component Units**  
**Combining Statement of Activities**  
**For the year ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues Operating Grants & Charges for Services	Net Revenue (Expense) and Changes in Net Position			Total
			Brownfield Redevelopment Authority	Downtown Development Authority	Local Development Finance Authority	
<b>Brownfield Redevelopment Authority</b>						
Blight removal	\$ 2,000	\$ -	\$ (2,000)	\$ -	\$ -	\$ (2,000)
Interest expense	9,163	-	(9,163)	-	-	(9,163)
<b>Downtown Development Authority</b>						
Community and economic development	386,702	53,201	-	(333,501)	-	(333,501)
Interest expense	70	-	-	(70)	-	(70)
<b>Local Development Finance Authority</b>						
Community and economic development	4,032	17,187	-	-	13,155	13,155
<b>Total Component Units</b>	<b>\$ 401,967</b>	<b>\$ 70,388</b>	<b>(11,163)</b>	<b>(333,571)</b>	<b>13,155</b>	<b>(331,579)</b>
General revenues:						
Property taxes levied for:						
Brownfield Redevelopment Authority			20,801	-	-	20,801
Downtown Development Authority			-	396,569	-	396,569
Local Development Finance Authority			-	-	16,106	16,106
Investment income and rentals			9	5,416	4,624	10,049
Other revenue			-	-	35,731	35,731
<b>Total General Revenues</b>			<b>20,810</b>	<b>401,985</b>	<b>56,461</b>	<b>479,256</b>
<b>Change in Net Assets</b>			<b>9,647</b>	<b>68,414</b>	<b>69,616</b>	<b>147,677</b>
<b>Net Position, Beginning of Year</b>			<b>(362,074)</b>	<b>265,173</b>	<b>273,501</b>	<b>176,600</b>
<b>Net Position, End of Year</b>			<b>\$ (352,427)</b>	<b>\$ 333,587</b>	<b>\$ 343,117</b>	<b>\$ 324,277</b>

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Note A – Summary of Significant Accounting Policies**

The City of Hastings (the “City”) was incorporated March 11, 1871, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City is operated by a Council-Manager form of government. The City provides, or contributes to the providing of, the following services to its residents: public safety (police and fire), public works (highways and streets), recreation and cultural, public improvements, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City’s accounting policies are described below.

**1. Reporting Entity**

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationships to the City.

City of Hastings Brownfield Redevelopment Authority  
City of Hastings Downtown Development Authority  
City of Hastings Local Development Finance Authority

*Discretely Presented Component Units*

These component units are reported in a separate column to emphasize that, while legally separate, the City of Hastings remains financially accountable for these entities, or the nature and significance of the relationship between these entities and the City of Hastings is such that exclusion of these entities would render the financial statements misleading or incomplete.

The *City of Hastings Brownfield Redevelopment Authority* is responsible for the redeveloping blighted, functionally obsolete or contaminated properties. Operation of the authority is funded through tax increment financing (TIF) which helps to cover costs related to the redevelopment. The budgets and expenditures of the authority must be approved by the City Council.

The *City of Hastings Downtown Development Authority* is responsible for the improvement and ongoing maintenance of the Downtown Development Improvement District. Operation of the authority is funded through tax increment financing (TIF) which helps to cover costs related to the redevelopment. The Authority’s governing body, which consists of eight individuals, is selected by the City Council. The budgets and expenditures of the authority must be approved by the City Council.

The *City of Hastings Local Development Finance Authority* was created to account for the work done to improve local infrastructure, as well as promote economic growth within the district. Operation of the authority is funded through tax increment financing (TIF) which helps to cover costs related to improvements. The budgets and expenditures of the authority must be approved by the City Council.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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## **2. Joint Venture**

The City has an equity investment in the Airport Commission (“the Commission”) (a joint venture as defined by GAAP). The Commission was formed with the Barry County Board of Commissioners through an agreement made in 1977. The Commission is run by a 5-member Board of Directors, consisting of 2 residents of Barry County (“the County”) appointed by the Barry County Board of Commissioners, 2 residents of the City of Hastings appointed by the Hastings City Council, and one member appointed by the four. The Commission is responsible for the acquisition of property, and constructing, operating, and maintaining airport facilities. Ownership of the property is vested in the City. It may exercise on behalf of the political subdivision by which it was created, all powers of each such political subdivision. It may not issue debt without approvals from the City and County.

The agreement requires that each governmental unit provide 50% of the net budget appropriation requirements and that financial record keeping be maintained by the County. During the current year, the City contributed \$0 for operations and capital improvements. The City’s equity in this joint venture as of June 30, 2020 is \$2,629,401, which is recorded in the governmental activities of the City. The Commission is presented as a component unit in the County’s financial statements. The financial statements can be obtained by contacting Barry County, 220 West State Street, Hastings, MI 49058.

## **3. Government-wide and Fund Financial Statements**

**Government-wide Financial Statements** - The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the City as a whole. The reported information includes all nonfiduciary activities and the component units of the City. For the most part, the effect of interfund activity has been removed. These statements are to distinguish between the governmental and business-type activities of the City. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and 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 certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The City’s net position is reported in three parts: invested in capital assets (net of related debt), restricted and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

**Fund Financial Statements** - Separate financial statements are provided for governmental, proprietary 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. Nonmajor funds are aggregated and presented in a single column.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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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 that are required to be accounted for in another fund.

The *Library Special Revenue Fund* is used to account for and report on the operations and activities of the library and library campaign. Primary funding comes from the City general funds transfers and township contributions for participation in the library services, restricted penal fine distributions from the County, and donations from individuals.

The City reports the following major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for the cost of providing water to the city residents, as well as collection and treatment of wastewater. Revenues consist mainly of service charges to customers. This revenue is also used to pay the principal and interest for State revolving fund loans issued to finance improvements to the system.

The City reports the following internal service funds:

The *Equipment Revolving Internal Service Fund* is used to account for the rental fees charged to other City funds for use of major machinery and equipment, purchases of equipment and maintenance performed.

The *Administrative Services Internal Service Fund* is used to account for management services provided to other departments of the City. Financing is done through a cost-reimbursement basis.

Additionally, the City reports the following funds:

The *Major and Local Streets Special Revenue Funds* accounts for the resources of State gas and weight tax revenues that are restricted for use on major streets.

The *Cemetery Special Revenue Fund* accounts for the operation and maintenance of the City's cemetery. Primary funding comes from property taxes, plot sales, burial fees, and individual donations.

The *Drug Enforcement Special Revenue Fund* accounts for the revenue received from fines and forfeitures.

The *Police Training Special Revenue Fund* accounts for revenue received from grants as well as required contributions from the General Fund for the training of law enforcement officers.

The *Current Tax Account Agency Fund* accounts for the collection of current property taxes and the payment to the governmental units or other persons entitled to receive these funds.

The *General Agency Fund* accounts for PILOT and delinquent property taxes as well as other deposits and withholdings and the disbursement to the organizations and individuals entitled to these funds.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**4. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

*Government-wide 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, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 grantor or provider have been met.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual i.e., both measurable and available. Revenues are considered 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 after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General Fund capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

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

**5. Budgets and Budgetary Accounting**

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the City Manager, the City Clerk/Treasurer/Director of Finance, the various department heads, and the City Council.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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- The completed budgets are then presented to City electors at a public budget hearing in May, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.
- Prior to July 1, the budgets are legally enacted through passage of an appropriations resolution.
- The budget may only be amended by action of the City Council.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General and Special Revenue Funds budgets were amended four times during the year.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level for each individual fund.

**6. Cash and Cash Equivalents and Investments**

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Investments consist primarily of certificates of deposit, commercial paper, and balances in investment pools. Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

**7. Inventories**

Inventories, consisting of goods held for sale and maintenance supplies, are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**8. Prepaid Items**

The City incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the City records an asset to reflect the investment in future services.

**9. Land Held for Resale**

The City owns several parcels of land which it intends to sell in the future. These properties are valued at historical cost plus any additional costs to maintain the properties.

**10. Capital Assets**

Capital assets, which include land, land improvements, infrastructure, buildings and improvements, vehicles, office furnishings and other tools and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation. The amount reported for infrastructure includes only assets added beginning in 2003.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Roads and sidewalks, land improvements, buildings and improvements, vehicles, office furnishings and tools and equipment are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	5-50 years
Land improvements	10-30 years
Buildings and improvements	15-50 years
Machinery, equipment and vehicles	5-10 years
Office furnishings	5-7 years
Water system	30-67 years
Sewer system	30-67 years

#### **11. Deferred Outflows of Resources**

In addition to assets, the statement of net position 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 reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans and OPEB.

#### **12. 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 obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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 issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

#### **13. Compensated Absences**

Accumulated vacation pay and sick leave at June 30, 2020 has been computed and recorded in the financial statements of the City. It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements, as it becomes due for payments (i.e., when the time is used or employment is terminated).

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**14. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City reports deferred inflows related to its pension.

**15. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

The Statement of Net Position includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. Items previously reported as assets (i.e. losses on bond refundings and bond issuance costs) are now reported as deferred outflows of resources and current year expenditures, respectively. Items previously reported as liabilities (i.e. acquisitions of net assets (property taxes, special assessments) that are applicable to a future reporting period) are now reported as deferred inflows of resources.

**16. Fund Balance**

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (City Council). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. At June 30, 2020, the City had a committed fund balance of \$200,000 for Library capital improvements.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. At June 30, 2020, the City had assigned fund balances of \$30,121 and \$100,000 for police activities and Thornapple Plaza Friday Night Features, respectively.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government’s policy to use restricted fund balance first, then committed, assigned, and finally unassigned.

#### **17. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

#### **18. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **19. Pensions and Other Post-employment Benefits**

For purposes of measuring the net pension liability, the net other post-employment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions, and other post-employment benefits, and pension and other post-employment benefit expense, information about the fiduciary net position of the Municipal Employees’ Retirement System (MERS) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Note B – Cash Equivalents, Deposits and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker’s acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a governmental unit in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a governmental unit in Michigan.

Balances at June 30, 2020 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Position:

Primary Government	\$ 6,959,158
Component Units	654,098

Cash equivalents, deposits and investments of Fiduciary Funds:

Primary government:	
Agency Funds	<u>180</u>
Total	<u><u>\$ 7,613,436</u></u>

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Cash Equivalents and Deposits**

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

Depositories actively used by the City during the year are detailed as follows:

1. Chemical Bank
2. Union Bank
3. Horizon Bank

June 30, 2020 balances are detailed as follows:

	Primary Government
Cash equivalents	\$ 1,270,137
Deposits	850,000
	\$ 2,120,137

*Custodial credit risk*

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to the City. Protection of City cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the City's cash equivalents and deposits for primary government was \$2,120,137 and the bank balance was \$2,260,325. Of the bank balance, \$1,006,820 was covered by federal depository insurance, and \$1,253,505 was uninsured and uncollateralized.

**Investments**

As of June 30, 2020, the City had the following investments in its governmental, agency and proprietary funds' portfolio:

	Maturity	Fair Value	Rating
Investment Pool Account:			
Michigan CLASS	N/A		S&P AAAm
Primary Government		\$ 4,839,201	
Component Units		654,098	
		\$ 5,493,299	



**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business. All security transactions entered into by the City of Hastings are required to be conducted on a delivery-versus-payment basis. Securities are required to be held by a third-party custodian designated by the City Clerk/Treasurer/Director of Finance and evidenced by safekeeping receipts.

*Credit Risk*

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in "statutory authority" below. The City's investment policy does not allow investments in banker acceptances or mutual funds. The credit ratings on the City's investments are identified above.

*Interest Rate Risk*

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

*Concentration of Credit Risk*

The City minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by allowing no more than sixty percent (60%) of the total current investment portfolio to be invested in any one type of security, or with a single financial institution.

*Foreign Currency Risk*

The City is not authorized to invest in investments which have this type of risk.

*Fair Value Measurements*

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. Commercial paper is carried at amortized cost (which approximates fair value).

The City had the following recurring fair value measurements as of June 30, 2020:

**Investments in Entities that Calculate Net Asset Value per Share.** The City holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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At year end, the net asset value of the City's investment in Michigan CLASS was \$5,493,299. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

**Note C – General Property Taxes**

Property taxes for the City become due and payable on July 1 of each year, based on the taxable valuation of property as of the preceding December 31. County taxes become due and payable on July 1 and December 1 of each year. School district taxes are payable December 1 of each year. All taxes are returned delinquent March 1 of the following year.

City property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available. The 2019 property tax roll, levied July 1, 2019, represents revenue for the fiscal year ended June 30, 2020.

The City bills and collects its own taxes in addition to taxes for the State of Michigan, Barry County, Hastings Area Schools, and Barry Intermediate School District. The collection and remittance of taxes are accounted for in the Current Tax Account Agency Fund.

The City is permitted to levy up to 16.2 mills of general property taxes on the taxable value in the City. The actual levy approved by the City Council was 15.9869 mills for 2019-20 general operations. The City is also permitted to levy up to 1.0 mills for Cemetery related operations. The actual levy approved by the City Council was 0.75 mills for the 2019-20 Cemetery operations.

Taxable property in the City is assessed initially by the assessing official of the City. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the City for prior years is compared with 2020 valuations in the following summary:

<b>Year</b>	<b>Real</b>	<b>Personal</b>	<b>Total</b>
2020	\$ 189,611,457	\$ 16,057,100	\$ 205,668,557
2019	181,496,083	16,348,100	197,844,183
2018	173,386,753	17,282,600	190,669,353
2017	169,350,323	17,265,520	186,615,845
2016	165,038,503	18,061,980	183,100,483
2015	165,623,767	20,368,840	185,992,607

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

The State Equalized Valuations do not include valuation of certain facilities which are exempt under Act 198, Public Acts 1974 or Act 255, Public Acts 1978. These Acts are designed to provide stimulus in the form of significant tax incentives to industrial and commercial enterprises to renovate and expand aging facilities and to build new facilities in Michigan. Under the provisions of the Acts, a local governmental unit (city, village or township) in which the total property tax levy is at least 30 mills or in which a city income tax is levied may establish rehabilitation districts and industrial development districts to encourage restoration or replacement of obsolete facilities and to attract new plants to the area.

An Industrial (Act 198) or Commercial Act (Act 255) Facilities Exemption Certificate entitles the facility to exemption from advalorem real and personal property taxes for a period of up to 12 years. In lieu of the property tax, the firm will pay a specific tax. The tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the advalorem property tax, the important difference being that the state equalized valuation of the property remains at the level assessed on the obsolete facility prior to the improvements, even though the restoration or replacement substantially increases the true cash value of the facility. For a new facility built in a rehabilitation or a development district, the tax is also determined the same as the advalorem property tax but instead of using the total mills levied as advalorem taxes, only half the millage rate is applied. The amount of the resulting tax thus is equal to 50% of the property tax which otherwise would be payable. The 2020 valuation of these certificates is compared with prior years in the following exhibit.

<b>Year</b>	<b>Real</b>	<b>Personal</b>	<b>Total</b>
2020	\$ 4,241,605	\$ 137,300	\$ 4,378,905
2019	4,162,520	147,100	4,309,620
2018	921,364	169,600	1,090,964
2017	902,416	180,900	1,083,316
2016	968,800	1,105,200	2,074,000
2015	978,077	1,388,200	2,366,277

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of up to 12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2020, the City abated property tax revenues of approximately \$36,065.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Note D – Interfund Activity**

Interfund transfers during the year ended June 30, 2020 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b><u>Major Funds</u></b>		
<b>General Fund:</b>		
Special Revenue Fund:		
Local Streets	\$ -	\$ 220,000
Police Training	-	3,000
Library	-	290,155
<b>Library Fund:</b>		
General Fund	<u>290,155</u>	<u>-</u>
<b>Total Major Funds</b>	<u>290,155</u>	<u>513,155</u>
<b><u>Nonmajor Funds</u></b>		
<b>Special Revenue Funds:</b>		
Major Streets:		
Local Streets	-	150,000
Local Streets:		
General Fund	220,000	-
Major Streets	150,000	-
Police Training:		
General Fund	<u>3,000</u>	<u>-</u>
<b>Total Nonmajor Funds</b>	<u>373,000</u>	<u>150,000</u>
<b>Total All Funds</b>	<u>\$ 663,155</u>	<u>\$ 663,155</u>

Transfers from the General and Major Streets Special Revenue Funds to the Local Streets Special Revenue Fund were made to support routine maintenance activity during the fiscal year. Transfers from the General Fund to the Library Special Revenue Fund are to support library operations for the fiscal year. Transfers from the General Fund to the Police Training Special Revenue Fund were made to satisfy the MCOLES training grant requirement of matching funds.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

**Primary Government**

	<u>Balances July 1,</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances June 30, 2020</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,568,287	\$ -	\$ -	\$ 1,568,287
Construction in progress	26,082	133,295	(14,250)	145,127
Total capital assets not being depreciated	<u>1,594,369</u>	<u>\$ 133,295</u>	<u>\$ (14,250)</u>	<u>1,713,414</u>
Capital assets, being depreciated:				
Land improvements	3,083,509	\$ 32,027	\$ (82,294)	3,033,242
Infrastructure	9,664,739	-	-	9,664,739
Buildings and improvements	9,044,610	-	(35,199)	9,009,411
Equipment	2,914,168	120,002	(546,967)	2,487,203
Library books	124,172	-	(52,233)	71,939
Vehicles	2,333,425	218,035	(133,563)	2,417,897
Total capital assets being depreciated	<u>27,164,623</u>	<u>\$ 370,064</u>	<u>\$ (850,256)</u>	<u>26,684,431</u>
Less accumulated depreciation for:				
Land improvements	1,198,287	\$ 121,439	\$ (38,234)	1,281,492
Infrastructure	1,802,424	373,586	-	2,176,010
Buildings and improvements	3,326,107	227,641	(23,580)	3,530,168
Equipment	2,006,434	165,383	(521,564)	1,650,253
Library books	90,819	11,007	(52,234)	49,592
Vehicles	1,579,854	124,439	(59,672)	1,644,621
Total accumulated depreciation	<u>10,003,925</u>	<u>\$ 1,023,495</u>	<u>\$ (695,284)</u>	<u>10,332,136</u>
Net capital assets being depreciated	<u>17,160,698</u>			<u>16,352,295</u>
<b>Net Capital Assets- Governmental Activities</b>	<u>\$ 18,755,067</u>			<u>\$ 18,065,709</u>

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

Depreciation expense was charged to City governmental activities as follows:

General government	\$ 7,197
Public safety	93,529
Public works	377,476
Recreation and culture	244,034
Internal service funds	301,259
	<u>\$ 1,023,495</u>

**Business-type Activities**

Capital asset activity for the Water and Sewer Enterprise Fund for the year ended June 30, 2020 was as follows:

	Balances July 1,	Additions	Disposals	Balances June 30, 2020
<b>Business Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 99,200	\$ -	\$ -	\$ 99,200
Construction in progress	403,328	700,638	-	1,103,966
Total capital assets not being depreciated	<u>502,528</u>	<u>\$ 700,638</u>	<u>\$ -</u>	<u>1,203,166</u>
Capital assets, being depreciated:				
Land improvements	18,003	\$ -	\$ -	18,003
Buildings and improvements	8,733,352	48,915	-	8,782,267
Equipment	2,572,203	33,858	(178,327)	2,427,734
Water system	9,620,542	-	-	9,620,542
Sewer system	2,146,640	-	-	2,146,640
Total capital assets being depreciated	<u>23,090,740</u>	<u>\$ 82,773</u>	<u>\$ (178,327)</u>	<u>22,995,186</u>
Less accumulated depreciation for:				
Land improvements	4,222	\$ 900	\$ -	5,122
Buildings and improvements	5,450,973	182,432	-	5,633,405
Equipment	801,279	142,707	(171,002)	772,984
Water system	3,835,967	154,478	-	3,990,445
Sewer system	716,484	32,197	-	748,681
Total accumulated depreciation	<u>10,808,925</u>	<u>\$ 512,714</u>	<u>\$ (171,002)</u>	<u>11,150,637</u>
Net capital assets being depreciated	<u>12,281,815</u>			<u>11,844,549</u>
<b>Net Capital Assets- Business-type Activities</b>	<u>\$ 12,784,343</u>			<u>\$ 13,047,715</u>

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**Note F –Long-term Obligations**

Amounts available and to be provided for long-term obligations at June 30, 2020 are summarized as follows:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>Governmental activities</b>				
Compensated absences			\$ 216,720	\$ 133,583
<b>Business-type activities</b>				
\$1,114K 2013 Water Treatment Impr. SRF Loan:				
Annual Maturities of \$50K to \$69K	April 1, 2034	2.00	\$ 823,853	\$ 50,000
Compensated absences			22,307	12,782
			<u>\$ 846,160</u>	<u>\$ 62,782</u>

Changes in long-term obligations for the year ended June 30, 2020 are summarized as follows:

	<b>Debt Payable July 1, 2019</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Payable June 30, 2020</b>
<b>Governmental activities</b>				
Compensated absences	\$ 222,039	\$ 203,491	\$ 208,809	\$ 216,721
<b>Business-type activities</b>				
Bond issues:				
Waste Water Treatment Improvement SRF Loan:				
September 13, 2013	\$ 873,853	\$ -	\$ 50,000	\$ 823,853
Compensated absences	2,776	43,547	24,016	22,307
Total business-type activities	<u>\$ 876,629</u>	<u>\$ 43,547</u>	<u>\$ 74,016</u>	<u>\$ 846,160</u>

Compensated absences of governmental activities are generally liquidity by the General Fund or Administrative Services Internal Service Fund.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

The annual requirements to pay principal and interest on the long-term State Revolving Fund loan in the Business-type Activities are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 50,000	\$ 16,477	\$ 66,477
2022	50,000	15,477	65,477
2023	55,000	14,477	69,477
2024	55,000	13,377	68,377
2025	55,000	12,277	67,277
2026	55,000	11,177	66,177
2027	60,000	10,077	70,077
2028	60,000	8,877	68,877
2029	60,000	7,677	67,677
2030	60,000	6,477	66,477
2031	65,000	5,277	70,277
2032	65,000	3,977	68,977
2033	65,000	2,677	67,677
2034	68,853	1,377	70,230
	<b>\$ 823,853</b>	<b>\$ 129,678</b>	<b>\$ 953,531</b>

**Note G – Defined Benefit Pension Plan**

**1. Pensions**

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees’ Retirement System (MERS) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**2. General Information about the Pension Plan**

The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees’ Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS’ website at [www.mersofmich.com](http://www.mersofmich.com).



**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**Benefits Provided**

Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 or 5 year period) and multipliers at 2.25%. Participants are considered to be fully vested in the plan after 6 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit.

**Employees Covered by Benefit Terms**

At the December 31, 2019 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to but not yet receiving benefits	41
Active employees	55
<b>Total membership</b>	<b>174</b>

**Contributions**

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees.

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2020:

Division	Plan Type	Status	Employer Monthly Contribution Rate	Employee Contribution Rate
General	Defined Benefit	Closed	\$ 31,413	0.00%
Police	Defined Benefit	Closed	13,604	1.56%
Fire full-time	Defined Benefit	Closed	3,997	0.00%
DPW	Defined Benefit	Closed	14,315	0.00%
Fire volunteer	Defined Benefit	Closed	-	3%<5%
City Council	Defined Benefit	Open	471	0.00%
DPW	Hybrid	Open	1,695	0.00%
General	Hybrid	Open	3,214	0.00%
Fire full-time	Hybrid	Open	-	0.00%
Police	Hybrid	Open	1,857	0.00%
City Council	Hybrid	Open	15	0.00%

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35% net of investment and administrative expense including inflation

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study of 2015-2019.

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a model which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	3.70%
Global Fixed Income	20.00%	0.30%
Diversifying Strategies	20.00%	1.30%
	<u>100.00%</u>	

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**Discount Rate**

The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**3. Changes in Net Pension Liability**

The components of the change in the net pension liability are summarized as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a)-(b)</b>
<b>Balances at December 31, 2018</b>	<b>\$ 16,069,624</b>	<b>\$ 7,519,524</b>	<b>\$ 8,550,100</b>
<b>Changes for the Year</b>			
Service cost	134,489	-	134,489
Interest on total pension liability	1,177,358	-	1,177,358
Difference between expected and actual experience	478,489	-	478,489
Changes in assumptions	557,681	-	557,681
Employer contributions	-	677,236	(677,236)
Employee contributions	-	5,717	(5,717)
Net investment income	-	988,651	(988,651)
Benefit payments, including employee refunds	(1,291,043)	(1,291,043)	-
Administrative expense	-	(17,018)	17,018
Other changes	62,374	-	62,374
<b>Net Changes</b>	<b>1,119,348</b>	<b>363,543</b>	<b>755,805</b>
<b>Balances as of December 31, 2019</b>	<b>\$ 17,188,972</b>	<b>\$ 7,883,067</b>	<b>\$ 9,305,905</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate:

	<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
Net Pension Liability	\$ 11,017,727	\$ 9,305,905	\$ 7,846,223

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Plan financial statements.

**4. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2020, the City recognized pension expense of \$1,349,191. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 332,338	\$ 162,467
Difference between expected and actual assumptions	371,787	-
Net difference between projected and actual earnings on pension plan investments	12,102	-
	716,227	162,467
Contributions subsequent to the measurement date	355,279	-
<b>Total</b>	<b>\$ 1,071,506</b>	<b>\$ 162,467</b>

The amount of deferred outflows of resources related to City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Amount</b>
2021	\$ 251,403
2022	286,983
2023	103,558
2024	(88,184)

**Payable to the Pension Plan**

At June 30, 2020, the City had no amounts payable for contributions to the pension plan.

For the governmental activities, the net pension liability is generally liquidated by the General Fund.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Note H - Other Postemployment Benefits**

**1. Plan Description**

The City administers a single-employer defined benefit healthcare plan (OPEB Plan) that is used to provide postemployment benefits other than pensions (OPEB) in accordance with union agreements and/or personnel policies, to employees who have retired. Effective February 24, 2014, the City adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. Stand-alone financial statements are not issued for the OPEB Plan.

The MERS Retiree Health Funding Vehicle became operational in the fall of 2004, and was made available to all municipalities in Michigan. Participating municipalities can contribute monies to the Trust as desired and no contribution method is imposed. These funds constitute a health care fund, which enable municipalities to accumulate monies to provide or subsidize health benefits for retirees and beneficiaries as defined by Code Section 213. The Retiree Health Funding Vehicle accounts are invested in the MERS portfolio choices and earnings are tax exempt as a result of the MERS Private Letter Ruling. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

Management of the OPEB Plan is vested with the City Council.

**Plan Membership**

At the June 30, 2020 valuation date, OPEB Plan membership consisted of the

Inactive plan members or beneficiaries currently receiving benefit payments	54
Active plan members	<u>11</u>
Total membership	<u><u>65</u></u>

**Benefits Provided**

The City Council has the authority to establish or amend benefit terms, to determine the types of benefits provided through the OPEB Plan, and to determine the classes of plan members covered. The City permits retiring employees to continue theirs and their spouse on the employer-paid health insurance program at a 50% employee-paid rate until the retired employee reaches the age of 65. If a spouse reaches the age of 65 before the retiree, their coverage ends at that time.

**Contributions**

Active Plan members are not required to contribute to the OPEB Plan, but retirees are required to pay between 10% and 50% of the amount of the monthly insurance premium on a pay-as-you-go basis, depending on the length of service at the employee's date of retirement. The contribution requirements of OPEB Plan members and the City are established and may be amended by the City Council. The Plan's funding policy is that the Employer will contribute any amount as budgeting permits.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**2. Investments**

**Investment Policy**

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment processes that the City Council deems appropriate. The OPEB Plan's asset allocation policy is shown on the following pages.

**Concentrations**

At June 30, 2020, the OPEB Plan's investments were fully invested in the MERS Retiree Health Funding Vehicle.

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB Plan investments was determined using a forward looking estimate of capital market returns model for each investment major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
MERS established market portfolio	100.00%	4.20%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.90%. The projection of cash flows used to determine the discount rate assumed that \$150,000 contributions will be made at least for the next two years. Based on those assumptions, the Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current Plan participants beyond 2020. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2019, using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation — 2.5%

Salary increases — 2.5%

Investment rate of return — 6.70%, net of OPEB Plan investment expense, including inflation

Healthcare cost trend rates — The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. For those below age 65, the inflation rate was assumed to be 8.25% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%. For those who are Medicare eligible, the 2020 rate is assumed to be 6.75%, with the same annual downgrade and ultimate rate as the pre-65 participants.

Retirement age for active employees — Consistent with the City's experience, retirement rates were graduated from 2% at age 50 to 100% at age 68.

Marital status — 80% of active employees will have a covered spouse at retirement; Female spouses are assumed to be 4 years younger than male spouses; Actual spouse data used for retirees.

Mortality — Public Safety and General, headcount weighted, annuitant and non-annuitant, sex-distinct, healthy mortality with MP 2020 improvement scale.

Health insurance premiums — 2019 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Probability of accepting benefits — 85% of eligible employees will elect coverage at retirement – half of whom will choose optional BCNA when Medicare eligible; 15% will receive \$200 per month waiver; Actual coverage used for non-active; one-half of current retirees under 65 will choose optional BCNA when Medicare eligible.

**3. Net OPEB Liability of the City**

The components of the net OPEB liability of the City at June 30, 2020, were as follows:

Total OPEB liability	\$ 10,220,123
Plan fiduciary net position	<u>614,419</u>
City's net OPEB liability	<u><u>\$ 9,605,704</u></u>
Plan fiduciary net position as a percentage of the total OPEB Liability	6.0%

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**4. Changes in Net OPEB Liability**

The components of the change in the net OPEB liability are summarized as follows:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a)-(b)</b>
<b>Balances at July 1, 2019</b>	\$ 9,833,272	\$ 603,331	\$ 9,229,941
<b>Changes for the Year</b>			
Service cost	63,413	-	63,413
Interest	295,791	-	295,791
Experience (gains)/losses	268,711	-	268,711
Change in actuarial assumptions	156,183	-	156,183
Contributions/benefit paid from general operating funds	-	397,247	(397,247)
Net investment income	-	12,190	(12,190)
Benefit payments; including refunds of employee contributions	(397,247)	(397,247)	-
Administrative expenses	-	(1,102)	1,102
<b>Net Changes</b>	<b>386,851</b>	<b>11,088</b>	<b>375,763</b>
<b>Balances as of June 30, 2020</b>	<b>\$ 10,220,123</b>	<b>\$ 614,419</b>	<b>\$ 9,605,704</b>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.90%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.90%) or 1% higher (3.90%) than the current rate:

<b>1% Decrease (1.90%)</b>	<b>Current Discount Rate (2.90%)</b>	<b>1% Increase (3.90%)</b>
\$ 8,462,039	\$ 9,605,704	\$ 11,028,383



**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8.25%, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.25%) or 1% higher (9.25) than the current rate:

1% Decrease (7.25%)	Healthcare Cost Current Trend Rate (8.25%)	1% Increase (9.25%)
\$ 11,186,335	\$ 9,605,704	\$ 8,341,543

**5. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the City recognized OPEB expense of \$676,889. The City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 28,790	\$ -
Changes in assumptions	16,734	-
Net difference between projected and actual earnings on OPEB plan investments	38,285	-
	\$ 83,809	\$ -

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ 55,806
2022	10,280
2023	10,818
2024	6,905

**Payable to the OPEB Plan**

At June 30, 2020, the City had no amounts payable for contributions to the OPEB plan.

For the governmental activities, the net OPEB liability is generally liquidated by the general fund.

**CITY OF HASTINGS**  
**Notes to Basic Financial Statements**  
**June 30, 2020**

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**Note I – Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for coverage on the risk of loss related to property loss and errors and omissions. The City has purchased commercial insurance for coverage of health care claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**Note J – Stewardship, Accountability and Compliance**

The City reported a fund balance deficit in the Brownfield Redevelopment Authority fund of \$352,427 as of June 30, 2020. The deficit will be paid down and eliminated in future years as the Authority is able to capture revenue from future incremental increase in taxable values.

The City reported an unrestricted deficit net position in the Water and Sewer enterprise fund of \$752,023. This deficit net position results primarily from recording a net pension liability of \$1,309,910 (net of deferred outflows and inflows of resources related to the pension plan) and a net OPEB liability of \$1,485,416 (net of deferred outflows and inflows of resources related to the OPEB plan).

The City reported an unrestricted deficit net position in the Governmental Activities of \$11,420,765. This deficit net position results primarily from recording a net position liability of 7,086,956 (net of deferred outflows and inflows of resources related to the pension plan) and a net OPEB liability of \$8,036,479 (net of deferred outflows and inflows of resources related to the OPEB plan).

**Note K – Risks and Uncertainties**

During the fiscal year Michigan issued a "Shelter in place" order in response to the COVID-19 pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. It is uncertain as to the full magnitude that the pandemic will have on the City's financial condition and its access to state, federal and local funding. The Council and management are actively monitoring the situation.

On March 27, 2020 the Coronavirus Aid Relief, and Economic Security Act ("CARES Act") was enacted to provide payment to State, Local, and Tribal governments navigating the impact of the COVID-19 outbreak. The US Department of Treasury distributed these funds to the State of Michigan for distribution to local governmental units. During the 19-20 fiscal year, the City received no federal "CARES Act" relief funding. In July and August 2020, the City received \$39,747 in CARES funding that will be recognized in the 20-21 fiscal year.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HASTINGS**  
**MERS Schedule of Changes in the City's**  
**Net Pension Liability and Related Ratios**  
**For the year ended June 30, 2020**

	<u>2020</u>	<u>2019</u>
<b>Total Pension Liability</b>		
Service cost	\$ 134,489	\$ 148,110
Interest	1,177,358	1,252,431
Changes in benefits	-	-
Difference between expected and actual experience	478,489	(324,935)
Changes of assumptions	557,681	-
Benefit payments including employee refunds	(1,291,043)	(1,174,619)
Other	62,374	-
	<u>1,119,348</u>	<u>(99,013)</u>
Net Change in Total Pension Liability		
Total Pension Liability - Beginning of Year	<u>16,069,624</u>	<u>16,168,637</u>
Total Pension Liability - End of Year	<u>17,188,972</u>	<u>16,069,624</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	677,236	638,127
Contributions - employee	5,717	7,647
Net investment income (loss)	988,651	(310,528)
Benefit payments including employee refunds	(1,291,043)	(1,174,619)
Administrative expense	(17,018)	(15,830)
	<u>363,543</u>	<u>(855,203)</u>
Net Change in Plan Fiduciary Net Position		
Plan Fiduciary Net Position - Beginning of Year	<u>7,519,524</u>	<u>8,374,727</u>
Plan Fiduciary Net Position - End of Year	<u>7,883,067</u>	<u>7,519,524</u>
Employer Net Pension Liability	<u>\$ 9,305,905</u>	<u>\$ 8,550,100</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	46%	47%
<b>Covered-Employee Payroll</b>	\$ 2,288,966	\$ 2,356,062
<b>Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	407%	363%

Note: The amounts presented each fiscal year were determined as of December 31 of the preceding year. GASB Statement 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 138,539	\$ 149,861	\$ 156,822	\$ 166,909
1,234,049	1,215,477	1,192,492	1,175,920
(1,974)	-	-	-
53,377	66,455	(176,810)	-
-	-	727,510	-
(1,223,752)	(1,164,203)	(1,150,859)	(1,122,957)
180	-	-	-
200,419	267,590	749,155	219,872
<u>15,968,218</u>	<u>15,700,628</u>	<u>14,951,473</u>	<u>14,731,601</u>
<u>16,168,637</u>	<u>15,968,218</u>	<u>15,700,628</u>	<u>14,951,473</u>
609,436	717,651	633,390	598,213
5,785	5,649	7,266	8,466
1,017,247	834,716	(115,260)	509,219
(1,223,752)	(1,164,203)	(1,150,859)	(1,122,957)
(16,164)	(16,520)	(17,437)	(18,563)
392,552	377,293	(642,900)	(25,622)
<u>7,982,175</u>	<u>7,604,882</u>	<u>8,247,782</u>	<u>8,273,404</u>
<u>8,374,727</u>	<u>7,982,175</u>	<u>7,604,882</u>	<u>8,247,782</u>
<u>\$ 7,793,910</u>	<u>\$ 7,986,043</u>	<u>\$ 8,095,746</u>	<u>\$ 6,703,691</u>
52%	50%	48%	55%
\$ 2,167,475	\$ 2,186,822	\$ 2,137,801	\$ 2,251,414
360%	365%	379%	298%

**CITY OF HASTINGS**  
**MERS Schedule of the Net Pension Liability**  
**For the year ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 17,188,972	\$ 16,069,624	\$ 16,168,637
Plan Net Position	<u>7,883,067</u>	<u>7,519,524</u>	<u>8,374,727</u>
Net Pension Liability	<u>\$ 9,305,905</u>	<u>\$ 8,550,100</u>	<u>\$ 7,793,910</u>
Plan Net Position as Percentage of Total Pension Liability	45.86%	46.79%	51.80%
Covered-Employee Payroll	\$ 2,288,966	\$ 2,356,062	\$ 2,167,475
Net Position Liability as Percentage of Covered-Employee Payroll	407%	363%	360%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 15,968,218	\$ 15,700,628	\$ 14,951,473
<u>7,982,175</u>	<u>7,604,882</u>	<u>8,247,782</u>
<u>\$ 7,986,043</u>	<u>\$ 8,095,746</u>	<u>\$ 6,703,691</u>
49.99%	48.44%	55.16%
\$ 2,186,822	\$ 2,137,801	\$ 2,251,414
365%	379%	298%



**CITY OF HASTINGS**  
**MERS Schedule of Contributions**  
**For the year ended June 30, 2020**

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	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarial Determined Contributions	\$ 677,236	\$ 596,547	\$ 625,114
Contributions in Relation to the Actuarially Determined Contribution	677,236	596,547	625,114
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 2,288,966	\$ 2,294,274	\$ 2,303,999
Contributions as a Percentage of Covered-Employee Payroll	30%	26%	27%

Note: GASB Statement 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 567,651	\$ 544,754	\$ 507,242
<u>717,651</u>	<u>654,754</u>	<u>617,242</u>
<u>\$ (150,000)</u>	<u>\$ (110,000)</u>	<u>\$ (110,000)</u>
\$ 2,242,387	\$ 2,327,398	\$ 2,238,967
32%	28%	28%

Notes to Schedule:

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates (2020, based on the 12/31/2016 actuarial valuation):	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	21 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

**CITY OF HASTINGS**  
**Single-employer Other Postemployment Benefits Plan**  
**Schedule of Changes in the the City's Net OPEB Liability and Related Ratios**  
**For the year ended June 30, 2020**

	<b>Fiscal Year Ending June 30, 2020</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 63,413
Interest	295,791
Difference between expected and actual experience	268,711
Change of assumptions	156,183
Change in plan terms	-
Benefit payments (including refunds of employee contributions)	(397,247)
<b>Net change in total OPEB liability</b>	<u>386,851</u>
Total OPEB Liability - Beginning of year	<u>9,833,272</u>
Total OPEB Liability - End of year (a)	<u><u>10,220,123</u></u>
 <b>Plan Fiduciary Net Position</b>	
Employer contributions	397,247
Net investment income	12,190
Benefit payments (including refunds of employee contributions)	(397,247)
Administrative expenses	(1,102)
<b>Net change in Fiduciary Net Position</b>	<u>11,088</u>
Plan Fiduciary Net Position - Beginning of year	<u>603,331</u>
Plan Fiduciary Net Position - End of year (b)	<u><u>614,419</u></u>
 <b>Net OPEB Liability - Ending (a)-(b)</b>	 <u><u>\$ 9,605,704</u></u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 6.0%
 Covered-Employee Payroll	 \$ 588,525
Net OPEB Liability as Percentage of Payroll	1632%

Note: GASB Statement 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<b>Fiscal Year Ending June 30, 2019</b>	<b>Fiscal Year Ending June 30, 2018</b>
\$ 74,878	\$ 103,897
300,137	431,988
(98,888)	(88,853)
13,969	-
(4,368,569)	-
(380,682)	(335,982)
<u>(4,459,155)</u>	<u>111,050</u>
14,292,427	14,181,377
<u>9,833,272</u>	<u>14,292,427</u>
380,682	335,982
25,279	44,207
(380,682)	(335,982)
(1,220)	(1,353)
<u>24,059</u>	<u>42,854</u>
579,272	536,418
<u>603,331</u>	<u>579,272</u>
<u>\$ 9,229,941</u>	<u>\$ 13,713,155</u>
6.1%	4.1%
\$ 843,228	\$ 992,264
1095%	1382%

**CITY OF HASTINGS**  
**Single-employer Other Post Employment Benefits Plan**  
**Schedule of the Net OPEB Liability**  
**For the year ended June 30, 2020**

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	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total OPEB Liability	\$ 10,220,123	\$ 9,833,272	\$ 14,292,427
Plan Net Position	614,419	603,331	579,272
Net OPEB Liability	9,605,704	9,229,941	13,713,155
Plan Net Position as Percentage of Total OPEB Liability	6.0%	6.1%	4.1%
Covered-Employee Payroll	\$ 588,525	\$ 843,228	\$ 992,264
Net OPEB Liability as Percentage of Covered-Employee Payroll	1632%	1095%	1382%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CITY OF HASTINGS**  
**Single-employer Other Post Employment Benefits Plan**  
**OPEB Schedule of Contributions**  
**For the year ended June 30, 2020**

<b>Schedule of Employer Contributions</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>
Actuarially-determined employer contribution	\$ 584,630	\$ 590,387	\$ 808,642
Employer contribution	397,247	380,682	335,982
Contribution Deficiency/(Excess)	<u>\$ 187,383</u>	<u>\$ 209,705</u>	<u>\$ 472,660</u>
Covered-Employee Payroll	588,525	843,228	992,264
Contribution as a Percentage of Covered Payroll	67.5%	45.1%	33.9%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule:

Actuarial cost & amortization method	Entry age normal level percent
Remaining amortization period	26
Asset valuation method	Equal to market value of assets
Inflation	2.50%
Salary increases	2.50%
Investment rate of return	6.70% (net of investment expense, including inflation)
20-year AA municipal bond rate	2.66%
Healthcare cost trend rates	Pre-65 - 8.5% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%. Medicare - 6.75% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%.
Retirement age	Varies depending on plan adoption
Mortality	Public Safety and General, headcount weighted, annuitant and non-annuitant, sex distinct, healthy mortality with MP 2020 improvement scale

## **SUPPLEMENTARY INFORMATION**

## **NONMAJOR GOVERNMENTAL FUNDS**



**CITY OF HASTINGS**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

	Special Revenue		
	Major Streets	Local Streets	Cemetery
<b>Assets</b>			
Cash	\$ -	\$ -	\$ -
Cash equivalents, deposits and investments (Note B)	230,219	363,127	124,066
Due from other governmental units	86,418	35,239	-
<b>Total Assets</b>	<b>\$ 316,637</b>	<b>\$ 398,366</b>	<b>\$ 124,066</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 4,077	\$ 10,031	\$ 642
Accrued payroll	2,549	5,156	-
<b>Total Liabilities</b>	<b>6,626</b>	<b>15,187</b>	<b>642</b>
<b>Fund Balances</b>			
Assigned	-	-	-
Restricted	310,011	383,179	123,424
<b>Total Fund Balances</b>	<b>310,011</b>	<b>383,179</b>	<b>123,424</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 316,637</b>	<b>\$ 398,366</b>	<b>\$ 124,066</b>

Special Revenue

<u>Drug Enforcement</u>	<u>Police Training</u>	<u>Total</u>
\$ 805	\$ -	\$ 805
23,029	2,398	742,839
<u>-</u>	<u>-</u>	<u>121,657</u>
<u>\$ 23,834</u>	<u>\$ 2,398</u>	<u>\$ 865,301</u>
\$ -	\$ 339	\$ 15,089
<u>-</u>	<u>-</u>	<u>7,705</u>
<u>-</u>	<u>339</u>	<u>22,794</u>
-	2,059	2,059
<u>23,834</u>	<u>-</u>	<u>840,448</u>
23,834	2,059	842,507
<u>\$ 23,834</u>	<u>\$ 2,398</u>	<u>\$ 865,301</u>

**CITY OF HASTINGS**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2020**

	Special Revenue		
	Major Streets	Local Streets	Cemetery
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ 138,006
Licenses and permits	4,655	19,146	7,900
Federal sources	-	-	-
State sources	645,124	309,237	6,544
Charges for services	32,500	-	10,115
Fines and forfeits	-	-	-
Investment income and rentals	3,806	5,103	2,407
Other revenue	158	283	158
<b>Total Revenues</b>	<u>686,243</u>	<u>333,769</u>	<u>165,130</u>
<b>Expenditures</b>			
Current:			
Public safety	-	-	-
Public works	512,843	600,982	143,426
<b>Total Expenditures</b>	<u>512,843</u>	<u>600,982</u>	<u>143,426</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>173,400</u>	<u>(267,213)</u>	<u>21,704</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	370,000	-
Transfers out	(150,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(150,000)</u>	<u>370,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	23,400	102,787	21,704
<b>Fund Balances, Beginning of Year</b>	<u>286,611</u>	<u>280,392</u>	<u>101,720</u>
<b>Fund Balances, End of Year</b>	<u>\$ 310,011</u>	<u>\$ 383,179</u>	<u>\$ 123,424</u>

Special Revenue

<u>Drug Enforcement</u>	<u>Police Training</u>	<u>Total</u>
\$ -	\$ -	\$ 138,006
-	-	31,701
4,624	-	4,624
-	1,918	962,823
-	-	42,615
1,601	-	1,601
37	48	11,401
-	-	599
<u>6,262</u>	<u>1,966</u>	<u>1,193,370</u>
7,499	4,141	11,640
-	-	<u>1,257,251</u>
<u>7,499</u>	<u>4,141</u>	<u>1,268,891</u>
<u>(1,237)</u>	<u>(2,175)</u>	<u>(75,521)</u>
-	3,000	373,000
-	-	<u>(150,000)</u>
-	3,000	<u>223,000</u>
(1,237)	825	147,479
<u>25,071</u>	<u>1,234</u>	<u>695,028</u>
<u>\$ 23,834</u>	<u>\$ 2,059</u>	<u>\$ 842,507</u>

**CITY OF HASTINGS**  
**Major Streets Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	Budget	Actual	Variance Over (Under) Budget
<b>Revenues</b>			
Licenses and permits	\$ 4,500	\$ 4,655	\$ 155
State sources	626,700	645,124	18,424
Charges for services	32,500	32,500	-
Investment income and rentals	3,800	3,806	6
Other revenue	150	158	8
<b>Total Revenues</b>	<u>667,650</u>	<u>686,243</u>	<u>18,593</u>
<b>Expenditures</b>			
Current:			
Public works:			
Construction	9,500	9,460	40
Routine maintenance	387,310	362,807	24,503
Sweeping	68,980	61,605	7,375
Traffic services	43,620	22,507	21,113
Winter maintenance	71,995	56,464	15,531
<b>Total Expenditures</b>	<u>581,405</u>	<u>512,843</u>	<u>68,562</u>
<b>Excess of Revenues Over Expenditures</b>	<u>86,245</u>	<u>173,400</u>	<u>87,155</u>
<b>Other Financing Uses</b>			
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(63,755)</u>	<u>23,400</u>	<u>87,155</u>
<b>Fund Balances, Beginning of Year</b>	<u>286,611</u>	<u>286,611</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 222,856</u></u>	<u><u>\$ 310,011</u></u>	<u><u>\$ 87,155</u></u>

**CITY OF HASTINGS**  
**Local Streets Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	Budget	Actual	Variance Over (Under) Budget
<b>Revenues</b>			
Licenses and permits	\$ 20,000	\$ 19,146	\$ (854)
State sources	278,280	309,237	30,957
Investment income and rentals	4,000	5,103	1,103
Other revenue	200	283	83
<b>Total Revenues</b>	<u>302,480</u>	<u>333,769</u>	<u>31,289</u>
<b>Expenditures</b>			
Current:			
Public works:			
Routine maintenance	575,851	463,707	112,144
Sweeping	110,480	78,632	31,848
Traffic services	6,500	6,258	242
Winter maintenance	77,015	52,385	24,630
<b>Total Expenditures</b>	<u>769,846</u>	<u>600,982</u>	<u>168,864</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(467,366)</u>	<u>(267,213)</u>	<u>200,153</u>
<b>Other Financing Sources</b>			
Transfers in	<u>370,000</u>	<u>370,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(97,366)	102,787	200,153
<b>Fund Balances, Beginning of Year</b>	<u>280,392</u>	<u>280,392</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 183,026</u>	<u>\$ 383,179</u>	<u>\$ 200,153</u>

**CITY OF HASTINGS**  
**Cemetery Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Budget</u>
<b>Revenues</b>			
Property taxes	\$ 137,810	\$ 138,006	\$ 196
Licenses and permits	7,800	7,900	100
State sources	6,500	6,544	44
Charges for services	9,900	10,115	215
Investment income and rentals	2,180	2,407	227
Other revenue	150	158	8
<b>Total Revenues</b>	<u>164,340</u>	<u>165,130</u>	<u>790</u>
<b>Expenditures</b>			
Current:			
Public works	179,034	143,426	35,608
<b>Net Change in Fund Balances</b>	(14,694)	21,704	36,398
<b>Fund Balances, Beginning of Year</b>	<u>101,720</u>	<u>101,720</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 87,026</u>	<u>\$ 123,424</u>	<u>\$ 36,398</u>

**CITY OF HASTINGS**  
**Drug Enforcement Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Budget</u>
<b>Revenues</b>			
Federal sources	\$ 4,515	\$ 4,624	\$ 109
Fines and forfeits	1,500	1,601	101
Investment income and rentals	35	37	2
<b>Total Revenues</b>	<u>6,050</u>	<u>6,262</u>	<u>212</u>
<b>Expenditures</b>			
Current:			
Public safety	<u>8,000</u>	<u>7,499</u>	<u>501</u>
<b>Net Change in Fund Balances</b>	(1,950)	(1,237)	713
<b>Fund Balances, Beginning of Year</b>	<u>25,071</u>	<u>25,071</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 23,121</u>	<u>\$ 23,834</u>	<u>\$ 713</u>



**CITY OF HASTINGS**  
**Police Training Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Budget</u>
<b>Revenues</b>			
State sources	\$ 1,900	\$ 1,918	\$ 18
Investment income and rentals	45	48	3
<b>Total Revenues</b>	<u>1,945</u>	<u>1,966</u>	<u>21</u>
<b>Expenditures</b>			
Current:			
Public safety	<u>4,685</u>	<u>4,141</u>	<u>(544)</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(2,740)</u>	<u>(2,175)</u>	<u>565</u>
<b>Other Financing Sources</b>			
Transfers in	<u>3,000</u>	<u>3,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	260	825	565
<b>Fund Balances, Beginning of Year</b>	<u>1,234</u>	<u>1,234</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,494</u>	<u>\$ 2,059</u>	<u>\$ 565</u>

## **INTERNAL SERVICE FUNDS**

**CITY OF HASTINGS**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2020**

	Equipment Revolving	Administrative Services	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash equivalents, deposits and investments	\$ 938,502	\$ 558,429	\$ 1,496,931
Accounts receivable	123,451	-	123,451
Inventory	12,632	-	12,632
Prepaid expenses	3,741	-	3,741
<b>Total Current Assets</b>	<b>1,078,326</b>	<b>558,429</b>	<b>1,636,755</b>
<b>Noncurrent Assets</b>			
Capital assets not being depreciated	104,700	154,100	258,800
Capital assets being depreciated, net	1,156,100	982,965	2,139,065
<b>Total Noncurrent Assets</b>	<b>1,260,800</b>	<b>1,137,065</b>	<b>2,397,865</b>
<b>Total Assets</b>	<b>2,339,126</b>	<b>1,695,494</b>	<b>4,034,620</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	4,518	19,739	24,257
Accrued liabilities	1,252	5,243	6,495
Current portion of long-term debt	6,432	32,555	38,987
<b>Total Current Liabilities</b>	<b>12,202</b>	<b>57,537</b>	<b>69,739</b>
<b>Long-term debt, net of current portion</b>	<b>9,595</b>	<b>7,778</b>	<b>17,373</b>
<b>Total Liabilities</b>	<b>21,797</b>	<b>65,315</b>	<b>87,112</b>
<b>Net Position</b>			
Net investment in capital assets	1,260,800	1,137,065	2,397,865
Unrestricted	1,056,529	493,114	1,549,643
<b>Total Net Position</b>	<b>\$ 2,317,329</b>	<b>\$ 1,630,179</b>	<b>\$ 3,947,508</b>

**CITY OF HASTINGS**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the year ended June 30, 2020**

	Equipment Revolving	Administrative Services	Total
<b>Operating Revenues</b>			
Charges for services	\$ 732,813	\$ 1,383,872	\$ 2,116,685
<b>Operating Expenses</b>			
Personnel services	164,235	1,058,842	1,223,077
Supplies	147,847	9,206	157,053
Other services and charges	165,791	449,109	614,900
Other operating expenses	8,622	7,146	15,768
Depreciation	203,694	81,818	285,512
<b>Total Operating Expenses</b>	690,189	1,606,121	2,296,310
<b>Operating Income (Loss)</b>	42,624	(222,249)	(179,625)
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	12,896	18,013	30,909
Gain (loss) on disposal of capital assets	51,786	(3,060)	48,726
Other revenue	1,868	591	2,459
<b>Total Nonoperating Revenues</b>	66,550	15,544	82,094
<b>Changes in Net Position</b>	109,174	(206,705)	(97,531)
<b>Net Position, Beginning of Year</b>	2,208,155	1,836,884	4,045,039
<b>Net Position, End of Year</b>	<u>\$ 2,317,329</u>	<u>\$ 1,630,179</u>	<u>\$ 3,947,508</u>

**CITY OF HASTINGS**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the year ended June 30, 2020**

	Equipment Revolving	Administrative Services	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from internal services provided	\$ 609,362	\$ 1,407,045	\$ 2,016,407
Payments to suppliers for goods and services	(221,291)	(415,183)	(636,474)
Payments to employees for services	(157,801)	(1,104,797)	(1,262,598)
Payments for internal services	(81,434)	(15,782)	(97,216)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>148,836</u>	<u>(128,717)</u>	<u>20,119</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Receipts from nonoperating activities	<u>1,868</u>	<u>592</u>	<u>2,460</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital asset acquisitions	(222,256)	(2,100)	(224,356)
Proceeds from disposal of capital assets	<u>125,676</u>	<u>275</u>	<u>125,951</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(96,580)	(1,825)	(98,405)
<b>Cash Flows From Investing Activities</b>			
Interest received	12,896	18,013	30,909
(Purchase) sales of investments	<u>(67,020)</u>	<u>111,937</u>	<u>44,917</u>
<b>Net Increase in Cash and Cash Equivalents</b>	-	-	-
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Allocation of Cash Equivalents, Deposits and Investments</b>			
Cash equivalents, deposits and investments	<u>\$ 938,502</u>	<u>\$ 558,429</u>	<u>\$ 1,496,931</u>
<b>Total Cash Equivalents, Deposits and Investments Per Statement of Net Position</b>	<u>\$ 938,502</u>	<u>\$ 558,429</u>	<u>\$ 1,496,931</u>
<b>Reconciliation of Operating Income To Net Cash (Used For) Provided By Operating Activities</b>			
Operating income (loss)	<u>\$ 42,624</u>	<u>\$ (222,249)</u>	<u>\$ (179,625)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	203,694	81,818	285,512
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(123,451)	21,993	(101,458)
(Increase) decrease in due from other governments	-	1,180	1,180
(Increase) decrease in inventory	21,816	-	21,816
(Increase) decrease in prepaid expenses	(3,741)	9,925	6,184
Increase (decrease) in accounts payable	1,460	4,804	6,264
Increase (decrease) in accrued liabilities	(1,107)	(36,959)	(38,066)
Increase (decrease) in compensated absences	<u>7,541</u>	<u>10,771</u>	<u>18,312</u>
Total adjustments	<u>106,212</u>	<u>93,532</u>	<u>199,744</u>
<b>Net Cash (Used For) Provided By Operating Activities</b>	<u>\$ 148,836</u>	<u>\$ (128,717)</u>	<u>\$ 20,119</u>

## **AGENCY FUNDS**

**CITY OF HASTINGS**  
**Agency Funds**  
**Combining Statement of Fiduciary Net Assets and Liabilities**  
**For the year ended June 30, 2020**

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	General Agency	Current Tax Collections	Total
<b>Assets</b>			
Cash equivalents, deposits and investments	\$ 180	\$ -	\$ 180
<b>Liabilities</b>			
Accounts payable	\$ 150	\$ -	\$ 150
Due to other governmental units	30	-	30
<b>Total Liabilities</b>	<b>\$ 180</b>	<b>\$ -</b>	<b>\$ 180</b>

**CITY OF HASTINGS**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2020**

	<u>Balances</u> <u>July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances</u> <u>June 30, 2020</u>
<b>General Agency</b>				
<b>Assets</b>				
Cash equivalents, deposits and investments	\$ 210	\$ 96,563	\$ 96,593	\$ 180
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 23,047	\$ 22,897	\$ 150
Due to other governmental units	210	73,516	73,696	30
<b>Total Liabilities</b>	<b>\$ 210</b>	<b>\$ 96,563</b>	<b>\$ 96,593</b>	<b>\$ 180</b>
<b>Current Tax Collection</b>				
<b>Assets</b>				
Cash equivalents, deposits and investments	\$ -	\$ 9,546,603	\$ 9,546,603	\$ -
<b>Liabilities</b>				
Due to other governmental units	\$ -	\$ 9,546,603	\$ 9,546,603	\$ -
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash equivalents, deposits and investments	\$ 210	\$ 9,643,166	\$ 9,643,196	\$ 180
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 23,047	\$ 22,897	\$ 150
Due to other governmental units	210	9,620,119	9,620,299	30
<b>Total Liabilities</b>	<b>\$ 210</b>	<b>\$ 9,643,166</b>	<b>\$ 9,643,196</b>	<b>\$ 180</b>



## **COMPONENT UNITS**

**CITY OF HASTINGS**  
**Brownfield Redevelopment Authority Component Unit**  
**Balance Sheet**  
**June 30, 2020**

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**Assets**

Cash equivalents, deposits and investments (Note B) \$ 32

**Liabilities and Fund Balances**

Accounts payable \$ 352,459

**Fund Balances**

Unassigned deficit (352,427)

**Total Liabilities and Fund Balances** \$ 32

**CITY OF HASTINGS**  
**Brownfield Redevelopment Authority Component Unit**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2020**

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<b>Revenues</b>	
Property taxes	\$ 20,801
Investment income and rentals	<u>9</u>
<b>Total Revenues</b>	<u>20,810</u>
<b>Expenditures</b>	
Current:	
Blight removal	2,000
Debt service:	
Interest and fiscal charges	<u>9,163</u>
<b>Total Expenditures</b>	<u>11,163</u>
<b>Net Changes in Fund Balances</b>	9,647
<b>Fund Balances (deficit), Beginning of Year</b>	<u>(362,074)</u>
<b>Fund Balances (deficit), End of Year</b>	<u><u>\$ (352,427)</u></u>

**CITY OF HASTINGS**  
**Downtown Development Authority Component Unit**  
**Balance Sheet**  
**June 30, 2020**

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**Assets**

Cash equivalents, deposits and investments (Note B) \$ 334,687

**Liabilities and Fund Balances**

Accounts payable \$ 1,100

**Fund Balances**

Unassigned 333,587

**Total Liabilities and Fund Balances** \$ 334,687

**CITY OF HASTINGS**  
**Downtown Development Authority Component Unit**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2020**

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<b>Revenues</b>	
Property taxes	\$ 396,569
State sources	46,723
Charges for services	1,350
Investment income and rentals	5,416
Other revenue	<u>5,128</u>
<b>Total Revenues</b>	<u>455,186</u>
<b>Expenditures</b>	
Current:	
Community and economic development	386,702
Debt service:	
Interest and fiscal charges	<u>70</u>
<b>Total Expenditures</b>	<u>386,772</u>
<b>Net Change in Fund Balances</b>	68,414
<b>Fund Balances, Beginning of Year</b>	<u>265,173</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 333,587</u></u>

**CITY OF HASTINGS**  
**Local Development Finance Authority Component Unit**  
**Balance Sheet**  
**June 30, 2020**

---

**Assets**

Cash equivalents, deposits and investments (Note B)	\$ 319,379
Land held for resale	<u>23,738</u>

<b>Total Assets</b>	<u><u>\$ 343,117</u></u>
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**Liabilities and Fund Balances**

Accounts payable	<u>\$ -</u>
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**Fund Balances**

Unassigned	<u>343,117</u>
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<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 343,117</u></u>
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**CITY OF HASTINGS**  
**Local Development Finance Authority Component Unit**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2020**

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<b>Revenues</b>	
Property taxes	\$ 16,106
State sources	10,772
Investment income and rentals	<u>11,039</u>
<b>Total Revenues</b>	<u>37,917</u>
<b>Expenditures</b>	
Current:	
Community and economic development	<u>4,032</u>
<b>Excess of Revenues Over Expenditures</b>	<u>33,885</u>
<b>Other Financing Sources</b>	
Sale of capital assets	<u>35,731</u>
<b>Net Change in Fund Balances</b>	69,616
<b>Fund Balances, Beginning of Year</b>	<u>273,501</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 343,117</u></u>

## **INTERNAL CONTROL AND COMPLIANCE**





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

December 11, 2020

To the City Council  
City of Hastings

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information the City of Hastings, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 11, 2020.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Grand Rapids, Michigan