

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 8, 2024

NEW ISSUE
NOT BANK QUALIFIED

BOOK ENTRY ONLY
S&P GLOBAL RATINGS UNDERLYING RATING “AA+”

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See “Tax Exemption” and “Other Federal and State Tax Considerations” herein for additional information.

CITY OF HASTINGS, MINNESOTA \$10,295,000* General Obligation Charter Bonds, Series 2024A

Dated Date: Date of Delivery (Estimated to be April 17, 2024)

**Interest Due: Each February 1 and August 1
Commencing February 1, 2025**

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2025	\$170,000	_____%	_____%	_____	2/1/2031	1,040,000	_____	_____	_____
2/1/2026	905,000	_____	_____	_____	2/1/2032	1,075,000	_____	_____	_____
2/1/2027	930,000	_____	_____	_____	2/1/2033	1,105,000	_____	_____	_____
2/1/2028	965,000	_____	_____	_____	2/1/2034	1,140,000	_____	_____	_____
2/1/2029	990,000	_____	_____	_____	2/1/2035	965,000	_____	_____	_____
2/1/2030	1,010,000	_____	_____	_____					

The General Obligation Charter Bonds, Series 2024A (the “Bonds” or the “Issue”) are being issued by the City of Hastings, Minnesota (the “City” or the “Issuer”) pursuant to Minnesota Statutes, Chapter 475 and City Charter Section 5.16. Proceeds of the Bonds will be used to finance (a) the betterment of the (i) Hastings Civic Arena and (ii) City Hall and (b) improvements to (i) various streets located within the City and (ii) the municipal water, sanitary sewer and storm water systems, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2025. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2025. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be U.S. Bank Trust Company, National Association, St. Paul, Minnesota.

Proposals: Monday, March 18, 2024 10:00 A.M., Central Time

Award: Monday, March 18, 2024 7:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$10,212,640 (99.20%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see “Establishment of Issue Price” in the Notice of Sale herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the “Deposit”) in the amount of \$205,900, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE APRIL 17, 2024.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

City of Hastings, Minnesota
\$10,295,000 *
General Obligation Charter Bonds, Series 2024A
(Book-Entry Only)

AMOUNT -	\$10,295,000																								
ISSUER -	City of Hastings, Minnesota (the “City” or the “Issuer”)																								
AWARD DATE -	March 18, 2024																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																								
TYPE OF ISSUE -	General Obligation Charter Bonds, Series 2024A (the “Bonds” or the “Issue”)																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Charter Bonds, Series 2024A (the “Bonds”) are being issued by the City of Hastings, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapter 475 and City Charter Section 5.16. Proceeds of the Bonds will be used to finance (a) the betterment of the (i) Hastings Civic Arena and (ii) City Hall and (b) improvements to (i) various streets located within the City and (ii) the municipal water, sanitary sewer and storm water systems, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																								
DATE OF ISSUE -	Date of Delivery (Estimated to be April 17, 2024)																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																								
MATURITIES* -	<table><tr><td>2/1/2025</td><td>\$170,000</td><td>2/1/2028</td><td>\$965,000</td><td>2/1/2031</td><td>\$1,040,000</td><td>2/1/2034</td><td>\$1,140,000</td></tr><tr><td>2/1/2026</td><td>905,000</td><td>2/1/2029</td><td>990,000</td><td>2/1/2032</td><td>1,075,000</td><td>2/1/2035</td><td>965,000</td></tr><tr><td>2/1/2027</td><td>930,000</td><td>2/1/2030</td><td>1,010,000</td><td>2/1/2033</td><td>1,105,000</td><td></td><td></td></tr></table>	2/1/2025	\$170,000	2/1/2028	\$965,000	2/1/2031	\$1,040,000	2/1/2034	\$1,140,000	2/1/2026	905,000	2/1/2029	990,000	2/1/2032	1,075,000	2/1/2035	965,000	2/1/2027	930,000	2/1/2030	1,010,000	2/1/2033	1,105,000		
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2/1/2026	905,000	2/1/2029	990,000	2/1/2032	1,075,000	2/1/2035	965,000																		
2/1/2027	930,000	2/1/2030	1,010,000	2/1/2033	1,105,000																				
REDEMPTION -	The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																								
PAYING AGENT/REGISTRAR -	U.S. Bank Trust Company, National Association, St. Paul, Minnesota																								
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Not Bank Qualified Tax-Exempt Obligations</u> - The City will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																								
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”)																								
BOND RATING -	The City received an underlying rating of “AA+” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																								
CLOSING -	Estimated to be April 17, 2024																								
PRIMARY CONTACTS -	Chris Eitemiller, Finance Manager, City of Hastings, Minnesota 651-480-2347 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930																								

* Preliminary, subject to change.

CITY OF HASTINGS, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials	City Council	
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Mary Fasbender	Mayor	12/31/2026
Tina Folch	Ward 1 Council Member	12/31/2024
Jen Fox	Ward 2 Council Member	12/31/2024
Lisa Leifeld	Ward 3 Council Member	12/31/2024
Tim Lawrence	Ward 4 Council Member	12/31/2024
Angie Haus	At Large Council Member	12/31/2026
Dave Pemble	At Large Council Member	12/31/2026

Primary Contacts

Dan Wietecha	City Administrator
Chris Eitemiller	City Finance Manager
Korine Land	City Attorney

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$10,295,000*

GENERAL OBLIGATION CHARTER BONDS, SERIES 2024A

CITY OF HASTINGS, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Finance Manager, or designee, on Monday, March 18, 2024, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Monday, March 18, 2024 at 7:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) emailed to PublicSale@northlandsecurities.com
- d) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
- e) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Monday, March 18, 2024. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be April 17, 2024)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 5.16 of the City Charter. Proceeds will be used to finance (a) the betterment of the (i) Hastings Civic Arena and (ii) City Hall and (b) improvements to (i) various streets located within the City and (ii) the municipal water, sanitary sewer and storm water systems, and to pay costs associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$170,000	2029	\$990,000	2033	\$1,105,000
2026	905,000	2030	1,010,000	2034	1,140,000
2027	930,000	2031	1,040,000	2035	965,000
2028	965,000	2032	1,075,000		

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price

to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Municipal Advisor and any notice or report to be provided to the City may be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

- (1) the close of the fifth (5th) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable

to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party,*
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
- (4) “sale date” means the date that the Bonds are awarded by the City to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2033 through 2035 are subject to redemption and prepayment at the option of the City on February 1, 2032 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Taft Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$10,212,640 (99.20%) and accrued interest on the principal sum of \$10,295,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Chris Eitemiller, Finance Manager
Hastings City Hall
101 4th Street East
Hastings, Minnesota 55033

A good faith deposit (the "Deposit") in the amount of \$205,900 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

NO BANK QUALIFICATION

The City will not designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: February 20, 2024

BY ORDER OF THE HASTINGS CITY COUNCIL

/s/Chris Eitemiller
Finance Manager

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of _____ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Charter Bonds, Series 2024A (the "Bonds") of the City of Hastings, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: April 17, 2024.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of _____ (the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Charter Bonds, Series 2024A (the "Bonds") of the City of Hastings, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

(a) The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds,

and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: April 17, 2024.

AUTHORITY AND PURPOSE

The General Obligation Charter Bonds, Series 2024A (the “Bonds” or the “Issue”) are being issued by the City of Hastings, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapter 475 and City Charter Section 5.16. Proceeds from issuance of the Bonds will be used to finance (a) the betterment of the (i) Hastings Civic Arena and (ii) City Hall and (b) improvements to (i) various streets located within the City and (ii) the municipal water, sanitary sewer and storm water systems, and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of Bonds	\$ 10,295,000*
Contribution from Water Funds	99,910
Contribution from Sewer Funds	62,196
Contribution from Stormwater Funds	<u>49,321</u>
 Total Sources of Funds:	 <u>\$ 10,504,427</u>

Uses of Funds

Deposit to Project Fund	\$ 9,925,000
Deposit to Debt Service Fund	211,427
Deposit to Capitalized Interest Fund	198,159
Costs of Issuance/Underwriter’s Discount	169,960
Rounding Amount	<u>1,881</u>
 Total Uses of Funds:	 <u>\$ 10,506,427</u>

BONDHOLDERS’ RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which

* Preliminary, subject to change.

a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

S&P Global Ratings has assigned a rating of “AA+” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be April 17, 2024), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2025. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2025. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder

of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Hastings takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. Prior continuing disclosure agreements of the City required the City to file its Annual Report "as soon as available," but not later than December 31 of the following fiscal year. The City has always provided its Annual Report, consisting of Financial and Operating Data and its Audited Financial Statements, prior to the December 31 deadline, although certain portions of the Annual Report information may have been available earlier. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Certificate* herein for additional information.

The City has implemented disclosure policies and procedures to be followed by the City in relation to the financial disclosures and reportable events for which the City must provide notice to the MSRB's Electronic Municipal Market Access system. The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$_____, which is the par amount of the Bonds of \$_____ less the Underwriter's discount of \$_____, plus the original issue premium of \$_____.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received an underlying rating of “AA+” from S&P Global Ratings (“S&P”). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds (“OID Bonds”) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder’s tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder’s tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Not Qualified Tax-Exempt Obligations

The City will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

CITY OF HASTINGS, MINNESOTA

GENERAL INFORMATION

Location and Access

The City of Hastings is located in Dakota and Washington Counties. The seat of Dakota County, the City is situated approximately 20 miles south of St. Paul and is part of the Twin Cities Metropolitan Area.

Population

2000 Census	18,204	2020 Census	22,154
2010 Census	22,172	2024 City Estimate	22,326

Labor Force Data¹

Comparative average labor force and unemployment rate figures for year-end 2023 and year-end 2022 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	2023		2022	
	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>
Dakota County	243,885	2.7%	241,932	2.4%
Minneapolis-St. Paul- Bloomington MSA	2,026,235	2.8	2,030,823	2.6
Minnesota	3,099,163	3.0	3,077,500	2.7

Income Data²

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	City of Hastings	State of Minnesota	United States
Median Family Income	\$75,508	\$107,072	\$ 92,646
Per Capita Income	42,511	44,947	41,261

City Government

Hastings, incorporated in 1857, is governed by a Home Rule Charter adopted in 1973. It has a mayor-council form of government. The Mayor is a voting member of the council and is elected at-large for a four-year term. One council member is elected from each of the City's four wards and two council members are elected at large, all serving overlapping four-year terms. The City employs on average 226 people, 107 full-time and an average of 119 part-time. The professional staff is appointed and consists of a City Administrator, Assistant City Administrator/Human Resources Director, Finance Manager, Public Works Director, City Engineer, Community Development Director, Building Official, Police Chief, and Fire and EMS Director.

Municipal Enterprise Services

Municipal enterprise services provided by the City include the water utility system, the sewer utility system and the storm water system.

¹ Source: Minnesota Department of Employment and Economic Development.

² Source: 2018-2022 American Community Survey, U.S. Census Bureau.

Bargaining Units/Labor Contracts

The labor unions representing certain City employee groups are shown below.

<u>Employee Group</u>	<u>Contract Expiration Date</u>
Fire Fighters	12/31/2023*
Fire Captains	12/31/2023*
LELS (Law Enforcement Labor Services)	12/31/2025
LELS - Supervisors	12/31/2026
Local 49ers	12/31/2026

*as of January 15, 2024 these unions had not agreed to new contracts

Employee Pension Programs

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

GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

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

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

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.5% for Coordinated Plan members. PEPFF were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions were equal to the required contributions as set by state statute.

Contributions to GERF and PEPFF have been as follows:

<u>Year</u>	<u>Amount</u>
2022	\$1,318,147
2021	1,219,029
2020	1,124,975
2019	1,086,534
2018	1,021,037

Volunteer firefighters of the City are eligible for pension benefits through membership in the Hastings Firefighter's Relief Association organized under Minnesota Statutes, Chapter 69, Chapter 424A and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan. State statute requires this plan to fund current service cost as it accrues and prior service cost amortized over a period of ten years.

All members of the Hastings Fire Department who have served for at least 20 years and have reached the age of 50 years shall be paid a pension equal to the sum of \$5,100 per year of service. Volunteers who have served a minimum of 10 years but less than 20 years shall be paid a pension at age 50 according to the following schedule:

10 years - 60%	13 years - 72%	16 years - 84%	19 years - 96%
11 years - 64%	14 years - 76%	17 years - 88%	20 years - 100%
12 years - 68%	15 years - 80%	18 years - 92%	

Other Post-Employment Benefits (“OPEB”)

Beginning with the year December 31, 2018, the City implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The City provides a single employer-defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. As of January 1, 2022, the City had 27 retirees or beneficiaries receiving benefits and 102 active plan members receiving benefits for the City’s health plan.

Changes in the City’s net OPEB liability for the fiscal year ended December 31, 2022 are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2021	\$ 4,478,476
Service Cost	\$ 101,368
Interest	87,994
Differences between expected and actual economic experience	159,560
Assumption Changes	27,580
Benefit Payments	(362,095)
Net Change in OPEB Liability	<u>\$ 14,407</u>
Balances at January 1, 2022	<u>\$ 4,492,883</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.50% in 2021 to 2.00% in 2022.

Additional information regarding the City’s OPEB obligations is provided in the City’s Comprehensive Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 10.

Estimated Cash/Investment Balances as of January 15, 2024 (unaudited)

Fund Name

General Fund	\$10,389,753
Special Revenue Funds	1,389,035
Debt Service Funds	4,508,584
Capital Projects Funds	1,085,045
Enterprise Funds	8,386,151
Internal Service Fund	2,166,579
Agency Fund	0
HEDRA Fund	<u>784,203</u>
Total Estimated Cash/Investment Balances	\$28,709,350

General Fund Budget Summary

	2023 Adopted Budget	2024 Adopted Budget
Revenues:		
Property Taxes	\$10,226,093	\$11,259,235
Licenses and Permits	707,683	706,383
Intergovernmental Revenue	3,449,603	2,380,386
Charges for Services	940,896	1,075,396
Fines and Forfeits	100,500	100,500
Investment Income	45,000	45,000
Miscellaneous	3,000	488,000
Transfers In	500,710	511,892
Total Revenues	\$15,973,485	\$16,566,792
Expenditures:		
General Government	\$3,473,234	\$3,663,486
Public Safety	7,198,567	7,817,449
Public Works	2,550,961	2,260,508
Health and Sanitation	45,050	45,050
Culture and recreation	81,900	83,231
Capital Outlay	666,161	1,545,268
Transfers Out	1,957,613	1,151,800
Total Expenditures	\$15,973,486	\$16,566,792
Revenues Over (Under) Expenditures	\$0	\$0
Beginning Fund Balance (January 1)	\$10,395,179	\$11,797,767
Ending Fund Balance (December 31)	\$11,797,767	\$11,797,767

Residential Development

There are 9,578 households located within the City as of December 31, 2023 based on estimates provided by the Metropolitan Council. In addition, there were 182 apartment units, 24 single-family homes and 1 manufactured homes constructed within the past 12 months (January 1, 2023 – December 31, 2023).

Subdivisions planned or constructed within the past three years are as follows:

<u>Subdivision Name</u>	<u>Total Lots/Units</u>	<u>Vacant Lots/Units</u>	<u>Year Constructed</u>	<u>Status (% Developed)</u>
Wallin 18 th -19 th Addition*	24	16	2020-23	66%
The Confluence (Mixed Use Building)	18	18	2023	Developed
Vermillion Acres - Senior Housing – Affordable Living	75	75	2022-24	25%
The Quill (former Schoolhouse Square) – Senior Housing - Affordable Independent Living	90	90	2022	Developed
Heritage Ridge 1 st -3 rd Additions* - Single-Family and Villa Homes	80	36	2020-22	45%
Villas at Pleasant – Villa Homes	32	19	2021-23	59%
Tyler Street Landing	32	32	2022-23	Construction may begin in 2024
Lake Isabel Flats (Stencil Flats on 3rd)	89	89	2022-24	80%
Current 33 (Enclave)	211	211	2022-24	60%
Suite Living – Senior Assisted and Memory Care	32	32	2024	Approved for Construction
Walden at Hastings	511	511	2024-	Under Environmental Review
South Oaks of Hastings 4 th Add	35	35	2024	Approved for Construction

**Each of these subdivisions are part of larger, previously approved, developments. New plats are established as prior subdivisions are fully developed.*

Business – Industrial Park

The City has one industrial park totaling approximately 250 acres. Currently there are approximately 50 enterprises occupying the park, the larger of which include Innovative Surfaces, Quality One Woodwork, Intek Plastics, and Cranky Ape. There are currently approximately 60 acres available for sale and development. In the past year, one lot has been sold for and is under development.

Commercial/Industrial Development

Building construction and commercial/industrial development completed within the past three years have been as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>	<u>Year Completed</u>
Gregg Lowe Auto	Auto Repair	6,000 s.f.	2024*
KFC	Restaurant	Quick Serve Restaurant	2023
Therapy OPS	Office	New Therapy Clinic	2023
The Confluence	Mixed Use	Hotel, Conference Center, Restaurant, Retail	2023
Quality One Woodwork	Manufacturing	50,000 s.f. expansion Rehabilitation of former 130,000 s.f.	2022
Fleet Farm	Retail	Target Store	2022
Jersey Mike's	Restaurant	Sandwich Shop	2022
Custom Sawdust	Manufacturing	4,500 sf Building	2021
Simply Secure Mini Storage	Mini Storage	40,000 sf Building	2021

*Estimated completion year.

Building Permits

Building permits issued for the past five years and a portion of the current year have been as follows:

<u>Year</u>	<u>Commercial/ Industrial Number of Permits</u>	<u>Residential Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2023	78	207	285	67,449,011
2022	75	264	339	172,684,642
2021	84	129	213	28,081,000
2020	83	56	139	25,698,229
2019	49	88	137	28,935,139

Banking/Financial Institutions

Banking and financial services providers within the City include First National Bank; Frandsen Bank & Trust; Merchants Bank, National Association; Midcountry Bank; North American Banking Company; Premier Bank Minnesota; Vermillion State Bank; and Wells Fargo Bank, National Association.

Education

Hastings is served by Independent School District No. 200, Hastings, which operates three elementary schools, one middle school and a senior high school.

Major Employers¹

Following are some of the major employers within the City:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
Dakota County	Government	700
School District #200, Hastings	Education	560
Allina Health System	Medical Services	370
Walmart Super Center	Department Store	268
Intek Plastics, Inc.	Plastics Products	225
Quality One Woodwork, LLC	Woodworking	155
Coborns	Grocery Store	131
Ardent Mills	Flour Mill	130
Augustana Health Care Center	Health Care	130

Largest Taxpayers³

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2022/2023 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$29,325,480)⁴</u>
VMA 1000 LLC	Apartment	\$ 235,516	0.80%
Hastings Marketplace Station LLC	Commercial	216,812	0.74
Walmart Real Estate Business Trust	Commercial	216,214	0.74
Voyageur Estates LLC	Apartment	184,866	0.63
Casey Capital V LLC	Apartment	158,043	0.54
Regina Medical Center	Commercial	153,368	0.52
Gasparre Hidden Valley LLC	Apartment	149,892	0.51
Siewert Brothers Investment LLC	Industrial	144,175	0.49
Hastings Medical Office Building, LLC	Commercial	144,116	0.49
Centerpoint - Minnegasco	Utility	<u>132,540</u>	<u>0.45</u>
		<u>\$ 1,735,542</u>	<u>5.91%</u>

(Remainder of page intentionally left blank)

¹ Source: The City and Reference USA.

² Includes full-time, part-time and seasonal employees.

³ As reported by Dakota and Washington counties.

⁴ Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2021/ 2022</u>	<u>2022/ 2023</u>	<u>2023/ 2024</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,880,000			
	Over \$1,880,000			
	First \$1,890,000	0.50	0.50	
	Over \$1,890,000	1.00	1.00	
	First \$2,150,000			0.50
	Over \$2,150,000			1.00
	<u>Agricultural Homestead Land</u> ¹	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> *	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ²	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†] (Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†] Non-Commercial (Cabin): First \$500,000*	1.00	1.00	1.00
	Over \$500,000*	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000		.75	.75
	Over \$100,000		.25	.25
	First \$174,000	.75		
	Over \$174,000	.25		

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes structures.

² Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF HASTINGS, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value <u>2022/2023</u></i>	<i>Net Tax Capacity <u>2022/2023</u></i>
Real Property		
Dakota County	\$ 2,737,012,400	\$29,270,491
Washington County	3,235,200	54,533
	\$2,740,247,600	\$29,325,024
Personal Property		
Dakota County	11,019,400	210,231
Washington County	23,300	466
	<u>11,042,700</u>	<u>210,697</u>
Less Tax Increment Deductions		
Dakota County	N/A	(61,152)
Washington County	N/A	(0)
		(61,152)
Fiscal Disparity Contribution ²		
Dakota County	N/A	(1,706,072)
Washington County	N/A	(17,549)
		(1,723,621)
Fiscal Disparity Distribution ²		
Dakota County	N/A	4,596,576
Washington County	N/A	462
		<u>4,597,038</u>
Total Valuation	<u>\$2,751,290,300</u>	<u>\$32,347,986</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Dakota and Washington County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

² Fiscal Disparities Law

The 1971 Legislature enacted a “fiscal disparities law” which allows all the Twin Cities Metropolitan Area Municipalities to share in commercial/industrial growth, regardless of where the growth occurred geographically. Forty percent (40%) of every metropolitan municipality’s growth in commercial/industrial assessed valuation is pooled then redistributed to all municipalities on the basis of population and per capita valuation *after* the tax increment and fiscal disparity adjustments.

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments & Fiscal Disparities</i>	<i>Tax Capacity After Tax Increments & Fiscal Disparities</i>
2022/2023	\$2,901,500,714	94.95%	\$2,751,290,300	\$2,655,928,068	\$29,535,721	\$32,347,986
2021/2022	2,583,535,347	89.88	2,320,059,000	2,204,090,273	24,591,252	27,833,740
2020/2021	2,351,534,244	95.22	2,236,862,500	2,118,921,611	23,785,585	26,696,035
2019/2020	2,234,924,201	96.22	2,148,829,600	2,028,876,677	22,716,626	25,590,202
2018/2019	2,118,260,689	94.81	2,011,870,700	1,886,327,411	21,253,470	23,788,368

Breakdown of Valuations

2022/2023 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	\$ 22,351,370	76.22%
Agricultural	50,067	0.17
Commercial & Industrial	4,481,584	15.28
Public Utility	30,520	0.10
Railroad	82,896	0.28
Residential Non-Homestead	2,113,989	7.21
Seasonal/Recreational	0	0.00
Rural Vacant	4,367	0.02
Personal Property	<u>210,697</u>	<u>0.72</u>
Totals:	<u>\$ 29,325,490</u>	<u>100.00%</u>

Tax Capacity Rates

Tax capacity rates for a City resident within Dakota County, for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2018/19 Tax Capacity Rates</i>	<i>2019/20 Tax Capacity Rates</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>
Dakota County	25.386%	24.133%	22.716%	21.630%	18.816%
City of Hastings	59.612	57.391	57.351	58.807	53.267
ISD No. 200, Hastings	19.079	17.924	16.757	16.214	14.207
Metropolitan Council	0.666	0.606	0.635	0.649	0.564
Mosquito Control	0.435	0.406	0.384	0.372	0.325
CDA	1.479	1.469	1.375	1.391	1.176
Light Rail	0.000	0.000	0.000	0.000	0.000
Vermillion River Watershed	0.403	0.399	0.370	0.348	0.287
Hastings HRA	<u>1.453</u>	<u>1.455</u>	<u>1.472</u>	<u>1.491</u>	<u>1.310</u>
Totals:	<u>108.513%</u>	<u>103.783%</u>	<u>101.060%</u>	<u>100.902%</u>	<u>89.952%</u>
<i>Market Value Rates:</i>	<i>2018/2019</i>	<i>2019/2020</i>	<i>2020/2021</i>	<i>2021/2022</i>	<i>2022/2023</i>
ISD No. 200 (Hastings)	0.26713%	0.24540%	0.22960%	0.22247%	0.22290%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 3/31/23</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2022/2023	\$14,650,258		In Process of Collection		
2021/2022	13,383,177	\$13,306,656	99.43%	\$13,333,852	99.63%
2020/2021	12,655,172	12,581,820	99.42	12,621,048	99.89
2019/2020	12,052,216	11,956,981	99.21	12,030,884	99.98
2018/2019	11,651,873	11,546,984	99.10	11,629,450	99.98

¹ 2022/2023 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Dakota and Washington counties.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of March 2, 2024:

2022/2023 Estimated Market Value	\$ 2,751,290,300
Multiplied by 3%	<u>x .03</u>
Statutory Debt Limit	<u>\$ 82,538,709</u>

Less outstanding debt applicable to debt limit:

\$3,200,000 General Obligation Bonds, Series 2014A	\$ 75,000
\$2,755,000 General Obligation Bonds, Series 2015A	455,000
\$3,295,000 General Obligation Bonds, Series 2016B	690,000
\$3,820,000 General Obligation Bonds, Series 2018A	540,000
\$6,215,000 General Obligation Bonds, Series 2022A	895,000
\$3,125,000 General Obligation Bonds, Series 2023A	3,125,000
\$10,295,000 General Obligation Charter Bonds, Series 2024A (This Issue)	<u>10,295,000</u>

Total Debt applicable to debt limit: \$ 16,075,000

Legal debt margin \$ 66,463,709

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of March 2, 2024, Plus This Issue)

Purpose:	G.O. Bonds, Series 2014A	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2016B	G.O. Bonds, Series 2018A	
Dated:	11/25/14	09/03/15	11/03/16	07/18/18	
Original Amount:	\$855,000	\$2,395,000	\$2,300,000	\$980,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	0.65-2.50%	2.00-2.20%	2.00%	3.00-4.00%	
<hr/>					
2024	\$0	\$0	\$0	\$0	2024
2025	75,000	225,000	225,000	100,000	2025
2026	0	230,000	230,000	105,000	2026
2027	0	0	235,000	110,000	2027
2028	0	0	0	110,000	2028
2029	0	0	0	115,000	2029
2030	0	0	0	0	2030
2031	0	0	0	0	2031
2032	0	0	0	0	2032
2033	0	0	0	0	2033
2034	0	0	0	0	2034
2035	0	0	0	0	2035
<hr/>					
	\$75,000	\$455,000	\$690,000	\$540,000	
	(1)	(2)	(3)	(4)	

GENERAL OBLIGATION DEBT PAYABLE FROM TAXES CONTINUED

Purpose:	This Issue				
	G.O. Bonds, Series 2022A	G.O. Bonds, Series 2023A	G.O. Charter Bonds, Series 2024A	TOTAL PRINCIPAL:	TOTAL PRIN & INT:
Dated:	06/01/22	06/29/23	04/17/24		
Original Amount:	\$975,000	\$3,125,000	\$10,295,000		
Maturity:	1-Feb	1-Feb	1-Feb		
Interest Rates:	3.00-5.00%	4.00-5.00%			
2024	\$0	\$0	\$0	\$0	\$113,368
2025	80,000	250,000	170,000	1,125,000	1,724,976
2026	85,000	260,000	905,000	1,815,000	2,280,368
2027	90,000	275,000	930,000	1,640,000	2,050,545
2028	95,000	290,000	965,000	1,460,000	1,819,615
2029	100,000	300,000	990,000	1,505,000	1,814,245
2030	105,000	320,000	1,010,000	1,435,000	1,693,895
2031	110,000	335,000	1,040,000	1,485,000	1,694,285
2032	115,000	350,000	1,075,000	1,540,000	1,699,859
2033	115,000	365,000	1,105,000	1,585,000	1,694,401
2034	0	380,000	1,140,000	1,520,000	1,577,685
2035	0	0	965,000	965,000	980,923
	\$895,000	\$3,125,000	\$10,295,000	\$16,075,000	\$19,144,164
	(5)	(6)			

NOTE: 85% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$3,200,000 General Obligation Bonds, Series 2014A, dated November 25, 2014, consisting of \$2,345,000 backed by special assessments and \$855,000 backed by ad valorem taxes.
- (2) This schedule represents a portion of the \$2,755,000 General Obligation Bonds, Series 2015A, dated September 3, 2015, consisting of \$360,000 backed by special assessments and \$2,395,000 backed by ad valorem taxes.
- (3) This schedule represents a portion of the \$3,295,000 General Obligation Bonds, Series 2016B, dated November 3, 2016, consisting of \$995,000 backed by special assessments and \$2,300,000 backed by ad valorem taxes.
- (4) This schedule represents a portion of the \$3,820,000 General Obligation Bonds, Series 2018A, dated July 18, 2018, consisting of \$1,580,000 backed by special assessments, \$1,260,000 backed by utility revenues, and \$980,000 backed by ad valorem taxes.
- (5) This schedule represents a portion of the \$5,815,000 General Obligation Bonds, Series 2022A, dated June 1, 2022, consisting of \$3,135,000 backed by special assessments, \$1,705,000 backed by utility revenues, and \$975,000 backed by ad valorem taxes.
- (6) This schedule represents a portion of the \$4,095,000 General Obligation Bonds, Series 2023A, dated June 29, 2023, consisting of water utility revenues, \$360,000 backed by sewer utility revenues and \$3,125,000 backed by ad valorem taxes.

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of March 2, 2024)

Purpose:	G.O. Bonds, Series 2014A	G.O. Bonds, Series 2015A	G.O. Improvement Bonds, Series 2016B	G.O. Improvement Bonds, Series 2017A	G.O. Bonds, Series 2018A	
Dated:	11/25/14	09/03/15	11/03/16	11/02/17	07/18/18	
Original Amount:	\$2,345,000	\$360,000	\$995,000	\$1,015,000	\$1,580,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	0.65-2.50%	0.75-2.20%	2.00%	2.75-2.875%	3.00-4.00%	
2024	\$0	\$0	\$0	\$0	\$0	2024
2025	270,000	40,000	105,000	105,000	160,000	2025
2026	0	40,000	105,000	105,000	165,000	2026
2027	0	0	110,000	105,000	165,000	2027
2028	0	0	0	110,000	170,000	2028
2029	0	0	0	0	175,000	2029
2030	0	0	0	0	0	2030
2031	0	0	0	0	0	2031
2032	0	0	0	0	0	2032
2033	0	0	0	0	0	2033
	\$270,000	\$80,000	\$320,000	\$425,000	\$835,000	
	(1)	(2)	(3)		(4)	

GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENT CONTINUED

Purpose:	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A	G.O. Bonds, Series 2021A	G.O. Bonds, Series 2022A			
Dated:	08/08/19	10/01/20	08/26/21	06/01/22			
Original Amount:	\$2,595,000	\$2,045,000	\$925,000	\$3,135,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb			
Interest Rates:	5.00%	2.00-4.00%	1.00-3.00%	3.00-5.00%	TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
2024	\$0	\$0	\$0	\$0	\$0	\$165,606	2024
2025	255,000	195,000	85,000	265,000	1,480,000	1,784,544	2025
2026	270,000	200,000	90,000	275,000	1,250,000	1,502,666	2026
2027	285,000	210,000	90,000	290,000	1,255,000	1,457,514	2027
2028	295,000	220,000	95,000	305,000	1,195,000	1,347,614	2028
2029	310,000	225,000	100,000	320,000	1,130,000	1,233,283	2029
2030	330,000	235,000	100,000	335,000	1,000,000	1,059,433	2030
2031	0	240,000	100,000	355,000	695,000	726,683	2031
2032	0	0	105,000	365,000	470,000	487,329	2032
2033	0	0	0	375,000	375,000	380,625	2033
	\$1,745,000	\$1,525,000	\$765,000	\$2,885,000	\$8,850,000	\$10,145,295	
	(5)	(6)	(7)	(8)			

NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$3,200,000 General Obligation Bonds, Series 2014A, dated November 25, 2014, consisting of \$2,345,000 backed by special assessments and \$855,000 backed by ad valorem taxes.
- (2) This schedule represents a portion of the \$2,755,000 General Obligation Bonds, Series 2015A, dated September 3, 2015, consisting of \$360,000 backed by special assessments and \$2,395,000 backed by ad valorem taxes.
- (3) This schedule represents a portion of the \$3,295,000 General Obligation Bonds, Series 2016B, dated November 3, 2016, consisting of \$995,000 backed by special assessments and \$2,300,000 backed by ad valorem taxes.
- (4) This schedule represents a portion of the \$3,820,000 General Obligation Bonds, Series 2018A, dated July 18, 2018, consisting of \$1,580,000 backed by special assessments, \$1,260,000 backed by utility revenues, and \$980,000 backed by ad valorem taxes.
- (5) This schedule represents a portion of the \$3,270,000 General Obligation Bonds, Series 2019A, dated August 8, 2019, consisting of \$2,595,000 backed by special assessments and \$675,000 backed by water utility revenues.
- (6) This schedule represents a portion of the \$3,180,000 General Obligation Bonds, Series 2020A, dated October 1, 2020, consisting of \$2,045,000 backed by special assessments, \$470,000 backed by sewer utility revenues and \$665,000 backed by water utility revenues.
- (7) This schedule represents a portion of the \$2,070,000 General Obligation Bonds, Series 2021A, dated August 26, 2021, consisting of \$925,000 backed by special assessments, \$500,000 backed by sewer utility revenues and \$645,000 backed by water utility revenues.
- (8) This schedule represents a portion of the \$5,815,000 General Obligation Bonds, Series 2022A, dated June 1, 2022, consisting of special assessments, \$1,705,000 backed by utility revenues, and \$975,000 backed by ad valorem taxes.

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS/TAX ABATEMENTS
(As of March 2, 2024)

Purpose:	<div style="border: 1px solid black; padding: 5px; text-align: center;"> G.O. Tax Increment Revenue Bonds, Series 2016A </div>			
Dated:	01/21/16			
Original Amount:	\$2,265,000			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-2.75%	PRINCIPAL:	PRIN & INT:	
2024	\$0	\$0	\$11,375	2024
2025	180,000	180,000	200,950	2025
2026	185,000	185,000	201,838	2026
2027	185,000	185,000	197,213	2027
2028	195,000	195,000	202,219	2028
2029	165,000	165,000	167,269	2029
	\$910,000	\$910,000	\$980,864	
	(1)			

NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) These bonds are payable primarily from tax increments and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of March 2, 2024)

Purpose:	G.O. Refunding Bonds, Series 2013A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2020A	G.O. Bonds, Series 2021A	
Dated:	02/21/13	07/18/18	08/08/19	10/01/20	08/26/21	
Original Amount:	\$2,820,000	\$1,260,000	\$675,000	\$1,135,000	\$1,145,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	2.00%	3.00-4.00%	5.00%	2.00-4.00%	1.00-3.00%	
2024	\$0	\$0	\$0	\$0	\$0	2024
2025	265,000	125,000	65,000	110,000	105,000	2025
2026	270,000	135,000	70,000	110,000	115,000	2026
2027	275,000	140,000	75,000	115,000	115,000	2027
2028	0	140,000	75,000	120,000	115,000	2028
2029	0	145,000	80,000	125,000	125,000	2029
2030	0	0	85,000	130,000	125,000	2030
2031	0	0	0	135,000	125,000	2031
2032	0	0	0	0	125,000	2032
2033	0	0	0	0	0	2033
	\$810,000	\$685,000	\$450,000	\$845,000	\$950,000	
	(1)	(2)	(3)	(4)	(5)	

GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES CONTINUED

Purpose:	G.O. Bonds, Series 2022A	G.O. Bonds, Series 2023A			
Dated:	06/01/22	06/29/23			
Original Amount:	\$1,705,000	\$970,000			
Maturity:	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	3.00-5.00%	4.00-5.00%	PRINCIPAL:	PRIN & INT:	
2024	\$0	\$0	\$0	\$109,231	2024
2025	145,000	80,000	895,000	1,097,838	2025
2026	150,000	80,000	930,000	1,100,388	2026
2027	155,000	85,000	960,000	1,096,813	2027
2028	165,000	95,000	710,000	815,463	2028
2029	175,000	95,000	745,000	820,563	2029
2030	185,000	105,000	630,000	678,963	2030
2031	185,000	105,000	550,000	580,225	2031
2032	200,000	110,000	435,000	451,869	2032
2033	205,000	120,000	325,000	330,475	2033
	\$1,565,000	\$875,000	\$6,180,000	\$7,081,825	
	(6)	(7)			

NOTE: 95% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$5,805,000 General Obligation Refunding Bonds, Series 2013A, dated February 21, 2013, consisting of \$2,470,000 backed by special assessments, \$2,770,000 backed by revenues and \$565,000 backed by ad valorem taxes.
- (2) This schedule represents a portion of the \$3,820,000 General Obligation Bonds, Series 2018A, dated July 18, 2018, consisting of \$1,580,000 backed by special assessments, \$1,260,000 backed by utility revenues, and \$980,000 backed by ad valorem taxes.
- (3) This schedule represents a portion of the \$3,270,000 General Obligation Bonds, Series 2019A, dated August 8, 2019, consisting of \$2,595,000 backed by special assessments and \$675,000 backed by water utility revenues.
- (4) This schedule represents a portion of the \$3,180,000 General Obligation Bonds, Series 2020A, dated October 1, 2020, consisting of \$2,045,000 backed by special assessments, \$470,000 backed by sewer utility revenues and \$665,000 backed by water utility revenues.
- (5) This schedule represents a portion of the \$2,070,000 General Obligation Bonds, Series 2021A, dated August 26, 2021, consisting of \$925,000 backed by special assessments, \$500,000 backed by sewer utility revenues and \$645,000 backed by water utility revenues.
- (6) This schedule represents a portion of the \$5,815,000 General Obligation Bonds, Series 2022A, dated June 1, 2022, consisting of \$3,135,000 backed by special assessments, \$1,705,000 backed by utility revenues, and \$975,000 backed by ad valorem taxes.
- (7) This schedule represents a portion of the \$4,095,000 General Obligation Bonds, Series 2023A, dated June 29, 2023, consisting of \$610,000 backed by water utility revenues, \$360,000 backed by sewer utility revenues and \$3,125,000 backed by ad valorem taxes.

Indirect Debt*

<i>Issuer</i>	<i>2022/2023 Tax Capacity Value⁽¹⁾</i>	<i>2022/2023 Tax Capacity Value in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt</i>	<i>Taxpayers' Share of Debt</i>
Washington County	\$ 458,762,027	\$37,912	0.01%	\$86,780,000	\$ 8,678
ISD No. 200, Hastings	50,144,833	32,137,755	64.09	62,284,420	39,918,085
Metropolitan Council	5,878,109,833	32,137,755	.55	7,645,000 ⁽²⁾	42,048
Metro Transit	5,162,508,144	32,137,755	.62	230,580,000 ⁽³⁾	<u>1,429,596</u>
				<i>Total Indirect Debt:</i>	<u>\$ 41,398,407</u>

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of March 2, 2024, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

(2) Metropolitan Council has \$7,645,000 of general obligation debt outstanding as of December 31, 2023. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes \$1,185,889,000 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(3) Metropolitan Transit has \$230,580,000 of property tax supported general obligation debt outstanding as of December 31, 2023. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes \$270,715,000 of general obligation debt payable from revenues.

General Obligation Debt

Bonds secured by taxes (includes this issue)	\$ 16,075,000
Bonds secured by special assessments	8,850,000
Bonds secured by tax increments/abatements	910,000
Bonds secured by water/sewer revenues	<u>6,180,000</u>
Subtotal	\$ 32,015,000
Less bonds secured by water/sewer revenues	(<u>6,180,000</u>)
<i>Direct General Obligation Debt</i>	25,835,000
Add taxpayers' share of indirect debt	<u>41,398,407</u>
<i>Direct and Indirect Debt</i>	<u>\$ 67,233,407</u>

Facts for Ratio Computations

2022/2023 Economic Market Value	\$2,901,500,714
2022/2023 Estimated Market Value	2,751,290,300
Population (2024 City estimate)	22,326

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	0.89%	1.43%	2.32%
To Estimated Market Value	0.94	1.50	2.44
Per Capita	\$1,157	\$1,854	\$3,011

APPENDIX A

Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$10,295,000
GENERAL OBLIGATION CHARTER BONDS, SERIES 2024A
CITY OF HASTINGS
DAKOTA AND WASHINGTON COUNTIES
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Hastings, Dakota and Washington Counties, Minnesota (the "Issuer"), of its \$10,295,000 General Obligation Charter Bonds, Series 2024A, bearing a date of original issue of April 17, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution, Charter of the Issuer and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Form of Continuing Disclosure Undertaking

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Hastings, Minnesota (the "Issuer"), in connection with the issuance of its \$10,295,000 General Obligation Charter Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on March 18, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2024, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2023, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2024, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not

provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: April 17, 2024.

CITY OF HASTINGS, MINNESOTA

By _____
Its Mayor

By _____
Its Clerk

APPENDIX C

City's Financial Statement

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2022. The complete financial report for the year 2022 and the prior two years are available for inspection at the Hastings City Hall and the office of Northland Securities. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.



June 26, 2023

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

It is my honor to present the City's Annual Comprehensive Financial Report (ACFR) to you. This document is a thorough report of the City's financial position, and I am pleased to affirm the City is in a sound financial position and well positioned to continue to serve our constituents in a fiscally responsible manner.

Minnesota state law requires that every city with a population in excess of 2,500 publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended December 31, 2022.

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

The City of Hastings' financial statements were audited by Bergan KDV, a firm of licensed certified public accountants who issued an unmodified ("clean") opinion on the financial statements of the City of Hastings for the fiscal year ended December 31, 2022. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion the City of Hastings' financial statements for the fiscal year ended December 31, 2022, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

City Profile

The City of Hastings is a municipal corporation, incorporated in 1857, in the State of Minnesota, within the corporate limits and boundaries established by the Home Rule Charter of the City. We are located approximately 20 miles south of St. Paul at the junction of the Mississippi and St. Croix Rivers in the east central part of the state. As a riverfront community, the City of Hastings was the birthplace of many early commercial enterprises and is the county seat of Dakota County. A small portion of the City is located in Washington County. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has statutory authority to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing City Council.

As a part of the seven-county Minneapolis/St. Paul Metropolitan area, Hastings is within the jurisdiction of the Metropolitan Council, a regional planning agency for the Twin Cities Metropolitan region. The City's population continues to grow from 15,478 in 1990 to an estimated 23,192 in 2022. The Metropolitan Council projects that the city's population will grow to 25,500 by the year 2030. The City encompasses an area of 11.40 square miles.

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

The City of Hastings provides a full range of services, including police and fire protection, advanced and basic life support ambulance services, the construction and maintenance of highways, streets, parks, infrastructure, recreational and cultural facilities and general administrative services. In addition, the City provides enterprise activities such as: water, sewer and storm water services, as well as hydroelectric power generation. The City operates the Hastings Family Aquatic Center and Civic Arena, contributes to joint powers recreational operations, and supports several other important community-based events and projects.

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

understand manner. In essence, the budget process is ongoing, whereby priorities and goals are established and funded in alignment with Council directives, strategic plan, and our CORE values.

All departments are required to submit requests for appropriation to the City Administrator, who must balance the competing needs against available resources. Based upon direction from the City Council and the requests made, a proposed budget is prepared with input from the City's Finance Committee (a three-member committee of the council) and submitted to the City Council. The preliminary levy is adopted no later than September 15th. The City Council may only make adjustments that reduce the final levy from the adopted preliminary levy and is required to adopt a final budget no later than December 31st, the close of the City of Hastings' fiscal year.

Department Heads are held responsible for their budget performance. Department Heads may request transfers of appropriations within their departments. Transfers between departments require City Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget is adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the Governmental Funds. For the governmental funds with annual budgets, other than the General Fund and the Fire and Ambulance Special Revenue Fund, this comparison is presented in the Governmental Fund subsection of this report, as noted in the table of contents.

Local Economy

The City continues to see economic growth and local indicators point to continued stability in this area. The region has a varied manufacturing/industrial base. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include an office and stationery supplies manufacturer, flour and other grain mill producer, plastics producer, and several financial and insurance institutions. The state, county and school district also all have a major economic presence in the area, as we are home to the Dakota County main governmental complex and Hastings' Independent School District 200 offices.

While we experienced a decrease in the number of permits, the overall value of work done in the past year greatly increased. Below is a chart that gives a brief building permit history.

Permits	2022	2021	2020	2019	2018	2017
New Residential	33	34	56	14	15	30
New Commercial	5	3	2	2	3	1
Residential remodel	100	77	71	77	65	40
Commercial remodel	68	55	81	48	54	40
All other permits	2,438	3,265	2,430	1,503	1,604	1,518
TOTAL	2,644	3,434	2,640	1,644	1,741	1,629
Dollar value of Permits (in millions)	\$ 87.0	\$ 47.9	\$ 45.4	\$ 41.7	\$ 39.8	\$ 26.5

Major Initiatives

In 2022 the City approved 176 new residential building permits and 161 commercial and industrial permits for a combined valuation increase of 170 million dollars. Development included the approval of three apartment buildings, opening of a new Fleet Farm, and industrial expansion. In early 2023 the City approved an annexation of 70 acres to accommodate another 450 housing units.

The City received a second \$1.25 million allocation through the federal government's ARPA grant to respond to the COVID-19 public health emergency. This second installment is the final portion of the \$2.5 million total allocation the City will receive. These funds will be spent toward upgrading the City's infrastructure and capital needs. Repairing and preserving the historic City Hall Dome remains the largest project planned to date. A new finance system is now scheduled for completion in 2024. This will upgrade the City's cybersecurity, as well as bolster its financial management capabilities.

Long-Term Financial Planning

The City continues to focus on maintaining the quality of life in the City of Hastings in alignment with our CORE Values—Communication, Optimal Service, Respect for Resources, and Enthusiasm. These values drive the development of our strategic plan, our budget process, and our communication strategy.

Council strategic planning goals and efforts center around Economic Development and Vitality, Community Image and Engagement, and Operational Effectiveness & Financial Stability.

The Utility, Debt, and Capital plans were all reviewed internally to better position the community for long-term fiscal health. As part of long-term planning efforts, the City has identified capital equipment and facility improvement needs. The City updates its 5-year capital plan that is part of the annual budget process. These Capital Improvement and Equipment Plans aid in scheduling debt issuance, reserves, grant applications, and other funding sources for equipment and infrastructure.

Relevant Financial Policies

The City continues to improve and update its Capital Improvement and Capital Equipment Plans. Policies cover such areas as debt management, investments, capital reserves, and internal controls. The most recent update the City adopted was updating the capital asset policy in 2021 to increase the threshold for capitalizing assets from \$5,000 to \$10,000, and to begin depreciating all capital items except road construction and utility projects the first month of the year following purchase.

The City of Hastings currently has a debt management policy in place in order to manage the City's debt. The Council has placed three limits on the issuance of debt. Annual debt service percentage calculated below is shown for governmental fund debt.

Policy	2022 Year End
a.) Total annual debt service for G.O. debt obligations per legal debt limit to not exceed 25% of total budgeted expenditures.	10.76%
b.) Net bonded debt outstanding will not exceed 3.5% of Assessor's market value of taxable property.	.61%
c.) Gross bonded debt will not exceed \$1,800 per capita.	\$577

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hastings for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2021. This was the 24th consecutive year the City received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Dan Wietecha
City Administrator

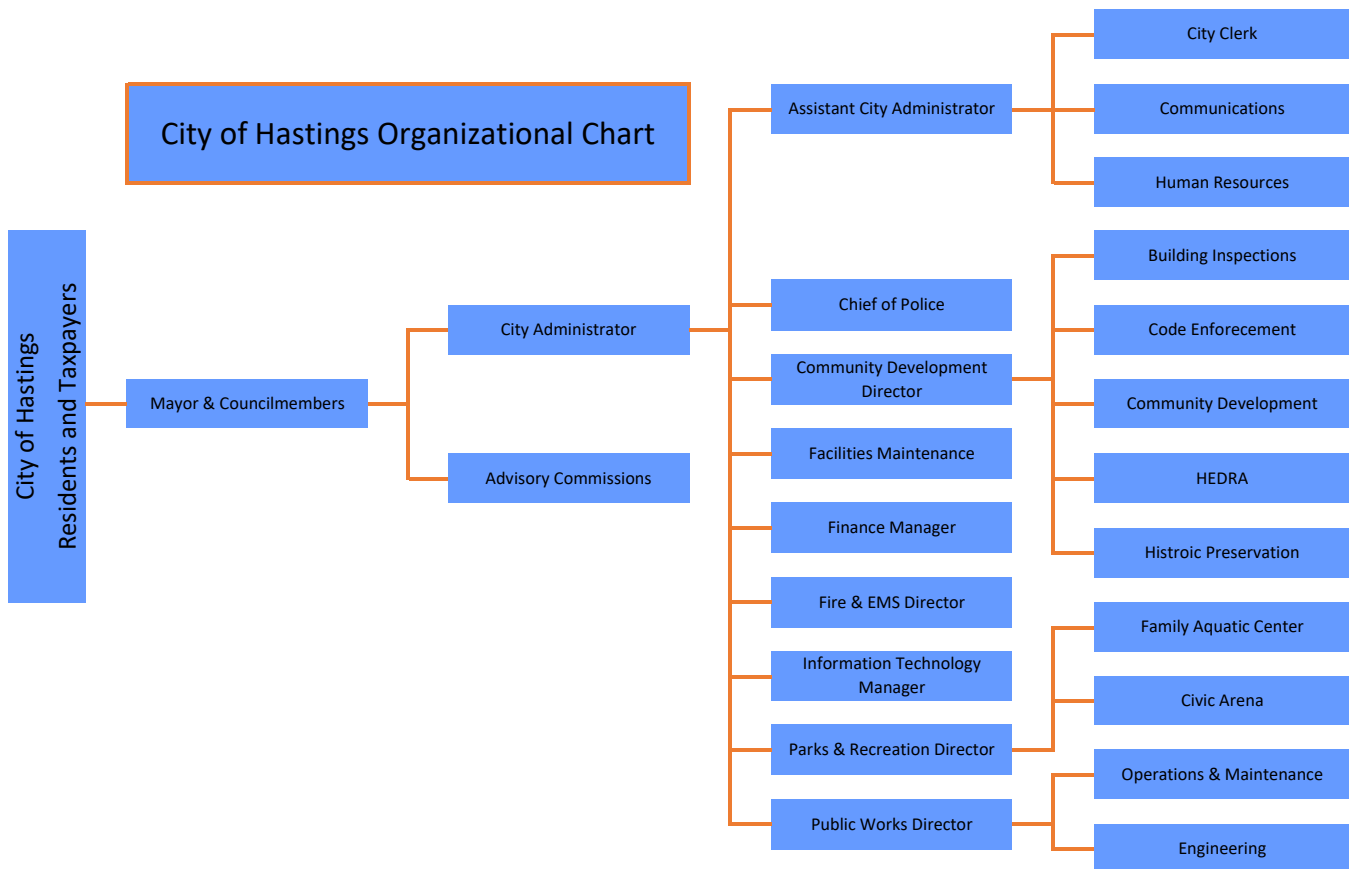


Chris Eitemiller
Finance Manager

**City of Hastings
Elected Officials and Administration
December 31, 2022**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mary Fasbender	Mayor	December 31, 2022
Tina Folch	1st Ward	December 31, 2024
Jen Fox	2nd Ward	December 31, 2024
Lisa Leifeld	3rd Ward	December 31, 2024
Trevor Lund	4th Ward	December 31, 2024
Angie Haus	At-Large	December 31, 2026
Dave Pemble	At-Large	December 31, 2026
<u>Administration</u>		
Dan Wietecha	City Administrator	
Kelly Murtaugh	Assistant City Administrator	
Travis Dunn	Building Official	
John Hinzman	Community Development Director	
John Townsend	Fire & EMS Director	
Chris Jenkins	Parks & Recreation Director	
David Wilske	Police Chief	
Ryan Stempski	Public Works Director	
Chris Eitemiller	Finance Manager	

City of Hastings City and Department Organizational Chart December 31, 2022



City of Hastings
Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

**Certificate of
Achievement
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Reporting**

Presented to

**City of Hastings
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, Minnesota, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and the Fire and Ambulance Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hastings and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

The City of Hastings' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hastings' ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hastings' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hastings' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, 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.

Required Supplementary Information (Continued)

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.

Supplementary 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 accompanying supplementary information as identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of the City of Hastings' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance.

Other Reporting Required by *Government Auditing Standards* (Continued)

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
May 31, 2023

City of Hastings
Management's Discussion and Analysis
December 31, 2022

As management of the City of Hastings, Minnesota (the City), we offer readers of the City of Hastings financial statements this narrative overview and analysis of the financial activities of the City of Hastings for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-7 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Hastings exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year (December 31, 2022) by \$93,047,837 (*net position*). Of this amount, \$14,957,386 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens or creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$2,895,563. Of this total, \$2.2 million was due to revenue increases in charges for services, state aid, and property taxes.
- As of the close of the 2022 fiscal year, the City of Hastings governmental funds ending fund balances were \$21,632,834. Approximately 36.95% is restricted for special revenue-police activities, debt service, capital project programs, tax increment financing, escrow deposits and permanent trust fund—Leduc Historic Estate. Approximately 2.04% of the fund balance is non-spendable. Approximately 17.77% is committed by City Council for the following activities: special revenue funds-parks, police, aquatic, cable television, heritage preservation, fire & ambulance, and the arena. Assigned fund balance for capital projects results in 4.49% of the fund balance, the remaining 38.75% is unassigned and is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,200,207 or 63.9% of the total 2023 General Fund expenditures.

Overview of the Financial Statements

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

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

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

City of Hastings
Management's Discussion and Analysis
December 31, 2022

Overview of the Financial Statements (Continued)

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and sanitation, economic development and culture and recreation. The business-type activities of the City include the following: water, sewer, storm, and hydro-electric operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Hastings Economic Development and Redevelopment Authority (HEDRA). Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 29-31 of this report.

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

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

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

**City of Hastings
Management's Discussion and Analysis
December 31, 2022**

Overview of the Financial Statements (Continued)

Governmental funds (Continued). The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances of the general fund, the fire and ambulance fund, the debt service fund, and the downtown redevelopment tax increment financing fund, all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the supplementary information section of this report.

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

The basic governmental fund financial statements can be found on pages 32-40 of this report.

Proprietary funds. The City of Hastings maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hastings uses enterprise funds to account for its water, sewer, storm water, and hydro-electric operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Hastings' various functions. The City of Hastings uses internal service funds to account for its governmental vehicle expenses, retiree health insurance costs, insurance expense, and compensated absences liability. These services predominantly benefit governmental rather than business-type functions and have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the operations mentioned above, all of which have been reported as major funds of the City. Conversely, the four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 41-45 of this report.

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

The basic fiduciary fund financial statements can be found on pages 48-49 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-92 of this report.

City of Hastings
Management's Discussion and Analysis
December 31, 2022

Government-Wide Financial Analysis (Continued)

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information for the reader. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the notes to the financial report. Combining and individual fund statements and schedules can be found on pages 110-151 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City of Hastings, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$93,047,837 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (73.25%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Hastings uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Hastings' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hastings' Net Position

	Governmental Activities 2021	Governmental Activities 2022	Business-type Activities 2021	Business-type Activities 2022	Total 2021	Total 2022
Current and other assets	\$ 30,622,442	\$ 38,289,056	\$ 10,171,761	\$ 11,804,063	\$ 40,794,203	\$ 50,093,119
Capital assets	59,743,113	61,020,836	30,220,574	31,855,530	89,963,687	92,876,366
Total assets	90,365,555	99,309,892	40,392,335	43,659,593	130,757,890	142,969,485
Total deferred outflows	8,389,218	15,124,253	508,937	430,381	8,898,155	15,554,634
Long-term liabilities outstanding	24,908,673	43,923,502	6,687,682	8,296,597	31,596,355	52,220,099
Other liabilities	6,094,883	7,339,143	884,025	1,028,503	6,978,908	8,367,646
Total liabilities	31,003,556	51,262,645	7,571,707	9,325,100	38,575,263	60,587,745
Total deferred inflows	10,400,190	4,862,810	528,318	25,727	10,928,508	4,888,537
Net Position						
Net Investment in capital assets	44,179,337	43,579,389	24,268,293	24,584,961	68,447,630	68,164,350
Restricted						
Police activities	113,606	82,112	-	-	113,606	82,112
Tax Increment	24,766	21,990	-	-	24,766	21,990
Debt service	7,346,220	7,725,877	-	-	7,346,220	7,725,877
Capital projects	1,149,928	1,015,753	-	-	1,149,928	1,015,753
Escrow	16,234	4,497	-	-	16,234	4,497
Permanent endowment						
LeDuc Historic Estate	1,324,652	1,075,872	-	-	1,324,652	1,075,872
Unrestricted	3,196,284	4,803,200	8,532,954	10,154,186	11,729,238	14,957,386
Total net position	\$ 57,351,027	\$ 58,308,690	\$ 32,801,247	\$ 34,739,147	\$ 90,152,274	\$ 93,047,837

**City of Hastings
Management's Discussion and Analysis
December 31, 2022**

Government-wide Financial Analysis (Continued)

City of Hastings' Net Position (Continued)

At the end of 2022, the City of Hastings had positive balances in the categories of net position for the government as a whole, as well as for its separate governmental and business-type activities. The unrestricted net position for the governmental activities continues to be positive due to positive results in several funds' operations.

Governmental activities. Governmental activities increased the City of Hastings' net position by \$957,663. The key elements of this increase were in revenues. Public Safety saw an increase of \$461,151, while Culture and Recreation saw an increase of \$226,535 in charges for services. Property taxes increased just over \$1 million, while unrestricted state aid increased \$244,594.

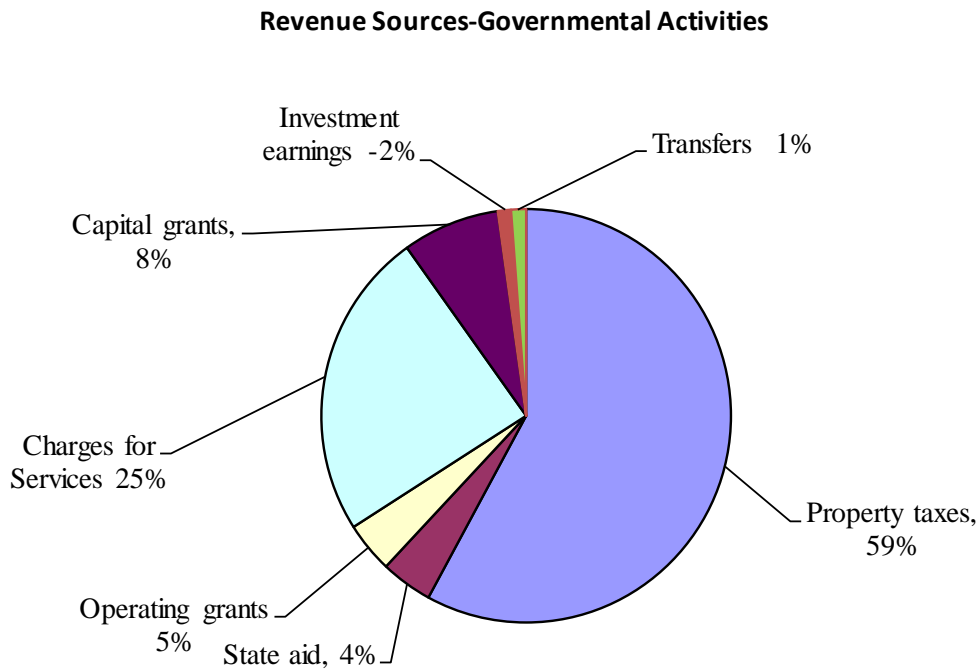
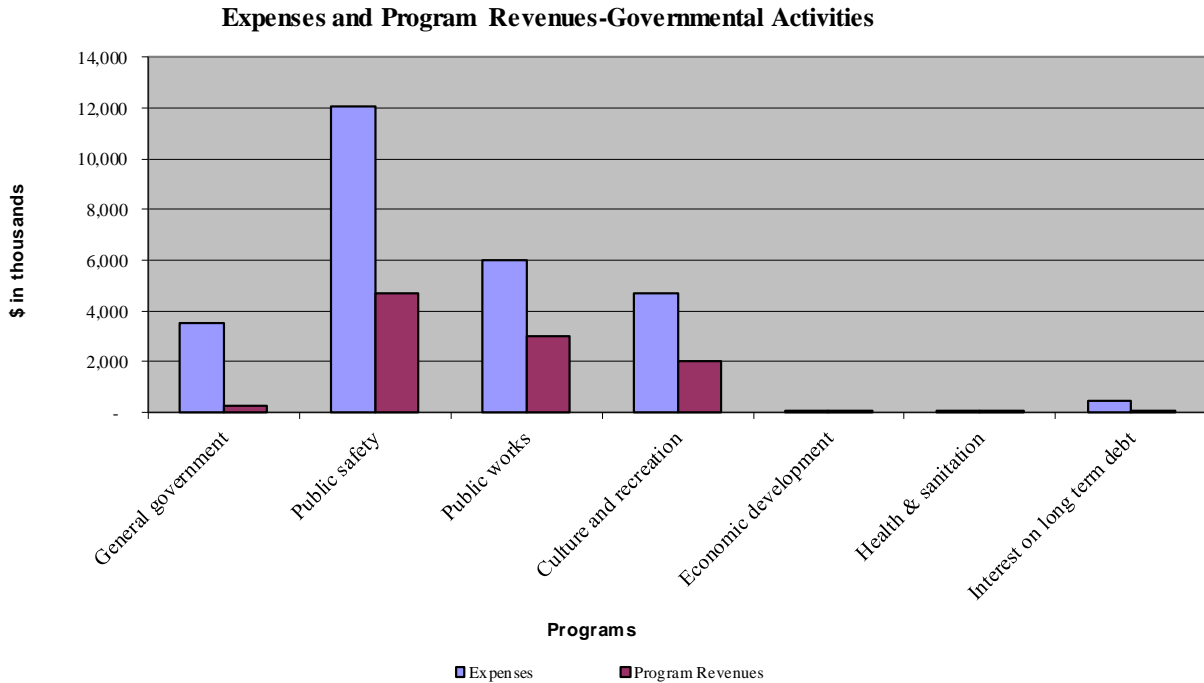
City of Hastings' Changes in Net Position

	Governmental Activities 2021	Governmental Activities 2022	Business-type Activities 2021	Business-type Activities 2022	Total 2021	Total 2022
Revenues						
Program revenues						
Charges for services	\$ 5,926,787	\$ 6,873,080	\$ 7,003,670	\$ 7,828,381	\$ 12,930,457	\$ 14,701,461
Operating grants & contributions	1,314,781	1,125,789	-	-	1,314,781	1,125,789
Capital grants & contributions	4,831,331	2,185,950	788,199	800,611	5,619,530	2,986,561
General revenues:						
Property taxes	15,464,584	16,487,748	-	-	15,464,584	16,487,748
State aid	920,451	1,165,045	-	-	920,451	1,165,045
Other income (loss)	107,113	(296,104)	(8,409)	(192,309)	98,704	(488,413)
Total Revenues	28,565,047	27,541,508	7,783,460	8,436,683	36,348,507	35,978,191
Expenses						
General government	3,093,576	3,560,823	-	-	3,093,576	3,560,823
Public safety	9,459,406	12,044,540	-	-	9,459,406	12,044,540
Public works	6,667,995	6,017,835	-	-	6,667,995	6,017,835
Culture & recreation	3,810,177	4,695,960	-	-	3,810,177	4,695,960
Economic development	48,930	66,819	-	-	48,930	66,819
Health & sanitation	59,362	50,726	-	-	59,362	50,726
Interest on long-term debt	396,991	482,428	-	-	396,991	482,428
Water	-	-	2,413,301	2,356,748	2,413,301	2,356,748
Sewer	-	-	2,567,037	2,716,736	2,567,037	2,716,736
Storm	-	-	401,155	491,006	401,155	491,006
Hydro	-	-	521,731	599,007	521,731	599,007
Total Expenses	23,536,437	26,919,131	5,903,224	6,163,497	29,439,661	33,082,628
Change in net position before transfers and contributions	5,028,610	622,377	1,880,236	2,273,186	6,908,846	2,895,563
Transfers and contributions	50,087	335,286	(50,087)	(335,286)	-	-
Change in net position	5,078,697	957,663	1,830,149	1,937,900	6,908,846	2,895,563
Net position-January 1	52,272,330	57,351,027	30,971,098	32,801,247	83,243,428	90,152,274
Net position-December 31	\$ 57,351,027	\$ 58,308,690	\$ 32,801,247	\$ 34,739,147	\$ 90,152,274	\$ 93,047,837

On the following page are specific graphs, which provide comparisons of the governmental activities revenues and expenses:

**City of Hastings
Management's Discussion and Analysis
December 31, 2022**

Government-wide Financial Analysis (Continued)

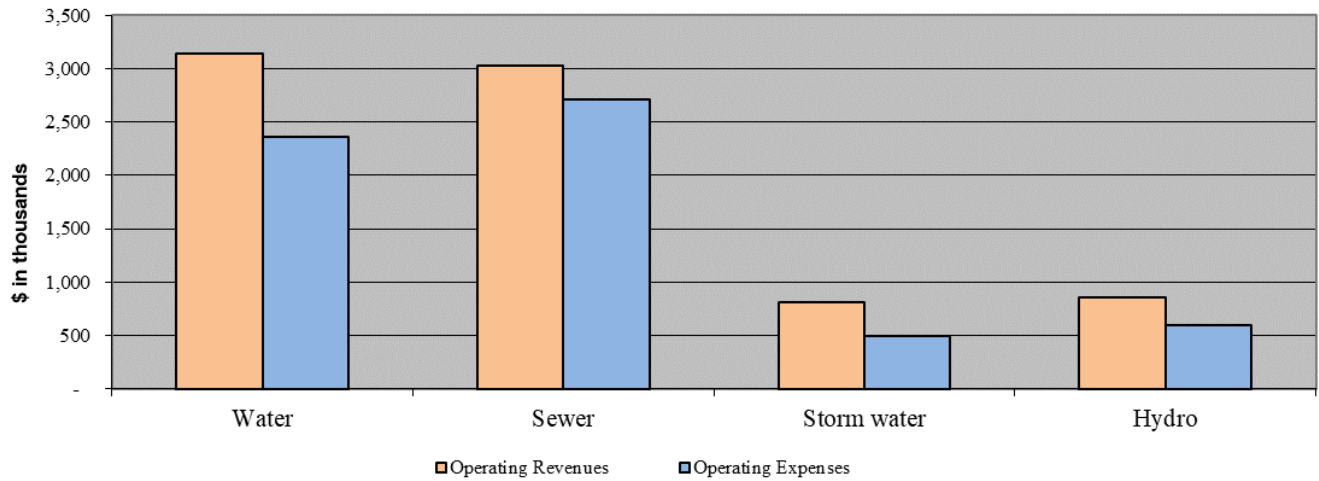


Business-type activities. On the following page are graphs showing the business-type activities revenue and expense comparisons.

**City of Hastings
Management's Discussion and Analysis
December 31, 2022**

Government-wide Financial Analysis (Continued)

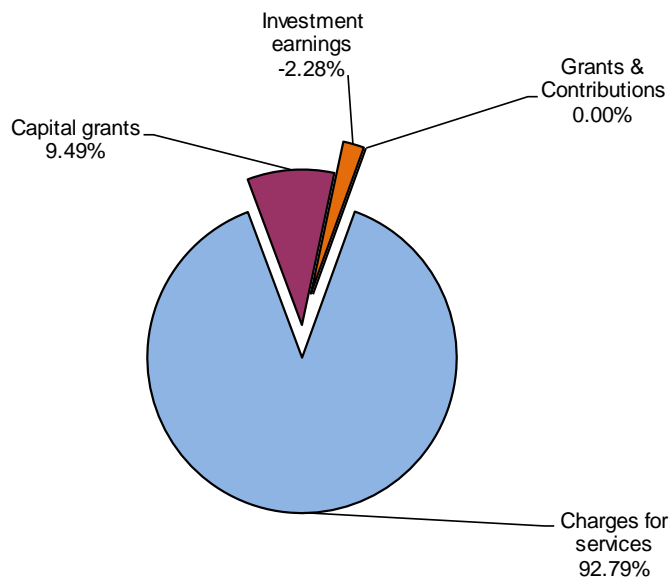
Operating Expenses and Operating Revenues - Business Type Activities



Financial Analysis of the Government's Funds

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

Revenue Sources - Business Type Activities



**City of Hastings
Management's Discussion and Analysis
December 31, 2022**

Government-wide Financial Analysis (Continued)

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

As of the end of the current fiscal year, the City of Hastings' governmental funds reported combined ending fund balances of \$21,632,834. Approximately 38.76% of this total amount or \$8,385,421 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed or assigned by the City Council to indicate that it is not available for new spending. Activities such as Police activities, Debt service, and Permanent Trust funds for the LeDuc Historic Estate are restricted or committed by council action. Capital projects fund balance is assigned.

The City of Hastings governmental funds reported a combined ending fund balance increase of \$719,582. The fund balance change is primarily due to the effect of the following factors:

- The General fund balance increased by \$1,170,209. This increase was primarily a result of strong revenues related to increases in the levy and an increased number of building permits, combined with expenditure savings in many departments, primarily in personnel and capital.
- Fire and Ambulance fund's activity resulted in a decrease of \$654,970. This is a result of a significant decrease in charges for ambulance service revenue. The City is taking steps to improve collections in 2023.
- Debt Service funds had a fund balance increase of \$196,116 due to transfers in moving principal and interest payments from the Downtown Redevelopment Tax Increment Financing fund to the debt service fund (\$206,500).
- Road Improvement Construction fund had a fund balance increase of \$108,541 due to the timing of capital projects and related debt issuances.
- Other Governmental Funds such as the Aquatic, Cable TV, Heritage Preservation, LeDuc, and Arena had a cumulative decrease of \$100,314. The primary factor in this decrease was the large negative market value adjustment due to worsening market conditions.

The General Fund is the chief operating fund of the City of Hastings. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,200,207.

The Fire and Ambulance special revenue fund has a total fund balance of \$674,565. This fund accounts for the activities of the Fire and Ambulance department for the City of Hastings.

The Debt Service fund has a total fund balance of \$5,996,391, most of which is restricted for the payment of debt service.

The Road Improvement Construction capital projects fund has a deficit fund balance of \$523,471 due to timing differences between bond proceeds, timing of grants and capital projects.

**City of Hastings
Management's Discussion and Analysis
December 31, 2022**

Financial Analysis of the Government's Funds (Continued)

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

Water	\$ 4,911,806
Sewer	3,903,464
Storm	957,239
Hydro	286,891

The Water, Sewer and Stormwater fund's activities resulted in an increase in net position primarily due to an increase in utility rates. All utility funds had rate increases due to the 2019-2020 utility rate study that continues to be implemented. The Hydro Plant had a second consecutive year with its activities resulting in an increase to net position.

General Fund Budgetary Highlights

Actual expenditures were lower than the amended expenditure budget. The most significant differences from the final budget amounts are due to the following:

- Delays to the City Hall Dome project resulted in \$2.2 million less spending than budgeted.
- The Finance system project was also delayed, resulting in \$316,857 less spending than planned.
- The Public Works department street division was \$410,770 below budget. Most of this was in capital equipment purchases that were delayed. The largest was a \$260,000 dump truck.

Actual revenues were less than the amended revenue budget by \$2.6 million. The difference from the final budget amounts is primarily due to the following:

- Intergovernmental revenues were \$2 million less than budgeted, due to delays in the City Hall Dome project. The \$2 million is a reimbursable grant from the state of MN.
- Because the pace of multiple projects funded by the ARPA grant were slowed, \$1.256 million less than planned could be recognized as revenue. These funds are still available to finish the planned projects.
- Building permit revenues were again over budget due to increased construction work in 2022.

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

- Increased spending authority for consultants working of the County Road 46 study, and the compensation study.
- Adding authority for several capital purchases after the City's available resources according to the fund balance policy had been verified.

Capital assets. The City of Hastings' investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$92,876,366 (net of accumulated depreciation/amortization) an increase of \$2,912,679. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and infrastructure.

**City of Hastings
Management's Discussion and Analysis
December 31, 2022**

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

	2021 Governmental Activities	2022 Governmental Activities	2021 Business- Type Activities	2022 Business- Type Activities	2021 Total	2022 Total
Land	\$ 3,690,736	\$ 3,693,211	\$ 349,300	\$ 349,300	\$ 4,040,036	\$ 4,042,511
Construction in Progress	775,829	287,252	-	2,420	775,829	289,672
Buildings	8,319,253	9,458,454	5,921,530	5,506,381	14,240,783	14,964,835
Improvement other than buildings	3,105,480	2,983,902	1,776,354	2,516,074	4,881,834	5,499,976
Machinery and Equipment	2,781,165	3,633,851	2,653,875	2,835,556	5,435,040	6,469,407
Leased Equipment	-	368,572	-	61,957	-	430,529
Infrastructure	41,070,650	40,595,594	19,519,515	20,583,842	60,590,165	61,179,436
Total assets	<u>\$ 59,743,113</u>	<u>\$ 61,020,836</u>	<u>\$ 30,220,574</u>	<u>\$ 31,855,530</u>	<u>\$ 89,963,687</u>	<u>\$ 92,876,366</u>

Additional information on the City of Hastings's capital assets can be found in Note 4 on pages 63-65.

Long-term debt.

At the end of the current fiscal year, the City of Hastings had outstanding G.O. Revenue debt of \$6,740,000 comprises debt backed by the full faith and credit of the government and \$12,835,000 of G.O. special assessment debt for which the government is liable in the event of default by the property owners subject to assessment. The remainder of the City of Hastings' debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) but still carries the City's backing (government obligation).

More detailed information on debt administration can be found in Note 7 on pages 66-71.

Economic Factors

In 2022, the City experienced higher levels of residential and commercial remodels than 2021, and new residential construction was even from year-to-year. The overall increase in taxable market value of residential and commercial new construction was \$87.0 million which is \$39.1 million higher than 2021. The City experienced an increase of tax capacity of \$804,758 between pay year 2021 and pay year 2022.

Next Year's Budget

The 2023 budget included a levy increase of \$1,079,320, or 6.624%. Of this, \$744,731 was due to tax capacity growth and the remainder of \$334,589 was derived from the property tax rate, decreased by 5.641%. The City anticipates receiving \$904,501 of Local Government Aid from the State of Minnesota, which is dedicated to funding one-time expenditures. Cost of Living increases and Capital projects and Capital equipment purchases made up the increase from 2022 to 2023.

Requests for Information

This financial report is designed to provide a general overview of the City of Hastings' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager at 101 4th Street East, Hastings, MN 55033, FinanceDept@hastingsmn.gov or 651-480-2350.

BASIC FINANCIAL STATEMENTS

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**City of Hastings
Statement of Net Position
December 31, 2022**

				Statement 1
				Hastings Economic Development and Redevelopment Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (including cash equivalents)	\$ 23,881,674	\$ 9,994,420	\$ 33,876,094	\$ 1,088,654
Cash with fiscal agent	730,953	-	730,953	-
Restricted cash	108,872	-	108,872	-
Receivables				
Accounts receivable	988,663	1,490,892	2,479,555	2,458
Interest receivable	129,017	16,785	145,802	2,353
Taxes receivable	1,641,795	-	1,641,795	43,618
Special assessments receivable	1,992,439	162,693	2,155,132	-
Loan receivable	-	-	-	227,295
Lease receivable	3,912,346	-	3,912,346	-
Net pension asset	2,860,203	-	2,860,203	-
Due from other governments	1,802,246	-	1,802,246	1,510,739
Inventories	32,062	-	32,062	-
Prepaid items	208,786	139,273	348,059	227
Assets held for resale	-	-	-	3,069,490
Capital assets not being depreciated				
Land	3,693,211	349,300	4,042,511	-
Construction in progress	287,252	2,420	289,672	-
Capital assets net of accumulated depreciation/amortization				
Buildings and structures	9,458,454	5,506,381	14,964,835	87,999
Machinery and equipment	3,633,851	2,835,556	6,469,407	-
Leased equipment	368,572	61,957	430,529	-
Improvements other than buildings	2,983,902	2,516,074	5,499,976	-
Infrastructure	40,595,594	20,583,842	61,179,436	-
Total assets	\$ 99,309,892	\$ 43,659,593	\$ 142,969,485	\$ 6,032,833
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	225,038	-	225,038	-
Deferred outflows of resources related to City pensions	13,726,477	300,374	14,026,851	71,221
Deferred outflows of resources related to OPEB	1,172,738	130,007	1,302,745	23,879
Total deferred outflows of resources	15,124,253	430,381	15,554,634	95,100
Total assets and deferred outflows of resources	\$ 114,434,145	\$ 44,089,974	\$ 158,524,119	\$ 6,127,933
Liabilities				
Accounts and contracts payable	\$ 943,999	\$ 177,176	\$ 1,121,175	\$ 2,057
Interest payable	271,423	105,870	377,293	-
Salaries and benefits payable	480,790	55,282	536,072	8,768
Due to other governments	88,413	16,049	104,462	1,260,739
Deposits payable	609,908	-	609,908	16,700
Unearned revenue	2,360,060	5,415	2,365,475	-
Bonds payable, net				
Payable within one year	2,310,000	630,000	2,940,000	-
Payable after one year	16,076,363	6,583,666	22,660,029	-
Lease payable				
Payable within one year	108,161	14,149	122,310	-
Payable after one year	230,455	42,754	273,209	-
Compensated absences payable				
Payable within one year	166,389	24,562	190,951	-
Payable after one year	1,715,388	215,084	1,930,472	-
Payable after one year				
Net pension liability	21,929,588	1,014,790	22,944,378	240,616
Total other post employment benefits (OPEB) liability	3,971,708	440,303	4,412,011	80,872
Total liabilities	51,262,645	9,325,100	60,587,745	1,609,752
Deferred Inflows of Resources				
Deferred inflows of resources related to fire relief pensions	704,992	-	704,992	-
Deferred inflows of resources related to City pensions	320,179	21,752	341,931	5,298
Deferred inflows of resources related to leases	3,801,774	-	3,801,774	-
Deferred inflows of resources related to OPEB	35,865	3,975	39,840	730
Total deferred inflows of resources	4,862,810	25,727	4,888,537	6,028
Net Position				
Net investment in capital assets	43,579,389	24,584,961	68,164,350	87,999
Restricted for				
Debt service	7,725,877	-	7,725,877	-
Tax increment	21,990	-	21,990	-
Capital projects	1,015,753	-	1,015,753	-
Escrow	4,497	-	4,497	-
Police activities	82,112	-	82,112	-
LeDuc Historic Estate - unexpendable	200,000	-	200,000	-
LeDuc Historic Estate - expendable	875,872	-	875,872	-
Unrestricted	4,803,200	10,154,186	14,957,386	4,424,154
Total net position	58,308,690	34,739,147	93,047,837	4,512,153
Total liabilities, deferred inflows of resources, and net position	\$ 114,434,145	\$ 44,089,974	\$ 158,524,119	\$ 6,127,933

See notes to basic financial statements.

City of Hastings
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 3,560,823	\$ 258,649	\$ 7,261	\$ -
Public safety	12,044,540	4,043,048	691,621	-
Public works	6,017,835	954,701	305,348	1,767,950
Health and sanitation	50,726	35	30,923	-
Culture and recreation	4,695,960	1,534,431	71,052	418,000
Economic development	66,819	-	19,584	-
Interest and fiscal charges	482,428	82,216	-	-
Total governmental activities	<u>26,919,131</u>	<u>6,873,080</u>	<u>1,125,789</u>	<u>2,185,950</u>
Business-type activities				
Water	2,356,748	3,139,177	-	461,302
Sewer	2,716,736	3,025,373	-	339,309
Storm	491,006	806,607	-	-
Hydro	599,007	857,224	-	-
Total business-type activities	<u>6,163,497</u>	<u>7,828,381</u>	<u>-</u>	<u>800,611</u>
Total governmental and business-type activities	<u>\$ 33,082,628</u>	<u>\$ 14,701,461</u>	<u>\$ 1,125,789</u>	<u>\$ 2,986,561</u>
Component unit				
Hastings Economic Development Redevelopment Authority	<u>\$ 654,835</u>	<u>\$ 27,162</u>	<u>\$ 47,748</u>	<u>\$ -</u>
General revenues				
Property taxes				
Lodging taxes				
Unrestricted state aid				
Unrestricted investment earnings				
Gain (loss) on sale of asset				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenues and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Hastings Economic and Redevelopment Authority
\$ (3,294,913)	\$ -	\$ (3,294,913)	\$ -
(7,309,871)	-	(7,309,871)	-
(2,989,836)	-	(2,989,836)	-
(19,768)	-	(19,768)	-
(2,672,477)	-	(2,672,477)	-
(47,235)	-	(47,235)	-
(400,212)	-	(400,212)	-
<u>(16,734,312)</u>	<u>-</u>	<u>(16,734,312)</u>	
-	1,243,731	1,243,731	-
-	647,946	647,946	-
-	315,601	315,601	-
-	258,217	258,217	-
<u>-</u>	<u>2,465,495</u>	<u>2,465,495</u>	
<u>\$ (16,734,312)</u>	<u>\$ 2,465,495</u>	<u>\$ (14,268,817)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (579,925)
16,484,080	-	16,484,080	414,268
3,668	-	3,668	-
1,165,045	-	1,165,045	-
(353,682)	(151,823)	(505,505)	(14,153)
57,578	(40,486)	17,092	-
335,286	(335,286)	-	-
<u>17,691,975</u>	<u>(527,595)</u>	<u>17,164,380</u>	<u>400,115</u>
957,663	1,937,900	2,895,563	(179,810)
<u>57,351,027</u>	<u>32,801,247</u>	<u>90,152,274</u>	<u>4,691,963</u>
<u>\$ 58,308,690</u>	<u>\$ 34,739,147</u>	<u>\$ 93,047,837</u>	<u>\$ 4,512,153</u>

City of Hastings
Balance Sheet - Governmental Funds
December 31, 2022

		Special Revenue	Debt Service
	General Fund (101, 220, 221, 223)	Fire and Ambulance (213)	Debt Service
Assets			
Cash and investments	\$ 10,801,170	\$ 181,621	\$ 5,389,183
Cash with fiscal agent	-	-	-
Restricted cash	108,872	-	-
Interest receivable	104,463	320	10,630
Due from other governments	1,730,305	50	-
Accounts receivable	228,211	554,093	-
Due from other funds	-	-	339,258
Property taxes receivable	978,413	143,573	261,813
Lease receivable	3,912,346	-	-
Special assessments receivable	-	-	1,992,439
Advances to other funds	1,260,739	-	-
Inventory	25,611	-	-
Prepaid items	171,170	31,212	3,977
Total assets	<u>\$ 19,321,300</u>	<u>\$ 910,869</u>	<u>\$ 7,997,300</u>
Liabilities			
Accounts payable	\$ 483,337	\$ 81,821	\$ -
Due to other governments	77,614	8,432	-
Deposits payable	-	-	-
Salaries and benefits payable	301,808	130,875	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Unearned revenues	2,354,607	-	-
Total liabilities	<u>3,217,366</u>	<u>221,128</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes and assessments	104,483	15,176	2,000,909
Advanced appropriations - State Shared Taxes	1,616,112	-	-
Unavailable revenue - leases	3,801,774	-	-
Unavailable revenue - grants	32,836	-	-
Total deferred inflows of resources	<u>5,555,205</u>	<u>15,176</u>	<u>2,000,909</u>
Fund Balances			
Nonspendable			
Prepaid items	171,170	31,212	3,977
Inventory	25,611	-	-
Permanent Endowment-Leduc Historic Estate	-	-	-
Restricted			
Police activities	32,124	-	-
Debt service	-	-	5,992,414
Capital projects	-	-	-
Tax increment financing	-	-	-
Leduc Historic Estate	119,617	-	-
Escrow			
Committed			
Park Maintenance	-	-	-
Aquatic operations	-	-	-
Cable TV activities	-	-	-
Heritage preservation activities	-	-	-
Fire and ambulance activities	-	643,353	-
Arena activities	-	-	-
Assigned			
Capital	-	-	-
Unassigned	10,200,207	-	-
Total fund balances	<u>10,548,729</u>	<u>674,565</u>	<u>5,996,391</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,321,300</u>	<u>\$ 910,869</u>	<u>\$ 7,997,300</u>

See notes to basic financial statements.

Statement 3

Capital Project			
Road Improvement Construction (470-483)	Other Governmental Funds	Total Governmental Funds	
\$ -	\$ 5,821,997	\$ 22,193,971	
-	730,953	730,953	
-	-	108,872	
-	10,696	126,109	
-	71,891	1,802,246	
-	206,359	988,663	
-	30,224	369,482	
-	224,463	1,608,262	
-	-	3,912,346	
-	-	1,992,439	
-	-	1,260,739	
-	6,451	32,062	
352	2,075	208,786	
<u>\$ 352</u>	<u>\$ 7,105,109</u>	<u>\$ 35,334,930</u>	
\$ 184,565	\$ 192,356	\$ 942,079	
-	2,367	88,413	
-	609,908	609,908	
-	48,107	480,790	
339,258	30,224	369,482	
-	1,260,739	1,260,739	
-	1,955	2,356,562	
<u>523,823</u>	<u>2,145,656</u>	<u>6,107,973</u>	
-	22,833	2,143,401	
-	-	1,616,112	
-	-	3,801,774	
-	-	32,836	
<u>-</u>	<u>22,833</u>	<u>7,594,123</u>	
352	2,075	208,786	
-	6,451	32,062	
-	200,000	200,000	
-	49,972	82,096	
-	-	5,992,414	
-	1,015,753	1,015,753	
-	21,990	21,990	
-	756,255	875,872	
-	4,497	4,497	
-	2,014,442	2,014,442	
-	407,090	407,090	
-	145,741	145,741	
-	120,476	120,476	
-	-	643,353	
-	512,325	512,325	
-	970,516	970,516	
(523,823)	(1,290,963)	8,385,421	
<u>(523,471)</u>	<u>4,936,620</u>	<u>21,632,834</u>	
<u>\$ 352</u>	<u>\$ 7,105,109</u>	<u>\$ 35,334,930</u>	

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City of Hastings
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2022

Statement 4

Total fund balances - governmental funds	\$ 21,632,834
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	156,605,923
Less accumulated depreciation/amortization	(97,439,486)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bonds payable	(17,250,000)
Unamortized bond premium and discount	(1,136,363)
Lease payable	(338,616)
Net pension liability	(21,919,588)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	
Taxes and special assessments	2,143,401
Grants, state shared tax, and other	1,648,948
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to fire relief pensions	(704,992)
Deferred inflows of resources related to city pensions	(320,179)
Deferred outflows of resources related to fire relief pensions	225,038
Deferred outflows of resources related to city pensions	13,726,477
The Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	2,860,203
Governmental funds do not report a liability for accrued interest due and payable.	(271,423)
Internal Service Funds are used by management to charge the costs of insurance and capital equipment to individual funds. These assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	(1,143,487)
Total net position - governmental activities	<u>\$ 58,318,690</u>

City of Hastings
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

	General Fund (101, 220, 221, 223)	Special Revenue Fire and Ambulance (213)	Debt Service Debt Service
Revenues			
General property taxes	\$ 9,968,113	\$ 1,441,229	\$ 2,423,510
Tax increment collections	-	-	-
Miscellaneous taxes	3,668	-	-
Licenses and permits	966,071	-	-
Intergovernmental	2,342,079	241,769	-
Special assessments	-	-	926,911
Charges for services	1,405,128	2,333,224	82,215
Fines and forfeitures	85,710	-	-
Investment income	(285)	(15,680)	(81,369)
Contributions and donations	10,867	4,120	-
Miscellaneous	29,669	-	-
Total revenues	<u>14,811,020</u>	<u>4,004,662</u>	<u>3,351,267</u>
Expenditures			
Current			
General government	3,217,280	-	-
Public safety	6,511,233	4,456,607	-
Public works	1,846,612	-	-
Health and sanitation	50,726	-	-
Culture and recreation	204,282	-	-
Economic development	-	-	-
Debt service			
Principal	97,671	-	2,915,000
Interest and fiscal charges	-	-	458,968
Capital outlay			
General government	440,314	-	-
Public safety	251,035	152,215	-
Public works	545,958	-	-
Culture and recreation	12,475	-	-
Total expenditures	<u>13,177,586</u>	<u>4,608,822</u>	<u>3,373,968</u>
Excess of revenues over (under) expenditures	1,633,434	(604,160)	(22,701)
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	65,538	34,584	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Proceeds from leases	191,375	-	-
Transfers in	510,962	-	218,817
Transfers out	(1,231,100)	(85,394)	-
Total other financing sources (uses)	<u>(463,225)</u>	<u>(50,810)</u>	<u>218,817</u>
Net change in fund balances	1,170,209	(654,970)	196,116
Fund Balances			
Beginning of year	<u>9,378,520</u>	<u>1,329,535</u>	<u>5,800,275</u>
End of year	<u>\$ 10,548,729</u>	<u>\$ 674,565</u>	<u>\$ 5,996,391</u>

Statement 5

Capital Project		
Road		
Improvement Construction (470-483)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,268,374	\$ 16,101,226
-	48,796	48,796
-	-	3,668
-	-	966,071
-	-	2,583,848
-	-	926,911
-	1,324,234	5,144,801
-	626	86,336
-	(229,927)	(327,261)
-	29,148	44,135
-	622,960	652,629
-	4,064,211	26,231,160
-	-	3,217,280
-	2,420	10,970,260
60,316	-	1,906,928
-	-	50,726
-	3,643,853	3,848,135
-	66,819	66,819
-	-	3,012,671
79,946	14,497	553,411
-	-	440,314
-	-	403,250
3,121,427	1,625,233	5,292,618
-	263,430	275,905
3,261,689	5,616,252	30,038,317
(3,261,689)	(1,552,041)	(3,807,157)
-	12,582	112,704
3,135,000	975,000	4,110,000
235,230	73,244	308,474
-	-	191,375
-	879,527	1,609,306
-	(488,626)	(1,805,120)
3,370,230	1,451,727	4,526,739
108,541	(100,314)	719,582
(632,012)	5,036,934	20,913,252
\$ (523,471)	\$ 4,936,620	\$ 21,632,834

City of Hastings
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2022

Statement 6

Net change in fund balances - governmental funds	\$ 719,582
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	6,280,126
Depreciation/amortization expense	(5,366,100)
Disposal of capital assets	(55,126)

Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	(314,869)
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.

Bonds and Leases payable	3,012,671
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Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

	(165,195)
--	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

	(72,296)
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Proceeds from long-term debt are recognized as an other financing source in the governmental funds but have no impact on net assets in the Statement of Activities.

	(4,301,375)
--	-------------

Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Taxes and assessments	255,109
Grants, state shared tax, and other	331,167

Internal Service Funds are used by management to charge the costs of insurance and capital equipment to individual funds. The net revenue of certain activities of Internal Service Funds is reported with governmental activities in the government-wide financial statements.

	633,969
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Change in net position - governmental activities	\$ 957,663
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City of Hastings
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended December 31, 2022

Statement 7

	2022			
	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
General property taxes	\$ 9,655,471	\$ 9,655,471	\$ 9,968,113	\$ 312,642
Lodging taxes	3,255	3,255	3,668	413
Special assessments	1,000	1,000	-	(1,000)
Licenses and permits	492,750	492,750	966,071	473,321
Intergovernmental revenues	5,208,853	6,099,953	2,342,079	(3,757,874)
Charges for services	903,079	903,079	1,405,128	502,049
Fines and forfeitures	100,500	100,500	85,710	(14,790)
Investment income	49,500	49,500	(285)	(49,785)
Contributions and donations	-	10,867	10,867	-
Other revenues	68,000	69,400	29,669	(39,731)
Total revenues	16,482,408	17,385,775	14,811,020	(2,574,755)
Expenditures				
General Government	3,508,058	3,723,033	3,314,951	(408,082)
Public safety	6,389,484	6,499,719	6,511,233	11,514
Public works	1,776,985	1,962,985	1,846,612	(116,373)
Health and sanitation	45,050	45,050	50,726	5,676
Culture and recreation	158,072	158,072	204,282	46,210
Capital outlay	3,880,391	4,822,066	1,249,782	(3,572,284)
Total expenditures	15,758,040	17,210,925	13,177,586	(4,033,339)
Excess of revenues over expenditures	724,368	174,850	1,633,434	1,458,584
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	65,538	65,538
Proceeds from leases	-	-	191,375	191,375
Transfers in	532,260	544,735	524,068	(20,667)
Transfers out	(1,231,731)	(1,244,206)	(1,244,206)	-
Total other financing sources (uses)	(699,471)	(699,471)	(463,225)	236,246
Net change in fund balances	\$ 24,897	\$ (524,621)	1,170,209	\$ 1,694,830
Fund Balances				
Beginning of year			9,378,520	
End of year			\$ 10,548,729	

City of Hastings
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Fire and Ambulance Special Revenue Fund
Year Ended December 31, 2022

Statement 8

	2022			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 1,430,645	\$ 1,430,645	\$ 1,441,229	\$ 10,584
Intergovernmental	178,000	178,000	241,769	63,769
Charges for services	2,964,530	2,964,530	2,333,224	(631,306)
Investment income	2,000	2,000	(15,680)	(17,680)
Contributions and donations	-	4,120	4,120	-
Total revenues	<u>4,575,175</u>	<u>4,579,295</u>	<u>4,004,662</u>	<u>(574,633)</u>
Expenditures				
Current				
Public safety	4,333,796	4,355,914	4,456,607	100,693
Capital outlay				
Public safety	155,985	195,137	152,215	(42,922)
Total expenditures	<u>4,489,781</u>	<u>4,551,051</u>	<u>4,608,822</u>	<u>57,771</u>
Excess of revenues over (under) expenditures	85,394	28,244	(604,160)	(632,404)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	28,782	34,584	5,802
Transfers out	(85,394)	(85,394)	(85,394)	-
Total other financing sources (uses)	<u>(85,394)</u>	<u>(56,612)</u>	<u>(50,810)</u>	<u>5,802</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (28,368)</u>	<u>(654,970)</u>	<u>\$ (626,602)</u>
Fund Balance				
Beginning of year			<u>1,329,535</u>	
End of year			<u>\$ 674,565</u>	

City of Hastings
Statement of Net Position - Proprietary Funds
December 31, 2022

Statement 9

	Business-Type Activities Enterprise Funds					Governmental Activities - Internal Service Funds
	Water (600)	Sewer (601)	Storm (603)	Hydro (620)	Total	
Assets						
Current assets						
Cash and cash equivalents	\$ 5,061,827	\$ 3,457,030	\$ 1,096,267	\$ 284,427	\$ 9,899,551	\$ 1,782,572
Taxes receivable	-	-	-	-	-	33,533
Interest receivable	9,141	4,690	2,255	565	16,651	3,042
Accounts receivable - net	497,683	705,922	217,772	69,515	1,490,892	-
Special assessments receivable						
Deferred	149,166	13,527	-	-	162,693	-
Prepaid items	889	138,324	53	7	139,273	-
Total current assets	<u>5,718,706</u>	<u>4,319,493</u>	<u>1,316,347</u>	<u>354,514</u>	<u>11,709,060</u>	<u>1,819,147</u>
Noncurrent assets						
Capital assets, not being depreciated						
Land	349,300	-	-	-	349,300	-
Construction in progress	-	2,420	-	-	2,420	-
Capital assets, being depreciated						
Buildings	8,046,482	144,798	-	6,831,566	15,022,846	-
Infrastructure	23,596,352	20,403,336	357,927	-	44,357,615	-
Right to use	32,437	33,455	-	-	65,892	-
Machinery and equipment	3,019,451	898,488	508,798	3,806,459	8,233,196	2,283,660
Improvements other than buildings	4,918,084	-	157,659	-	5,075,743	-
Total capital assets	<u>39,962,106</u>	<u>21,482,497</u>	<u>1,024,384</u>	<u>10,638,025</u>	<u>73,107,012</u>	<u>2,283,660</u>
Less: accumulated depreciation/amortization	<u>(20,882,724)</u>	<u>(11,926,911)</u>	<u>(123,897)</u>	<u>(8,317,950)</u>	<u>(41,251,482)</u>	<u>(429,261)</u>
Net capital assets	<u>19,079,382</u>	<u>9,555,586</u>	<u>900,487</u>	<u>2,320,075</u>	<u>31,855,530</u>	<u>1,854,399</u>
Total noncurrent assets	<u>19,079,382</u>	<u>9,555,586</u>	<u>900,487</u>	<u>2,320,075</u>	<u>31,855,530</u>	<u>1,854,399</u>
Total assets	<u>24,798,088</u>	<u>13,875,079</u>	<u>2,216,834</u>	<u>2,674,589</u>	<u>43,564,590</u>	<u>3,673,546</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	131,308	80,095	77,574	11,397	300,374	-
Deferred outflows of resources related to OPEB	53,064	37,145	34,492	5,306	130,007	1,172,738
Total deferred outflows of resources	<u>184,372</u>	<u>117,240</u>	<u>112,066</u>	<u>16,703</u>	<u>430,381</u>	<u>1,172,738</u>
Total assets and deferred outflows of resources	<u>\$ 24,982,460</u>	<u>\$ 13,992,319</u>	<u>\$ 2,328,900</u>	<u>\$ 2,691,292</u>	<u>\$ 43,994,971</u>	<u>\$ 4,846,284</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 135,990	\$ 23,013	\$ 6,394	\$ 11,562	\$ 176,959	\$ 2,137
Due to other governments	16,045	-	-	4	16,049	-
Interest payable	82,739	23,131	-	-	105,870	-
Salaries payable	22,272	16,181	14,724	2,105	55,282	-
Compensated absences	9,677	6,288	7,715	882	24,562	166,389
Unearned revenue	-	-	-	5,415	5,415	3,498
Lease payable - current portion	7,264	6,885	-	-	14,149	-
Bonds payable - current portion	510,000	120,000	-	-	630,000	-
Total current liabilities	<u>783,987</u>	<u>195,498</u>	<u>28,833</u>	<u>19,968</u>	<u>1,028,286</u>	<u>172,024</u>
Noncurrent liabilities						
Compensated absences	99,765	67,611	64,492	7,778	239,646	1,881,777
Bonds payable, net	5,544,656	1,669,010	-	-	7,213,666	-
Lease payable	29,214	27,689	-	-	56,903	-
Total OPEB liability	179,715	125,802	116,814	17,972	440,303	3,971,708
Net pension liability	443,614	270,595	262,077	38,504	1,014,790	-
Less amount due within one year	<u>(526,941)</u>	<u>(133,173)</u>	<u>(7,715)</u>	<u>(882)</u>	<u>(668,711)</u>	<u>(166,389)</u>
Total noncurrent liabilities	<u>5,770,023</u>	<u>2,027,534</u>	<u>435,668</u>	<u>63,372</u>	<u>8,296,597</u>	<u>5,687,096</u>
Total liabilities	<u>6,554,010</u>	<u>2,223,032</u>	<u>464,501</u>	<u>83,340</u>	<u>9,324,883</u>	<u>5,859,120</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	9,509	5,800	5,618	825	21,752	-
Deferred inflows of resources related to OPEB	1,623	1,136	1,055	161	3,975	35,865
Total deferred inflows of resources	<u>11,132</u>	<u>6,936</u>	<u>6,673</u>	<u>986</u>	<u>25,727</u>	<u>35,865</u>
Net Position						
Net investment in capital assets	13,505,512	7,858,887	900,487	2,320,075	24,584,961	1,854,399
Unrestricted	4,911,806	3,903,464	957,239	286,891	10,059,400	(2,903,100)
Total net position	<u>18,417,318</u>	<u>11,762,351</u>	<u>1,857,726</u>	<u>2,606,966</u>	<u>34,644,361</u>	<u>(1,048,701)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 24,982,460</u>	<u>\$ 13,992,319</u>	<u>\$ 2,328,900</u>	<u>\$ 2,691,292</u>		<u>\$ 4,846,284</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					94,786	
Total business-type activities net position					<u>\$ 34,739,147</u>	

See notes to basic financial statements.

City of Hastings
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2022

	Business-Type Activities Enterprise Funds			
	Water (600)	Sewer (601)	Storm (603)	Hydro (620)
Operating revenues				
Charges for services	\$ 3,130,205	\$ 2,850,263	\$ 802,509	\$ 726,439
Other income	3,862	169,373	-	129,830
Total operating revenues	<u>3,134,067</u>	<u>3,019,636</u>	<u>802,509</u>	<u>856,269</u>
Operating expenses				
Personnel services	633,889	383,932	362,258	46,641
Supplies	107,713	6,201	5,134	649
Professional services	516,488	182,409	84,596	372,829
Metro waste control charge	-	1,595,532	-	-
Depreciation	943,576	493,793	42,872	179,787
Repairs and maintenance	-	1,600	-	-
Total operating expenses	<u>2,201,666</u>	<u>2,663,467</u>	<u>494,860</u>	<u>599,906</u>
Operating income (loss)	932,401	356,169	307,649	256,363
Nonoperating revenues (expenses)				
Investment income	(70,710)	(44,484)	(31,805)	(3,795)
Special assessments	59,148	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	(291)	-	-
Gain (loss) on disposal of capital assets	9,082	-	(49,568)	-
Property taxes	-	-	-	-
Interest expense	(159,845)	(58,955)	-	-
Total nonoperating revenues (expenses)	<u>(162,325)</u>	<u>(103,730)</u>	<u>(81,373)</u>	<u>(3,795)</u>
Income (loss) before transfers	770,076	252,439	226,276	252,568
Capital contributions from developers	402,154	339,292	-	-
Transfers in	-	18,333	-	-
Transfers out	<u>(38,877)</u>	<u>(37,293)</u>	<u>(8,655)</u>	<u>(268,794)</u>
Change in net position	1,133,353	572,771	217,621	(16,226)
Net position				
Beginning of year	<u>17,283,965</u>	<u>11,189,580</u>	<u>1,640,105</u>	<u>2,623,192</u>
End of year	<u>\$ 18,417,318</u>	<u>\$ 11,762,351</u>	<u>\$ 1,857,726</u>	<u>\$ 2,606,966</u>

Amounts reported for business-type activities in the statement of activities are different because:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position- business-type activities

Statement 10

Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Funds
Total	
\$ 7,509,416	\$ 1,206,127
303,065	-
<u>7,812,481</u>	<u>1,206,127</u>
1,426,720	444,366
119,697	-
1,156,322	752,023
1,595,532	-
1,660,028	193,970
1,600	-
<u>5,959,899</u>	<u>1,390,359</u>
1,852,582	(184,232)
(150,794)	(27,449)
59,148	-
-	7,261
(291)	337
(40,486)	-
-	337,334
<u>(218,800)</u>	<u>-</u>
<u>(351,223)</u>	<u>317,483</u>
1,501,359	133,251
741,446	-
18,333	531,100
<u>(353,619)</u>	<u>-</u>
1,907,519	664,351
	<u>(1,713,052)</u>
	<u>\$ (1,048,701)</u>
<u>30,424</u>	
<u>\$ 1,937,943</u>	

City of Hastings
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds			
	Water (600)	Sewer (601)	Storm (603)	Hydro (620)
Cash Flows - Operating Activities				
Receipts from customers	\$ 3,169,954	\$ 2,849,421	\$ 796,174	\$ 718,324
Interfund services provided and used	-	-	-	-
Payments to suppliers for goods and services	(540,781)	(1,853,913)	(84,212)	(429,513)
Payments to employees for services	(587,345)	(397,576)	(373,579)	(53,309)
Other operating revenues	3,862	169,373	-	129,830
Net cash flows - operating activities	<u>2,045,690</u>	<u>767,305</u>	<u>338,383</u>	<u>365,332</u>
Cash Flows - Noncapital Financing Activities				
Property taxes	-	-	-	-
Special assessments	-	1,831	302	-
Miscellaneous	-	(291)	-	-
Intergovernmental receipts	-	-	-	-
Transfer to other funds	(38,877)	(37,293)	(8,655)	(268,794)
Transfer from other funds	-	18,333	-	-
Net cash flows - noncapital financing activities	<u>(38,877)</u>	<u>(17,420)</u>	<u>(8,353)</u>	<u>(268,794)</u>
Cash Flows - Capital and Related Financing Activities				
Principal paid on debt	(410,786)	(47,311)	-	-
Interest paid on debt	(171,186)	(65,905)	-	-
Special assessments	56,820	-	-	-
Bond proceeds	1,420,000	285,000	-	-
Bond premium issued	107,170	21,108	-	-
Acquisition of capital assets	(1,602,776)	(725,444)	(319,884)	-
Proceeds from disposal of capital assets	9,082	-	44,999	-
Net cash flows - capital and related financial activities	<u>(591,676)</u>	<u>(532,552)</u>	<u>(274,885)</u>	<u>-</u>
Cash Flows - Investing Activities				
Investment income	<u>(74,967)</u>	<u>(46,061)</u>	<u>(32,576)</u>	<u>(4,082)</u>
Net change in cash and cash equivalents	1,340,170	171,272	22,569	92,456
Cash and Cash Equivalents				
January 1	<u>3,721,657</u>	<u>3,285,758</u>	<u>1,073,698</u>	<u>191,971</u>
December 31	<u>\$ 5,061,827</u>	<u>\$ 3,457,030</u>	<u>\$ 1,096,267</u>	<u>\$ 284,427</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	\$ 932,401	\$ 356,169	\$ 307,649	\$ 256,363
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Depreciation	943,576	493,793	42,872	179,787
Pension expense	62,200	(6,371)	(6,171)	(907)
Accounts receivable	39,749	(842)	(6,335)	(8,315)
Prepaid items	11,582	(5,332)	98	8
Accounts payable	73,927	(62,839)	5,420	(61,141)
Salaries payable	3,589	2,864	2,435	253
Due to other governments	(2,089)	-	-	(317)
Unearned revenue	-	-	-	-
OPEB expense	(9,335)	(4,185)	(7,243)	(599)
Compensated absences payable	(9,910)	(5,952)	(342)	(5,415)
Total adjustments	<u>1,113,289</u>	<u>411,136</u>	<u>30,734</u>	<u>108,969</u>
Net cash flows - operating activities	<u>\$ 2,045,690</u>	<u>\$ 767,305</u>	<u>\$ 338,383</u>	<u>\$ 365,332</u>
Noncash Capital and Related Financing Activities				
Capital contributions	<u>\$ 402,154</u>	<u>\$ 339,292</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to basic financial statements.

Statement 11

Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds	
Total		Funds	
\$	7,533,873	\$	-
	-		1,206,117
	(2,908,419)		(911,936)
	(1,411,809)		(289,481)
	303,065		-
	<u>3,516,710</u>		<u>4,700</u>
	-		332,340
	2,133		-
	(291)		337
	-		7,261
	(353,619)		-
	18,333		531,100
	<u>(333,444)</u>		<u>871,038</u>
	(458,097)		-
	(237,091)		-
	56,820		-
	1,705,000		-
	128,278		-
	(2,648,104)		(367,880)
	54,081		-
	<u>(1,399,113)</u>		<u>(367,880)</u>
	<u>(157,686)</u>		<u>(29,166)</u>
	1,626,467		478,692
	8,273,084		1,303,880
\$	<u>9,899,551</u>	\$	<u>1,782,572</u>
\$	1,852,582	\$	(184,232)
	1,660,028		193,970
	48,751		-
	24,257		10
	6,356		10,000
	(44,633)		(47,828)
	9,141		-
	(2,406)		-
	-		(20)
	(21,362)		(122,085)
	(21,619)		154,885
	<u>1,664,128</u>		<u>188,932</u>
\$	<u>3,516,710</u>	\$	<u>4,700</u>
\$	<u>741,446</u>	\$	<u>-</u>

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TRUST FUNDS

City of Hastings
Statement of Fiduciary Net Position
December 31, 2022

Statement 12

Library
Private-Purpose
Trust Fund

Assets

Cash and investments
Interest receivable

\$ 89,976
186

Total assets

\$ 90,162

Net Position

Held in trust for library

\$ 90,162

City of Hastings
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022

Statement 13

Library
Private-
Purpose
Trust Fund

Additions

Investment earnings

\$ (2,661)

Deductions

Other services and charges

1,000

Change in net position

(3,661)

Beginning net position

93,823

Ending net position

\$ 90,162

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City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

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

Description of Funds:

Major Governmental Funds:

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

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

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

Road Improvement Construction Fund – This fund accounts for the activities related to street construction and improvements.

Proprietary Funds:

Water Fund – This fund accounts for the activities related to the operation of a water distribution system.

Sewer Fund – This fund accounts for resources and payments related to the operation of a sanitary collection system.

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Description of Funds: (Continued)

Proprietary Funds:(Continued)

Storm Fund – This fund accounts for resources and payments related to the operation of the storm water system.

Hydro Fund – This fund accounts for the funds generated by the hydroelectric plant. These funds are used to finance the hydroelectric operating expenses.

The City also reports the following fund types:

Internal Service Funds – This fund accounts for the retiree health insurance expenses and the related liability, work comp insurance and related liability, the expenses for the compensated absences paid out upon termination or retirement as well as, expenses for vehicle revolving services provided to other departments, on a cost reimbursement basis.

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

Permanent Fund – This fund accounts for the trusts of the Simmons family for the LeDuc Historic Estate that was transferred over to the City in 2005. The income of these trust is used for the operations at the LeDuc Historic Estate as a historical museum.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

Minnesota Statutes 118A outlines authorized investments for the City, including obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City as well as for its component unit are reported at fair value as disclosed in Note 3. 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.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

2. Receivables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property. The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year.

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Receivables (Continued)

Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Dakota County is the collecting agency for the levy and remit the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

All trade and accounts receivable are shown net of allowance for uncollectible accounts which is determined by analysis of historical collection trends. The allowance for ambulance receivable is equal to 75% of outstanding receivables at year end.

3. Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements using the consumption method. Materials and supplies, if material, are recorded at cost using first in first out (FIFO) method and reported under the consumption method in the Governmental Funds and Activities.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City presents deferred outflows on the Statements of Net Position for deferred outflows of resources relating to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisitions of net assets that applies to a future period(s) and so will note recognized as an inflow of resources (revenue) until that time.

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

4. Deferred Outflows/Inflows of Resources (Continued)

The city has three items that qualify for reporting in this category. The city presents deferred inflows of resources on the Government Fund Balance Sheet as unavailable revenue and advanced appropriations. The governmental funds report unavailable revenues from four sources, taxes and assessments, grants and other credits. The governmental funds report advanced appropriations for state shared tax. These amounts are deferred and recognized as an inflow in the period that amounts become available. The City also presents deferred inflows of resources on the Statements of Net Position related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. In the case of donations, the government values these capital assets at the acquisition value of the item at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Pursuant to GASB Statement 51, in the case of initial capitalization of intangible assets, the City chose not to retroactively report permanent easements. The City had already accounted for temporary easements and computer software at historical cost and therefore retroactive reporting was not necessary. The amounts of these assets are not material to the financial statements and therefore, have not been reported separately from other capital assets. The City acquired no intangible assets for the year ending December 31, 2022, other than right to use assets resulting from the implementation of GASB Statement Number 87 that are reported separately in Note 4.

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

5. Capital Assets (Continued)

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

Assets	Years
Buildings	15-50
Furniture and fixtures	5-20
Motor vehicles	5
Heavy equipment	10
Fire trucks	10
Park trails	25-30
Streets and public infrastructure	20
Utility distribution systems	40
Sirens	10
Bridges	45
Improvements other than buildings	10-20

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term debt reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type Statement of Net Position. Bond premiums and discounts, are deferred and amortized evenly over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

7. Long-Term Obligations(Continued)

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

8. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the fire relief association and additions to/deductions from PERA's and the fire relief association's fiduciary net position are determined on the same basis as they are reported by PERA and the fire relief association except that PERA's fiscal year end is June 30th. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Fund Balance

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

- Nonspendable – Portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund which are not in spendable form.
- Restricted – These funds are constrained by external parties (statute, grantors, bond agreements, etc.).
- Committed – These fund constraints are established and modified by a resolution approved by the City Council prior to year-end.
- Assigned – These funds consists of internally imposed constraints. These constraints are established by City Council and/or management. The City Council also delegates the authority to assign fund balance to the Finance Manager or his/her designee.
- Unassigned – This is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

City of Hastings
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Fund Balance (Continued)

The City formally adopted a fund balance policy for the governmental funds. The policy establishes a fund balance range of 35% - 45% of the subsequent year's budgeted expenditures. Any unassigned surplus exceeding 45% upon the completion of the previous year's audit, will be available for the City Council to transfer to a capital project fund, or other special reservation made for those funds.

10. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

F. Endowment

On April 27, 1987, the City was a recipient of a \$200,000 endowment for the LeDuc Historic Estate. The net appreciation on the endowment as of December 31, 2022, was \$875,872. Both the initial endowment of \$200,000 and the net appreciation of \$875,872 are classified as restricted in the Statement of Net Position. The net appreciation is allowed to be spent for the preservation, repair, and operating needs of the LeDuc Historic Estate.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the Drug Awareness Special Revenue Fund, Budget Stabilization and the Road Improvement Capital Projects Funds, which adopt project-length budgets, Guardian Angels TIF, NAPA TIF, Downtown Redevelopment TIF, Hudson Sprayers TIF, Schoolhouse Square Tax Increment Financing, Public Works Cold Storage Building, Escrow, Capital Project Funds, and the Permanent Fund, which are not budgeted. All annual appropriations lapse at fiscal year-end.

City of Hastings
Notes to Basic Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

On or before mid-June of each year, all departments and agencies of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15th, the proposed budget is presented to the City Council for review and approval. By September 15th, the proposed budget and tax levy must be submitted to the county auditor. The Council holds public hearings, and a final budget and tax levy must be prepared, adopted, and submitted to the county auditor, no later than December 28th.

The appropriated budget is prepared by fund and department. The City's department heads may request transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level. The Council made several supplementary budgetary appropriations for the general fund and various special revenue funds in 2022. Several of the budgets changed in total as a result of the Council-approved appropriations.

B. Deficit Fund Equity

The Road Improvement Construction had deficit of \$523,823. This fund's deficit is expected to be covered from future grants. The NAPA TIF had a deficit of \$7,048. The Schoolhouse Square Tax Increment Financing had a deficit of \$1,889. The Downtown Redevelopment TIF had a deficit of \$1,282,026. These fund's deficits are expected to be covered from future tax increment revenues.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with *Minnesota Statutes*, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System. *Minnesota Statutes* require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. *Minnesota Statutes* require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. As of December 31, 2022, the City was not exposed to custodial credit risk because deposits were fully insured and collateralized. As of December 31, 2022, the City has the following deposits:

Checking	\$ 3,384,573
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City of Hastings
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2022, the City had the following investments and maturities:

Investment Type	GASB 72 level	Rating (Moody/S&P)	Fair Value	Investment Maturities		
				Less than One Year	1-5 Years	6-10 Years
Pooled Investments						
Taxable Municipals	2	Aa2/AA	\$ 7,299,968	\$ 353,753	\$ 4,817,412	\$ 2,128,802
Brokered Certificates of Deposit	1	NR	5,591,602	923,745	4,461,802	206,055
External Investment Pool - 4M Fund	N/A	NR	13,855,802	13,855,802	-	-
Money Market	N/A	NR	5,030,126	5,030,126	-	-
Total Pooled Investments			<u>31,777,498</u>	<u>20,163,426</u>	<u>9,279,214</u>	<u>2,334,857</u>
Non-Pooled Investments						
Brokered Cash	N/A	N/A	5,928	5,928	-	-
Equity	1	N/A	406,602	406,602	-	-
Fixed Income Securities	2	N/A	273,672	273,672	-	-
Real Estate	2	N/A	44,751	44,751	-	-
Total Non-Pooled Investments			<u>730,953</u>	<u>730,953</u>	<u>-</u>	<u>-</u>
Total			<u>\$ 32,508,451</u>	<u>\$ 20,894,379</u>	<u>\$ 9,279,214</u>	<u>\$ 2,334,857</u>

The City has the following recurring fair value measurements as of December 31, 2022:

- \$5,998,204 of \$32,508,451 are valued using a quoted market prices (Level 1 inputs)
- \$7,618,391 of \$32,508,451 are valued using a matrix pricing model (Level 2 inputs)

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

Credit Risk – The City's investment policy is silent with regards to Credit Risk. Investments are rated as noted above.

Concentration of Credit Risk – The City's investments in PGIM Total Return Bond, Ishares Core, Ishares Core Msci Emerging Markets, and Ishares Core US Aggregate Bond exceeds 5% of the City's nonpooled investment portfolio.

Custodial Credit Risk – For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investment securities that are in possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The City's investment policy requires that when securities are held in safekeeping by a broker/dealer, that they must provide asset protection through SIPC and at least another \$10,000,000 supplemental insurance protection.

City of Hastings
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Summary of cash deposits and investments as of December 31, 2022, were as follows:

Deposits (Note 3.A.)	\$ 3,384,573
Investments (Note 3.B.)	32,508,451
Petty cash	<u>1,525</u>
Total deposits and investments	<u><u>\$ 35,894,549</u></u>

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments - City	\$ 33,876,094
Cash and investments - HEDRA	1,088,654
Cash with fiscal agent	730,953
Restricted cash	108,872
Statement of Fiduciary Net Position	
Cash and investments	<u>89,976</u>
Total deposits and investments	<u><u>\$ 35,894,549</u></u>

City of Hastings
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 3,690,736	\$ 2,475	\$ -	\$ 3,693,211
Construction in progress	775,829	3,397,642	(3,886,219)	287,252
Total capital assets not being depreciated	<u>4,466,565</u>	<u>3,400,117</u>	<u>(3,886,219)</u>	<u>3,980,463</u>
Capital assets being depreciated/amortized				
Buildings	21,060,495	1,625,234	-	22,685,729
Machinery and equipment	12,042,184	1,600,652	(1,050,839)	12,591,997
Improvements other than buildings	5,073,218	111,836	-	5,185,054
Leased equipment	244,913	224,766	-	469,679
Infrastructure	111,909,120	3,571,620	(1,504,079)	113,976,661
Total capital assets being depreciated	<u>150,329,930</u>	<u>7,134,108</u>	<u>(2,554,918)</u>	<u>154,909,120</u>
Less accumulated depreciation/amortization for				
Buildings	(12,741,242)	(486,033)	-	(13,227,275)
Machinery and equipment	(9,261,019)	(744,903)	1,047,776	(8,958,146)
Improvements other than buildings	(1,967,738)	(233,414)	-	(2,201,152)
Leased equipment	-	(101,107)	-	(101,107)
Infrastructure	(70,838,470)	(3,994,613)	1,452,016	(73,381,067)
Total accumulated depreciation/amortization	<u>(94,808,469)</u>	<u>(5,560,070)</u>	<u>2,499,792</u>	<u>(97,868,747)</u>
Total capital assets being depreciated/amortized, net	<u>55,521,461</u>	<u>1,574,038</u>	<u>(55,126)</u>	<u>57,040,373</u>
Governmental activities capital position, net	<u>\$ 59,988,026</u>	<u>\$ 4,974,155</u>	<u>\$ (3,941,345)</u>	<u>\$ 61,020,836</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 349,300	\$ -	\$ -	\$ 349,300
Construction in progress	-	2,420	-	2,420
Total capital assets not being depreciated/amortized	<u>349,300</u>	<u>2,420</u>	<u>-</u>	<u>351,720</u>
Capital assets being depreciated/amortized				
Buildings	15,022,846	-	-	15,022,846
Machinery and equipment	7,984,813	508,649	(260,266)	8,233,196
Leased equipment	-	65,892	-	65,892
Improvements other than buildings	4,199,943	875,800	-	5,075,743
Infrastructure	<u>42,467,504</u>	<u>1,936,789</u>	<u>(46,678)</u>	<u>44,357,615</u>
Total capital assets being depreciated/amortized	<u>69,675,106</u>	<u>3,387,130</u>	<u>(306,944)</u>	<u>72,755,292</u>
Less accumulated depreciation/amortized for				
Buildings	(9,101,316)	(415,149)	-	(9,516,465)
Machinery and equipment	(5,330,938)	(232,402)	165,700	(5,397,640)
Leased equipment	-	(3,935)	-	(3,935)
Improvements other than buildings	(2,423,589)	(136,080)	-	(2,559,669)
Infrastructure	<u>(22,947,989)</u>	<u>(872,462)</u>	<u>46,678</u>	<u>(23,773,773)</u>
Total accumulated depreciation/amortized	<u>(39,803,832)</u>	<u>(1,660,028)</u>	<u>212,378</u>	<u>(41,251,482)</u>
Total capital assets being depreciated/amortized, net	<u>29,871,274</u>	<u>1,727,102</u>	<u>(94,566)</u>	<u>31,503,810</u>
Business-type activities capital assets, net	<u>\$ 30,220,574</u>	<u>\$ 1,729,522</u>	<u>\$ (94,566)</u>	<u>\$ 31,855,530</u>

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

Governmental activities	
General government	\$ 177,847
Public safety	516,923
Public works	4,082,592
Cultural and recreation	588,738
Internal service funds	<u>193,970</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 5,560,070</u>
Business-type activities	
Water	\$ 943,576
Sewer	493,793
Storm	42,872
Hydro	<u>179,787</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 1,660,028</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Unit

Activity for the HEDRA for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being depreciated				
Buildings and Structures	\$ 744,195	\$ -	\$ (267,305)	\$ 476,890
Less accumulated depreciated for				
Buildings and Structures	(650,696)	(5,500)	267,305	(388,891)
Total capital assets being depreciated, net	93,499	(5,500)	-	87,999
Component unit capital assets, net	<u>\$ 93,499</u>	<u>\$ (5,500)</u>	<u>\$ -</u>	<u>\$ 87,999</u>

NOTE 5 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Road Improvement Construction	\$ 339,258
Other Governmental Funds	Other Government Funds	30,224
Total		<u>\$ 369,482</u>

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Government Funds	<u>\$ 1,260,739</u>

The due from/due to other funds balances represent borrowing to resolves deficit cash balances.

The \$1,260,739 from the General Fund was money to make the Bond principal and interest payments for the Downtown Redevelopment TIF District due to delays in development and collection of tax increment revenue. The advance will be paid back when the District starts producing sufficient tax increment revenue.

City of Hastings
Notes to Basic Financial Statements

NOTE 6 – INTERFUND TRANSFERS

Transfers Out	Transfers In					Total
	General	Debt Service	Non-major Governmental Funds	Internal Service	Sewer	
General	\$ -	\$ -	\$ 700,000	\$ 531,100	\$ -	\$ 1,231,100
Fire and ambulance	85,394	-	-	-	-	85,394
Non-major governmental funds	90,282	218,817	179,527	-	-	488,626
Water	38,877	-	-	-	-	38,877
Sewer	37,293	-	-	-	-	37,293
Storm	8,655	-	-	-	-	8,655
Hydro	250,461	-	-	-	18,333	268,794
Total	<u>\$ 510,962</u>	<u>218,817</u>	<u>\$ 879,527</u>	<u>\$ 531,100</u>	<u>\$ 18,333</u>	<u>\$ 2,158,739</u>

Inter-fund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund. The transfers from the Enterprise funds, Fire and ambulance and Non-major governmental funds to the General fund fall under that category. The transfers to the Non Major Funds were for contributions to capital projects. The transfer to the Internal Service Funds was budgeted to contribute for retiree health insurance, compensated absences, and vehicle replacement costs.

NOTE 7 – LONG-TERM DEBT

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

A. G.O. Improvement Bonds

Bonds generally are issued as 12-year serial bonds with equal debt service payments each year. The original amount of general obligation bonds for the issues listed below is \$18,935,000. The G.O. Improvement Bonds currently outstanding are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
G.O. Improvement Bonds, Series 2012A	10/17/12	2.00%-3.00%	1,700,000	02/01/23	\$ 180,000	\$ 180,000
G.O. Improvement Bonds, Series 2013B	11/20/13	0.40%-2.45%	1,265,000	02/01/24	260,000	130,000
G.O. Improvement Bonds, Series 2014A	11/25/14	0.65%-2.50%	2,345,000	02/01/25	795,000	260,000
G.O. Improvement Bonds, Series 2015A	09/03/15	2.00%-2.20%	360,000	02/01/26	150,000	35,000
G.O. Improvement Bonds, Series 2016B	11/03/16	2.00%	995,000	02/01/27	525,000	100,000
G.O. Improvement Bonds, Series 2017A	11/02/17	2.75%-2.875%	1,015,000	02/01/28	630,000	100,000
G.O. Improvement Bonds, Series 2018A	07/18/18	3.00% - 4.00%	1,580,000	02/01/29	1,140,000	150,000
G.O. Improvement Bonds, Series 2019A	08/08/19	5.00%	2,595,000	02/01/30	2,225,000	235,000
G.O. Improvement Bonds, Series 2020A	10/01/20	2.00%-4.00%	2,045,000	02/01/31	1,895,000	180,000
G.O. Improvement Bonds, Series 2021A	08/02/21	1.00%-3.00%	925,000	02/01/32	925,000	75,000
G.O. Improvement Bonds, Series 2022A	06/01/22	3.00%-5.00%	4,110,000	02/01/33	4,110,000	-
Total					<u>\$ 12,835,000</u>	<u>\$ 1,445,000</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

A. G.O. Improvement Bonds (Continued)

Annual debt service requirements to maturity for G.O. Improvement Bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,445,000	\$ 482,196	\$ 1,927,196
2024	1,645,000	399,561	2,044,561
2025	1,560,000	340,494	1,900,494
2026	1,335,000	284,491	1,619,491
2027	1,345,000	229,964	1,574,964
2028-2032	5,015,000	431,665	5,446,665
2033	490,000	7,350	497,350
Total	<u>\$ 12,835,000</u>	<u>\$ 2,175,721</u>	<u>\$ 15,010,721</u>

B. Equipment Certificates

Equipment Certificates are general obligations of the city and generally are issued as three-to-five-year serial bonds with equal debt service payments each year. They have been used sparingly as a means to purchase certain equipment for the City. The original amount of these certificates for the issues listed below is \$1,410,000. The equipment certificates currently outstanding are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
Certificate of Participation, Series 2013B	11/20/13	0.40%-2.45%	\$ 1,410,000	02/01/24	\$ 190,000	\$ 95,000

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 95,000	\$ 3,420	\$ 98,420
2024	95,000	1,164	96,164
Total	<u>\$ 190,000</u>	<u>\$ 4,584</u>	<u>\$ 194,584</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. G.O. Revenue Bonds

The City also issues bonds where the city pledges income derived from certain enterprise fund activities to pay debt service. These bonds also are backed by the full faith and credit of the government (general obligation). Bonds generally are issued as 12-year serial bonds with equal debt service payments each year. The original amount of general obligation revenue bonds for the issues listed below is \$8,485,000.

The general obligation revenue bonds currently outstanding are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
G.O. Refunding Bonds, Series 2013A	02/21/13	2.00%	\$ 2,565,000	02/01/27	\$ 1,340,000	\$ 265,000
G.O. Improvement Bonds, Series 2018A	07/18/18	3.00%-4.00%	1,260,000	02/01/29	925,000	115,000
G.O. Improvement Bonds, Series 2019A	08/08/19	5.00%	675,000	02/01/30	575,000	60,000
G.O. Improvement Bonds, Series 2020A	10/01/20	2.00-4.00%	1,135,000	02/01/31	1,050,000	100,000
G.O. Improvement Bonds, Series 2021A	08/02/21	1.00-3.00%	1,145,000	02/01/32	1,145,000	90,000
G.O. Improvement Bonds, Series 2022A	06/01/22	3.00%-5.00%	1,705,000	02/01/33	1,705,000	-
Total					<u>\$ 6,740,000</u>	<u>\$ 630,000</u>

Future revenue pledged for the payment of long-term debt is as follows:

	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Total Debt Service	Term of Pledge		Principal and Interest paid	Pledged Revenue Received
G.O. Refunding Bonds, Series 2013A	Utility	Utility					
	Infrastructure	Charges	100%	2014-2027	\$ 1,407,500	\$ 284,350	\$ 3,130,205
G.O. Improvement Bonds, Series 2018A	Utility	Utility					
	Infrastructure	Charges	100%	2019-2029	\$ 1,036,475	\$ 150,050	\$ 5,980,468
G.O. Improvement Bonds, Series 2019A	Utility	Utility					
	Infrastructure	Charges	100%	2019-2030	\$ 697,125	\$ 90,250	\$ 3,130,205
G.O. Improvement Bonds, Series 2020A	Utility	Utility					
	Infrastructure	Charges	100%	2020-2031	\$ 1,204,000	\$ 122,300	\$ 5,980,468
G.O. Improvement Bonds, Series 2021A	Utility	Utility					
	Infrastructure	Charges	100%	2021-2032	\$ 1,264,619	\$ 25,276	\$ 5,980,468
G.O. Improvement Bonds, Series 2022A	Utility	Utility					
	Infrastructure	Charges	100%	2022-2033	\$ 2,061,675	\$ -	\$ 5,980,468

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 630,000	\$ 226,954	\$ 856,954
2024	805,000	190,963	995,963
2025	815,000	163,357	978,357
2026	850,000	134,968	984,968
2027	875,000	105,488	980,488
2028-2032	2,560,000	192,281	2,752,281
2033	205,000	3,074	208,074
Total	<u>\$ 6,740,000</u>	<u>\$ 1,017,085</u>	<u>\$ 7,757,085</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Charter Bonds

The City also issues bonds that use its power under the City Charter to issue debt. These bonds are backed by the full faith and credit of the government (general obligation). Bonds generally are issued as 12-year serial bonds with equal debt service payments each year. The original amount of general obligation bonds for the issues listed below is \$5,735,000. The general obligation charter bonds currently outstanding are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
G.O. Improvement Bond, Series 2014A - Charter	11/25/14	0.65%-2.50%	\$ 650,000	02/01/25	\$ 220,000	\$ 70,000
G.O. Improvement Bond, Series 2015A - Charter	09/03/15	2.00%-2.20%	2,100,000	02/01/26	895,000	220,000
G.O. Improvement Bond, Series 2016B - Charter	11/03/16	2.00%	2,005,000	02/01/27	1,125,000	215,000
G.O. Improvement Bond, Series 2018A - Charter	07/18/18	3.00%-4.00%	980,000	02/01/29	725,000	90,000
Total					<u>\$ 2,965,000</u>	<u>\$ 595,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 595,000	\$ 78,935	\$ 673,935
2024	610,000	64,985	674,985
2025	625,000	50,723	675,723
2026	565,000	36,047	601,047
2027	345,000	21,680	366,680
2028-2029	225,000	17,575	242,575
Total	<u>\$ 2,965,000</u>	<u>\$ 269,945</u>	<u>\$ 3,234,945</u>

E. General Obligation Tax Increment Revenue Bonds

In August 2016, the City issued \$2,265,000 GO Tax Increment Revenue bonds. The bonds are backed by the full faith and credit of the City of Hastings. Tax increment revenue from District 7 is pledged to repay the bonds.

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
G.O. Tax Increment Bonds, Series 2016A	01/21/16	2.00%-2.75%	\$ 2,265,000	02/01/29	<u>\$ 1,260,000</u>	<u>\$ 175,000</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

E. General Obligation Tax Increment Revenue Bonds (Continued)

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

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 175,000	\$ 28,000	\$ 203,000
2024	175,000	24,500	199,500
2025	180,000	20,950	200,950
2026	185,000	16,838	201,838
2027	185,000	12,213	197,213
2028-2029	360,000	9,487	369,487
Total	<u>\$ 1,260,000</u>	<u>\$ 111,988</u>	<u>\$ 1,371,988</u>

F. Lease Obligations

The City entered into multiple lease agreements shown per schedules below. These leases have varying start dates, monthly lease payment amounts, and end dates.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>			<u>Business Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 108,161	\$ 15,818	\$ 123,979	\$ 14,149	\$ 2,524	\$ 16,673
2024	110,030	10,405	120,435	14,873	1,800	16,673
2025	67,671	4,920	72,591	15,633	1,039	16,672
2026	44,648	1,506	46,154	12,248	257	12,505
2027	8,106	97	8,203	-	-	-
Total	<u>\$ 338,616</u>	<u>\$ 32,746</u>	<u>\$ 371,362</u>	<u>\$ 56,903</u>	<u>\$ 5,620</u>	<u>\$ 62,523</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

G. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation debt	\$ 180,000	\$ -	\$ (180,000)	\$ -	\$ -
GO improvement debt	10,550,000	4,110,000	(1,825,000)	12,835,000	1,445,000
Equipment certificates	340,000	-	(150,000)	190,000	95,000
City charter bonds	3,550,000	-	(585,000)	2,965,000	595,000
Tax increment bonds	1,435,000	-	(175,000)	1,260,000	175,000
Lease obligations	244,913	191,375	(97,672)	338,616	108,161
Plus (less) deferred amounts for premium and discount	971,168	308,474	(143,279)	1,136,363	-
Total bonds payable	17,271,081	4,609,849	(3,155,951)	18,724,979	2,418,161
Compensated absences	1,726,892	956,261	(801,376)	1,881,777	166,389
Total governmental activities	<u>\$ 18,997,973</u>	<u>\$ 5,566,110</u>	<u>\$ (3,957,327)</u>	<u>\$ 20,606,756</u>	<u>\$ 2,584,550</u>
	Ending Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 5,550,000	\$ 1,705,000	\$ (515,000)	\$ 6,740,000	\$ 630,000
Lease obligations	-	60,582	(3,679)	56,903	14,149
Plus (less) deferred amounts for premium or discount	402,281	128,278	(56,893)	473,666	-
Total bonds payable	5,952,281	1,893,860	(575,572)	7,270,569	644,149
Compensated absences payable	261,265	58,064	(79,683)	239,646	24,562
Total business-type activities	<u>\$ 6,213,546</u>	<u>\$ 1,951,924</u>	<u>\$ (655,255)</u>	<u>\$ 7,510,215</u>	<u>\$ 668,711</u>

The governmental activities, compensated absences, pensions, and other post-employment benefit obligations are generally liquidated by the general, special revenue, and internal service funds.

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverage. The LMCIT operates as a common risk management and insurance program for approximately 1,200 members. The city pays an annual premium to the LMCIT for insurance coverage. The LMCIT agreement provides that the Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The major reinsurance points are generally \$1,000,000 per occurrence for property loss or damage and \$500,000 per occurrence for workers' compensation. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance from the prior year.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2022, was \$1,917,243, the discretely presented component unit's portion of this expense is \$36,512. The components of pension expense are noted in the following plan summaries.

The General fund, HEDRA, Water, Sewer, Storm and Hydro Funds typically liquidate the liability related to pensions.

Public Employees' Retirement Association

A. Plan Description

The City of Hastings participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$411,531 of this amount, the discretely presented component unit contributed \$17,989. The City's contributions were equal to the required contributions as set by state statute.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Plan Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$906,616. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$5,504,423 for its proportionate share of the General Employees Fund's net pension liability, of this amount, the discretely presented component unit was allocated \$240,616. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$161,514. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0695% at the end of the measurement period and 0.0698% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 5,504,423
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>161,514</u>
Total	<u><u>\$ 5,665,937</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$745,493 for its proportionate share of General Employees Plan's pension expense of this amount, the discretely presented component unit was allocated \$36,512. Included in the amount, the City recognized \$24,134 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund, of this amount, the discretely presented component unit was allocated \$1,055.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2022, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, of these amounts, the discretely presented component unit was allocated \$71,221 of deferred outflows of resources and \$5,298 of deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 45,977	\$ 59,145
Changes in actuarial assumptions	1,250,966	22,871
Net collective difference between projected and actual investment earnings	90,647	-
Change in proportion	35,937	39,175
Contributions paid to PERA subsequent to the measurement date	205,765	-
Total	<u>\$ 1,629,292</u>	<u>\$ 121,191</u>

The \$205,765 reported as deferred outflows of resources related to pensions resulting from City of Hastings contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023, of this amount the discretely presented component unit contributed \$8,995 subsequent to year end. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December	Pension Expense
2023	\$ 496,786
2024	482,995
2025	(175,237)
2026	497,792
Total	<u>\$ 1,302,336</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$17,680,571 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.4063%, at the end of the measurement period and 0.3830% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$1,622,679 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$149,841 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$36,567 for the year ended December 31, 2022, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,053,732	\$ -
Changes in actuarial assumptions	10,196,270	99,383
Net collective difference between projected and actual investment earnings	485,470	-
Change in proportion	280,000	127,246
Contributions paid to PERA subsequent to the measurement date	453,308	-
	<u>12,468,780</u>	<u>226,629</u>
Total	<u>\$ 12,468,780</u>	<u>\$ 226,629</u>

The \$453,308 reported as deferred outflows of resources related to pensions resulting from City of Hastings contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2023	\$ 2,278,472
2024	2,319,687
2025	2,062,896
2026	3,626,758
2027	1,501,030
	<u>11,788,843</u>
Total	<u>\$ 11,788,843</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric 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</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
	<hr/>	
Total	<u>100.0 %</u>	

F. Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from MP-2020 to MP-2021.
- The single discount rates were changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.4% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>City of Hastings proportionate share of</u>	<u>1% Decrease in Discount Rate (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase in Discount Rate (7.5%)</u>
General Employees Retirement Fund net pension liability	\$ 8,311,965	\$ 5,263,807	\$ 2,772,525
Discretely presented component unit	382,559	240,616	115,522
	<u>1% Decrease in Discount rate (4.4%)</u>	<u>Current Discount Rate (5.4%)</u>	<u>1% Increase in Discount Rate (6.4%)</u>
<u>City of Hastings proportionate share of</u>			
Police and Fire Fighters net pension liability	\$ 26,757,277	\$ 17,680,571	\$ 10,342,598

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

At December 31, 2022, the City reported its total proportionate share of Net Pension Liability (Asset), Deferred Outflows of Resources, and Deferred Inflows of Resources, related to pensions from the following sources:

	<u>Net Pension Liability (Asset)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
General Employees	\$ 5,504,423	\$ 1,629,292	\$ 121,191
Police and Fire	<u>17,680,571</u>	<u>12,468,780</u>	<u>226,629</u>
Total	<u>\$ 23,184,994</u>	<u>\$ 14,098,072</u>	<u>\$ 347,820</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association

A. Plan Description

Firefighters of the City of Hastings are members of the Hastings Firefighters Relief Association. The Association is the administrator of the single employer defined benefit pension plan available to firefighters. The association is governed by a board of six officers and trustees elected by the members of the Association for three-year terms. The Mayor, City Clerk, and Fire Chief are ex-officio members of the Board of Trustees. The plan is administered pursuant to *Minnesota Statutes* Chapter 69, Chapter 424A, and the Association's by-laws. As of January 1, 2021, membership includes 34 active members and 16 deferred or inactive members entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement as it is not a component unit of the City of Hastings.

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

B. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* § 69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$7,000 for each year of active Fire Department service.

Minnesota Statutes § 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

The Association provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by the Association with approval by the Hastings City Council under the applicable state statutes. The defined retirement benefits are based on members' years of service. Vesting begins after the 5th year of service with a 40% benefit increasing by 4% per year to 100% after the 20th year of service.

Pursuant to *Minnesota Statutes* § 424A.02, Subd. 2 and 4, members who retire with five years of service and reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* § 424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the amount to be determined in accordance with the 20-year cumulated table contained in *Minnesota Statutes* § 69.772, for each year of service prior to disability as a firefighter in the Fire Department of the City of Hastings. A death benefit is also available, which is payable to a survivor.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

B. Benefits Provided (Continued)

A member of the Association, who has completed five or more years of active service with the Fire Department prior to reaching age 50, has the right to retire from the Department without forfeiting the right to a service pension. The member shall be placed on the deferred pension roll. Upon reaching age 50, and provided that at that time the individual has been a member of the Association for at least five years, the member may apply for the standard service pension as described above. The Association shall pay interest on the deferred service pension during the period of deferral. The interest rate will be compounded annually, at the rate actually earned on the assets of the Pension Fund, not to exceed 5% per year.

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

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

C. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$219,587 made by the State of Minnesota for the Relief Association.

D. Pension Costs

At December 31, 2022, the City reported an asset of \$2,860,203 for the Association's net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2021.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

D. Pension Costs (Continued)

For the year ended December 31, 2022, the City recognized pension expense of (\$457,801). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 153,113
Changes in actuarial assumptions	5,451	74,566
Net difference between projected and actual earnings on pension plan investments	-	477,313
City contributions subsequent to the measurement date	219,587	-
	<u>219,587</u>	<u>-</u>
Total	<u>\$ 225,038</u>	<u>\$ 704,992</u>

\$219,587 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ended December	Pension Expense
2023	\$ (160,139)
2024	(250,708)
2025	(146,891)
2026	(89,067)
2027	(42,387)
Thereafter	<u>(10,349)</u>
Total	<u>\$ (699,541)</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Valuation Date</u>	<u>January 1, 2021</u>
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Actuarial assumptions:	
Discount rate	5.75 %
Investment rate of return	5.75
Salary increases	2.50

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation.

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

E. Actuarial Assumptions (Continued)

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	3.00 %	1.80 %
Other	1.00	6.00
Fixed income	29.00	3.00
Equities	<u>67.00</u>	7.10
	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G. Pension Liability Sensitivity

The following presents the City of 100% proportionate share of the net pension asset of the Association, calculated using the discount rate of 5.75%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.75%) or one percentage point higher (6.75%) than the current rate:

<u></u>	<u>1% Decrease in Discount Rate (4.75%)</u>	<u>Current Discount Rate (5.75%)</u>	<u>1% Increase in Discount Rate (6.75%)</u>
Net pension liability	\$ (2,719,013)	\$ (2,860,203)	\$ (2,992,147)

City of Hastings
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

H. Plan's Fiduciary Net Position

Information about the Plan's fiduciary net position is as follows:

	2022
Total Pension Liability	
Service cost	\$ 103,489
Interest	132,832
Benefit payments, including member contribution refunds	<u>(348,567)</u>
Net Change in Total Pension Liability	(112,246)
Total Pension Liability - Beginning	<u>2,380,921</u>
Total Pension Liability - Ending (a)	<u>2,268,675</u>
Plan Fiduciary Net Position	
State contributions	215,715
Net investment income	270,175
Gain or loss	233,367
Benefit payments	(348,567)
Administrative expenses	<u>(13,862)</u>
Net Change in Fiduciary Net Position	356,828
Fiduciary Net Position - Beginning	<u>4,772,050</u>
Fiduciary Net Position - Ending (b)	<u>5,128,878</u>
Association's Net Pension Liability (Asset) - Ending (a) - (b)	<u><u>\$ (2,860,203)</u></u>

NOTE 10 - RETIREE HEALTH INSURANCE

A. Plan Description

The City provides a single-employer defined benefit OPEB dependent health care plan to retirees after (ten) years of service, that were hired prior to 1993. The benefit commences upon retirement or age 55 (whichever is later) and terminates after ten years or upon reaching Medicare age, whichever comes first. The expenditures for this benefit are accounted for within the internal service fund. The Other Post Employment Benefit (OPEB) plan is administered by the City. The authority to provide these benefits is established in *Minnesota Statutes* § 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, and no funds are accumulated in a trust as a trust fund has not been established to account for the plan. The Plan does not issue a separate report.

City of Hastings
Notes to Basic Financial Statements

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

B. Benefits Provided

Retirees

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

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

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

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

Disabled police and firefighter

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

C. Contributions

Contribution requirements are established by the City. The required contributions are based on projected pay-as-you-go financing requirements. For year 2022, the City contributed \$481,242 to the plan, of this amount the discretely presented component unit was allocated \$8,807. As of December 31, 2022, there were 27 retirees receiving health benefits from the City's health plan.

City of Hastings
Notes to Basic Financial Statements

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

D. Members

As of January 1, 2022, the following were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	27
Active employees	102
	<hr/>
Total	129
	<hr/> <hr/>

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, with a measurement date of January 1, 2022. Using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	2.00%, net of investment expense
Salary increases	Service graded table
Inflation	2.00%
Healthcare cost trend increases	6.50% in 2022, decreasing over six years to rate of 5.00% and then 4.00% over 48 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale

The actuarial assumptions used in the January 1, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2021 – January 1, 2022.

The discount rate used to measure the total OPEB liability was 2.00% based on 20 year municipal bond index.

F. Total OPEB Liability

The City's total OPEB liability of \$4,492,883 was measured as of January 1, 2022, and was determined by an actuarial valuation as of January 1, 2022, of this amount the discretely presented component unit was allocated \$80,872.

City of Hastings
Notes to Basic Financial Statements

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at January 1, 2021	<u>\$ 4,478,476</u>
Changes for the year	
Service cost	101,368
Interest	87,994
Differences between expected and actual economic experience	159,560
Assumption changes	27,580
Benefit payments	<u>(362,095)</u>
Net changes	<u>14,407</u>
Balances at January 1, 2022	<u><u>\$ 4,492,883</u></u>

Changes of assumptions and other inputs reflect an update to the healthcare trend rates, mortality tables, salary increase rates, and retirement and withdrawal rates. The inflation rate was also changed from 2.50% to 2.00%.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 2.00% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	Total OPEB Liability (Asset)		
	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Primary government	\$ 4,806,177	\$ 4,412,011	\$ 4,077,931
Discretely presented component unit	88,097	80,872	74,748

City of Hastings
Notes to Basic Financial Statements

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	Total OPEB Liability/(Asset)		
	1% decrease in Discount Rate (5.50% decreasing to 3.0%)	Current Discount Rate (6.50% decreasing to 4.0%)	1% increase in Discount Rate (7.50% decreasing to 5.0%)
Primary government	\$ 4,054,335	\$ 4,412,011	\$ 4,836,081
Discretely presented component unit	74,316	80,872	88,645

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

For the year ended December 31, 2022, the City recognized OPEB expense of \$331,747, of this amount \$5,971 was allocated to the discretely presented component unit. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources of these amounts, the discretely presented component unit was allocated \$23,879 of deferred outflows of resources and \$730 of deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes	\$ 414,816	\$ 40,570
Liability Losses	430,568	-
Subsequent contributions	481,240	-
Total	<u>\$ 1,326,624</u>	<u>\$ 40,570</u>

City of Hastings
Notes to Basic Financial Statements

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

The \$481,240 reported as deferred outflows of resources related to OPEB resulting from City of Hastings contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability in the year ended December 31, 2023, of this amount the discretely presented component unit contributed \$8,662 subsequent to year end. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December	Pension Expense
2023	\$ 142,385
2024	142,385
2025	142,385
2026	142,390
2027	152,526
Thereafter	82,743
Total	\$ 804,814

NOTE 11 – CONTINGENCIES

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

NOTE 12 – TAX INCREMENT FINANCING

There are two pay-as-you-go Tax Increment Districts in the City of Hastings. *Minnesota Statute* 469.174 to 469.1794 provide authority for Tax Increment Districts. The City agreed to rebate real estate taxes based on the increased property value from improvements on the owned property. The amount rebated is equal to 90% of the tax increment received until the earlier of a maximum dollar value or 2027 tax year. For the year ended December 31, 2022, the City generated \$48,796 in tax increment revenue and made \$66,819 in payments to developers. No other commitments were made by the City as part of these agreements.

City of Hastings
Notes to Basic Financial Statements

NOTE 13 – COMMITMENTS

A. Construction Commitments

Fund	Project	Remaining Commitment Amount
General Fund	City Hall	\$ 41,865
Nonmajor Capital Project - Park Projects	Lake Isabel Redevelopment	491,663
Nonmajor Capital Project - Road Construction	2022 Neighborhood Improvements	151,440
Water	Water Meter Replacement	166,000
Total		<u>\$ 850,968</u>

NOTE 14 – LEASE RECEIVABLE

The City has implemented GASB 87 effective December 31, 2022, and has recognized a Lease Receivable of \$3,912,346 and Deferred Inflow of Resources of \$3,801,774. Leases included in the lease receivable is the leased space above the water towers to several communication companies.

NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

PROPOSAL FORM

TO: City of Hastings, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900, Fax: 612-851-5918
Email: PublicSale@northlandsecurities.com

Sale Date: March 18, 2024

For all or none of the \$10,295,000* General Obligation Charter Bonds, Series 2024A, in accordance with the Notice of Sale, we will pay you \$_____, (not less than \$10,212,640) plus accrued interest, if any, to date of delivery (estimated to be April 17, 2024) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Interest</u>			<u>Interest</u>			<u>Interest</u>		
<u>Year</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Rate</u>	<u>Yield</u>
2025	_____%	_____%	2029	_____%	_____%	2033	_____%	_____%
2026	_____%	_____%	2030	_____%	_____%	2034	_____%	_____%
2027	_____%	_____%	2031	_____%	_____%	2035	_____%	_____%
2028	_____%	_____%	2032	_____%	_____%			

True interest percentage: _____%

Net interest cost: \$_____

Term Bond Option: Bonds maturing in the years:

_____ through _____
_____ through _____
_____ through _____
_____ through _____
_____ through _____

To be accumulated into a Term Bond maturing in year:

_____.
_____.
_____.
_____.
_____.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Hastings, Minnesota at 7:00 PM on March 18, 2024.

Finance Manager

Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.