FINAL OFFICIAL STATEMENT DATED JULY 18, 2019

NEW ISSUE | **BOOK ENTRY ONLY**
BANK QUALIFIED | **STANDARD & POOR'S UNDERLYING RATING "AA"**

In the opinion of Briggs and Morgan, Professional Association, 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. 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

$3,270,000

General Obligation Bonds, Series 2019A

Dated Date: Date of Delivery (August 8, 2019)

Interest Due: Each February 1 and August 1
Commencing August 1, 2020

Amount	*Rate*	*Maturity*	*Yield*	*Price*	*Amount*	*Rate*	*Maturity*	*Yield*	*Price*
$190,000	5.00%	2/1/21	1.30%	105.407	$340,000	5.00%	2/1/26	1.55%	121.193
280,000	5.00	2/1/22	1.31	108.976	360,000	5.00	2/1/27	1.61	123.801
295,000	5.00	2/1/23	1.33	112.441	370,000	5.00	2/1/28	1.68	126.139
310,000	5.00	2/1/24	1.36	115.769	390,000	5.00	2/1/29	1.75	125.510*
320,000	5.00	2/1/25	1.45	118.637	415,000	5.00	2/1/30	1.82	124.885*

Robert W. Baird & Co., Inc., Milwaukee, Wisconsin, has agreed to purchase the Bonds from the City of Hastings, Minnesota for an aggregate purchase price of $3,892,441.09.

The General Obligation Bonds, Series 2019A (the "Bonds" or the "Issue") are being issued by the City of Hastings, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended. Proceeds of the Bonds will be used to finance an improvement project and a water project 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 special assessments levied against benefitted properties, net revenues of the City's water utility system and 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, 2029 and thereafter are subject to redemption, in whole or in part, on February 1, 2028 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, 2021. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2020. 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 National Association, St. Paul, Minnesota.

* Priced to par call.

Municipal Advisor:

NORTHLAND SECURITIES

Underwriter:

BAIRD

DEBT SERVICE & CUSIP NUMBERS

City of Hastings, Minnesota
$3,270,000 General Obligation Bonds, Series 2019A

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total	CUSIP Base 418509
08/08/2019	-	-	-	-	-	
08/01/2020	-	-	160,320.83	160,320.83	-	
02/01/2021	190,000.00	5.000%	81,750.00	271,750.00	432,070.83	LD5
08/01/2021	-	-	77,000.00	77,000.00	-	
02/01/2022	280,000.00	5.000%	77,000.00	357,000.00	434,000.00	LE3
08/01/2022	-	-	70,000.00	70,000.00	-	
02/01/2023	295,000.00	5.000%	70,000.00	365,000.00	435,000.00	LF0
08/01/2023	-	-	62,625.00	62,625.00	-	
02/01/2024	310,000.00	5.000%	62,625.00	372,625.00	435,250.00	LG8
08/01/2024	-	-	54,875.00	54,875.00	-	
02/01/2025	320,000.00	5.000%	54,875.00	374,875.00	429,750.00	LH6
08/01/2025	-	-	46,875.00	46,875.00	-	
02/01/2026	340,000.00	5.000%	46,875.00	386,875.00	433,750.00	LJ2
08/01/2026	-	-	38,375.00	38,375.00	-	
02/01/2027	360,000.00	5.000%	38,375.00	398,375.00	436,750.00	LK9
08/01/2027	-	-	29,375.00	29,375.00	-	
02/01/2028	370,000.00	5.000%	29,375.00	399,375.00	428,750.00	LL7
08/01/2028	-	-	20,125.00	20,125.00	-	
02/01/2029	390,000.00	5.000%	20,125.00	410,125.00	430,250.00	LM5
08/01/2029	-	-	10,375.00	10,375.00	-	
02/01/2030	415,000.00	5.000%	10,375.00	425,375.00	435,750.00	LN3
Total	**$3,270,000.00**	**-**	**$1,061,320.83**	**$4,331,320.83**	**-**	

Date And Term Structure

Dated	8/08/2019
Delivery Date	8/08/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	$21,226.42
Average Life	6.491 Years
Average Coupon	5.0000000%
Net Interest Cost (NIC)	2.0676111%
True Interest Cost (TIC)	1.8393617%
All Inclusive Cost (AIC)	2.0027996%

TABLE OF CONTENTS

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 AUGUST 8, 2019.

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).

SUMMARY OF OFFERING

City of Hastings, Minnesota
$3,270,000
General Obligation Bonds, Series 2019A
(Book-Entry Only)

AMOUNT -	$3,270,000
ISSUER -	City of Hastings, Minnesota (the "City" or the "Issuer")
AWARD DATE -	July 15, 2019
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
UNDERWRITER -	Robert W. Baird & Co., Inc., Milwaukee, Wisconsin
TYPE OF ISSUE -	General Obligation Bonds, Series 2019A (the "Bonds" or the "Issue")
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2019A (the "Bonds") are being issued by the City of Hastings, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended. Proceeds of the Bonds will be used to finance an improvement project and a water project 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 special assessments levied against benefitted properties, net revenues of the City's water utility system and 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 *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information.
DATE OF ISSUE -	Date of Delivery (August 8, 2019)
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 1, 2020, 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 -

2/1/2021	$190,000	2/1/2024	$310,000	2/1/2027	$360,000	2/1/2029	$390,000
2/1/2022	280,000	2/1/2025	320,000	2/1/2028	370,000	2/1/2030	415,000
2/1/2023	295,000	2/1/2026	340,000				

REDEMPTION -	The Bonds maturing on February 1, 2029 and thereafter are subject to redemption, in whole or in part, on February 1, 2028 and on any date thereafter at a price of par plus accrued interest. See *Description of the Bonds* 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 National Association, St. Paul, Minnesota
TAX DESIGNATIONS -	NOT Private Activity Bonds - The Bonds are not "private activity bonds" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). Bank Qualified Tax-Exempt Obligations - The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.
LEGAL OPINION -	Briggs and Morgan, Professional Association, Minneapolis, Minnesota ("Bond Counsel")
BOND RATING -	The City received an underlying rating of "AA" from S&P Global Ratings ("S&P"). See *Bond Rating* herein for additional information.
CLOSING -	August 8, 2019
PRIMARY CONTACTS -	Melanie Lammers, Finance Manager, City of Hastings, Minnesota 651-480-2355 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 Jessica Green, Managing Director, Northland Securities, Inc. 612-851-5930

CITY OF HASTINGS, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials	**City Council**	
Name	*Position*	*Term Expires*
Mary Fasbender	Mayor	12/31/2020
Tina Folch	Ward 1 Council Member	12/31/2020
Joe Balsanek	Ward 2 Council Member, Acting Mayor	12/31/2020
Lisa Leifeld	Ward 3 Council Member	12/31/2020
Trevor Lund	Ward 4 Council Member	12/31/2020
Lori L. Braucks	At Large Council Member	12/31/2022
Mark Vaughan	At Large Council Member	12/31/2022

Primary Contacts

Julie Flaten	Interim City Administrator
Melanie Lammers	City Finance Manager
Daniel Fluegel	City Attorney

BOND COUNSEL

Briggs and Morgan, Professional Association
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2019A (the "Bonds" or the "Issue") are being issued by the City of Hastings, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended. Proceeds from issuance of the Bonds will be used to finance an improvement project and a water project 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 special assessments levied against benefitted properties, net revenues of the City's water utility system and 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	$ 3,270,000
Reoffering Premium	637,845
Total Sources of Funds:	$ 3,907,845
Uses of Funds	
Deposit to Project Fund	$ 3,856,300
Costs of Issuance/Underwriter's Discount	51,404
Rounding Amount	76
Total Uses of Funds:	$ 3,907,845

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (August 8, 2019), and will be issued as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. Principal will be payable annually February 1, commencing February 1, 2021. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2020. 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, 2029 and thereafter are subject to redemption, in whole or in part, on February 1, 2028 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.

ORIGINAL ISSUE PREMIUM

The Bonds maturing in certain years are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium, even Bonds that were not initially offered at a premium, must, from time to time, reduce their federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. 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 state and local tax consequences of owning and selling Bonds acquired at a premium.

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. With the issuance of the Bonds, the City will be obligated to provide notice of two new Significant Events related to Financial Obligations, as defined in amendments to the Rule effective on February 27, 2019. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events (including the two new 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 is 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.

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.

UNDERWRITER

On April 1, 2019, Baird Financial Corporation, the parent company of Baird, acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, Baird, Hilliard Lyons and Hilliard Lyons Trust Company are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019.

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 Briggs and Morgan, Professional Association, 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, Briggs and Morgan, Professional Association, 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. 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.

Qualified Tax-Exempt Obligations

The City will 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

1990 Census	15,445	2010 Census	22,172
2000 Census	18,204	2019 City Estimate	22,800

Labor Force Data[1]

Comparative average labor force and unemployment rate figures for 2019 (through April) and 2018 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	April 2019		2018	
	Civilian Labor Force	*Unemployment Rate*	*Civilian Labor Force*	*Unemployment Rate*
Dakota County	240,914	3.3%	242,513	2.5%
Minneapolis-St. Paul-Bloomington MSA	2,007,787	3.4	2,0106,208	2.7
Minnesota	3,084,033	3.9	3,099,006	2.9

Income Data[2]

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	$80,337	$82,785	$70,850
Per Capita Income	33,044	34,712	31,177

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 221 people, 106 full-time and an average of 115 part-time. The professional staff is appointed and consists of an Interim City Administrator/Administrative Services Director, Finance Manager, Public Works Director, City Engineer, Community Development Director, Building Official, Police Chief, and Fire and EMS Director.

[1] Source: Minnesota Department of Employment and Economic Development.

[2] Source: 2013-2017 American Community Survey, U.S. Census Bureau (www.factfinder2.census.gov.com).

Municipal Enterprise Services

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

Bargaining Units/Labor Contracts

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

Employee Group	*Contract Expiration Date*
Fire Fighters	12/31/2020
Fire Captains	12/31/2020
LELS (Law Enforcement Labor Services)	12/31/2020
LELS - Supervisors	12/31/2020
Local 49ers	12/31/2020

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 Statues, Chapters 353 and 356.

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after 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 Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2017. PEPFF members were required to contribute 10.80% of their annual covered salary in 2017. Effective January 1, 2015, State statute requires the City to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.50% for Coordinated Plan GERF members, and 16.2% for PEPFF members.

Contributions to GERF and PEPFF have been as follows:

Year	*Amount*
2017	$944,791
2016	949,123
2015	917,737
2014	820,223
2013	768,763

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 Postemployment Benefits (OPEB)

Plan description
In 2014, the City implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The City makes available to eligible retirees and their spouses a single-employer defined benefit healthcare plan. The plan offers medical coverage.

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

Fiscal Year Ended	*Annual OPEB Cost*	*Employer Contribution*	*Percentage Cost Contributed*	*Net OPEB Obligation*
2017	$(1,989)	$(329,263)	16,545.0%	$2,683,344
2016	(6,837)	(256,010)	(3,747.2)%	3,014,596
2015	37,445	(305,953)	817.1%	3,277,443

As of January 1, 2016, the actuarial accrued liability for benefits was $3,387,323, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $7,236,106, and the ratio of unfunded actuarial accrued liability to the covered payroll was 46.80%.

Estimated Cash/Investment Balances as of April 30, 2019 (unaudited)

Fund Name	
General Fund	$ 2,979,610
Special Revenue Funds	1,916,235
Debt Service Funds	1,715,344
Capital Projects Funds	1,451,889
Enterprise Funds	5,412,995
Internal Service Fund	475,437
Agency Fund	618,363
HEDRA Fund	1,503,111
Total Estimated Cash/Investment Balances	$16,072,984

General Budget Summary

	2018 Budget	2018 Actual	2019 Budget
Revenues:			
Property Taxes	$7,103,857	$7,128,838	$7,573,096
Licenses and Permits	539,985	681,602	553,998
Intergovernmental Revenue	1,056,860	1,486,576	1,465,828
Charges for Services	834,445	776,526	829,250
Fines and Forfeits	133,500	115,494	141,539
Franchise Fees	0	0	0
Miscellaneous	302,155	315,456	368,975
Transfers In	704,368	570,668	727,680
Total Revenues	$10,675,170	$11,075,160	$11,660,366
Expenditures:			
General Government	$2,769,072	$2,727,297	$3,198,454
Community Development	136,474	156,911	131,688
Public Safety	5,399,760	5,428,763	5,481,346
Recreation	119,850	112,984	127,150
Public Works	1,915,014	2,003,382	2,261,728
Transfers Out	335,000	335,000	460,000
Total Expenditures	$10,675,170	$10,764,337	$11,660,366
Revenues Over (Under) Expenditures	0	310,823	0
Beginning Fund Balance (January 1)	$5,135,252	$5,135,252	$5,446,075
Ending Fund Balance (December 31)	$5,135,252	$5,446,075	$5,446,075

Residential Development

There are 9,038 households located within the City as of December 31, 2017 based on estimates provided by the Metropolitan Council. In addition, there were 15 single-family homes and 88 multi-family units constructed in 2018.

Subdivision Name	*Total Lots/Units*	*Vacant Lots/Units*	*Year Constructed*	*Status (% Developed)*
Riverfront 2nd Addition (Artspace Apartment – Mixed Use)	37	0	2017	100%
South Pines 9th Addition*	25	25	2019	0%
Glendale Heights 5th Addition* (Voyageur Estates Apartment)	88	88	2019	50% - Opening Later in 2019
Wallin 17th Addition*	3	3	2018	0%
Great River Landing (Mixed Use Building)	20	20	2019	0% Construction later in 2019

**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 230 acres. Currently there are 29 enterprises occupying the parks, the larger of which include Miller Electric, Innovative Surfaces, Intek Plastics, and Quality One Woodwork. There are currently approximately 45 acres available for sale and development.

Commercial/Industrial Development

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

Name	*Product/Service*	*Description of Construction*	*Year Completed*
Aspen Dental Clinic	Dental Services	3,500 s.f. Building	2018
Caturia Smidt Funeral Home	Funeral Services	New 11,500 s.f. Building	2019
Pleasant Hills Library Addition	Public Library	Renovation & 1,000 s.f. addition	2019
Great River Landing Parking Ramp	Parking Ramp	123 spaces	2019
Wise Funeral Home	Funeral Services	1,000 s.f. addition to existing building	2018
Crossfit	Gym and Storage	10,500 s.f. new building	2017
Allina Medical Clinic	Medical Clinic	50,000 s.f. new building	2017
YMCA	Recreation Center	13,500 s.f. expansion	2017

Building Permits

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

Year	*Commercial/ Industrial Number of Permits*	*Residential Number of Permits*	*Total Number of Permits*	*Total Permit Valuation*
2019 (As of 4/30/2019)	0	1	1	$325,141
2018	3	16	19	18,239,057
2017	1	30	31	26,543,259
2016	3	22	25	32,814,794
2015	4	21	25	35,407,560
2014	3	42	45	23,860,179

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 Employers[1]

Following are major employers within the City:

Employer Name	*Product/Service*	*Number of Employees[3]*
School District #200, Hastings	Education	575
Intek Plastics, Inc.	Plastics Products	175
Allina Health/Regina Hospital	Medical Services	370
Augustana Health Care Center of Hastings	Nursing Home	146
Allina Medical Clinic	Medical Clinic/Offices	140
Cub Foods	Grocery Store	140
Smead Manufacturing Co.	Stationary Supplies	135
City of Hastings	City Government	130
Ardent Mills	Flour & Other Grain Mill Products	120
Walmart	Department Store	120
Coborn’s	Grocery Store	100

[1] Source: The City, 2018 Manufacturers Register and Reference USA.

[3] Includes full-time, part-time and seasonal employees.

Largest Taxpayers[1]

Following are ten of the largest taxpayers within the City:

Name	*Classification*	*2018/2019 Tax Capacity*	*Percent of Total Tax Capacity ($21,253,470)*[2]
Xcel Energy	Utility	$ 244,270	1.15%
Walmart Real Estate Business Trust	Commercial	240,334	1.13
Hastings Marketplace Station LLC	Commercial	203,642	0.96
VMA 1000 LLC	Apartment	171,251	0.81
Regina Medical Center	Commercial	145,326	0.68
Hastings Medical Office Building LLC	Commercial	131,770	0.62
Gasparre Hidden Valley LLC	Apartment	128,711	0.61
Three Rivers Partnership	Mobile Home	119,567	0.56
Camegaran LLC	Commercial	112,296	0.53
Casey Capital V LLC	Apartment	110,659	0.52
		$ 1,607,826	7.57%

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[1] As reported by Dakota County.

[2] 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

Class	Type of Property	2016/ 2017	2017/ 2018	2018/ 2019
		Class Rate Schedule		
1a	Residential Homestead: First $500,000	1.00%	1.00%	1.00%
	Over $500,000	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational- 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	Agricultural Homestead – House, Garage, One Acre:			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First $1,900,000			.50
	Over $1,900,000			1.00
	First $1,940,000		.50	
	Over $1,940,000		1.00	
	First $2,050,000	.50		
	Over $2,050,000	1.00		
	Agricultural Homestead Land[1]	1.00	1.00	1.00
2a	Non-Homestead Agricultural Productive Land*	1.00	1.00	1.00
2b	Non-Homestead Rural Vacant Land[2]	1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility			
	First $100,000		1.50	
	$100,001 – 150,000†		1.50	
	First $150,000†	1.50		1.50
	Over $150,000†	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
	Residential Non-Homestead (Single Unit)			
4bb(1)	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial†			
	(Resort): First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational†			
	Non-Commercial (Cabin): First $500,000*	1.00	1.00	1.00
	Over $500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing			
	First $115,000	.75		
	Over $115,000	.25		
	First $121,000		.75	.75
	Over $121,000		.25	.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 INFORMATION[1]

Valuations

		Estimated Market Value 2018/2019		Net Tax Capacity 2018/2019
Real Property				
Dakota County	$ 1,989,337,300		$20,823,863	
Washington County	2,948,200		50,235	
		$1,992,285,500		$20,874,098
Personal Property				
Dakota County	19,509,100		377,850	
Washington County	76,100		1,522	
		19,585,200		379,372
Less Tax Increment Deductions				
Dakota County	N/A		(38,921)	
Washington County	N/A		(0)	
				(38,921)
Fiscal Disparity Contribution[2]				
Dakota County	N/A		(1,608,560)	
Washington County	N/A		(18,417)	
				(1,626,977)
Fiscal Disparity Distribution[2]				
Dakota County	N/A		4,200,267	
Washington County	N/A		529	
				4,200,796
Total Valuation		$2,011,870,700		$23,788,368

Valuation Trends (Real and Personal Property)

Levy Year/ Collection Year	*Economic Market Value*	*Sales Ratio*	*Estimated Market Value*	*Taxable Market Value*	*Tax Capacity After Tax Increments & Fiscal Disparities*
2018/2019	$2,118,260,689	94.81%	$2,011,870,700	$1,886,327,411	$23,788,368
2017/2018	1,988,653,384	93.91	1,736,262,307	1,868,433,800	22,078,920
2016/2017	1,886,585,015	92.5	1,607,666,527	1,744,910,200	20,666,120
2015/2016	1,788,877,979	94.2	1,547,357,403	1,685,505,700	19,734,523
2014/2015	1,713,067,875	94.6	1,478,163,476	1,620,659,200	19,060,096

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1 Property valuations, tax rates, and tax levies and collections are provided by Dakota 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 City 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.

Breakdown of Valuations

2018/2019 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	$ 15,289,744	71.94%
Agricultural	36,297	0.17
Commercial & Industrial	3,963,729	18.65
Public Utility	30,080	0.14
Railroad	82,828	0.40
Residential Non-Homestead	1,467,048	6.90
Seasonal/Recreational	1,078	0.01
Rural Vacant	3,294	0.01
Personal Property	379,372	1.78
Totals:	$ 21,253,470	100.00%

Tax Capacity Rates

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

Levy Year/ Collection Year	*2014/15 Tax Capacity Rates*	*2015/16 Tax Capacity Rates*	*2016/17 Tax Capacity Rates*	*2017/18 Tax Capacity Rates*	*2018/19 Tax Capacity Rates*
Dakota County	26.902%	28.570%	28.004%	26.580%	25.386%
City of Hastings	65.581	63.577	62.518	60.864	59.612
ISD No. 200, Hastings	20.965	20.938	20.305	20.545	19.079
Metropolitan Council	0.827	0.958	0.878	0.821	0.666
Mosquito Control	0.518	0.491	0.475	0.443	0.435
CDA	1.559	1.547	1.548	1.479	1.479
Light Rail	0.371	0.357	0.342	0.031	0.000
Vermillion River Watershed	0.466	0.449	0.449	0.429	0.403
Hastings HRA	1.379	1.551	1.500	1.454	1.453
Totals:	118.568%	118.438%	116.019%	112.646%	108.513%

Market Value Rates:	*2014/2015*	*2015/2016*	*2016/2017*	*2017/2018*	*2018/2019*
ISD No. 200 (Hastings)	0.25310%	0.25990%	0.24713%	0.27360%	0.26713%

Tax Levies and Collections[1]

		Collected During Collection Year		Collected and/or Abated as of 2/28/19	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent
2018/2019	$11,696,625		In Process of Collection		
2017/2018	11,024,281	$10,952,919	99.35%	$10,938,706	99.22%
2016/2017	10,460,240	10,391,176	99.34	10,445,059	99.85
2015/2016	10,283,031	10,186,536	99.06	10,275,874	99.93
2014/2015	9,669,451	9,596,902	99.25	9,665,221	99.96

[1] 2018/2019 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Dakota County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit[1]

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 July 2, 2019:

2018/2019 Estimated Market Value	$ 2,011,870,700
Multiplied by 3%	x .03
Statutory Debt Limit	$ 60,356,121

Less outstanding debt applicable to debt limit:

$1,715,000 General Obligation Public Facility Refunding Bonds, Series 2010A	$ 535,000
$2,675,000 General Obligation Bonds, Series 2013B	650,000
$3,200,000 General Obligation Bonds, Series 2014A	515,000
$2,755,000 General Obligation Bonds, Series 2015A	1,645,000
$3,295,000 General Obligation Bonds, Series 2016A	1,920,000
$3,820,000 General Obligation Bonds, Series 2018A	980,000
Total Debt applicable to debt limit:	$ 6,245,000
Legal debt margin	$ 54,111,121

[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 July 2, 2019)

Purpose:	G.O. Public Facility Refunding Bonds, Series 2010A	G.O. Bonds, Series 2013B	G.O. Bonds, Series 2014A	G.O. Bonds, Series 2015A	
Dated:	06/01/10	11/20/13	11/25/14	09/03/15	
Original Amount:	$1,715,000	$1,410,000	$855,000	$2,395,000	
Maturity:	1-Feb	15-Dec	1-Feb	1-Feb	
Interest Rates:	3.00-3.15%	0.40-2.45%	0.65-2.50%	2.00-2.20%	
2019	$0	$195,000	$0	$0	2019
2020	175,000	85,000	110,000	265,000	2020
2021	180,000	90,000	115,000	270,000	2021
2022	180,000	90,000	70,000	215,000	2022
2023	0	95,000	70,000	220,000	2023
2024	0	95,000	75,000	220,000	2024
2025	0	0	75,000	225,000	2025
2026	0	0	0	230,000	2026
2027	0	0	0	0	2027
2028	0	0	0	0	2028
2029	0	0	0	0	2029
	$535,000	$650,000	$515,000	$1,645,000	
	(1)	(2)	(3)	(4)	

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of July 2, 2019)
CONTINUED

Purpose:	G.O. Bonds, Series 2016B	G.O. Bonds, Series 2018A			
Dated:	11/03/16	07/18/18			
Original Amount:	$2,300,000	$980,000			
Maturity:	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00%	3.00-4.00%	PRINCIPAL:	PRIN & INT:	
2019	$0	$0	$195,000	$226,693	2019
2020	260,000	80,000	975,000	1,109,702	2020
2021	265,000	85,000	1,005,000	1,115,708	2021
2022	270,000	90,000	915,000	1,002,715	2022
2023	215,000	90,000	690,000	758,405	2023
2024	220,000	95,000	705,000	756,887	2024
2025	225,000	100,000	625,000	661,048	2025
2026	230,000	105,000	565,000	586,680	2026
2027	235,000	110,000	345,000	355,750	2027
2028	0	110,000	110,000	115,100	2028
2029	0	115,000	115,000	116,725	2029
	$1,920,000	$980,000	$6,245,000	$6,805,413	
	(5)	(6)			

NOTE: 96% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

(1) These bonds advance refunded $2,145,000 of the $2,535,000 General Obligation Public Facility Bonds, Series 2001A, dated August 1, 2001. Maturities 2012 through 2022, inclusive, were called for redemption on February 1, 2011, at a price of par plus accrued interest.

(2) This schedule represents a portion of the $2,675,000 General Obligation Bonds, Series 2013B, dated November 20, 2013, consisting of $1,265,000 backed by special assessments and $1,410,000 backed by ad valorem taxes.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of July 2, 2019, Plus a Portion of This Issue)

Purpose:	**G.O. Improvement Bonds, Series 2008A**	**G.O. Improvement Bonds, Series 2009A**	**G.O. Improvement Bonds, Series 2010B**	**G.O. Bonds, Series 2011A**	**G.O. Bonds, Series 2012A**	**G.O. Bonds, Series 2013B**	
Dated:	11/15/08	12/01/09	11/01/10	09/01/11	10/15/12	11/20/13	
Original Amount:	$3,105,000	$1,750,000	$1,185,000	$3,720,000	$1,700,000	$1,265,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	3.50-4.20%	2.00-3.55%	0.80-3.05%	0.50-2.45%	0.40-2.45%	0.40-2.45%	
2019	$0	$0	$0	$0	$0	$0	2019
2020	345,000	195,000	120,000	375,000	175,000	125,000	2020
2021	0	190,000	120,000	380,000	180,000	125,000	2021
2022	0	0	120,000	385,000	180,000	125,000	2022
2023	0	0	0	0	180,000	130,000	2023
2024	0	0	0	0	0	130,000	2024
2025	0	0	0	0	0	0	2025
2026	0	0	0	0	0	0	2026
2027	0	0	0	0	0	0	2027
2028	0	0	0	0	0	0	2028
2029	0	0	0	0	0	0	2029
2030	0	0	0	0	0	0	2030
	$345,000	$385,000	$360,000	$1,140,000	$715,000	$635,000	
				(1)	(2)	(3)	

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of July 2, 2019, Plus a Portion of This Issue)

CONTINUED

						Portion of This Issue			
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**	**G.O. Bonds, Series 2019A**			
Dated:	11/25/14	09/03/15	11/03/16	11/02/17	07/18/18	08/08/19			
Original Amount:	$2,345,000	$360,000	$995,000	$1,015,000	$1,580,000	$2,595,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	0.65-2.50%	0.75-2.20%	2.00%	2.75-2.875%	3.00-4.00%	5.00%	**PRINCIPAL:**	**PRIN & INT:**	
2019	$0	$0	$0	$0	$0	$0	$0	$117,705	2019
2020	250,000	35,000	95,000	95,000	145,000	0	1,955,000	2,289,726	2020
2021	255,000	35,000	95,000	100,000	145,000	150,000	1,775,000	2,060,056	2021
2022	260,000	35,000	100,000	100,000	150,000	220,000	1,675,000	1,911,609	2022
2023	260,000	35,000	100,000	100,000	150,000	235,000	1,190,000	1,384,300	2023
2024	265,000	35,000	105,000	105,000	155,000	245,000	1,040,000	1,199,180	2024
2025	270,000	40,000	105,000	105,000	160,000	255,000	935,000	1,061,361	2025
2026	0	40,000	105,000	105,000	165,000	270,000	685,000	782,534	2026
2027	0	0	110,000	105,000	165,000	285,000	665,000	737,406	2027
2028	0	0	0	110,000	170,000	295,000	575,000	623,756	2028
2029	0	0	0	0	175,000	310,000	485,000	511,875	2029
2030	0	0	0	0	0	330,000	330,000	338,250	2030
	$1,560,000	$255,000	$815,000	$925,000	$1,580,000	$2,595,000	$11,310,000	$13,017,756	
	(4)	(5)	(6)		(7)	(8)			

NOTE: 88% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $4,165,000 General Obligation Bonds, Series 2011A, dated September 1, 2011, consisting of $3,720,000 backed by special assessments and $445,000 backed by ad valorem taxes.

(2) This schedule represents a portion of the $2,030,000 General Obligation Bonds, Series 2012A, dated October 15, 2012, consisting of $1,700,000 backed by special assessments and $330,000 backed by ad valorem taxes.

(3) This schedule represents a portion of the $2,675,000 General Obligation Bonds, Series 2013B, dated November 20, 2013, consisting of $1,265,000 backed by special assessments and $1,410,000 backed by ad valorem taxes.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

CITY OF HASTINGS, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS
(As of July 2, 2019)

Purpose:	**G.O. Tax Increment Revenue Bonds, Series 2016A**			
Dated:	01/21/16			
Original Amount:	$2,265,000			
Maturity:	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	2.00-2.75%	**PRINCIPAL:**	**PRIN & INT:**	
2019	$0	$0	$0	2019
2020	170,000	170,000	208,450	2020
2021	175,000	175,000	210,000	2021
2022	175,000	175,000	206,500	2022
2023	175,000	175,000	203,000	2023
2024	175,000	175,000	199,500	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
	$1,780,000	$1,780,000	$1,996,939	
	(1)			

NOTE: 49% 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 July 2, 2019, Plus a Portion of This Issue)

			Portion of This Issue			
Purpose:	**G.O. Refunding Bonds, Series 2013A**	**G.O. Bonds, Series 2018A**	**G.O. Bonds, Series 2019A**			
Dated:	02/21/13	07/18/18	08/08/19			
Original Amount:	$2,820,000	$1,260,000	$675,000			
Maturity:	1-Feb	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	2.00%	3.00-4.00%	5.00%	**PRINCIPAL:**	**PRIN & INT:**	
2019	$245,000	$0	$0	$245,000	$312,225	2019
2020	240,000	110,000	0	350,000	466,344	2020
2021	250,000	110,000	40,000	400,000	506,700	2021
2022	255,000	115,000	60,000	430,000	524,650	2022
2023	265,000	115,000	60,000	440,000	521,850	2023
2024	265,000	125,000	65,000	455,000	523,625	2024
2025	265,000	125,000	65,000	455,000	510,075	2025
2026	270,000	135,000	70,000	475,000	516,150	2026
2027	275,000	140,000	75,000	490,000	517,275	2027
2028	0	140,000	75,000	215,000	231,575	2028
2029	0	145,000	80,000	225,000	233,425	2029
2030	0	0	85,000	85,000	87,125	2030
	$2,330,000	$1,260,000	$675,000	$4,265,000	$4,951,019	
	(1)	(2)	(3)			

NOTE: 54% 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, datd 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.

Indirect Debt*

Issuer	*2018/2019 Tax Capacity Value*(2)	*2018/2019 Tax Capacity Value in City*(2)	*Percentage Applicable in City*	*Outstanding General Obligation Debt*	*Taxpayers' Share of Debt*
Washington County	$ 319,039,216	$ 33,869	0.01%	$105,370,000(3)	$ 10,537
ISD No. 200, Hastings	40,752,876	23,788,368	58.37	61,387,524	35,831,898
Metropolitan Council	3,971,779,581	23,788,368	0.60	2,950,000(4)	17,700
Metro Transit	3,523,653,376	23,788,368	0.68	182,390,000(5)	1,240,252
				Total Indirect Debt:	$ 37,100,387

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

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

(3) General obligation debt of $33,005,000 has been excluded as it is payable from housing revenues.

(4) Metropolitan Council has $2,950,000 of general obligation debt outstanding as of December 31, 2018. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes $1,359,776,990 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(5) Metropolitan Transit has $182,390,000 of property tax supported general obligation debt outstanding as of December 31, 2018. 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.

General Obligation Debt

Bonds secured by special assessments	$ 11,310,000
Bonds secured by taxes	6,245,000
Bonds secured by tax increment	1,780,000
Bonds secured by revenues	4,265,000
Subtotal	$ 23,600,000
Less bonds secured by revenues	(4,265,000)
Direct General Obligation Debt	19,335,000
Add taxpayers' share of indirect debt	37,100,387
Direct and Indirect Debt	$ 56,435,387

Facts for Ratio Computations

2018/2019 Economic Market Value	$2,118,260,689
2018/2019 Estimated Market Value	$2,011,870,700
Population (2019 estimate)	22,800

Debt Ratios Excluding Revenue-Supported Debt

	Direct Debt	*Indirect Debt*	*Direct and Indirect Debt*
To Economic Market Value	0.91%	1.75%	2.66%
To Estimated Market Value	0.96%	1.84%	2.80%
Per Capita	$848	$1,627	$2,475

APPENDIX A

Form of Legal Opinion

BRIGGS

2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
OFC 612-977-8400
FAX 612-977-8650
URL Briggs.com

PROPOSED FORM OF LEGAL OPINION

$3,270,000
GENERAL OBLIGATION BONDS, SERIES 2019A
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 $3,270,000 General Obligation Bonds, Series 2019A, bearing a date of original issue of August 8, 2019 (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 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

PROPOSED FORM OF LEGAL OPINION

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. 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.

BRIGGS AND MORGAN
Professional Association

APPENDIX B

Form of Continuing Disclosure Undertaking

[Appendix ___ to Official Statement]

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 $3,270,000 General Obligation Bonds, Series 2019A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 15, 2019 (the "Resolution"). Pursuant to the Resolution and this 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 __________, 2019, 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, 2018, 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, 2019, 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 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: _____________, 2019. 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, 2017. The complete financial report for the year 2017 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.

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

OF

THE CITY OF HASTINGS

MINNESOTA

For the Year Ended December 31, 2017

Prepared by the City's Finance Department

CITY OF HASTINGS, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2017
TABLE OF CONTENTS

TABLE OF CONTENTS

II. FINANCIAL SECTION (CONTINUED)

E. Supplementary Information (Continued)

TABLE OF CONTENTS

III STATISTICAL SECTION (UNAUDITED)

Fund Information:

INTRODUCTORY SECTION

June 29, 2018

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 Comprehensive Annual Financial Report (CAFR) 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, 2017.

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, 2017. 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, 2017, 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. A small portion of the City is located in Washington County. As a riverfront community, the City of Hastings was the birthplace of many early commercial enterprises and is the county seat of Dakota 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 22,400 in 2017. The Metropolitan Council projects that the city's population will grow to 23,300 by the year 2020. 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 contributes to joint powers recreational operations, operates the Hastings Family Aquatic Center and Civic Arena, and 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's Finance Committee (a three member committee of the council) and the requests made, a proposed budget is prepared and submitted to the City Council. The preliminary levy is adopted no later than September 15th. The City Council may make adjustments to decrease the final levy from the adopted preliminary levy and is required to adopt a final budget no later than December 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, other than the General Fund and the Fire and Ambulance Special Revenue Fund, with annual budgets, this comparison is presented in the Governmental Fund subsection of this report, as noted in the table of contents.

Local Economy

In 2017, the City continued 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.

We experienced a slight decrease in the permit values due to less commercial permits in 2017. Below is a chart that gives a brief building permit history.

Permits	2017	2016	2015	2014	2013	2012
New Residential	30	23	26	42	37	39
New Commercial	1	3	4	3	4	1
Residential remodel	40	64	21	64	60	53
Commercial remodel	40	44	81	46	41	29
All other permits	1518	1479	1373	1618	1488	1743
TOTAL	1629	1613	1505	1773	1630	1865
Dollar value of Permits (in millions)	$ 26.5	$ 32.8	$ 35.4	$ 23.8	$ 21.9	$ 23.8

Major Initiatives

In 2017 the City began two visioning processes-one for an update to our Comprehensive Plan and one for the Vermillion Street Corridor. Both plans are community based, and intended to guide the City in long term planning and implementation for positive future economic development, aesthetic, land use, and traffic management initiatives. The ArtSpace building opened for tenants, anchoring the downtown revitalization of the riverfront Renaissance project. The Hudson redevelopment project continued to progress through land transfer and plans are expected by mid-2018 for redevelopment efforts to begin in earnest.

Long-Term Financial Planning

The City is required to strategically develop and adopt a Comprehensive Plan; the 2030 plan was completed 2010. The updating process began in 2017 for the 2040 plan. 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.

The City finalized its utility rate study and underwent a debt study to better position the community for long term fiscal health. Council strategic planning goals and efforts center around Economic Development and Vitality, Community Image, and meeting the community's transportation and transit needs.

Relevant Financial Policies

The City adopted a set of financial management policies to focus on long-term financial planning and strategic budgeting and review the policies on a regular basis. The City conducted a utility rate study in 2016/2017 and adopted a new utility rate structure intended to ensure long term sustainability for these funds. Policies cover such areas as debt management, investments, capital reserves, and internal controls. The City's fund balance policy specifies a goal to maintain an unassigned fund balance in the General Fund of 30%-40% of the subsequent year's budgeted expenditures.

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	2017 Year End
a.) Total annual debt service for G.O. debt obligations will not exceed 35% of total budgeted expenditures.	13.57%
b.) Net bonded debt outstanding will not exceed 3.5% of Assessor's market value of taxable property.	1.33%
c.) Gross bonded debt will not exceed $1,800 per capita.	$1,035

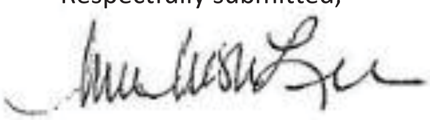
Awards and Acknowledgements

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, 2017. This is the 20th 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,

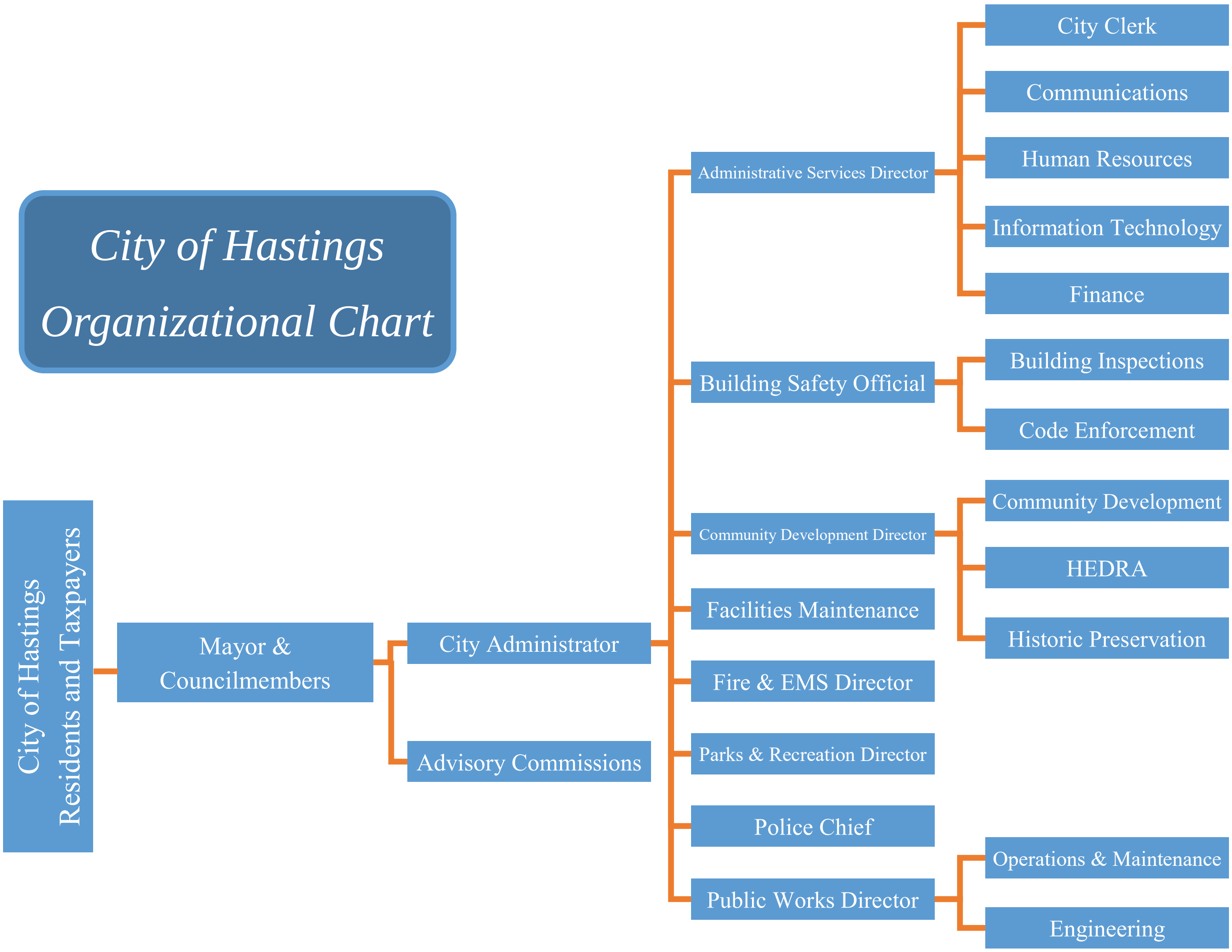


Melanie Mesko Lee
City Administrator

City of Hastings
Elected Officials and Administration
December 31, 2017

Elected Officials	Position	Term Expires
Paul Hicks	Mayor	December 31, 2018
Tina Folch	1st Ward	December 31, 2020
Joe Balsanek	2nd Ward	December 31, 2020
Lisa Leifield	3rd Ward	December 31, 2020
Trevor Lund	4th Ward	December 31, 2020
Lori Braucks	At-Large	December 31, 2018
Mark Vaughan	At-Large	December 31, 2018

Administration	
Melanie Mesko Lee	City Administrator
Julie Flaten	Administrative Services Director
Tom Bakken	Building Official
John Hinzman	Community Development Director
Michal Schutt	Fire & EMS Director
Chris Jenkins	Parks & Recreation Director
Bryan Schafer	Police Chief
Nick Egger	Public Works Director
Melanie Lammers	Finance Manager


City of Hastings
Organizational Chart
City of Hastings Residents and Taxpayers
Mayor & Councilmembers
City Administrator
Advisory Commissions
Administrative Services Director
City Clerk
Communications
Human Resources
Information Technology
Finance
Building Safety Official
Building Inspections
Code Enforcement
Community Development Director
Community Development
HEDRA
Historic Preservation
Facilities Maintenance
Fire & EMS Director
Parks & Recreation Director
Police Chief
Public Works Director
Operations & Maintenance
Engineering

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hastings

Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

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

BerganKDV, Ltd.
bergankdv.com

Auditor's Responsibility (Continued)
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund Information of the City of Hastings, Minnesota, as of December 31, 2017, 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.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hastings basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
June 25, 2018

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, 2017. 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, 2017) by $77,252,340 *(net position).* Of this amount, ($609,294) *(unrestricted net position)* may be used to meet the government's ongoing obligations to citizens or creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position decreased by $962,396.
- As of the close of the 2017 fiscal year, the City of Hastings governmental funds ending fund balances were $15,905,217. Approximately 42.20% is restricted for special revenue-police activities, debt service, capital project programs and permanent trust fund—Leduc Historic Estate. Approximately 3.01% of the fund balance is nonspendable. Approximately 20.53% is committed by City Council for the following activities: special revenue funds-parks, aquatic, cable TV, heritage preservation, fire & ambulance and the arena. Assigned fund balance for capital projects results in 7.37% of the fund balance, the remaining 26.89% 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 $4,576,829 or 42.9% of the total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hastings' 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 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.

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 27-29 of this report.

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

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

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

The City maintains 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, the parks projects fund, and the road improvement construction fund all of which are considered to be major funds. Data from the other 15 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 30-38 of this report.

Proprietary funds. The City of Hastings maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hastings uses enterprise funds to account for its water, sewer, storm water, and hydro-electric operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Hastings' various functions. The City of Hastings uses internal service funds to account for its governmental vehicle expenses, retiree health insurance costs 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 three 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 39-42 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 44-45 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 47-89 of this report.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information for the reader. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the notes to the financial report. Combining and individual fund statements and schedules can be found on pages 101-137 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 $77,252,340 at the close of the most recent fiscal year.

Government-Wide Financial Analysis (Continued)

By far the largest portion of the City's net position (89.5%) 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 2016	Governmental Activities 2017	Business-type Activities 2016	Business-type Activities 2017	Total 2016	Total 2017
Current and other assets	$ 21,442,798	$ 21,327,520	$ 8,118,977	$ 5,168,392	$ 29,561,775	$ 26,495,912
Capital assets	65,796,597	62,314,599	27,972,952	28,249,251	93,769,549	90,563,850
Total assets	87,239,395	83,642,119	36,091,929	33,417,643	123,331,324	117,059,762
Total deferred outflows	13,484,720	8,876,977	566,107	301,444	14,050,827	9,178,421
Long-term liabilities outstanding	44,135,469	30,093,697	4,247,618	4,032,850	48,383,087	34,126,547
Other liabilities	5,206,798	4,442,846	2,945,698	525,271	8,152,496	4,968,117
Total liabilities	49,342,267	34,536,543	7,193,316	4,558,121	56,535,583	39,094,664
Total deferred inflows	2,442,278	9,663,228	189,554	227,951	2,631,832	9,891,179
Net position						
Net Investment in capital assets	42,444,675	43,485,383	25,219,313	25,631,750	67,663,988	69,117,133
Restricted						
Police activities	34,462	42,568	-	-	34,462	42,568
Tax Increment	-	2,695	-	-	-	2,695
Debt service	6,814,431	6,721,124	187,146	-	7,001,577	6,721,124
Capital projects	547,257	488,132	-	-	547,257	488,132
Net pension asset	1,225,251	-	-	-	1,225,251	-
Permanent endowment LeDuc Historic Estate	1,374,830	1,489,982	-	-	1,374,830	1,489,982
Unrestricted	(3,501,336)	(3,910,559)	3,868,707	3,301,265	367,371	(609,294)
Total net position	48,939,570	48,319,325	29,275,166	28,933,015	78,214,736	77,252,340

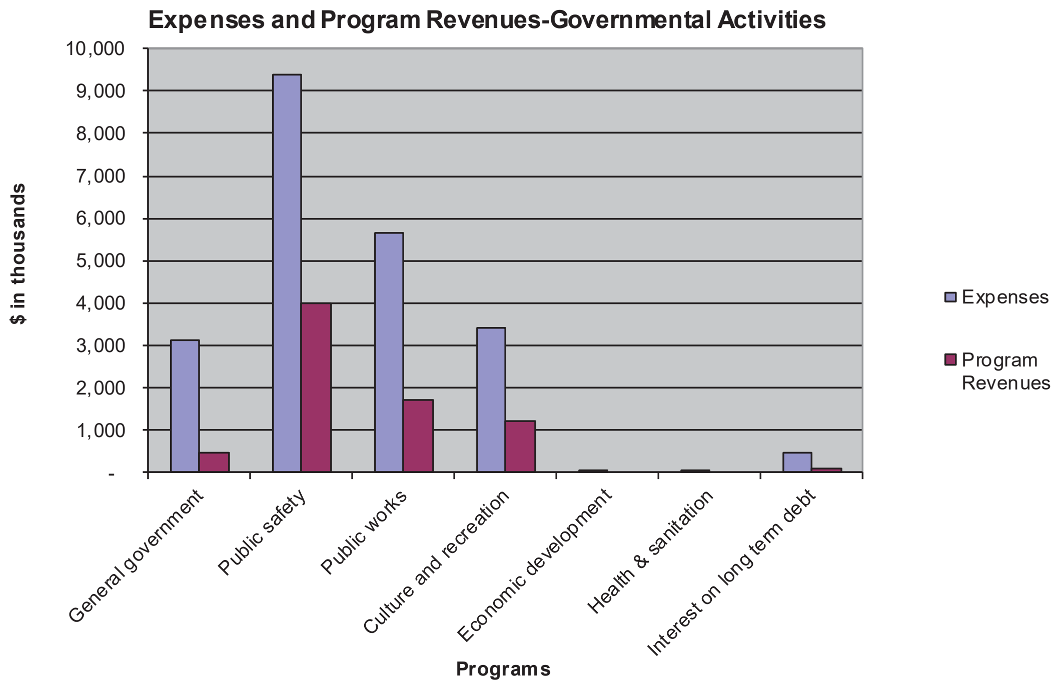
At the end of 2017, the City of Hastings had positive balances in two categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The unrestricted net position for the governmental activities and for the government as a whole is negative due to the City's proportionate share of the State of Minnesota's pension liabilities.

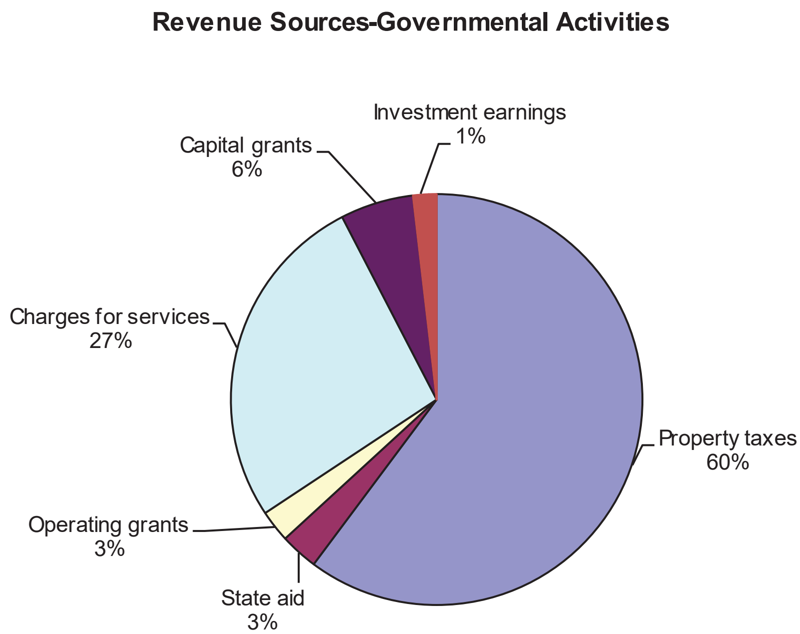
Governmental activities. Governmental activities decreased the City of Hastings' net position by $620,245. The key element of this decrease was recording pension expense of $548,326 as required by GASB 68.

City of Hastings' Changes in Net Position

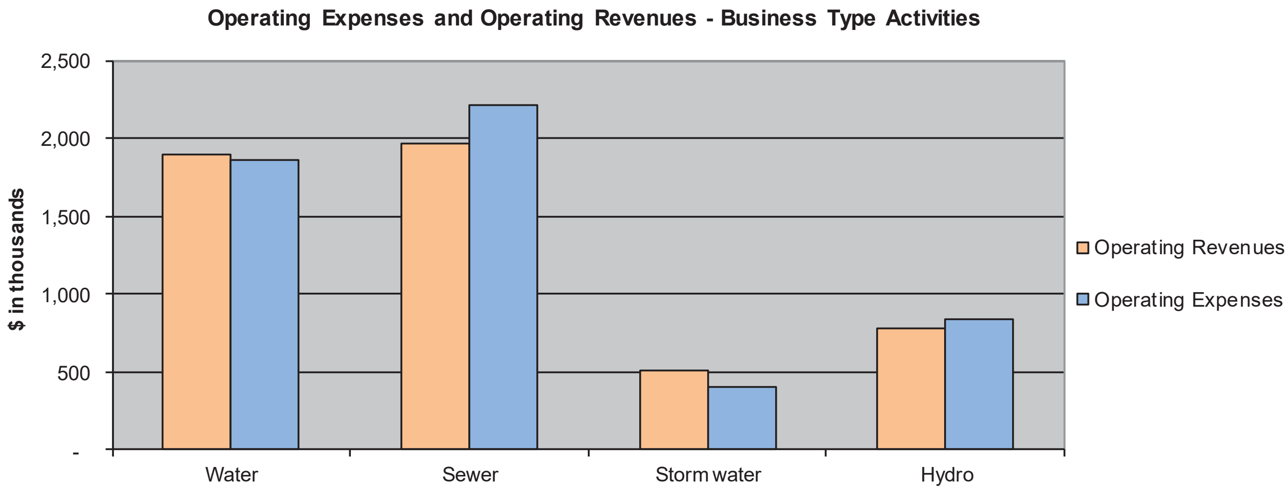
	Governmental Activities 2016	Governmental Activities 2017	Business-type Activities 2016	Business-type Activities 2017	Total 2016	Total 2017
Revenues						
Program revenues						
Charges for services	$ 5,473,225	$ 5,735,953	$ 4,965,685	$ 5,162,589	$ 10,438,910	$ 10,898,542
Operating grants & contributions	1,560,903	539,343	-	-	1,560,903	539,343
Capital grants & contributions	3,212,984	1,234,808	-	-	3,212,984	1,234,808
General revenues						
Property taxes	12,487,164	12,921,077	-	-	12,487,164	12,921,077
State aid	617,477	639,043	-	-	617,477	639,043
Other income (loss)	322,829	262,855	128,720	4,188	451,549	267,043
Total revenues	23,674,582	21,333,079	5,094,405	5,166,777	28,768,987	26,499,856
Expenses						
General government	2,935,743	3,129,500	-	-	2,935,743	3,129,500
Public safety	11,060,875	9,386,823	-	-	11,060,875	9,386,823
Public works	6,345,402	5,638,414	-	-	6,345,402	5,638,414
Culture & recreation	3,396,349	3,398,198	-	-	3,396,349	3,398,198
Economic development	2,311,500	51,101	-	-	2,311,500	51,101
Health & sanitation	19,301	30,849	-	-	19,301	30,849
Interest on long-term debt	464,205	449,979	-	-	464,205	449,979
Water	-	-	2,120,683	1,866,451	2,120,683	1,866,451
Sewer	-	-	2,118,877	2,213,573	2,118,877	2,213,573
Storm	-	-	422,730	403,183	422,730	403,183
Hydro	-	-	593,610	838,181	593,610	838,181
Total expenses	26,533,375	22,084,864	5,255,900	5,321,388	31,789,275	27,406,252
Change in net position before transfers and contributions	(2,858,793)	(751,785)	(161,495)	(154,611)	(3,020,288)	(906,396)
Transfers and contributions	480,830	(132,690)	(480,830)	132,690	-	-
Change in net position	(2,377,963)	(884,475)	(642,325)	(21,921)	(3,020,288)	(906,396)
Net position-January 1	51,317,533	49,203,800	29,917,491	28,954,936	81,235,024	78,158,736
Prior Period Adjustment	264,230	-	(320,230)	-	(56,000)	-
Net position-December 31	$ 49,203,800	$ 48,319,325	$ 28,954,936	$ 28,933,015	$ 78,158,736	$ 77,252,340

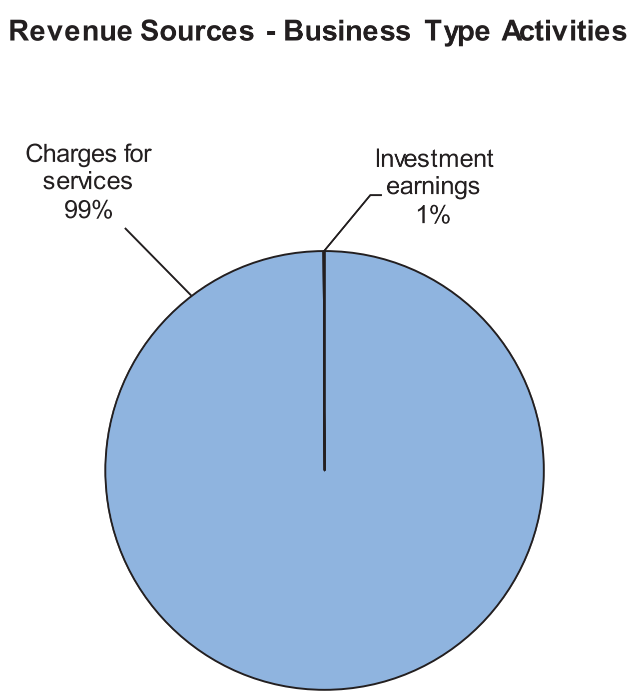
Below are specific graphs, which provide comparisons of the governmental activities revenues and expenses:





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





Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Hastings' governmental funds reported combined ending fund balances of $15,905,217. Approximately 26.9% of this total amount or $4,276,338 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 $847,113. The fund balance change is primarily due to the effect of the following factors:

- The General fund balance increased by $229,999 as a results of lower spending than budgeted for across multiple accounts.
- Fire and Ambulance fund's activity resulted in an increase of $143,834. This is primarily a result of a higher volume of ambulance calls and flat expense for 2017.
- Other Governmental Funds such as the Aquatic, Cable TV, Heritage Preservation, LeDuc, and Arena had a cumulative increase of $292,530.
- Debt Service funds had a fund balance increase of $71,680.

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 $4,576,829 .

The Fire and Ambulance special revenue fund has a total fund balance of $1,309,545. 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 $4,893,089, most of which is restricted for the payment of debt service.

The Parks Projects capital project fund accounts for the building and reconstruction of the City's 26 parks. The fund has a total fund balance of $487,678.

The Road Improvement Construction capital project fund accounts for the building and reconstruction of the city street system. Each year the City conducts some type of street infrastructure program, which varies from year to year with respect to scope and cost. The fund has a total fund balance of $(272,153).

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	$ 1,918,968
Sewer	1,548,861
Storm	73,488
Hydro	(240,052)

The Water fund had a decrease in net position primarily due to decreased water sales. The Sewer fund's activities also resulted in a decrease in net position primarily due to increased cost of operation by Metropolitan Waste Control Commission. The Storm Water fund's activities resulted in an increase to net position. The Hydro fund's activities resulted in a decrease to net position due to reduction in revenue and an increase in expenses. The Hydro plant no longer has debt to support thus the revenues are transferred to debt service and the general fund to help keep the tax levy lower.

General Fund Budgetary Highlights

Actual expenditures were $706,100 less than the amended expenditure budget. The most significant differences from the final budget amounts are due to the following:

- Reduced staff costs in various department resulted in savings of $155,813;
- Delay of a Roofing project for the LeDuc Mansion resulted in savings of $234,746;
- Savings in multiple departments from conservative spending.

Actual revenues were $134,746 lower than the amended revenue budget. The difference from the final budget amounts is primarily due to the following:

- Intergovernmental revenue was $101,164 under budget primarily due to some MSA dollars being allocated to a Mill and Overlay Fund.

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

- The City decreased its budget for bonds issued in the general fund. It was decided to not take out equipment certificates for vehicles and instead use revenue from 2017.

Capital Assets and Debt Administration

Capital assets. The City of Hastings' investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to $90,563,850 (net of accumulated depreciation) a decrease of $3,205,698. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and infrastructure.

City of Hastings Capital Assets
(Net of Depreciation)

	2016 Governmental Activities	2017 Governmental Activities	2016 Business-Type Activities	2017 Business-Type Activities	2016 Total	2017 Total
Land	$ 3,689,587	$ 3,689,587	$ 349,300	$ 349,300	$ 4,038,887	$ 4,038,887
Construction in progress	2,383,707	60,526	240,000	5,572	2,623,707	66,098
Buildings	10,807,168	10,514,994	8,028,139	7,598,634	18,835,307	18,113,628
Improvement other than buildings	1,519,917	1,370,826	1,868,504	1,762,795	3,388,421	3,133,621
Machinery and equipment	2,963,798	2,508,498	991,923	1,167,522	3,955,721	3,676,020
Infrastructure	44,432,421	44,170,168	16,495,084	17,365,428	60,927,505	61,535,596
Total assets	$ 65,796,598	$ 62,314,599	$ 27,972,950	$ 28,249,251	$ 93,769,548	$ 90,563,850

Additional information on the City of Hastings's capital assets can be found in Note 4 on pages 58-60.

Long-term debt.
At the end of the current fiscal year, the City of Hastings had outstanding G.O. debt of $7,290,000 comprises debt backed by the full faith and credit of the government and $11,185,000 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 page 61-67.

Economic Factors
In 2017, the City experienced higher levels of new construction than 2016; with a total of 30 new homes being built. The overall increase in taxable market value of residential and commercial new construction was $26.5 million. The City experienced an increase of tax capacity of $616,529 between pay year 2016 and pay year 2017.

Next Year's Budget
The 2018 budget included a levy increase of $542,388. The City anticipates receiving $704,117 of Local Government Aid from the State of Minnesota, which is dedicated to funding one time expenditures. Cost of Living increases and Capital projects made up the increase from 2017 to 2018.

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

City of Hastings
Statement of Net Position
For the Year Ended December 31, 2017

Statement 1

	Governmental Activities	Business-type Activities	Total	Hastings Economic Development and Redevelopment Authority
Assets				
Cash and investments				
(including cash equivalents)	$ 13,545,818	$ 3,818,038	$ 17,363,856	$ 1,414,983
Cash with fiscal agent	876,587	-	876,587	-
Receivables				
Accounts receivable	1,520,511	1,128,142	2,648,653	5,132
Interest receivable	14,629	5,389	20,018	1,520
Taxes receivable	1,505,081	-	1,505,081	36,644
Special assessments receivable	1,992,540	96,791	2,089,331	-
Loan receivable	-	-	-	244,765
Due from other governments	230,364	200	230,564	-
Inventories	27,740	-	27,740	-
Prepaid items	250,889	119,832	370,721	1,916
Assets held for resale	-	-	-	4,381,025
Capital assets not being depreciated				
Land	3,689,587	349,300	4,038,887	-
Construction in progress	60,526	5,572	66,098	-
Capital assets net of accumulated depreciation				
Buildings and structures	10,514,994	7,598,634	18,113,628	93,748
Machinery and equipment	2,508,498	1,167,522	3,676,020	-
Improvements other than buildings	1,370,826	1,762,795	3,133,621	-
Infrastructure	44,170,168	17,365,428	61,535,596	-
Net pension asset	1,363,361	-	1,363,361	-
Total assets	83,642,119	33,417,643	117,059,762	$ 6,179,733
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	386,856	-	386,856	-
Deferred outflows of resources related to City pensions	8,490,121	301,444	8,791,565	-
Total deferred outflows of resources	8,876,977	301,444	9,178,421	
Total assets and deferred outflows of resources	$ 92,519,096	$ 33,719,087	$ 126,238,183	$ 6,179,733
Liabilities				
Accounts and contracts payable	$ 401,172	$ 213,235	$ 614,407	116,058
Interest payable	204,634	21,189	225,823	-
Salaries and benefits payable	268,000	22,700	290,700	3,637
Due to other governments	46,121	16,363	62,484	-
Unearned revenue	116,472	1,497	117,969	-
Bonds payable, net				
Payable within one year	3,295,000	235,000	3,530,000	
Payable after one year	17,682,049	2,382,501	20,064,550	
Polution remediation payable	-	-	-	80,210
Compensated absences payable				
Payable within one year	111,447	15,287	126,734	-
Payable after one year	1,411,566	256,488	1,668,054	-
Net pension liability	8,601,800	1,108,799	9,710,599	-
Other post employment benefits (OPEB) obligation	2,398,282	285,062	2,683,344	-
Total liabilities	34,536,543	4,558,121	39,094,664	199,905
Deferred Inflows of Resources				
Deferred inflows of resources related to fire relief pensions	18,764	-	18,764	-
Deferred inflows of resources related to City pensions	9,644,464	227,951	9,872,415	-
Total deferred inflows of resources	9,663,228	227,951	9,891,179	-
Net Position				
Net investment in capital assets	43,485,383	25,631,750	69,117,133	93,748
Restricted for				
Debt service	6,721,124	-	6,721,124	-
Tax Increment	2,695	-	2,695	-
Capital projects	488,132	-	488,132	-
Police activities	42,568	-	42,568	-
LeDuc Historic Estate - unexpendable	200,000	-	200,000	-
LeDuc Historic Estate - expendable	1,289,982	-	1,289,982	-
Unrestricted	(3,910,559)	3,301,265	(609,294)	5,886,080
Total net position	48,319,325	28,933,015	77,252,340	5,979,828
Total liabilities, deferred inflows of resources, and net position	$ 92,519,096	$ 33,719,087	$ 126,238,183	$ 6,179,733

See notes to financial statements.

City of Hastings
Statement of Activities
Year Ended December 31, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	$ 3,129,500	$ 426,721	$ 15,709	$ -
Public safety	9,386,823	3,745,444	248,806	-
Public works	5,638,414	276,721	212,801	1,234,808
Health and sanitation	30,849	8,855	27,000	-
Cultural and recreation	3,398,198	1,191,970	35,027	-
Economic development	51,101	-	-	-
Interest and fiscal charges	449,979	86,242	-	-
Total governmental activities	22,084,864	5,735,953	539,343	1,234,808
Business-type activities				
Water	1,866,451	1,897,865	-	-
Sewer	2,213,573	1,972,116	-	-
Storm	403,183	507,721	-	-
Hydro	838,181	784,887	-	-
Total business-type activities	5,321,388	5,162,589	-	-
Total governmental and business-type activities	$ 27,406,252	$ 10,898,542	$ 539,343	$ 1,234,808
Component unit				
Hastings Economic Development Redevelopment Authority	954,452	40,713	-	912,024

General revenues
- Property taxes
- Lodging taxes
- Unrestricted state aid
- Unrestricted investment earnings
- Insurance recoveries
- Gain on sale of asset

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment (Note 16)

Net position - beginning

Net position - ending

See notes to financial statements.

Statement 2

Governmental Activities	Business-Type Activities	Total	Hastings Economic and Redevelopment Authority
Net (Expense) Revenues and Changes in Net Position			
$ (2,687,070)	$ -	$ (2,687,070)	$ -
(5,392,573)	-	(5,392,573)	-
(3,914,084)	-	(3,914,084)	-
5,006	-	5,006	-
(2,171,201)	-	(2,171,201)	-
(51,101)	-	(51,101)	-
(363,737)	-	(363,737)	-
(14,574,760)	-	(14,574,760)	
-	31,414	31,414	-
-	(241,457)	(241,457)	-
-	104,538	104,538	-
-	(53,294)	(53,294)	-
-	(158,799)	(158,799)	
$ (14,574,760)	$ (158,799)	$ (14,733,559)	$ -
-	-	-	(1,715)
12,917,873	-	12,917,873	299,549
3,204	-	3,204	-
639,043	-	639,043	-
215,284	4,188	219,472	12,178
24,299	-	24,299	-
23,272	-	23,272	-
(132,690)	132,690	-	-
13,690,285	136,878	13,827,163	311,727
(884,475)	(21,921)	(906,396)	310,012
48,939,570	29,275,166	78,214,736	5,669,816
264,230	(320,230)	(56,000)	-
49,203,800	28,954,936	78,158,736	5,669,816
$ 48,319,325	$ 28,933,015	$ 77,252,340	$ 5,979,828

City of Hastings
Balance Sheet - Governmental Funds
December 31, 2017

	General Fund	Fire and Ambulance	Debt Service
Assets			
Cash and investments	$ 4,455,313	$ 94,879	$ 4,509,727
Cash with fiscal agent	-	-	-
Interest receivable	4,485	55	4,491
Due from other governments	80,730	790	40,400
Accounts receivable	55,960	1,216,552	-
Due from other funds	291,120	-	-
Property taxes receivable	790,540	124,327	387,367
Special assessments receivable	4,617	-	1,987,923
Inventory	24,517	-	-
Prepaid items	135,921	58,059	4,350
Total assets	$ 5,843,203	$ 1,494,662	$ 6,934,258
Liabilities			
Accounts payable	$ 220,114	$ 79,763	$ 8,500
Due to other governments	30,412	14,038	-
Salaries and benefits payable	167,410	76,506	-
Due to other funds	-	-	-
Unearned revenues	116,472	-	-
Total liabilities	534,408	170,307	8,500
Deferred Inflows of Resources			
Unavailable revenue - taxes and assessments	98,258	14,810	2,032,669
Unavailable revenue - grants	75,285	-	-
Total deferred inflows of resources	173,543	14,810	2,032,669
Fund Balances			
Nonspendable			
Prepaid items	135,921	58,059	4,350
Inventories	24,517	-	-
Permanent Endowment-Leduc Historic Estate	-	-	-
Restricted			
Police activities	-	-	-
Debt service	-	-	4,888,739
Capital projects	-	-	-
Tax increment financing	-	-	-
Leduc Historic Estate	397,985	-	-
Permanent	-	-	-
Committed			
Park Maintenance	-	-	-
Aquatic operations	-	-	-
Cable TV activities	-	-	-
Heritage preservation activities	-	-	-
Fire and ambulance activities	-	1,251,486	-
Arena activities	-	-	-
Assigned			
Capital	-	-	-
Unassigned	4,576,829	-	-
Total fund balances	5,135,252	1,309,545	4,893,089
Total liabilities, deferred inflows of resources, and fund balances	$ 5,843,203	$ 1,494,662	$ 6,934,258

See notes to financial statements.

Statement 3

Parks Project	Road Improvement Construction	Other Governmental Funds	Total Governmental Funds
$ 486,573	$ -	$ 3,096,021	$ 12,642,513
-	-	876,587	876,587
764	276	3,447	13,518
-	87,989	20,455	230,364
-	-	247,999	1,520,511
-	-	-	291,120
795	-	202,052	1,505,081
-	-	-	1,992,540
-	-	3,223	27,740
-	-	52,559	250,889
$ 488,132	$ 88,265	$ 4,502,343	$ 19,350,863
$ -	$ 13,815	$ 78,980	$ 401,172
-	-	1,671	46,121
-	-	24,084	268,000
-	270,481	20,639	291,120
-	-	-	116,472
-	284,296	125,374	1,122,885
454	-	25,163	2,171,354
-	76,122	-	151,407
454	76,122	25,163	2,322,761
-	-	52,559	250,889
-	-	3,223	27,740
-	-	200,000	200,000
-	-	42,547	42,547
-	-	-	4,888,739
487,678	-	-	487,678
-	-	2,695	2,695
-	-	-	397,985
-	-	891,997	891,997
-	-	1,020,571	1,020,571
-	-	188,258	188,258
-	-	243,756	243,756
-	-	97,564	97,564
-	-	-	1,251,486
-	-	463,992	463,992
-	-	1,172,982	1,172,982
-	(272,153)	(28,338)	4,276,338
487,678	(272,153)	4,351,806	15,905,217
$ 488,132	$ 88,265	$ 4,502,343	$ 19,350,863

City of Hastings
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2017

Statement 4

Total fund balances - governmental funds	$ 15,905,217
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	141,778,149
Less accumulated depreciation	(79,463,550)
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	(20,580,000)
Unamortized bond premium and discount	(397,049)
Net pension liability	(8,601,800)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	
Taxes and special assessments	2,171,354
Grants	151,407
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	(18,764)
Deferred inflows of resources related to city pensions	(9,644,464)
Deferred outflows of resources related to fire relief pensions	386,856
Deferred outflows of resources related to city pensions	8,490,121
The Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	1,363,361
Governmental funds do not report a liability for accrued interest due and payable.	(204,634)
Internal Service Funds are used by management to charge the costs of insurance and capital equipment to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	(3,016,879)
Total net position - governmental activities	$ 48,319,325

See notes to financial statements.

City of Hastings
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2017

	General Fund	Fire and Ambulance	Debt Service
Revenues			
General property taxes	$ 6,772,231	$ 1,080,314	$ 3,342,849
Miscellaneous taxes	3,204	-	-
Licenses and permits	496,101	-	-
Intergovernmental	1,225,556	198,500	26,473
Special assessments	4,009	-	497,486
Charges for services	752,662	2,672,575	86,242
Fines and forfeitures	125,963	-	-
Investment income	31,576	488	19,598
Contributions and donations	2,200	2,100	-
Miscellaneous	9,739	-	-
Total revenues	9,423,241	3,953,977	3,972,648
Expenditures			
Current			
General government	2,540,993	-	-
Public safety	4,929,266	3,765,521	-
Public works	1,706,115	-	-
Health and sanitation	30,849	-	-
Cultural and recreation	148,486	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	3,369,500
Interest and fiscal charges	-	-	531,468
Capital outlay			
General government	101,438	-	-
Public safety	101,987	-	-
Public works	5,535	-	-
Cultural and recreation	-	-	-
Total expenditures	9,564,669	3,765,521	3,900,968
Excess of revenues over (under) expenditures	(141,428)	188,456	71,680
Other Financing Sources (Uses)			
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Insurance recovery	24,299	-	-
Transfers in	680,858	23,100	-
Transfers out	(340,519)	(67,722)	-
Proceeds from sale of capital asset	6,789	-	-
Total other financing sources (uses)	371,427	(44,622)	-
Net change in fund balances	229,999	143,834	71,680
Fund Balances			
Beginning of year	4,905,253	1,165,711	4,821,409
Prior Period Adjustment	-	-	-
Beginnig of year, restated	4,905,253	1,165,711	4,821,409
End of year	$ 5,135,252	$ 1,309,545	$ 4,893,089

See notes to financial statements.

Parks Projects	Road Improvement Construction	Other Governmental Funds	Total Governmental Funds
$ 534	$ -	$ 1,782,538	$ 12,978,466
-	-	-	3,204
-	-	-	496,101
-	786,838	179,747	2,417,114
-	-	-	501,495
-	-	1,179,365	4,690,844
-	-	2,303	128,266
4,524	1,804	149,068	207,058
6,000	-	15,669	25,969
-	-	1,678	11,417
11,058	788,642	3,310,368	21,459,934
-	-	-	2,540,993
-	-	15,112	8,709,899
-	5,643	-	1,711,758
-	-	-	30,849
313	-	2,606,284	2,755,083
-	-	38,752	38,752
-	-	-	3,369,500
-	-	-	531,468
-	-	-	101,438
-	-	-	101,987
-	1,682,720	182,210	1,870,465
69,689	-	98,067	167,756
70,002	1,688,363	2,940,425	21,929,948
(58,944)	(899,721)	369,943	(470,014)
-	1,015,000	-	1,015,000
-	57,387	-	57,387
-	-	-	24,299
-	-	71,519	775,477
-	-	(114,067)	(522,308)
-	-	16,483	23,272
-	1,072,387	(26,065)	1,373,127
(58,944)	172,666	343,878	903,113
546,622	(388,819)	4,007,928	15,058,104
-	(56,000)	-	(56,000)
546,622	(444,819)	4,007,928	15,002,104
$ 487,678	$ (272,153)	$ 4,351,806	$ 15,905,217

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, 2017

Statement 6

Net change in fund balances - governmental funds	$ 903,113
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	2,039,686
Depreciation expense	(4,860,825)
Assets contributed to Enterprise and Internal Service Funds	(660,859)
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	(548,326)
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 payable	3,369,500
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.	20,373
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.	3,729
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.	(1,015,000)
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	(227,962)
Grants	(91,964)
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.	184,060
Change in net position - governmental activities	$ (884,475)

See notes to financial statements.

City of Hastings
Statement of Revenues, Expenditures and Changes in Fund Balance **Statement 7**
Budget and Actual - General Fund
Year Ended December 31, 2017

	2017			
	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Over (Under)
Revenues				
General property taxes	$ 6,779,810	$ 6,779,810	$ 6,772,231	$ (7,579)
Lodging taxes	3,250	3,250	3,204	(46)
Special assessments	-	-	4,009	4,009
Licenses and permits	482,800	471,494	496,101	24,607
Intergovernmental revenues	1,295,574	1,326,720	1,225,556	(101,164)
Charges for services	709,053	740,068	752,662	12,594
Fines and forfeitures	95,500	130,300	125,963	(4,337)
Investment income	31,000	31,000	31,576	576
Contributions and donations	-	2,400	2,200	(200)
Other revenues	57,000	72,945	9,739	(63,206)
Total revenues	9,453,987	9,557,987	9,423,241	(134,746)
Expenditures				
General Government				
Legal	$ 160,941	$ 210,941	$ 211,620	679
Mayor, legislative, city administration	354,151	379,151	358,729	(20,422)
Finance and accounting	538,482	538,482	491,809	(46,673)
City clerk and elections	377,829	377,829	356,402	(21,427)
Planning and economic development	161,798	161,798	156,935	(4,863)
I.T.	607,907	607,907	591,445	(16,462)
Building maintenance	342,242	342,242	310,904	(31,338)
Miscellaneous	125,660	125,660	164,587	38,927
Public safety				
Police	4,736,307	4,706,701	4,510,888	(195,813)
Building safety and code enforecement	518,777	518,777	508,579	(10,198)
Emergency management services	5,500	7,700	7,632	(68)
Animal control	7,000	4,800	4,154	(646)
Public works				
Engineering	507,116	525,116	474,455	(50,661)
Street maintenance	1,093,175	1,100,675	1,003,345	(97,330)
Street Lights	255,000	237,000	233,850	(3,150)
Health and sanitation				
Reforestation	9,250	24,655	18,491	(6,164)
Recycling	15,800	16,400	12,358	(4,042)
Culture and recreation				
Senior center	85,750	80,450	78,747	(1,703)
LeDuc historic estate	304,485	304,485	69,739	(234,746)
Total expenditures	10,207,170	10,270,769	9,564,669	(706,100)
Excess of revenues over (under) expenditures	(753,183)	(712,782)	(141,428)	571,354
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	7,000	6,789	(211)
Bonds issued	157,300	-	-	-
Insurance recoveries	6,780	24,280	24,299	19
Transfers in	682,868	682,868	680,858	(2,010)
Transfers out	(339,381)	(339,381)	(340,519)	(1,138)
Total other financing sources (uses)	507,567	374,767	371,427	(3,340)
Net change in fund balances	(245,616)	(338,015)	229,999	568,014
Fund Balances				
Beginning of year	4,905,253	4,905,253	4,905,253	-
End of year	$ 4,659,637	$ 4,567,238	$ 5,135,252	$ 568,014

See notes to financial Statements

City of Hastings
Statement of Revenues, Expenditures and Changes in Fund Balance **Statement 8**
Budget and Actual
Fire and Ambulance Special Revenue Fund
Year Ended December 31, 2017

	2017			
	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Over (Under)
Revenues				
Property taxes	$ 1,083,580	$ 1,083,580	$ 1,080,314	$ (3,266)
Intergovernmental	124,480	195,061	198,500	3,439
Charges for services	2,701,694	2,674,094	2,672,575	(1,519)
Investment income	4,500	4,500	488	(4,012)
Contributions and donations	-	2,100	2,100	-
Total revenues	3,914,254	3,959,335	3,953,977	(5,358)
Expenditures				
Current				
Public safety	3,853,292	3,919,789	3,765,521	(154,268)
Capital outlay	7,500	7,500	-	(7,500)
Total expenditures	3,860,792	3,927,289	3,765,521	(161,768)
Excess of revenues over expenditures	53,462	32,046	188,456	156,410
Other Financing Sources (Uses)				
Transfers in	23,100	23,100	23,100	-
Transfers out	(76,562)	(76,562)	(67,722)	8,840
Total other financing sources (uses)	(53,462)	(53,462)	(44,622)	8,840
Net change in fund balance	$ -	$ (21,416)	143,834	$ 165,250
Fund Balance				
Beginning of year			1,165,711	
End of year			$ 1,309,545	

See notes to financial statements

City of Hastings
Statement of Net Position - Proprietary Funds
December 31, 2017

Statement 9

	Business-Type Activities Enterprise Funds				Business Type Activities Enterprise Funds	
	Water (600)	Sewer (601)	Storm (603)	Hydro (620)	Total	Governmental Activities - Internal Service Funds
Assets						
Current assets						
Cash and cash equivalents	$ 2,302,511	$ 1,044,813	$ 349,662	$ 121,052	$ 3,818,038	$ 903,305
Interest receivable	3,213	1,544	431	201	5,389	1,111
Due from other governments	-	-	-	200	200	-
Accounts receivable - net	400,689	520,617	147,400	59,436	1,128,142	-
Special assessments receivable:						
Deferred	54,316	42,333	142	-	96,791	-
Prepaid items	7,890	107,901	3,145	896	119,832	-
Total current assets	2,768,619	1,717,208	500,780	181,785	5,168,392	904,416
Noncurrent assets						
Advances to other funds	-	300,000	-	-	300,000	-
Capital assets						
Land and construction in progress	354,872	-	-	-	354,872	-
Buildings	8,048,680	144,798	-	6,831,566	15,025,044	-
Infrastructure	19,870,505	17,793,823	-	-	37,664,328	-
Machinery and equipment	1,284,895	706,138	220,638	3,695,929	5,907,600	-
Improvements other than buildings	3,744,240	-	-	-	3,744,240	-
Total capital assets	33,303,192	18,644,759	220,638	10,527,495	62,696,084	-
Less: accumulated depreciation	(16,912,669)	(9,991,373)	(80,615)	(7,462,176)	(34,446,833)	-
Net capital assets	16,390,523	8,653,386	140,023	3,065,319	28,249,251	-
Total noncurrent assets	16,390,523	8,953,386	140,023	3,065,319	28,549,251	-
Total assets	19,159,142	10,670,594	640,803	3,247,104	33,717,643	904,416
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	121,459	85,841	80,761	13,383	301,444	-
Total assets and deferred outflows of resources	$ 19,280,601	$ 10,756,435	$ 721,564	$ 3,260,487	$ 34,019,087	$ 904,416
Liabilities						
Current liabilities						
Accounts payable	$ 153,519	$ 6,813	$ 2,808	$ 50,095	213,235	$ -
Due to other governments	15,201	-	-	1,162	16,363	-
Interest payable	21,189	-	-	-	21,189	-
Salaries payable	9,164	6,565	6,098	873	22,700	-
Compensated absences	6,039	4,608	3,931	709	15,287	111,447
Unearned revenue	1,497	-	-	-	1,497	-
Bonds payable - current portion	235,000	-	-	-	235,000	-
Total current liabilities	441,609	17,986	12,837	52,839	525,271	111,447
Noncurrent liabilities						
Advances from other funds	-	-	-	300,000	300,000	-
Compensated Absences	114,909	79,402	65,155	12,309	271,775	1,523,013
Bonds payable, net	2,617,501	-	-	-	2,617,501	-
Retiree health insurance	117,021	80,750	75,859	11,432	285,062	2,398,282
Net pension liability	446,763	315,746	297,062	49,228	1,108,799	-
Less amount due within one year	(241,039)	(4,608)	(3,931)	(709)	(250,287)	(111,447)
Total noncurrent liabilities	3,055,155	471,290	434,145	372,260	4,332,850	3,809,848
Total liabilities	3,496,764	489,276	446,982	425,099	4,858,121	3,921,295
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	91,847	64,912	61,071	10,121	227,951	-
Net Position						
Net investment in capital assets	13,773,022	8,653,386	140,023	3,065,319	25,631,750	-
Unrestricted	1,918,968	1,548,861	73,488	(240,052)	3,301,265	(3,016,879)
Total net position	15,691,990	10,202,247	213,511	2,825,267	28,933,015	(3,016,879)
Total liabilities, deferred inflows of resources, and net position	$ 19,280,601	$ 10,756,435	$ 721,564	$ 3,260,487	$ 34,019,087	$ 904,416

See notes to financial statements.

City of Hastings
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended December 31, 2017

Statement 10

	Business-Type Activities Enterprise Funds				Business Type Activities Enterprise Funds	Governmental Activities - Internal Service Funds
	Water (600)	Sewer (601)	Storm (603)	Hydro (620)	Total	
Operating revenues						
Charges for services	$ 1,872,300	$ 1,968,435	$ 507,721	$ 784,887	$ 5,133,343	$ 130,216
Operating expenses						
Personal services	532,682	382,734	360,536	60,550	1,336,502	236,440
Supplies	87,029	4,074	3,501	808	95,412	-
Professional services	384,429	119,315	26,385	606,749	1,136,878	-
Metro waste control charge	-	1,292,153	-	-	1,292,153	-
Depreciation	826,542	415,297	12,703	170,074	1,424,616	-
Total operating expenses	1,830,682	2,213,573	403,125	838,181	5,285,561	236,440
Operating income (loss)	41,618	(245,138)	104,596	(53,294)	(152,218)	(106,224)
Nonoperating revenues (expenses)						
Investment income	(8,928)	8,221	2,714	2,181	4,188	8,226
Special assessments	25,565	3,681	-	-	29,246	-
Intergovernmental	-	-	-	-	-	7,058
Interest expense	(35,769)	-	(58)	-	(35,827)	-
Total nonoperating revenues (expenses)	(19,132)	11,902	2,656	2,181	(2,393)	15,284
Income (loss) before contributions and transfers	22,486	(233,236)	107,252	(51,113)	(154,611)	(90,940)
Capital contributions from other funds	-	660,859	-	-	660,859	-
Transfers in	-	-	-	-	-	275,000
Transfers out	(29,805)	(32,429)	(7,526)	(458,409)	(528,169)	-
Change in net position	(7,319)	395,194	99,726	(509,522)	(21,921)	184,060
Net position						
Beginning of year	15,830,767	9,897,765	199,003	3,347,631	29,275,166	(3,521,169)
Prior period adjustment (Note 16)	(131,458)	(90,712)	(85,218)	(12,842)	(320,230)	320,230
Beginning of year, as restated	15,699,309	9,807,053	113,785	3,334,789	28,954,936	(3,200,939)
End of year	$ 15,691,990	$ 10,202,247	$ 213,511	$ 2,825,267	$ 28,933,015	$ (3,016,879)

See notes to financial statements.

City of Hastings
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2017

Statement 11

	Business-Type Activities - Enterprise Funds				Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Water (600)	Sewer (601)	Storm (603)	Hydro (620)	Total	
Cash Flows - Operating Activities						
Receipts from customers	$ 1,803,707	$ 1,867,965	$ 484,240	$ 786,730	$ 4,942,642	$ -
Interfund services provided and used	-	-	-	-	-	130,216
Payments to suppliers for goods and services	(356,562)	(1,421,384)	(27,652)	(564,047)	(2,369,645)	(296,084)
Payments to employees for services	(528,170)	(370,346)	(346,720)	(56,713)	(1,301,949)	(205,019)
Net cash flows - operating activities	918,975	76,235	109,868	165,970	1,271,048	(370,887)
Cash Flows - Noncapital Financing Activities						
Special assessments	(16,822)	3,229	-	-	(13,593)	-
Intergovernmental receipts	-	-	-	-	-	7,058
Transfer to other funds	(29,805)	(32,429)	(7,526)	(458,409)	(528,169)	-
Transfer from other funds	-	-	-	-	-	275,000
Net cash flows - noncapital financing activities	(46,627)	(29,200)	(7,526)	(458,409)	(541,762)	282,058
Cash Flows - Capital and Related Financing Activities						
Principal Paid On Debt	(2,725,000)	-	(40,500)	-	(2,765,500)	-
Interest Paid On Debt	(80,213)	-	(284)	-	(80,497)	-
Acquisition of capital assets	(561,359)	(447,790)	-	(30,907)	(1,040,056)	-
Net cash flows - capital and related financing activities	(3,366,572)	(447,790)	(40,784)	(30,907)	(3,886,053)	-
Cash Flows - Investing Activities						
Investment income	(10,132)	13,058	2,838	2,843	8,607	9,035
Net cash flows - investing activities	(10,132)	13,058	2,838	2,843	8,607	9,035
Net change in cash and cash equivalents	(2,504,356)	(387,697)	64,396	(320,503)	(3,148,160)	(79,794)
Cash and Cash Equivalents						
January 1	4,806,867	1,432,510	285,266	441,555	6,966,198	983,099
December 31	$ 2,302,511	$ 1,044,813	$ 349,662	$ 121,052	$ 3,818,038	$ 903,305

See notes to financial statements.

City of Hastings
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2017

Statement 11

	Business-Type Activities - Enterprise Funds				Business-Type Activities - Enterprise Funds	
	Water (600)	Sewer (601)	Storm (603)	Hydro (620)	Total	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities						
Operating income (loss)	$ 41,618	$ (245,138)	$ 104,596	$ (53,294)	$ (152,218)	$ (106,224)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities						
Miscellaneous revenue	-	-	-	-	-	-
Other expense	-	-	-	-	-	-
Depreciation	826,542	415,297	12,703	170,074	1,424,616	-
Pension expense	15,868	17,707	18,311	5,408	57,294	-
Accounts receivable	(68,739)	(100,470)	(23,393)	1,843	(190,759)	-
Special assessments receivable	-	-	(88)	-	(88)	-
Due from other governments	146	-	-	-	146	-
Prepaid items	385	5,340	66	117	5,908	
Accounts payable	105,160	(11,182)	2,168	42,667	138,813	-
Salaries payable	1,662	1,408	1,223	118	4,411	-
Due to other governments	9,351	-	-	726	10,077	-
OPEB obligation	(14,437)	(9,962)	(9,359)	(1,410)	(35,168)	(296,084)
Compensated absences payable	1,419	3,235	3,641	(279)	8,016	31,421
Total adjustments	877,357	321,373	5,272	219,264	1,423,266	(264,663)
Net cash flows - operating activities	$ 918,975	$ 76,235	$ 109,868	$ 165,970	$ 1,271,048	$ (370,887)
Noncash Capital and Related Financing Activities						
Capital contributions	$ -	$ 660,859	$ -	$ -	$ 660,859	$ -

See notes to financial statements.

TRUST and AGENCY FUNDS

City of Hastings
Statement of Fiduciary Net Position
December 31, 2017

Statement 12

	Total Combined Trust Funds	Total Combined Agency Funds
Assets		
Cash and investments	$ 91,899	$ 154,120
Interest receivable	117	-
Total assets	$ 92,016	$ 154,120
Liabilities		
Deposits payable	$ -	$ 154,120
Net Position		
Held in trust for library	$ 92,016	

See notes to financial statements.

City of Hastings
Statement of Changes in Fiduciary Net Position
December 31, 2017

Statement 13

	Library Private-Purpose Trust Fund
Additions	
Investment earnings	$ 852
Deductions	
Other services and charges	1,992
Change in net position	(1,140)
Beginning net position	93,156
Ending net position	$ 92,016

See notes to 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major 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.

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.

Additionally, the City reports the following fund types:

Internal Service Funds – account for the retiree health insurance expenses and the 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.

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

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

Permanent Funds – account 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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 authorizes the City to invest in 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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 77% 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.

4. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 $5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. In the case of donations the government values these capital assets at the 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, 2017.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Compensated absences

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

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term debt reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type Statement of Net Position. Bond premiums and discounts, are deferred and amortized evenly over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 prepays, inventories, long-term receivables, and corpus on any permanent fund which are not in spendable form.

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

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

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

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

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

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

The City formally adopted a fund balance policy for the governmental funds. The policy establishes a fund balance range of 30% - 40% of the subsequent year's budgeted expenditures. Fund balances between 30% and 40% of subsequent years expenditures can be used for working capital or one-time expenditures. Spend-down of fund balances to fund ongoing operations will not occur until the fund has exceeded a point of 40% of the subsequent year's expenditures for two years.

For enterprise funds, the City has adopted a policy to spend down unrestricted net position only when it exceeds an amount equal to 90 days of budgeted expenditures and 3% of the fund's fully depreciated assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, the Road Improvement Capital Projects Fund, which adopt project-length budgets, Guardian Angels TIF, Riverfront TIF, NAPA TIF, and the permanent funds, which are not budgeted. All annual appropriations lapse at fiscal year-end.

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 2017. Several of the budgets changed in total as a result of the Council approved appropriations.

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

B. Deficit Fund Equity

The Road Improvement Construction Fund had a fund deficit of $272,153, a decrease of $116,666 from 2016. This fund deficit is expected to be recovered from intergovernmental revenue. The NAPA TIF district had a fund balance deficit of $10,218, a decrease of $1,145 from 2016. The Riverfront TIF district had a deficit of $2,104, an increase of $1,134 from 2016. The Downtown Redevelopment TIF had a deficit of $16,016, an increase of $1,016. 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, 2017, the City was not exposed to custodial credit risk because deposits were fully collateralized. The City's book balance for cash as of December 31, 2017 was $(32,827).

B. Investments

As of December 31, 2017 the City had the following investments and maturities:

			Investment Maturities			
Investment Type	Rating	Fair Value	Less than One Year	1-5 Years	6-10 Years	Greater than 10 Years
Pooled Investments:						
Federal Home Loan Bank Notes	AAA	$ 491,730	$ -	$ 248,995	$ 242,735	$ -
Federal Home Loan Bank Corp	AAA	492,580	-	492,580	-	-
Federal National Mortgage Assn.	AAA	295,926	-	295,926	-	-
Taxable Municipals	AAA/AA+	1,225,558	-	981,078	244,480	-
Brokered Certificates of Deposit	NR	8,794,889	2,371,673	5,934,084	489,132	-
External Investment Pool - 4M Fund	NR	2,379,525	2,379,525	-	-	-
Money Market	NR	5,377,398	5,377,398	-	-	-
Total Pooled Investments		19,057,606	10,128,596	7,952,663	976,347	-
Non-Pooled Investments						
Brokered Cash	N/A	39,732	39,732			
Equity	N/A	533,149	533,149			
Fixed Income Securities	N/A	250,821	250,821			
Real Estate	N/A	36,188	36,188			
Commodities	N/A	16,131	16,131			
Total Non-Pooled Investments		876,021	876,021	-	-	-
Total		$ 19,933,627	$ 11,004,617	$ 7,952,663	$ 976,347	$ -

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2017:

- $8,794,889 of $19,057,606 are valued using a quoted market prices (Level 1 inputs)
- $2,505,794 of $19,057,606 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 on the previous page.

Concentration of credit risk – The City does not have more than 5% of the City's investment portfolio in any one issuer.

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.

Summary of cash deposits and investments as of December 31, 2017, were as follows:

Deposits (Note 3.A.)	$ (32,827)
Investments (Note 3.B.)	19,933,627
Petty cash	645
Total deposits and investments	$ 19,901,445

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Deposits and investments are presented in the December 31, 2017, basic financial statements as follows:

Statement of Net Position	
Cash and investments - City	$ 17,363,856
Cash and investments - HEDRA	1,414,983
Cash with fiscal agent	876,587
Statement of Fiduciary Net Position	
Cash and investments	246,019
Total deposits and investments	$ 19,901,445

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 3,689,587	$ -	$ -	$ 3,689,587
Construction in progress	2,383,707	2,228,644	(4,551,825)	60,526
Total capital assets not being depreciated	6,073,294	2,228,644	(4,551,825)	3,750,113
Capital assets being depreciated				
Buildings	19,740,470	160,166	-	19,900,636
Improvements other than buildings	3,892,391	179,962	-	4,072,353
Machinery and equipment	11,145,332	138,700	(65,657)	11,218,375
Infrastructure	99,681,929	3,223,180	(68,437)	102,836,672
Total capital assets being depreciated	134,460,122	3,702,008	(134,094)	138,028,036
Less accumulated depreciation for				
Buildings	(8,933,303)	(452,339)	-	(9,385,642)
Improvements other than buildings	(2,372,474)	(329,053)	-	(2,701,527)
Machinery and equipment	(8,181,534)	(594,000)	65,657	(8,709,877)
Infrastructure	(55,249,508)	(3,485,433)	68,437	(58,666,504)
Total accumulated depreciation	(74,736,819)	(4,860,825)	134,094	(79,463,550)
Total capital assets being depreciated, net	59,723,303	(1,158,817)	-	58,564,486
Governmental activities capital position, net	$ 65,796,597	$ 1,069,827	$ (4,551,825)	$ 62,314,599

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 349,300	$ -	$ -	$ 349,300
Construction in progress	240,000	252,666	(487,094)	5,572
Total capital assets not being depreciated	589,300	252,666	(487,094)	354,872
Capital assets being depreciated				
Buildings	15,025,044	-	-	15,025,044
Improvements other than buildings	3,744,240	-	-	3,744,240
Machinery and equipment	5,624,686	282,914	-	5,907,600
Infrastructure	36,103,884	1,652,431	(91,987)	37,664,328
Total capital assets being depreciated	60,497,854	1,935,345	(91,987)	62,341,212
Less accumulated depreciation for				
Buildings	(6,996,905)	(429,505)	-	(7,426,410)
Improvements other than buildings	(1,875,736)	(105,709)	-	(1,981,445)
Machinery and equipment	(4,632,763)	(107,315)	-	(4,740,078)
Infrastructure	(19,608,800)	(782,087)	91,987	(20,298,900)
Total accumulated depreciation	(33,114,204)	(1,424,616)	91,987	(34,446,833)
Total capital assets being depreciated, net	27,383,650	510,729	-	27,894,379
Business-type activities capital assets, net	$ 27,972,950	$ 763,395	$ (487,094)	$ 28,249,251

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

Governmental activities	
General government	$ 147,945
Cultural and recreation	593,246
Public Safety	368,964
Public Works	3,750,670
Total depreciation expense - governmental activities	$ 4,860,825
Business-type activities	
Water	$ 826,542
Sewer	415,297
Storm Water	12,703
Hydro	170,074
Total depreciation expense - business-type activities	$ 1,424,616

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Unit

Activity for the HEDRA for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being depreciated				
Buildings	$ 724,195	$ -	$ -	$ 724,195
Less accumulated depreciated for				
Buildings	(625,947)	(4,500)	-	(630,447)
Total capital assets being depreciated, net	98,248	(4,500)	-	93,748
Component unit capital assets, net	$ 98,248	$ (4,500)	$ -	$ 93,748

NOTE 5 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 20,639
General Fund	Road Improvement Construction	270,481
Total		$ 291,120

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sewer Fund	Hydro Fund	$ 300,000

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

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

NOTE 6 – INTERFUND TRANSFERS

Transfers Out					
General	$ -	$ -	$ 65,519	$ 275,000	$ 340,519
Fire & ambulance	67,722	-	-	-	67,722
Non-major governmental fund	84,967	23,100	6,000	-	114,067
Water	29,805	-	-	-	29,805
Sewer	32,429	-	-	-	32,429
Stormwater	7,526	-	-	-	7,526
Hydro	458,409	-	-	-	458,409
Total	$ 680,858	$ 23,100	$ 71,519	$ 275,000	$ 1,050,477

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

NOTE 7 – LONG-TERM DEBT

A. Crossover Refunding

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

NOTE 7 – LONG-TERM DEBT (CONTINUED)

B. General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds for the public facilities generally are issued as 20-year serial bonds with equal debt service payments each year. The original amount of general obligation bonds for the issues listed below is $2,280,000. Of the two bond issues, one is partially funded by the Hastings School District. The School District is obligated 45% for the Parks Maintenance Garage facility. The city records the full debt on its books with the commitments from the school district reflected as annual revenues.

The general obligation bonds currently outstanding are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
G.O. Public Facility Refunding Bonds, Series 2010A	06/24/10	3.00% - 4.00%	$ 1,715,000	02/01/22	$ 860,000	$ 155,000
G.O. Revenue Refunding Bonds, Series 2013A	02/21/13	2.00%	565,000	02/01/19	235,000	115,000
					$ 1,095,000	$ 270,000

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

Year Ending	Governmental Activities		
December 31,	Principal	Interest	Total
2018	$ 270,000	$ 30,475	$ 300,475
2019	290,000	22,400	312,400
2020	175,000	14,300	189,300
2021	180,000	8,100	188,100
2022	180,000	2,700	182,700
Total	$ 1,095,000	$ 77,975	$ 1,172,975

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. G.O. Improvement Bonds

In August 2017, the City issued $1,015,000 G.O. Improvement Bonds, Series 2017A. 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 $21,770,000. 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 2006A	12/14/06	4.00%	$ 1,940,000	02/01/18	$ 205,000	$ 205,000
G.O. Improvement Bonds, Series 2007B	11/29/07	3.45%-3.80%	2,390,000	02/01/19	505,000	255,000
G.O. Improvement Bonds, Series 2008A	12/04/08	3.50%-4.20%	3,105,000	02/01/20	1,005,000	325,000
G.O. Improvement Bonds, Series 2009A	12/15/09	2.00%-3.55%	1,750,000	02/01/21	750,000	180,000
G.O. Improvement Bonds, Series 20010B	11/01/10	0.60%-2.80%	1,185,000	02/01/22	600,000	120,000
G.O. Improvement Bonds, Series 2011A	09/14/11	0.50%-2.45%	3,720,000	02/01/22	1,880,000	370,000
G.O. Improvement Bonds, Series 2012A	10/17/12	2.00%-3.00%	1,700,000	02/01/23	1,055,000	170,000
G.O. Improvement Bonds, Series 2013B	11/20/13	0.40%-2.45%	1,265,000	02/01/24	885,000	125,000
G.O. Improvement Bonds, Series 2014A	11/25/14	0.65%-2.50%	2,345,000	02/01/25	2,055,000	245,000
G.O. Improvement Bonds, Series 2015A	09/03/15	2.00%-2.20%	360,000	02/01/26	325,000	35,000
G.O. Improvement Bonds, Series 2016B	11/03/16	2.00%	995,000	02/01/27	995,000	85,000
G.O. Improvement Bonds, Series 2017A	11/02/17	2.75%-2.875%	1,015,000	02/01/28	1,015,000	-
					$ 11,275,000	$ 2,115,000

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2018	$ 2,115,000	$ 256,385	$ 2,371,385
2019	2,025,000	205,572	2,230,572
2020	1,810,000	152,297	1,962,297
2021	1,480,000	109,655	1,589,655
2022	1,305,000	76,358	1,381,358
2023-2027	2,430,000	123,102	2,553,102
2028-2032	110,000	1,581	111,581
Total	$ 11,275,000	$ 924,950	$ 12,199,950

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Equipment Certificates

Equipment Certificates are general obligations of the city and generally are issued as 3-5 year serial bonds with equal debt service payments each year. They have been used sparingly as a means to purchase certain equipment for the City. The original amount of these certificates for the issues listed below is $2,535,000. 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 2012A	10/17/12	2.00%-3.00%	$ 330,000	02/01/18	$ 70,000	$ 70,000
Certificate of Participation, Series 2013B	11/20/13	0.40%-2.45%	1,410,000	02/01/24	845,000	195,000
Certificate of Participation, Series 2014A	11/25/14	0.65%-2.00%	205,000	02/01/21	165,000	40,000
Certificate of Participation, Series 2015A	09/03/15	2.00%	295,000	02/01/21	240,000	60,000
Certificate of Participation, Series 2016B	11/03/16	2.00%	295,000	2/1/2022	295,000	55,000
					$ 1,615,000	$ 420,000

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2018	$ 420,000	$ 27,184	$ 447,184
2019	355,000	20,449	375,449
2020	245,000	15,091	260,091
2021	255,000	10,198	265,198
2022	150,000	6,080	156,080
2023-2027	190,000	4,584	194,584
Total	$ 1,615,000	$ 83,586	$ 1,698,586

E. 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). The original amount of general obligation revenue bonds for the issues listed below is $2,565,000. 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	$ 2,565,000	$ 235,000
Total business-type activities						

NOTE 7 – LONG-TERM DEBT (CONTINUED)

E. Revenue Bonds

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2018	$ 235,000	$ 48,950	$ 283,950
2019	245,000	44,150	289,150
2020	240,000	39,300	279,300
2021	250,000	34,400	284,400
2022	255,000	29,350	284,350
2023-2027	1,340,000	67,500	1,407,500
Total	$ 2,565,000	$ 263,650	$ 2,828,650

F. 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). The original amount of general obligation bonds for the issues listed below is $4,755,000. 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. Imrpvement Bonds, Series 2014A - Charter	11/25/14	0.65%-2.50%	$ 650,000	02/01/25	$ 560,000	$ 65,000
G.O. Improvement Bond, Series 2015A - Charter	09/03/15	2%-2.20%	2,100,000	02/01/26	1,925,000	200,000
G.O. Improvement Bond, Series 2016B - Charter	11/03/16	2.00%	2,005,000	02/01/27	2,005,000	65,000
					$ 4,490,000	$ 330,000

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2018	$ 330,000	$ 88,410	$ 418,410
2019	465,000	80,460	545,460
2020	475,000	71,060	546,060
2021	485,000	61,460	546,460
2022	495,000	51,485	546,485
2023-2027	2,240,000	103,385	2,343,385
Total	$ 4,490,000	$ 456,260	$ 4,946,260

NOTE 7 – LONG-TERM DEBT (CONTINUED)

G. 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	$ 2,105,000	$ 160,000

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

Year Ending	Governmental Activities		
December 31,	Principal	Interest	Total
2018	$ 160,000	$ 45,050	$ 205,050
2019	165,000	41,800	206,800
2020	170,000	38,450	208,450
2021	175,000	35,000	210,000
2022	175,000	31,500	206,500
2023-2027	900,000	102,500	1,002,500
2028-2032	360,000	9,488	369,488
Total	$ 2,105,000	$ 303,788	$ 2,408,788

H. Conduit Debt

From time to time, the City issued conduit debt to provide financial assistance to private sector entities for projects deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2017 there were three series of these revenue bonds outstanding, with an aggregate principal amount payable of $11,302,742.

NOTE 7 – LONG-TERM DEBT (CONTINUED)

I. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation debt	$ 1,370,000	$ -	$ (275,000)	$ 1,095,000	$ 270,000
GO improvement debt	12,545,000	1,015,000	(2,285,000)	11,275,000	2,115,000
Equipment certificates	2,024,500	-	(409,500)	1,615,000	420,000
City charter bonds	4,730,000	-	(240,000)	4,490,000	330,000
Tax increment bonds	2,265,000	-	(160,000)	2,105,000	160,000
Plus (less) deferrred amounts for premium and discount	417,426	57,387	(77,764)	397,049	-
Total bonds payable	23,351,926	1,072,387	(3,447,264)	20,977,049	3,295,000
Compensated absences	1,491,590	741,125	(709,702)	1,523,013	111,447
Governmental activity Long-term liablilities	$ 24,843,516	$ 1,813,512	$ (4,156,966)	$ 22,500,062	$ 3,406,447

	Ending Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
G.O. revenue bonds	$ 5,330,500	$ -	$ (2,765,500)	$ 2,565,000	$ 235,000
Plus (less) deferred amounts for premium or discount	78,139	-	(25,638)	52,501	-
Total bonds payable	5,408,639 -	-	(2,791,138)	2,617,501	235,000
Compensated absences payable	$ 263,759	$ 116,481	$ (108,465)	271,775	$ 15,287
Total business-type activities	$ 5,672,398	$ 116,481	$ (2,899,603)	$ 2,889,276	$ 250,287

	Ending Balance	Additions	Retirements	Ending Balance	Due Within One Year
Component Unit					
Pollution remediation obligation	$ 862,983	$ 60,000	$ (842,773)	$ 80,210	$ -
Total business-type activities	$ -	$ -	$ -	$ -	$ -

The governmental activities, compensated absences, pensions and other post employment benefit obligations are generally liquidated by the general and special revenue 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 $200,000 per occurrence for property loss or damage and $460,000 per occurrence for workers' compensation. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance from the prior year.

NOTE 9 – PENSION PLANS

The city participates in various pension plans, total pension expense for the year ended December 31, 2017 was $1,622,518. The components of pension expense are noted in the following plan summaries.

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 (General Employees Plan (accounted for in the General Employees Fund))

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 (Police and Fire Plan (accounted for in the Police and Fire Fund))

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 a local relief association 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees′ Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member′s highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA′s Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year 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.

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 ten 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 ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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 calendar year 2017. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2017. The City′s contributions to the General Employees Fund for the year ended December 31, 2017, were $299,960. The City′s contributions were equal to the required contributions as set by state statute.

Police and Fire Plan Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.2% of pay for members in calendar year 2017. The City′s contributions to the Police and Fire Fund for the year ended December 31, 2017, were $644,831. The City′s contributions were equal to the required contributions as set by state statute.

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of $4,507,057 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. 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 $56,664. The net pension liability was measured as of June 30, 2017, 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 proportion 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.0706%, which was an increase of 0.0035% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $580,610 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized $1,637 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the General Employees Fund.

At December 31, 2017, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 148,538	$ 280,105
Changes in actuarial assumptions	711,172	451,833
Difference between projected and actual investment earnings	2,485	-
Change in proportion	213,138	194,639
Contributions paid to PERA subsequent to the measurement date	149,980	-
Total	$ 1,225,313	$ 926,577

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

$149,980 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, 2018. 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
2018	$ 120,889
2019	243,754
2020	(24,572)
2021	(191,315)
Total	$ 148,756

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of $5,203,542 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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 proportion 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.3880 %, which was an decrease of 0.0020% from its proportion measured as of June 30, 2016. The City also recognized $34,920 for the year ended December 31, 2017 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. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of $1,330,970 for its proportionate share of the Police and Fire Fund pension expense

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Pension Costs (Continued)

At December 31, 2017, the City of Hastings reported its proportionate share of the Police and Fire'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	$ 120,578	$ 1,382,234
Changes in actuarial assumptions	6,890,912	7,437,316
Difference between projected and actual investment earnings	58,122	-
Change in proportion	174,224	126,288
Contributions paid to PERA subsequent to the measurement date	322,416	-
Total	$ 7,566,252	$ 8,945,838

$322,416 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, 2018. 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
2018	$ 108,826
2019	108,829
2020	(72,814)
2021	(370,120)
2022	(1,476,723)
Total	$ (1,702,002)

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees plan through 2044 and the Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability, and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all years to 1% per year through 2044 and 2.5% per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Police and Fire Fund (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
International stocks	39 %	5.10 %
Bonds	19	5.30
Alternative assets	20	0.75
Cash	20	5.90
	2	0.00
	100 %	

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. 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 those assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was 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.

G. Pension Liability Sensitivity

The following table 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:

City of Hastings proportionate share of	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
General Employees Retirement Fund net pension liability	$ 6,990,781	$ 4,507,057	$ 2,473,679

City of Hastings proportionate share of	1% Decrease in Discount rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Police and Fire Fighters net pension liability	$ 9,865,552	$ 5,203,542	$ 1,418,544

H. 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.

Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2017 were:

	Contribution Amount		Percentage of Covered Payroll		
Year	Employees	Employer	Employees	Employer	Required Rates
2017	$ 1,200	$ 1,200	5.00%	5.00%	5.00%
2016	1,920	1,920	5.00%	5.00%	5.00%
2015	1,806	1,806	5.00%	5.00%	5.00%

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 December 31, 2016, membership includes 49 active members and 18 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.

NOTE 9 – PENSION PLANS (CONTINUED)

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

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 $5,100 for each year of active Fire Department service.

Minnesota Statutes Section 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 5 years of service and have 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.

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

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

NOTE 9 – PENSION PLANS (CONTINUED)

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

B. Benefits Provided (Continued)
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 $180,415 made by the State of Minnesota for the Relief Association.

D. Pension Costs
At December 31, 2017, the City reported an asset of $1,363,361 for the Association's net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

For the year ended December 31, 2017, the City recognized pension expense of $(289,062). At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	$ -	$ 18,764
Changes in actuarial assumptions	19,091	-
Net difference between projected and actual earnings on pension plan investments	187,350	-
City contributions subsequent to the measurement date	180,415	-
Total	$ 386,856	$ 18,764

NOTE 9 – PENSION PLANS (CONTINUED)

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

D. Pension Costs (Continued)

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
2018	$ 61,935
2019	61,935
2020	57,412
2021	6,252
2022	47
Thereafter	96
Total	$ 187,677

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Actuarial assumptions:	
Discount rate	5.75 %
Investment rate of return	5.75
20-year municipal bond yield	3.50
Age of service retirement	50.00

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 morality. Post retirement morality 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.

NOTE 9 – PENSION PLANS (CONTINUED)

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

E. Actuarial Assumptions(Continued)
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.

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, 2016 are summarized in the following table:

Asset Class	Allocation at December 31, 2016	Long-Term Expected Real Rate of Return
Cash	3.00 %	2.25 %
Fixed income	40.00	3.40
Equities	56.00	7.50
Other	1.00	6.00
Total portfolio	100.00 %	

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:

	1% Decrease in Discount Rate (4.75%)	Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
Net pension liability	$ (1,271,752)	$ (1,363,361)	$ (1,448,172)

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:

	2016
Total Pension Liability	
Service cost	$ 75,046
Interest	157,420
Changes of assumptions	21,819
Gain or loss	(21,445)
Benefit payments, including member contribution refunds	-
Net Change in Total Pension Liability	232,840
Total Pension Liability - Beginning	2,548,626
Total Pension Liability - Ending (a)	2,781,466
Plan Fiduciary Net Position	
Municipal contributions	-
State contributions	177,612
Net investment income	231,494
Gain or loss	(31,037)
Benefit payments	-
Administrative expenses	(5,329)
Other	(1,790)
Net Change in Fiduciary Net Position	370,950
Fiduciary Net Position - Beginning	3,773,877
Fiduciary Net Position - Ending (b)	4,144,827
Association's Net Pension Liability (Asset) - Ending (a) - (b)	$ (1,363,361)

NOTE 10 - RETIREE HEALTH INSURANCE

A. Plan Description

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

B. Benefits Provided

Retirees

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

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

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

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which 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.

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

B. Benefits Provided (Continued)

Disabled police and firefighter

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

C. Participants

As of the actuarial valuation dated January 1, 2016 participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the city	19
Active employees	100
Total	119

D. Funding Policy

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

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

E. Annual Other Post Employment Benefit Costs and Net Other Post Employment Benefit Obligation

The City's annual Other Post-Employment Benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2017, was calculated as follows:

Annual required contribution (ARC)	$ 53,612
Interest on net OPEB obligation	105,511
Amortization of net OPEB obligation	(161,112)
Interest on amortization	-
Annual OPEB cost	(1,989)
Contributions made during the year	329,263
Increase (decrease) in net OPEB obligation	(331,252)
Net OPEB obligation - beginning of the year	3,014,596
Net OPEB obligtation - end of year	$ 2,683,344

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the preceding two years was as follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ (1,989)	16,545 %	$ 2,683,344
2016	(6,837)	(3,747) %	3,014,596
2015	37,445	817	3,277,443

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

F. Funded Status and Funding Progress

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

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2016	$ -	$ 3,387,323	$ 3,387,323	-	$7,236,106	46.80%
2013	-	3,979,142	3,979,142	-	6,765,777	58.80%

*Using the entry age normal actuarial pay cost method.

G. Actuarial Methods and Assumptions

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

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

In the January 2016 actuarial valuation, the Entry-age Normal Level Dollar cost method was used. The following assumptions were used:

- Discount rate – 3.5% (pay-as-you-go funding)
- Payroll growth rate – N/A

NOTE 10 - RETIREE HEALTH INSURANCE (CONTINUED)

G. Actuarial Methods and Assumptions (Continued)

- UAAL amortization method-Level dollar amount on a closed basis
- Salary increase rates – N/A
- Mortality rates – life expectancies were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- Retirement rates – the retirement rates used in the PERA plan of which the employee is a participant.
- Dependent status – the marital percentage assessed in 85% of males and 65% of females. Current and future retirees were assumed to have no children.
- Healthcare Cost Trend Rate – an initial rate of 6.75%, reducing to 5% over 7 years.
- Inflation rate is 2.5%.

Since the last actuarial valuation as of January 1, 2013, the following actuarial assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from the projection of RP 2000 rates to 2013 (with Blue Collar adjustment for Police & Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The retirement tables for all employees were updated, as well as the withdrawal table for police and fire employees.
- The discount rate was changed from 4.00% to 3.50%.

Since the last actuarial valuation as of January 1, 2013, the following plan provisions have changed:

- Years of Service required for benefit eligibility (implicit rate subsidy) increased from three to five years.

NOTE 11 – COMMITTED CONTRACTS

The City and Component Unit has the following contract commitments as of December 31, 2017:

Contractor	Project	Paid as of 12/31/2017	Remaining Commitment
Traut Companies	Well No. 7 Rehab	$ -	$ 99,400

NOTE 12 – CONTINGENT LIABILITIES

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

NOTE 13 – POLLUTION REMEDIATION LIABILITY

The City's component unit, Hastings Economic Development and Redevelopment Authority (HEDRA) acquired a 1.5 acre Site, which was part of the former H.D. Hudson manufacturing facility located at 200 West 2nd Street, in December 2010. The property is located in a mixed commercial retail/residential area, and is bounded on the north by the Mississippi River and a trail bordering the Mississippi River, on the east by the Highway 61 Bridge, on the south by West 2nd Street, and on the west by vacant land adjacent to Lock and Dam Road. The site was purchased to resell.

Based on site investigations, site soil and groundwater is impacted with hazardous substances at concentrations requiring remedial action. The Site has been entered into the Minnesota Pollution Control Agency (MPCA) Voluntary Investigation and Cleanup Program. Remediation efforts began in 2015. The total remediation is estimated to cost $1,333,875 of which $1,253,665 was spent to date.

Grants in the amount of $1,277,542 are available to recover the cost of this remediation effort. These grant revenues are due as work is complete. Upon completion of the remediation, the site will be sold for redevelopment. Financial activities related to remediation are recorded in the financial statements of the component unit.

NOTE 14 – 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, 2017, the City generated $39,381 in tax increment revenue and made $20,044 in payments to developers. No other commitments were made by the City as part of these agreements.

NOTE 15 – LEASE COMMITMENT

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

NOTE 15 – LEASE COMMITMENT (CONTINUED)

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

Building	$	180,000
Less accumulated depreciation		(86,250)
Net	$	93,750

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2017, prior period adjustments were required to adjust beginning fund balance for the Road Improvement Construction governmental fund, governmental activities, enterprise funds, internal service funds, business-type activities and the HEDRA to correct prior year errors. The City corrected an error related to the incorrect recording of a payable in the Road Improvement Construction Fund. This error affected beginning fund balance in the amount $56,000. The City also recorded OPEB liability in the enterprise funds in the amount of $320,230 that was previously recorded in the internal service funds. Additionally, the HEDRA beginning balances were adjusted for deferred inflows of resources related to loans receivable already presented in fund balance and capital assets and land held for resale to reclassify land held for resale.

NOTE 17 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 83, Certain Asset Retirement Obligations establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.

NOTE 17 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)

GASB Statement No. 85, Omnibus 2017 addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and post employment benefits. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

City of Hastings **SCHEDULE 1**

Schedule of Funding Progress - Other Post Employment Benefits

December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2016	$ -	$ 3,387,323	$ 3,387,323	0.0%	$ 7,236,106	46.8%
2013	-	3,979,142	3,979,142	0.0%	6,765,777	58.8%
2010	-	4,078,494	4,078,494	0.0%	2,282,530	179.0%

City of Hastings
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years

SCHEDULE 2

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0706%	$ 4,507,057	$ 56,664	$ 4,563,721	$ 4,547,520	99.1%	78.19%
2016	0.0671%	5,448,187	71,180	5,519,367	4,302,155	126.6%	68.91%
2015	0.0723%	3,746,961	-	3,746,961	4,319,887	86.7%	78.19%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.3880%	$ 5,203,542	$ 3,980,438	130.73%	86.61%
2016	0.3900%	15,651,932	3,867,466	404.71%	63.88%
2015	0.3670%	4,169,979	3,665,120	113.77%	86.61%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of Hastings
Schedule of City Contributions - **SCHEDULE 3**
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 299,960	$ 299,960	$ -	$ 3,999,467	7.50%
2016	322,594	322,594	-	4,302,155	7.50%
2015	323,987	323,987	-	4,319,887	7.50%
2014	306,216	306,216	-	4,223,670	7.25%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 644,831	$ 644,831	$ -	$ 3,980,438	16.20%
2016	626,529	626,529	-	3,867,466	16.20%
2015	593,750	593,750	-	3,665,120	16.20%
2014	514,007	514,007	-	3,359,522	15.30%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of Hastings

Schedule of Changes in Net Pension Liability **SCHEDULE 4**

and Related Ratios - Hastings Firefighters' Benefit Association

	Measurement Date		
	December 31, 2014	December 31, 2015	December 31, 2016
Total pension liability (TPL)			
Service cost	$ 71,430	$ 77,609	$ 75,046
Interest	158,649	143,266	157,420
Changes of assumptions	-	-	21,819
Changes of benefit terms	-	-	-
Benefit payments, including refunds or member contributions	(539,157)	(120,042)	(21,445)
Net change in total pension liability	(309,078)	100,833	232,840
Beginning of year	2,756,871	2,447,793	2,548,626
End of year	$ 2,447,793	$ 2,548,626	$ 2,781,466
Plan fiduciary net pension (FNP)			
Contributions - employer	$ -	$ -	$ -
State contributions	168,589	176,928	177,612
Net investment income	168,892	(29,966)	231,494
Benefit payments, including refunds of member contributions	(492,023)	(120,042)	(31,037)
Administrative expense	(5,963)	(5,354)	(5,329)
Other	1,612	1,464	(1,790)
Net change in plan fiduciary net position	(158,893)	23,030	370,950
Beginning of year	3,909,740	3,750,847	3,773,877
End of year	$ 3,750,847	$ 3,773,877	$ 4,144,827
Net pension liability (NPL)	$ (1,303,054)	$ (1,225,251)	$ (1,363,361)
Plan fiduciary net position as a percentage of the total pension liability	153.2%	148.1%	149.0%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of Hastings

Schedule of City and Non-Employer Entity Contributions -
Hastings Firefighters' Benefit Association

SCHEDULE 5

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Employer				
Statutorily determined contribution (SDC)	$ -	$ -	$ -	$ -
Contribution in relation to the SDC	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

GENERAL EMPLOYEES FUND

2017 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes
Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes
Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

POLICE AND FIRE FUND

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.