HASTINGS UTILITY BOARD
AGENDA

Council Chambers – City Hall
220 North Hastings Avenue
March 11, 2021
9:00 AM

ROLL CALL:

PLEDGE OF ALLEGIANCE:

MOTION TO ADOPT CURRENT AGENDA FOR MARCH 11, 2021 REGULAR MEETING.

PUBLIC NOTICE - Official Notice of the Regular Meeting was published in the Hastings Tribune on Tuesday, March 9, 2021. Pursuant to Nebraska Revised Statute Section 84-1412, the public is advised that a copy of today's agenda and all reproducible written material which will be discussed at today's meeting is located at the back of the Council Chambers. Also, a current copy of the Nebraska Open Meetings Act is posted on the south wall of the Council Chambers which is accessible to members of the public.

MANAGER'S COMMUNICATIONS:

BOARD CHAIRMAN'S COMMUNICATIONS:

BOARD MEMBERS' COMMUNICATIONS:

CITIZEN COMMUNICATIONS:

CONSENT AGENDA:

1. All Consent Items.

    (a) Approval of the minutes of the Hastings Utility Board Meeting of February 11, 2021.

    (b) Approval of the minutes of the Special Hastings Utility Board Meeting of March 4, 2021.

REGULAR AGENDA:

2. Unfinished Business of Preceding Meeting.

3. General Business.

    (a) Finance

i. Presentation of 2019-2020 Audit

ii. FY 2021 Q1 Financial Update

(b) Production

(c) Operations

(d) Administration

i. Response to SPP Market

ii. Generation Efforts

(e) Other

i. COVID-19 Vaccinations Update

4. Possible Closed Session (if necessary or requested).

ADJOURN:

The Hastings Utility Board reserves the right to enter into an executive session at any time during the meeting, in accordance with the Nebraska Open Meetings Act, even though the closed session may not be indicated on the agenda. It is the intention of the Hastings Utility Board to take up the items on the agenda in sequential order. However, the Hastings Utilities Board reserves the right to take up matters in a different order to accommodate the schedule of the Utility Board Members, persons having items on the agenda, and the public.

CITY OF HASTINGS, NEBRASKA
MINUTES OF UTILITY BOARD REGULAR MEETING
Thursday, February 11, 2021

Pursuant to due call and notice thereof, a Regular Meeting of the Utility Board of Hastings, Nebraska was conducted in the Council Chambers of City Hall, 220 N. Hastings Avenue, on February 11, 2021.

ROLL CALL:

The meeting was called to order at 9:00 A.M. in Regular Session by Chairman Hitesman with the following members present: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Absent: Shayne Raitt.

Other present: Manager of Utilities, Kevin Johnson; City Administrator, Dave Ptak; Finance Director, Roger Nash; Accounting Manager, Robin Ginn; Information Technology, Erik Nielsen, Superintendent of Water and Waterwater, Brandan Lubken; Director of Capital Management, Keith Leonhardt; Director of Administration, Derek Zeisler; Development Services Director, Lisa Parnell-Rowe; Mayor Stutte; Butch Eley, Shawn Hartmann.

PLEDGE OF ALLEGIANCE:

Chairman Bill Hitesman led the group in recital of the Pledge of Allegiance of the United States of America.

MOTION TO ADOPT CURRENT AGENDA FOR FEBRUARY 11, 2021 REGULAR MEETING.

Moved by Jeanette Dewalt seconded by Mark Hemje to adopt current agenda for the February 11, 2021 Regular Meeting. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt. The motion carried.

PUBLIC NOTICE - Official Notice of the Regular Meeting was published in the Hastings Tribune on Tuesday, FEBRUARY 9, 2021. Pursuant to Nebraska Revised Statute Section 84-1412, the public is advised that a copy of today's agenda and all reproducible written material which will be discussed at today's meeting is located at the back of the Council Chambers. Also, a current copy of the Nebraska Open Meetings Act is posted on the south wall of the Council Chambers which is accessible to members of the public.

MANAGER'S COMMUNICATIONS:

Manager of Utilities Kevin Johnson talked on staying prepared during this cold weather. Remind everyone to stay safe and inside as much as you can.

BOARD CHAIRMAN'S COMMUNICATIONS:

Chairman Hitesman expressed his appreciation and thanks of all who are out there to keep things going, because their safety is also a concern during this cold.

BOARD MEMBERS' COMMUNICATIONS:

None.

CITIZEN COMMUNICATIONS:

None.

CONSENT AGENDA:

1. All Consent Items.

    (a) Approval of the minutes of the Hastings Utility Board Meeting of JANUARY 14, 2021.

    Moved by Mark Hemje seconded by Jeanette Dewalt to approve the minutes of the Hastings Utility Board Meeting of January 14, 2021. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt. The motion carried.

REGULAR AGENDA:

2. Unfinished Business of Preceding Meeting.

    None.

3. General Business.

    (a) Finance

    Roger Aspen, Director of Finance spoke briefly on the audit. Hasn't had a chance to look at it, but do have copies. Jeanette Dewalt asked if there will be a review of the audit for the board. Robin Ginn, said yes there will be.

    (b) Production

    (c) Operations

    i. Water Services - City Code

    Brandan Lubken, Superintendent of Water and Wastewater spoke on the language in the water code policy. He mentioned that the code is inconsistent and not specific enough. He referred to the presentation to explain what is wrong with the code and what he thinks should be changed. Conversation continued on about replacing all underground mains at some point and having a plan due to h stricter federal protocols all in due to old mains that are lead based.

ii. IRP Update

Keith Leonhardt and Derek Zeisler spoke on the IRP Study presentation presented to the board. Kevin Johnson mentioned the intent of this overview is to give the board an idea of what Utilities is diving into. He is hoping to target next month's meeting on an economic picture.

(d) Administration

(e) Other

i. Fisher Fountain

Lisa Parnell-Rowe spoke on comments about Fisher Fountain's drive-thru. It has been mentioned that some of the community thinks the drive-thru be removed while others want it to stay. There is no definitive answer either way for the drive-thru to stay or to remove. Lisa mentioned this topic may be worth exploring more. Kevin Johnson appreciated Lisa taking the lead on this and mentioned that this is not a decision for the board, but just wanted to bring it to their attention in case anyone approaches them.

4. Possible Closed Session (if necessary or requested).

Moved by Jeanette Dewalt seconded by Mark Hemje to go into closed session for reason of negotiations and personnel at 10:09 A.M. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt.

Moved by Jeanette Dewalt seconded by Mark Hemje to come out of closed session at 10:49 A.M. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt.

ADJOURN:

Moved by Jeanette Dewalt seconded by Mark Hemje there being no further business to adjourn at 10:49 A.M. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt.

APPROVED:

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Board Secretary

CITY OF HASTINGS, NEBRASKA
MINUTES OF UTILITY BOARD SPECIAL MEETING
Thursday, March 4, 2021

Pursuant to due call and notice thereof, a Special Meeting of the Utility Board of Hastings, Nebraska was conducted in the Council Chambers of City Hall, 220 N. Hastings Avenue, on March 4, 2021.

ROLL CALL:

The meeting was called to order at 8:30 AM in Regular Session by Chairman Bill Hitesman with the following members present: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Absent: Shayne Raitt.

Others present: Manager of Utilities, Kevin Johnson; City Administrator, Dave Ptak; Mayor Stutte; Director of Finance, Roger Nash; Director of Administration, Derek Zeisler; Public Information Manager, Amanda Scott; Butch Eley, Shawn Hartmann, Jason Redding, Brian Strom.

PLEDGE OF ALLEGIANCE:

Chairman Bill Hitesman led the group in recital of the Pledge of Allegiance of the United States of America.

PUBLIC NOTICE - Official Notice of the Special Meeting was published in the Hastings Tribune on Wednesday, March 3, 2021. Pursuant to Nebraska Revised Statute Section 84-1412, the public is advised that a copy of today's agenda and all reproducible written material which will be discussed at today's meeting is located at the back of the Council Chambers. Also, a current copy of the Nebraska Open Meetings Act is posted on the south wall of the Council Chambers which is accessible to members of the public.

AGENDA ITEMS

1. Utility Rate Analysis

Possible Closed Session (if necessary or requested).

Moved by Jeanette Dewalt seconded by Mark Hemje to go into closed session for reason of discussion on gas rates during extreme weather conditions in February at 8:32 AM. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt.

Moved by Jeanette Dewalt seconded by Mark Hemje to come out of closed session at 9:46 AM. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt.

ADJOURN:

Moved by Mark Hemje seconded by Jeanette Dewalt there being no further business to adjourn at 9:47 AM. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje. Nays: None. Absent: Shayne Raitt.

APPROVED:

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Board Secretary

To the Utility Advisory Board
Hastings Utilities
City of Hastings, Nebraska

We have audited the financial statements of the business-type activities and each major fund of Hastings Utilities, Hastings, Nebraska for the year ended September 30, 2020, and have issued our report thereon dated February 11, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 21, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hastings Utilities, Hastings, Nebraska are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2020. We noted no transactions entered into by Hastings Utilities during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the collectability of accounts receivable is based on historical utility revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation of capital assets is based on the estimated useful life of the capital asset. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accumulated fly ash disposal cost liability is based on estimated premature closure and post-closure costs. We evaluated the key factors and assumptions used to estimate the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Eight audit adjustments increased the net position of the Hastings Utilities' business-type funds by $373,852. The following material misstatements detected as a result of audit procedures were corrected by management:

1. FEMA grants receivable and revenue were both increased $45,335.

2. Accounts payable and expenses were increased $50,560 to record unrecorded liabilities.

3. Capital assets of $86,859 were reclassified from an expense account to an asset.

4. Liabilities and expenses were both decreased $43,060 to correct an entry for reimbursement of wages that was originally posted backwards.

5. Gas refunds of $252,090 were reclassified from liability accounts to revenue.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 11, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

In connection with our audit of the financial statements of Hastings Utilities, Hastings, Nebraska as of September 30, 2020, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

1. We noted the fly ash liability continues to be accrued as an offset to cash with the exception of the 2017 audit adjustment. This calculation does not take into account the actual liability that the City would be liable for in the event of a closure due to the ever fluctuating amount of fly ash on hand. The current liability is based on the assumption that all current ash can be hauled for average of $10.91 per ton and that there is no additional excavation or dumping costs, which are both extremely conservative estimates. We recommend determining some sort of calculation in order to provide a more accurate liability relating to the closure of Whelen Energy Center Unit #1, as the financial assurance required by Nebraska Department of Environmental Quality only provides to satisfy financial assurance requirements and does not properly account for proper GAAP treatment of the true liability.

2. During our audit, we noted payroll could not be reconciled between the general ledger and the payroll system, as wages are posted to various projects and accounts. We recommend posting wages to specific accounts for payroll in the future, so employee costs can be accurately tracked.

3. During our audit, we noted that FICA tax and pension expenses were being accrued on the last four days of September earnings, but not for the last pay period that ended in

September paid in October. We recommend being consistent in accruing payroll related expenses related to accrued wages.

4. During our audit, we noted the accrued comp time balances were not reconciled. The system's generated entry does not appear to be accurate. We recommend calculating the accrual to verify the system is calculating it correctly.

5. During our audit, we noted a lease payment was received but was not deposited timely. The check was held pending the invoice for rent being prepared. We recommend maintaining an open communication line between the decentralized offices to verify invoices are being prepared timely, and checks are being deposited when received.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information as described in the table of contents, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Utility Advisory Board, City Council and management of Hastings Utilities, Hastings, Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

AMGL, P.C.

Grand Island, Nebraska
February 11, 2021

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

FINANCIAL STATEMENTS

September 30, 2020 and 2019

TABLE OF CONTENTS

AMGL
CPAs & Advisors

SHAREHOLDERS:

Robert D. Almquist
Phillip D. Maltzahn
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon

INDEPENDENT AUDITOR'S REPORT

To the Utility Advisory Board
Hastings Utilities
City of Hastings, Nebraska

We have audited the accompanying financial statements of the business-type activities and each major fund of Hastings Utilities, Hastings, Nebraska, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Hastings Utilities' 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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P 308-381-1810
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A PROFESSIONAL CORPORATION

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Hastings Utilities, as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Hastings Utilities (Electric System and Combined System) of the City of Hastings, Nebraska, and do not purport to, and do not present fairly the financial position of the City of Hastings, Nebraska, as of September 30, 2020 and 2019, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hastings Utilities' basic financial statements. The accompanying supplementary information as described in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as described in the table of contents 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 accompanying supplementary information as described in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, on our consideration of the Hastings Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hastings Utilities' 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 Hastings Utilities' internal control over financial reporting and compliance.

AMGL, P.C.

Grand Island, Nebraska
February 11, 2021

CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT

MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2020

This Management's Discussion and Analysis ("MD&A") is part of the annual financial report for the City of Hastings Utility Department (HU). The purpose of the MD&A is to present an overview and analysis of the financial activities of HU during the fiscal years ending September 30, 2020, September 30, 2019, and September 30, 2018. The MD&A should be read in conjunction with HU's financial statements, which immediately follow this section of the report.

USING THIS REPORT

The Statement of Net Position includes information on HU's assets and liabilities at September 30, 2020 and September 30, 2019. It includes all investments in resources (assets), deferred outflows of resources (deferred outflows), obligations to creditors (liabilities), deferred inflows of resources (deferred inflows), and net position (equity).

The Statements of Revenue and Expenses and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year.

The Statement of Cash Flows presents changes in cash and cash equivalents, separated by operating activities, capital and non-capital financing activities, and investing activities.

These statements help to answer the question "Is HU as a whole better off or worse off financially as a result of the period's activities?" Change in net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows, and is one way to measure HU's financial health. Increases or decreases in net position can indicate improving or deteriorating financial health. This information, used along with the rest of this report, should be considered as a whole, along with any notable non-financial factors.

OVERVIEW OF HASTINGS UTILITIES

Hastings Utility Department (HU) is a municipally-owned, not-for-profit utility system that provides its customers a number of essential services. Each service operates as its own company, with separate revenue, expense and budgeting functions. These utility operations were brought within the governance of the Mayor and City Council in May 2017. A 5-member Utility Advisory Board appointed by the Mayor reviews the utility operations' and budget and makes recommendations on both to the Mayor and City Council for their approval. These recommendations assist the Mayor and City Council in making sound, well-informed decisions which will provide utility customers with reliable, dependable service at very competitive rates well into the future.

The Utility Advisory Board members are local citizens and also customers of the services provided by HU. Each of the five board members is appointed for a five-year term with one appointment or reappointment made each year.

The Electric system consists of generation at the Whelan Energy Center 1 (WEC 1), a coal fired power plant; the North Denver Station (NDS) and the Don Henry Power Center (DHPC). Maintenance and construction of transmission and distribution systems is provided by the Line and Substation/Metering departments.

Unit	Rating	Commercial Operation Date
Whelan Energy Center Unit 1	77 MW	1981
North Denver Station Unit 4	15 MW	1957
North Denver Station Unit 5	25 MW	1967
Don Henry Power Center Unit 1	18 MW	1972

The Combined system includes gas, water, pollution control, and street lighting utilities.

HU also purchases power from Whelan Energy Center 2 (WEC 2), a coal fired power plant rated at 220MW, which is owned by the Public Power Generation Agency (PPGA). In addition to HU, participants in PPGA include Municipal Energy Agency of Nebraska, Heartland Consumers Power District, Grand Island Utilities, and Nebraska City Utilities.

HU is the Operating Agent for WEC 2, which adjoins WEC 1. The 81 employees of WEC 1 also staff WEC 2, which has no actual employees. Each participant shares in the cost of operation and receives a share of the MW output of the facility.

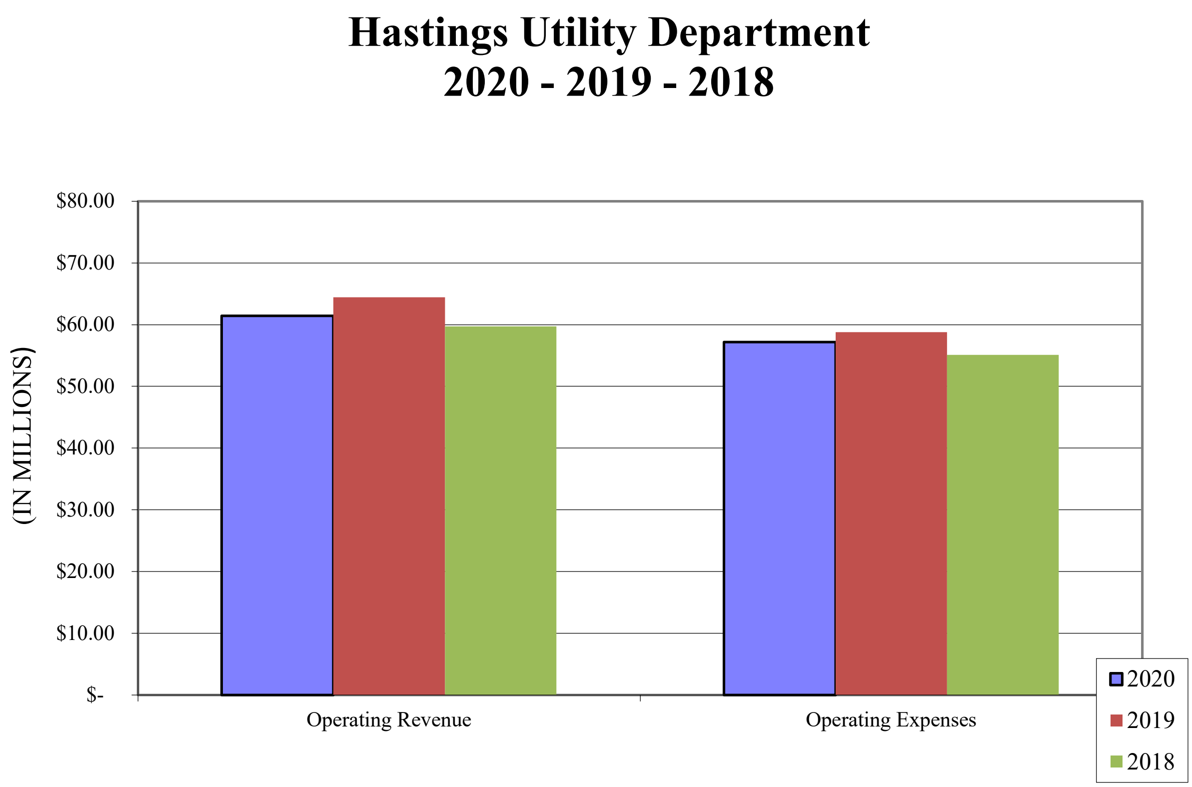
REVENUES AND EXPENSES

Summary Results of Operations (dollars in millions)
For the years ended:

	2020	2019	2018
Revenues:			
Operating Revenues	$ 61.45	$ 64.42	$ 59.72
Non-Operating Revenues	12.67	13.30	13.70
Total Revenues	74.12	77.72	73.42
Expenses:			
Operating Expenses	57.18	58.79	55.12
Transfers to City	3.52	3.69	3.44
Non-Operating Expenses	10.30	13.02	12.05
Total Expenses	71.00	75.50	70.61
Net Income Before Contributions	3.12	2.22	2.81
Capital Contributions	0.40	(0.19)	1.70
Change in Net Position	3.52	2.03	4.51
Net Position - Beginning	218.17	216.14	211.63
Net Position - Ending	$ 221.69	$ 218.17	$ 216.14

Operating revenue decreased $2.97M, due primarily to a $2.91M decrease in wholesale electric sales. Operating expenses decreased $1.61M, due primarily to a $1.61M decrease in electric purchased power.

Comparison of Revenues and Expenses

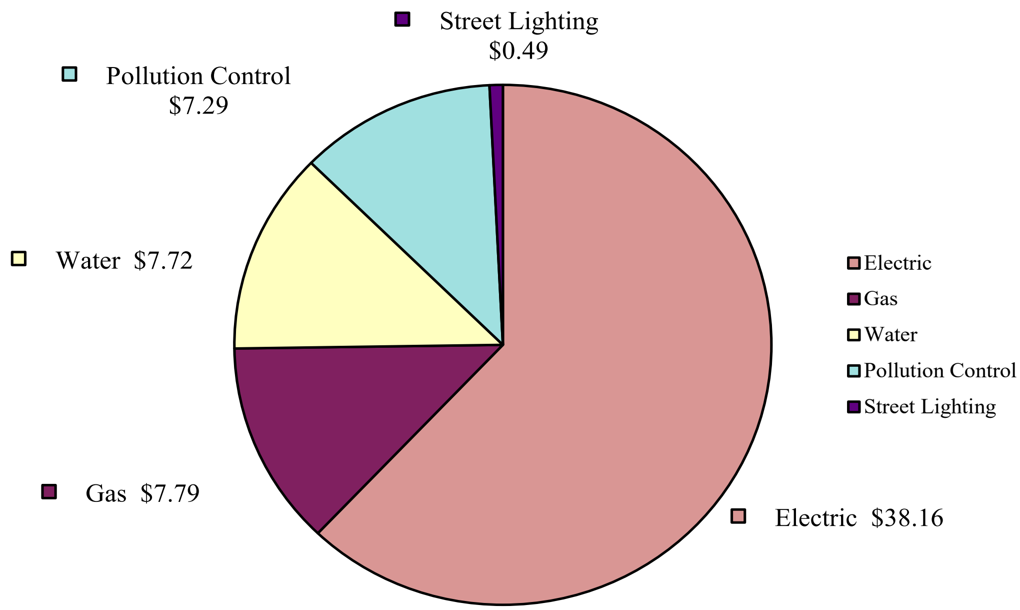


Revenue & Expenses

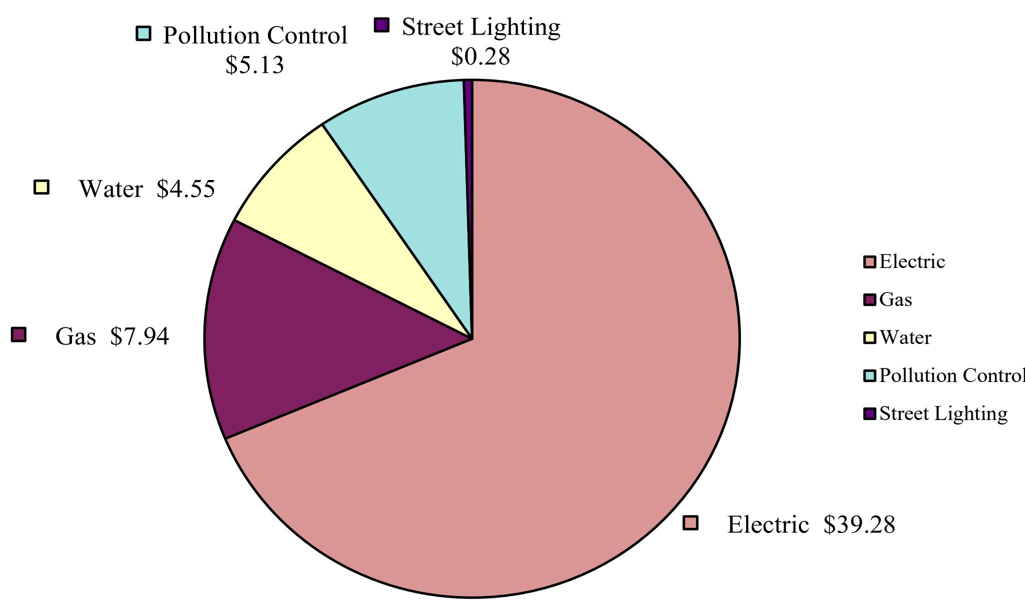
CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT

MANAGEMENT'S DISCUSSION & ANALYSIS, Continued
For the year ended September 30, 2020

2020 OPERATING REVENUE BY DEPARTMENT
(dollars in millions)



2020 OPERATING EXPENSES BY DEPARTMENT
(dollars in millions)



TRANSFERS TO THE CITY

Transfers to the City of Hastings are a huge benefit of local ownership of the utility system. Since HU is a part of the City of Hastings, it does not pay any property taxes, as would be the case if the system were privately owned. Therefore, it has been a longstanding practice of HU to transfer revenues to the City's general fund. The transfers ensure that the other essential service areas provided by the City do not suffer as a result of public ownership of HU. Factors that drive an increase or decrease in transfer payments include the levels of utility service used by HU's customer base (see Note C6).

MISC. REVENUES AND EXPENSES

As a whole, non-operating income decreased $0.63M, while non-operating expenses decreased $2.72M. Non-operating revenues include interest income, agreement income, coal sales, jobbing reimbursements, reimbursement for services provided to PPGA, and miscellaneous income. Non-operating expenses include interest expense, self-insurance funding transfer, economic development expenses, cost of coal, jobbing and services to PPGA (see Note D3).

CAPITAL ASSETS

A major philosophy of HU's approach to delivering its services is staying ahead of the "reliability curve". Delivery networks and facilities are constantly evaluated to determine if they are capable of supplying needed services now and into the future, resulting in extensive capital additions in the past years. Total utility plant in service increased from $345.32M in 2019 to $357.67M in 2020, an increase of $12.35M. After depreciation and including construction in progress, net utility plant decreased from $161.07M in 2019 to $160.82M in 2020, a decrease of $0.25M.

Significant capital expenditures during the year ended September 30, 2020 included:

- Phase 3 ASR injection wells/water collection system - $1,713,513
- NDS lobby addition - $532,157

LONG-TERM DEBT

Total long-term debt decreased from $17.6M to $13.5M; as scheduled principal payments, and the Series 2006 Combined Revenue Bonds were paid off early.

FACTORS BEARING ON THE NEXT FISCAL YEAR

- Infrastructure replacement planning has begun to address aging water and sewer systems.
- Rising costs of healthcare continue to be a challenge.
- The Water Department has a remaining contractual commitment of $49,770 on the water main project, expected to be completed in November 2020.
- The Administration Department has a remaining contractual commitment of $39,303 on the NDS administration building remodeling project, expected to be completed in December 2020.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of HU's primary government finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Hastings, Manager, Utilities, 1228 North Denver Avenue, Hastings, NE 68901.

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF NET POSITION

September 30,

	Electric Fund	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,684,634	$ 23,108,723
Investments	5,790,912	5,784,085
Accounts receivable	5,709,645	6,690,885
Interest receivable	9,592	11,342
Interfund receivable (payable)	(4,751,583)	(2,859,659)
Inventory	3,391,308	3,292,147
Prepaid expenses	-	15,054
Total current assets	37,834,508	36,042,577
Noncurrent assets:		
Restricted cash and cash equivalents	1,137,916	1,082,465
Restricted investments	-	-
Capital assets:		
Construction in progress	3,701,971	8,643,236
Electric	197,610,892	189,685,677
Gas	-	-
Water	-	-
Pollution control	-	-
Street lighting	-	-
Administrative	-	-
Less accumulated depreciation	(129,974,428)	(124,850,974)
Subtotal	71,338,435	73,477,939
Non-utility plant	15,866,333	15,866,333
Less accumulated depreciation	(6,857,979)	(6,165,207)
Net capital assets	80,346,789	83,179,065
Total noncurrent assets	81,484,705	84,261,530
Total assets	119,319,213	120,304,107
LIABILITIES		
Current liabilities:		
Accounts payable	6,563,501	6,596,097
Accrued payroll expenses	181,008	104,044
Accrued interest payable	-	-
Sales tax payable	22,506	12,114
Customer deposits	-	-
Current portion of long-term debt	-	-
Total current liabilities	6,767,015	6,712,255
Noncurrent liabilities:		
Compensated absences	1,602,736	1,685,974
Accrued emissions fees	52,207	44,818
Accrued ash disposal fees	1,280,494	1,225,043
Other liabilities	-	-
Noncurrent portion of long-term debt	-	-
Total noncurrent liabilities	2,935,437	2,955,835
Total liabilities	9,702,452	9,668,090
DEFERRED INFLOWS OF RESOURCES		
Unamortized bond discount	-	-
Deferral from advanced refunding	-	-
Total deferred inflows of resources	-	-
NET POSITION		
Net investment in capital assets	80,346,789	83,179,065
Restricted for debt service	-	-
Unrestricted	29,269,972	27,456,952
Total net position	$ 109,616,761	$ 110,636,017

See notes to financial statements.

Combined System 2020	Combined System 2019	Total 2020	Total 2019
$ 28,960,178	$ 31,327,267	$ 56,644,812	$ 54,435,990
1,828,932	2,336,604	7,619,844	8,120,689
2,681,122	1,975,184	8,390,767	8,666,069
4,290	24,039	13,882	35,381
4,751,583	2,859,659	-	-
1,886,125	1,871,110	5,277,433	5,163,257
-	-	-	15,054
40,112,230	40,393,863	77,946,738	76,436,440
920,508	1,379,193	2,058,424	2,461,658
1,353,500	1,804,000	1,353,500	1,804,000
5,021,831	3,295,954	8,723,802	11,939,190
-	-	197,610,892	189,685,677
35,022,303	34,565,484	35,022,303	34,565,484
52,375,889	49,970,112	52,375,889	49,970,112
67,768,089	66,367,190	67,768,089	66,367,190
4,055,530	3,924,082	4,055,530	3,924,082
841,353	809,129	841,353	809,129
(75,600,111)	(71,336,847)	(205,574,539)	(196,187,821)
89,484,884	87,595,104	160,823,319	161,073,043
-	-	15,866,333	15,866,333
-	-	(6,857,979)	(6,165,207)
89,484,884	87,595,104	169,831,673	170,774,169
91,758,892	90,778,297	173,243,597	175,039,827
131,871,122	131,172,160	251,190,335	251,476,267
2,694,721	2,509,133	9,258,222	9,105,230
759,108	756,172	940,116	860,216
195,719	265,111	195,719	265,111
247,215	229,542	269,721	241,656
545,615	445,720	545,615	445,720
944,759	1,374,749	944,759	1,374,749
5,387,137	5,580,427	12,154,152	12,292,682
1,648,492	1,558,726	3,251,228	3,244,700
-	-	52,207	44,818
-	-	1,280,494	1,225,043
-	43,681	-	43,681
12,579,186	16,208,945	12,579,186	16,208,945
14,227,678	17,811,352	17,163,115	20,767,187
19,614,815	23,391,779	29,317,267	33,059,869
184,843	247,077	184,843	247,077
(1,423)	(3,667)	(1,423)	(3,667)
183,420	243,410	183,420	243,410
75,777,519	69,768,000	156,124,308	152,947,065
2,274,008	3,183,193	2,274,008	3,183,193
34,021,360	34,585,778	63,291,332	62,042,730
$ 112,072,887	$ 107,536,971	$ 221,689,648	$ 218,172,988

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	Electric Fund 2020	Electric Fund 2019
Operating revenues:	$ 38,164,663	$ 41,420,634
Operating expenses (non-depreciation)	(34,202,155)	(34,989,527)
Operating income before depreciation	3,962,508	6,431,107
Less depreciation	(5,080,920)	(4,987,218)
Operating income (loss)	(1,118,412)	1,443,889
Nonoperating revenues (expenses):		
Interest income	283,680	400,367
Participation and capacity agreement	711,989	697,046
Allocated administration interest and other revenue	-	-
Miscellaneous income	539,036	439,301
Net coal sales	1,575,632	1,765,959
Interest and amortization expense	-	(42,923)
Loan fees	-	-
Non-utility plant depreciation expense	(692,772)	(692,772)
Economic development	-	-
Miscellaneous expenses	(219,577)	(227,761)
Contributions in aid of construction	38,389	7,570
Total other income (expenses)	2,236,377	2,346,787
Excess of revenues over expenses	1,117,965	3,790,676
Other financing uses:		
Transfers to City	(2,137,221)	(2,319,556)
Change in net position	(1,019,256)	1,471,120
Net position - September 30, 2019	110,636,017	109,164,897
Net position - September 30, 2020	$ 109,616,761	$ 110,636,017

See notes to financial statements.

Combined System		Total	
2020	2019	2020	2019
$ 23,286,644	$ 23,002,466	$ 61,451,307	$ 64,423,100
(13,638,285)	(14,787,967)	(47,840,440)	(49,777,494)
9,648,359	8,214,499	13,610,867	14,645,606
(4,256,700)	(4,030,098)	(9,337,620)	(9,017,316)
5,391,659	4,184,401	4,273,247	5,628,290
43,453	38,801	327,133	439,168
-	-	711,989	697,046
341,076	605,473	341,076	605,473
493,982	245,587	1,033,018	684,888
-	-	1,575,632	1,765,959
(470,326)	(525,182)	(470,326)	(568,105)
-	(20,942)	-	(20,942)
-	-	(692,772)	(692,772)
-	(2,271,266)	-	(2,271,266)
(239,126)	(125,445)	(458,703)	(353,206)
363,905	(197,195)	402,294	(189,625)
532,964	(2,250,169)	2,769,341	96,618
5,924,623	1,934,232	7,042,588	5,724,908
(1,388,707)	(1,372,535)	(3,525,928)	(3,692,091)
4,535,916	561,697	3,516,660	2,032,817
107,536,971	106,975,274	218,172,988	216,140,171
$ 112,072,887	$ 107,536,971	$ 221,689,648	$ 218,172,988

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF CASH FLOWS

For the years ended September 30,

	2020		
	Electric Fund	Combined System	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	$ 49,030,520	$ 23,176,638	$ 72,207,158
Payments to suppliers	(32,220,894)	(6,494,394)	(38,715,288)
Payments to employees	(9,139,643)	(6,592,076)	(15,731,719)
Net cash provided by operating activities	7,669,983	10,090,168	17,760,151
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Increase in due to/from other funds	1,891,924	(1,891,924)	-
Transfer to City of Hastings	(2,137,221)	(1,388,707)	(3,525,928)
Transfer to City for self insurance funding	-	-	-
Net cash used by noncapital financing activities	(245,297)	(3,280,631)	(3,525,928)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(3,110,316)	(6,361,133)	(9,471,449)
Contributions in aid of construction	38,389	363,905	402,294
Principal payments on capital debt	-	(4,059,749)	(4,059,749)
Interest paid on capital debt	-	(599,708)	(599,708)
Loan fees paid	-	-	-
Net cash used by capital and related financing activities	(3,071,927)	(10,656,685)	(13,728,612)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in investments	(6,827)	958,172	951,345
Interest income received	285,430	63,202	348,632
Net cash provided by investing activities	278,603	1,021,374	1,299,977
Increase (decrease) in cash and cash equivalents	4,631,362	(2,825,774)	1,805,588
Cash and cash equivalents - beginning of the year	24,191,188	32,706,460	56,897,648
Cash and cash equivalents - end of the year	$ 28,822,550	$ 29,880,686	$ 58,703,236
Cash and cash equivalents consists of:			
Cash and cash equivalents	$ 27,684,634	$ 28,960,178	$ 56,644,812
Restricted cash and cash equivalents	1,137,916	920,508	2,058,424
Total cash and cash equivalents	$ 28,822,550	$ 29,880,686	$ 58,703,236

See notes to financial statements.

2019		
Electric Fund	Combined System	Total
$ 51,792,123	$ 24,379,305	$ 76,171,428
(32,357,415)	(7,722,321)	(40,079,736)
(8,978,073)	(6,675,398)	(15,653,471)
10,456,635	9,981,586	20,438,221
664,246	236,606	900,852
(2,319,556)	(1,372,535)	(3,692,091)
-	(2,271,266)	(2,271,266)
(1,655,310)	(3,407,195)	(5,062,505)
(6,788,362)	(3,496,039)	(10,284,401)
7,570	(197,195)	(189,625)
(4,020,000)	(1,337,436)	(5,357,436)
(76,288)	(607,939)	(684,227)
-	(20,942)	(20,942)
(10,877,080)	(5,659,551)	(16,536,631)
4,561,214	(13,220)	4,547,994
414,247	24,311	438,558
4,975,461	11,091	4,986,552
2,899,706	925,931	3,825,637
21,291,482	31,780,529	53,072,011
$ 24,191,188	$ 32,706,460	$ 56,897,648
$ 23,108,723	$ 31,327,267	$ 54,435,990
1,082,465	1,379,193	2,461,658
$ 24,191,188	$ 32,706,460	$ 56,897,648

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF CASH FLOWS, Continued

For the years ended September 30,

	2020		
	Electric Fund	Combined System	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (1,118,412)	$ 5,391,659	$ 4,273,247
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	5,942,592	4,471,353	10,413,945
Participation and capacity agreements	711,989	-	711,989
Miscellaneous income, net of expenses	1,202,319	595,932	1,798,251
(Increase) decrease in assets:			
Accounts receivable	981,240	(705,938)	275,302
Inventory	(99,161)	(15,015)	(114,176)
Prepaid expenses	15,054	-	15,054
Increase (decrease) in liabilities:			
Accounts payable	(32,596)	185,588	152,992
Accrued expenses	66,958	66,694	133,652
Customer deposits	-	99,895	99,895
Net cash provided by operating activities	$ 7,669,983	$ 10,090,168	$ 17,760,151

See notes to financial statements.

2019		
Electric Fund	Combined System	Total
$ 1,443,889	$ 4,184,401	$ 5,628,290
5,720,738	4,104,853	9,825,591
697,046	-	697,046
1,284,727	725,615	2,010,342
(28,380)	651,224	622,844
750,995	56,577	807,572
(15,054)	-	(15,054)
457,724	975,378	1,433,102
144,950	(762,372)	(617,422)
-	45,910	45,910
$ 10,456,635	$ 9,981,586	$ 20,438,221

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

NOTES TO FINANCIAL STATEMENTS

INDEX

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hastings, Nebraska, Utility Departments (Departments), are prepared in accordance with generally accepted accounting principles (GAAP). The Departments' reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements referred to above present only the Departments and do not purport to, and do not, present fairly the financial position of the City of Hastings, Nebraska, as of September 30, 2020, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements do not include the Landfill Fund, which is also an enterprise fund of the City.

1. Financial Reporting Entity

The City of Hastings, Nebraska (the "City") under the direction of the City Council, owns and operates electric, gas, water, pollution control/waste water treatment and street lighting utilities ("Utilities"). In accordance with the provisions of Ordinance Number 2622 of the City of Hastings, the Electric System is to be accounted for separately from other utility operations. Therefore, the accompanying financial statements have been prepared to reflect the financial position and results of operations and cash flows of the Electric System and Combined System (gas, water, pollution control/waste water treatment, and street lighting utilities) on a segregated as well as a combined basis. The Electric System follows the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC). Certain costs are shared by the Electric System and the Combined System. Joint administrative and general expenses are paid by the Combined System and the Electric System is billed for its portion on the basis of overhead studies. Total billings for these inter-system charges totaled $3,888,061 for the year ended September 30, 2020 and $3,532,431 for the year ended September 30, 2019.

In determining the financial reporting entity, the Department complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the Department may be financially accountable, and, as such, should be included within the Department's financial statements. The Department (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Department. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

The Departments are enterprise funds of the City of Hastings, Nebraska, and have determined that they have no component units for reporting purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The Departments utilizes the “flow of economic resources” measurement focus and uses the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Departments’ accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and License prescribed by the Federal Energy Regulatory Commission (FERC). The Departments prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The Departments first applies unrestricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Department considers cash on hand and in the bank, as well as cash and equity in pooled cash held by the City, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents.

Investments

Investments are reported at market value based on Level I evidence (investment trading prices on the open market). Certificate of deposit investments are carried at cost, which approximates fair market value. Interest income consists of interest income from investments, certificates of deposit, and cash and cash equivalents.

Receivables

Billings for the sale of electric, water and sewer are generally rendered on a monthly basis. Accounts receivable are stated at the amount billed to customers, with credit extended on an unsecured basis. Receivable balances are carried at the amount that is deemed collectible and is reviewed by management on a regular basis. An allowance for doubtful accounts of $83,000 was recorded on the Electric Fund as of both September 30, 2020 and 2019. Estimated sales which have not been billed are accrued and recorded in the period to which they relate as unbilled revenues.

Inventories

Materials and supplies inventories are recorded at the lower of cost (average cost) or market, using the first in first out method.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Restricted Assets

Restricted assets include cash and certificates of deposit that are legally restricted as to their use. The restricted assets are related to debt service reserve accounts and fly ash disposal costs.

Capital Assets

The basis of the utility plant in service consists of a 1944 appraisal made by Black and Veatch, consulting engineers, for the electric and water systems, a 1954 appraisal made by Henningson, Durham and Richardson, Inc. for the pollution control/waste water treatment system and the book value of assets received in 1954, the time of consolidation for the gas system. Additions since these dates are at cost. In accordance with FERC requirements, contributions in aid of construction had been used to reduce the cost basis of fixed assets of the electric and gas systems through December 31, 2000. After January 1, 2001, the contributions in aid of construction are included in the statements of revenue and expenses, as directed by Governmental Accounting Standards Statement #33.

The Utilities uses a work order system of accounting for new construction. Under this system, the cost of a project is accumulated in a Construction Work in Progress Account. Upon completion of the project, the total cost is transferred to the appropriate Utility Plant in Service Account.

Depreciation, amortization, and maintenance:

The provision for depreciation is computed at an overall straight-line composite rate of approximately 3.0% for the years ended September 30, 2020 and September 30, 2019. Depreciation expense taken during the year ended September 30, 2020 was $10,413,945 and for the year ended September 30, 2019 was $9,825,591.

The Utilities charges maintenance and repairs, including the cost of minor renewals of property, to maintenance expenses. Replacements of property (except minor replacements) are charged to Utilities plant accounts. The Department has a $5,000 capitalization threshold. Upon retirement of property, the cost of property is removed from the plant accounts and charged to a reserve for depreciation, and the related salvage, net of removal costs, is credited thereto.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Compensated Absences

All regular full-time employees earn sick leave and vacation leave. Employees accrue vacation leave at variable rates based on years of service. The Utilities adopted a resolution on November 2, 1990, effective January 1, 1991, allowing utility employees who have been employed for a period of not less than ten continuous years by the Utilities to receive accumulated medical leave upon termination. The amount of compensation is to be 25 percent of accumulated medical leave. This rate remains in effect for those employees with less than 20 years of service. As of December 28, 2014, this rate was changed to 50 percent of unused medical leave for employees with 20 continuous years of service or more. Accrued sick leave for the year ended September 30, 2020 increased by $6,528 and for the year ended September 30, 2019 decreased by $171,416.

The Utilities also adopted a policy to pay 25 percent of unused sick pay in excess of 120 days on an annual basis. This policy became effective January 1, 1991. Effective January 1, 2009, the policy was changed to pay 25 percent of unused sick leave in excess of 132.5 days.

Long-term Debt

The long-term debt consists of notes and bonds payable.

Net Position Classifications

Net Position is classified into three components:

a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. **Revenues, Expenditures, and Expenses**

Revenues and Expenses

As enterprise funds, the Departments distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Departments' principal ongoing operations. The principal operating revenues of the Departments are charges to customers for sales and services. Operating expenses 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.

Allocation of Combined System Administration Other Income

The Utilities has allocated the combined system's administration's other income to the operating departments of the combined system.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the Departments are subject to various federal, state, and local laws and contractual regulations. An analysis of the Departments' compliance with significant laws and regulations and demonstration of its stewardship over Departments resources follows:

1. **Deposit Laws and Regulations**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Departments' deposit policy for custodial credit risk requires compliance with the provisions of state law.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

1. Deposit Laws and Regulations, continued

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department's demand deposits are insured up to $250,000 and certificates of deposit/savings accounts are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Utility Departments' name.

2. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The Department is in compliance with the bond restrictions and covenants.

3. Budgetary Data

An appropriated budget is adopted each fiscal period for the Department on the cash basis, which is consistent with State of Nebraska budget guidelines. Budgets are approved by the Mayor and City Council.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the Department's various assets, liabilities, equity, revenues, and expenditures/expenses.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments

Deposits

The Department's policies regarding deposits of cash are discussed in Note A3. The table presented below is designed to disclose how the Department's deposits were insured or secured with collateral at September 30, 2020. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Department (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Department's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Department's name; or collateralized with no written or approved collateral agreement.

Types of Deposits	Total Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Demand deposits and certificates of deposit	$ 70,144,361	$ 2,131,997	$ 68,012,364	$ -	$ 67,676,580

Reconciliation to Government-wide Statement of Net Position:	
Primary Government -	
Unrestricted cash and cash equivalents	$ 56,644,812
Unrestricted investments	7,619,844
Restricted cash and cash equivalents	2,058,424
Restricted investments	1,353,500
Total	$ 67,676,580

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments, continued

	Investment Maturities (in Years)				
	≤ 1	1 - 5	5 - 10	≥ 10	Total
CD's	$ 7,259,728	$ 1,500,000	$ -	$ -	$ 8,759,728
GNMA	-	-	-	101,950	101,950
US Treasury Bills	84,979	-	-	-	84,979
Money market	26,687	-	-	-	26,687
	$ 7,371,394	$ 1,500,000	$ -	$ 101,950	$ 8,973,344

Unrestricted cash and investments at September 30, 2020 and 2019, consisted of:

	September 30, 2020		September 30, 2019	
	Cash & Cash Equivalents	Investments	Cash & Cash Equivalents	Investments
Electric Fund:				
Rate stabilization	$ 1,250,030	$ 1,280,912	$ 1,249,502	$ 1,274,085
Revenue fund	26,302,607	2,500,000	19,428,462	2,500,000
Solar project	-	-	2,300,000	-
Southwest Power Pool	131,997	-	130,759	-
Insurance fund	-	2,010,000	-	2,010,000
Total	$ 27,684,634	$ 5,790,912	$ 23,108,723	$ 5,784,085
Combined System:				
General operating	$ 8,207,202	$ -	$ 10,251,491	$ -
Payroll cash	1,325,000	-	1,325,000	-
Petty cash	650	-	650	-
Economic development	1,513,000	-	1,513,000	-
Rate stabilization	11,053,262	628,932	11,053,887	621,604
Health insurance claims	2,289,745	-	2,311,000	-
Revenue fund	4,225,704	-	4,641,519	500,000
Insurance fund	-	1,000,000	-	1,000,000
Customer deposits	345,615	200,000	230,720	215,000
Total	$ 28,960,178	$ 1,828,932	$ 31,327,267	$ 2,336,604

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets

The restricted cash and investments at September 30, 2020 and 2019 consisted of:

	September 30, 2020		September 30, 2019	
	Cash & Cash Equivalents	Investments	Cash & Cash Equivalents	Investments
Electric Fund:				
Fly ash disposal	$ 1,137,916	$ -	$ 1,082,465	$ -
Combined System:				
Debt service	$ -	$ 1,353,500	$ -	$ 1,804,000
Bond payment	920,508	-	1,379,193	-
Total restricted	$ 920,508	$ 1,353,500	$ 1,379,193	$ 1,804,000

Electric System:

The Electric System maintains the following special accounts:

1) Insurance Fund

A special electric insurance fund of $2,010,000 was established for the sole and exclusive purpose of insuring property which otherwise would have been insured under lower deductible amounts in the building and contents insurance policy and boiler and machine insurance policy. This electric insurance fund can be used only in the event of a loss in the electric department which would otherwise have been paid by an insurance carrier had there been no deductible or a deductible of a lesser amount and only with the approval of the City Council of the City of Hastings.

2) Rate Stabilization Fund

The Utilities established a rate stabilization fund in March 1996. The funds above those needed to meet current reserve requirements as determined by the City Council will be accumulated and used to pay a portion of the costs of anticipated major capital facilities or as otherwise directed by the City Council.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets, continued

Electric System, continued:

3) Closure/Post Closure Care Account

In 2001, the Utilities entered into an agreement with the Nebraska Department of Environmental Quality to establish a Closure/Post Closure Care Account. The purpose of this account is to accumulate sufficient monies to fund all related costs of closure and post closure of the ash disposal area at the Whelan Energy Center. Monies are deposited into this account at a rate $2.50 per ton of ash put into the disposal area. The calculated amount of the Closure/Post Closure liability was $1,280,494 at September 30, 2020 and $1,225,043 at September 30, 2019. The amount on deposit in the Closure/Post Closure Care Account was $1,137,916 at September 30, 2020 and was $1,082,465 at September 30, 2019.

Combined System:

Under the terms of the revenue bond ordinance, the revenues and earnings of the Combined Utility System are pledged for the payment of principal and interest on the Series 2006 and 2012 bonds and the following special accounts are required:

1) Bond Payment Fund

Specific monthly deposits to the account are required in the amount of 1/6 of the next maturing semiannual interest payment, plus an amount equal to 1/12 of the next maturing principal payment.

2) Debt Service Reserve Fund

The Series 2006 bonds required that $450,389 be maintained in this fund (these bonds were paid off during the year ended September 30, 2020). The Series 2012 bonds require that $1,353,500 be maintained in this fund. At September 30, 2020 and September 30, 2019, the required amounts were on deposit in this fund.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets, continued

The Combined System maintains other special accounts for the following purposes:

1) Customer Deposits

To account for refundable customer security deposits.

2) Insurance Fund

A special combined insurance fund of $1,000,000 was established for the sole and exclusive purpose of insuring property which otherwise would have been insured under lower deductible amounts in the building and contents insurance policy fund. This special combined insurance fund can be used only in the event of a loss in the gas, water or pollution control departments which would otherwise have been paid by an insurance carrier had there been no deductible or a deductible of a lesser amount and only with the approval of the City Council of the City of Hastings.

3) Rate Stabilization Fund

The Utilities established a rate stabilization fund in November of 1995. The funds above those needed to meet current reserve requirements as determined by the City Council will be accumulated and used to pay a portion of the costs of major capital facilities or as otherwise directed by the City Council.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Capital Assets

The major classes of property, plant, and equipment at September 30, 2020, are shown below:

	Balance 9/30/2019	Additions	Disposals	Reclass	Balance 9/30/2020
Capital assets not being depreciated:					
Land	$ 6,265,168	$ -	$ -	$ -	$ 6,265,168
Construction in progress	11,939,190	1,725,877	-	(4,941,265)	8,723,802
Total capital assets not being depreciated	18,204,358	1,725,877	-	(4,941,265)	14,988,970
Capital assets being depreciated:					
Electric	187,534,128	3,166,262	(182,312)	4,941,265	195,459,343
Electric non-utility plant	15,866,333	-	-	-	15,866,333
Gas	34,194,321	553,143	(96,324)	-	34,651,140
Water	48,659,251	2,526,593	(120,818)	-	51,065,026
Pollution control	63,935,597	1,407,353	(6,454)	-	65,336,496
Street lighting	3,924,081	134,502	(3,053)	-	4,055,530
Administrative	809,128	32,989	(764)	-	841,353
Total depreciable assets at historical cost	354,922,839	7,820,842	(409,725)	4,941,265	367,275,221
Less accumulated depreciation for:					
Electric	(124,850,974)	(5,249,820)	126,366	-	(129,974,428)
Electric non-utility plant	(6,165,207)	(692,772)	-	-	(6,857,979)
Gas	(30,675,805)	(1,622,520)	80,731	-	(32,217,594)
Water	(9,058,381)	(863,286)	120,904	-	(9,800,763)
Pollution control	(30,657,157)	(1,884,600)	6,454	-	(32,535,303)
Street lighting	(241,238)	(85,047)	-	-	(326,285)
Administrative	(704,266)	(15,900)	-	-	(720,166)
Total accumulated depreciation	(202,353,028)	(10,413,945)	334,455	-	(212,432,518)
Depreciable capital assets, net	152,569,811	(2,593,103)	(75,270)	4,941,265	154,842,703
Net property, plant, and equipment	$170,774,169	$ (867,226)	$ (75,270)	$ -	$169,831,673

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020 and 2019

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Capital Assets, continued

The major classes of property, plant, and equipment at September 30, 2019, are shown below:

	Balance 9/30/2018	Additions	Disposals	Reclass	Balance 9/30/2019
Capital assets not being depreciated:					
Land	$ 6,262,668	$ 2,500	$ -	$ -	$ 6,265,168
Construction in progress	15,062,341	3,793,129	-	(6,916,280)	11,939,190
Total capital assets not being depreciated	21,325,009	3,795,629	-	(6,916,280)	18,204,358
Capital assets being depreciated:					
Electric	184,288,258	3,245,870	-	-	187,534,128
Electric non-utility plant	15,866,333	-	-	-	15,866,333
Gas	33,690,876	503,445	-	-	34,194,321
Water	42,141,235	2,018,416	(181,311)	4,680,911	48,659,251
Pollution control	63,324,206	434,854	-	176,537	63,935,597
Street lighting	1,633,630	232,316	(697)	2,058,832	3,924,081
Administrative	755,257	53,871	-	-	809,128
Total depreciable assets at historical cost	341,699,795	6,488,772	(182,008)	6,916,280	354,922,839
Less accumulated depreciation for:					
Electric	(119,823,008)	(5,027,966)	-	-	(124,850,974)
Electric non-utility plant	(5,472,435)	(692,772)	-	-	(6,165,207)
Gas	(29,151,555)	(1,524,250)	-	-	(30,675,805)
Water	(8,590,522)	(649,170)	181,311	-	(9,058,381)
Pollution control	(28,782,853)	(1,874,304)	-	-	(30,657,157)
Street lighting	(208,767)	(33,168)	697	-	(241,238)
Administrative	(680,305)	(23,961)	-	-	(704,266)
Total accumulated depreciation	(192,709,445)	(9,825,591)	182,008	-	(202,353,028)
Depreciable capital assets, net	148,990,350	(3,336,819)	-	6,916,280	152,569,811
Net property, plant, and equipment	$170,315,359	$ 458,810	$ -	$ -	$170,774,169

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Long-term Debt

Changes in Long-term Debt

	Balance 9/30/2019	Additions	Principal Payments	Balance 9/30/2020	Amounts Due Within One Year
Water bonds payable	$ 14,925,000	$ -	$ (3,935,000)	$ 10,990,000	$ 820,000
Water note payable	2,658,694	-	(124,749)	2,533,945	124,759
Total	$ 17,583,694	$ -	$ (4,059,749)	$ 13,523,945	$ 944,759

	Balance 9/30/2018	Additions	Principal Payments	Balance 9/30/2019	Amounts Due Within One Year
Electric bonds payable	$ 4,020,000	$ -	$ (4,020,000)	$ -	$ -
Water bonds payable	16,140,000	-	(1,215,000)	14,925,000	1,250,000
Water note payable	2,781,130	-	(122,436)	2,658,694	124,749
Total	$ 22,941,130	$ -	$ (5,357,436)	$ 17,583,694	$ 1,374,749

As of September 30, 2020, the long-term debt consisted of the following:

Combined Systems Revenue Bonds, dated May 25, 2006, with interest rates ranging from 3.55 percent to 4.50 percent. Interest is due in semi-annual installments and principal is due in annual installments through October 15, 2026. These bonds are paid by the Pollution Control Department and were paid in full during the year ended September 30, 2020.	$ -

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Long-term Debt, continued

Combined Systems Revenue and Refunding Bonds, dated September 13, 2012, with interest rates ranging from 1.00 percent to 4.00 percent. Interest is due in semi-annual installments and principal is due in annual installments through October 15, 2032. These bonds are paid by the Pollution Control Department.	10,990,000
NDEQ note for the Hastings aquifer storage and restoration project dated September 11, 2017, due in semi-annual principal and interest installments of $78,797 plus a 1.0 percent service fee through June 15, 2038. Payments are made by the Water Department.	2,533,945
Total note and bonds payable	$ 13,523,945
Current portion	$ 944,759
Noncurrent portion	12,579,186
Total	$ 13,523,945

Year Ending	Direct Placement Debt			Other Debt Issues	
September 30,	Principal	Interest	Fees	Principal	Interest
2021	$ 126,313	$ 31,281	$ 25,025	$ 820,000	$ 388,500
2022	127,897	29,697	23,758	935,000	353,400
2023	129,501	28,093	22,475	685,000	321,000
2024	131,124	26,469	21,175	710,000	293,100
2025	132,769	24,825	19,860	700,000	267,400
2026-2030	689,237	98,733	78,986	4,180,000	899,725
2031-2035	733,546	54,424	43,539	2,960,000	157,975
2036-2040	463,558	10,208	8,167	-	-
	$ 2,533,945	$ 303,730	$ 242,985	$ 10,990,000	$ 2,681,100

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Environmental Remediation

At present there is an ongoing investigation in the Hastings area of groundwater contamination. The investigation is being conducted by the United States Environmental Protection Agency (EPA). The City of Hastings (the City) has been named as a potentially responsible party at three of the seven designated subsites, and has some involvement at the four remaining subsites by virtue of its ownership and operation of public facilities. Additionally, the City and other parties are responsible for what is known as the Area Wide Operable Unit, which is an overlay of six of the seven subsites. The City's liability at three of these subsites, and for the Area Wide Operable Unit, will be in the form of annual maintenance and operating costs of remediation equipment and improvements (such as landfill covers). The cost is projected at somewhere between $100,000 and $150,000 per year, although much of such costs will be satisfied by in-kind services provided by City staff.

The City's obligation on one sub-site, Operable Units 12 and 20 of the 2nd Street Sub-site, in which the City had been designated the only potentially responsible party, has been settled by a consent decree in the amount of $14,130,572. However, upon receipt of a cash settlement of $1,000,000, in-kind services in the amount of $1,700,000, and 49.6 percent of any insurance recovery, the City will be deemed to have met this obligation. The cash obligation and insurance recovery have been paid. The City and the utilities have provided approximately $747,000 of in-kind services. On June 4, 2017, the State took over the groundwater (down-gradient) operable unit (OU20) and the City will no longer provide in-kind services on OU20. The EPA is continuing to monitor/operate source control operable unit (OU12) and informed the City to cease all in-kind services on June 30, 2017; nevertheless, the City is willing to continue to provide any additional in-kind services as requested by the EPA in order to reduce the expected remaining liability, which was reduced to $953,392 pursuant to the Consent Decree. At September 30, 2018, the City of Hastings General Operating Fund had accrued a liability of $953,392. During the year ended September 30, 2019, the City paid $317,797, leaving an accrued liability of $635,595 at September 30, 2019. During the year ended September 30, 2020, the City paid $317,798, leaving an accrued liability of $317,797 at September 30, 2020.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Payments to the City of Hastings

Electric System

In Lieu of Tax Payment:

The transfer from the Electric System to the general fund of the City is calculated as 5.6 percent of the operating revenues of the Electric System for the prior year. The transfer to the General Fund in 2020, based on operating revenues of 2019, is calculated to be $2,137,221. The transfers to the General Fund of the City for the years ending September 30, 2020 and 2019 were $2,137,221 and $2,319,556 respectively.

Combined System

In Lieu of Tax Payment:

The City withdraws monthly from combined funds for payment to the General Fund of the City an amount equal to 1/12 of 5.14 percent of operating revenues for the preceding year. For the year ending September 30, 2020 the total amount of in lieu of tax payments are calculated to be $989,856 based on the operating revenues for the year ended September 30, 2020. For the year ended September 30, 2019, the total amount of in lieu of tax payments were calculated to be $973,938, based on the operating revenues for the year ended September 30, 2019. These amounts are accrued as payable to the City and are paid during the following fiscal year.

Resolution #1344:

On July 22, 1991 resolution #1344 was passed by the City Council to transfer from the Gas Department and the Water Department of the Combined System to the City's General Fund 2.5 percent of the total revenues of the previous year. This amount will be in addition to the current in lieu of tax payments. The payment for the year ended September 30, 2020 is $398,851. The payment for the year ended September 30, 2019 was $398,597.

The City also owed $900,852 to the Combined System at September 30, 2018 for costs utilities had paid toward the in-kind services. This amount was paid from the City to Combined System during the year ended September 30, 2019.

NOTE D – OTHER NOTES

1. Pension Plan

All employees of the Utilities meeting certain age and length of service requirements are members of a contributory pension plan administered by the City. Total pension expense to the Utilities was $1,149,025 for the year ended September 30, 2020 and $1,123,999 for the year ended September 30, 2019. The pension plan is a defined contribution plan and all funding is current. Employee contributions are matched by the City at 4 percent up to $25,000 of wages and then 8 percent thereafter.

The Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. No contributions are made to the plan by the Department.

2. Risk Management

The City Utility Departments are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. They purchase commercial insurance for general liability, public official's liability, property coverage, and crime and blanket bond coverage to minimize the effects of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the Hastings Utility Departments' insurance coverage.

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City Utility Departments will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Utility Departments' investments at September 30, 2020, are held by banks in the name of the Utility Departments.

The Utility Departments' investments consist of certificates of deposit, GNMA securities, US Treasury bills, and money market accounts.

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Utility Departments' investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The certificate of deposit, GNMA, and US Treasury bill maturities are summarized in Note C1.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Utility Departments' investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the Utility Departments' investment portfolio.

Concentration of Credit Risk. The Utility Departments' investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2020, the Utility Departments' certificates of deposit consisted of the following:

Financial Institution	Amount
Five Points Bank	$ 500,000
Great Western Bank	1,103,000
Heartland Bank	3,950,500
Home Federal	1,510,000
Bank of Doniphan	750,000
TD Ameritrade	946,228
	$ 8,759,728

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Utility Departments' investments had no exposure to foreign currency risk and the Utility Departments held no investments denominated in foreign currency at September 30, 2020.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments

MEAN Participation Agreement

As of February 23, 1983, the Utilities entered into a Participation Power Sales Agreement with the Municipal Energy Agency of Nebraska (MEAN). MEAN may purchase up to 6.95 percent of the power generated by the Whelan Energy Center #1 (WEC #1) for the longer of: 1) the time until the final maturity date of the debts to construct, improve or add to the component facilities of WEC #1 or, 2) the City removes WEC #1 and the part of the City's transmission system in which MEAN participates. MEAN will pay for all fuel related costs of generating the power it uses plus 6.95 percent of: 1) principal and interest costs of the bonded debt attributable to WEC #1, 2) the capital improvements to WEC #1 and related transmission systems, 3) fixed costs of operating and maintaining WEC #1 and the related transmission system, including taxes, 4) direct and allocated administrative and general costs associated with WEC #1, and 5) costs to prevent or correct unusual loss or damage to the WEC #1 system which are not insured or recovered from a third party.

City of Superior Agreement

On February 16, 2017, the Utilities entered into an agreement with the City of Superior to provide electric capacity and energy starting January 1, 2018 through December 31, 2022. The capacity quantity begins at 2,300 KW in 2018 and increases over the term of the agreement to 6,800 KW in 2022.

Coal Supply Agreements

On December 15, 2006, the Utilities entered into an agreement with AGP Corn Processing, Inc. (AGP) to supply coal to a truck loadout facility built and paid for by AGP on the Whelan Energy Center property. Upon completion of the truck loadout facility, the facility was given to the Utilities, with AGP being responsible for the costs to operate and maintain the facility. The agreement is for a sixteen year period beginning on April 1, 2007. Coal deliveries commenced in August of 2008. AGP is obligated to buy annually not less than 100,000 tons and not to exceed 160,000 tons of coal from the Utilities. As a result of an agreement with AGP entered into on December 23, 2013, the minimum annual coal purchase requirement was reduced to 70,000 tons.

On July 27, 2010, the Utilities entered into an agreement with Chief Ethanol Fuels Inc. (Chief) to supply a minimum of 35,000 tons of coal a year. This coal is to be delivered to the Truck Load Out facility located at WEC. The term of the agreement is year to year. On July 14, 2016, an amendment was made to the agreement reducing the minimum annual coal purchase to 25,000 tons.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Coal Contracts

Peabody COALSALES, LLC

On October 1, 2016, the Utilities entered into an agreement with Peabody for the purchase of coal for the period beginning January 1, 2017 through December 31, 2018. The agreement included the purchase of an additional 600,000 tons of coal in 2018. On July 11, 2018 the Utilities entered into an agreement with Peabody for the purchase of coal for the period July 11, 2018 through December 31, 2021. The agreement provides up to 400,000 tons in 2018 and a minimum of 600,000 tons and a maximum of 1,000,000 tons each of the calendar years beginning January 1, 2019 through December 31, 2021. Peabody has first right to supply any excess over the maximum under the terms of the agreement.

The Burlington Northern and Santa Fe Railway Company

On September 25, 2006, the Utilities entered into an agreement with The BNSF Railway Company for the transportation of coal. On March 8, 2013, the agreement was extended through December 31, 2018 and set a minimum annual tonnage requirement of 600,000 tons. On February 21, 2018 the Utilities entered into an agreement with BNSF for transportation of coal for the period of February 22, 2018 through December 31, 2021. The agreement has a minimum annual tonnage requirement of 600,000 tons.

Natural Gas Contracts

Central Plains Energy Project

On September 25, 2006, the Utilities executed an Interlocal Agreement to enter into the joint entity known as the Central Plains Energy Project (CPEP). CPEP was created between and among public agencies to achieve savings and enhanced reliability, efficiency and supply security through the joint purchase of natural gas and the arrangement of joint services on behalf of its participant members and certain other public agencies. CPEP's members include the Metropolitan Utilities District in Omaha, Nebraska, the Municipal Gas Utility of the City of Cedar Falls, Iowa and the City of Hastings.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Natural Gas Contracts, continued

Central Plains Energy Project, continued

On July 1, 2009, the Utilities entered into a 30 year Gas Supply Agreement (GSA) with CPEP Project No. 2 for approximately 25 percent of the Utilities 10 year historical average annual natural gas consumption. To provide the natural gas supply for the GSA, CPEP entered into a 30 year term Prepaid Natural Gas Purchase and Sale Agreement (Agreement) with the Royal Bank of Canada (RBC) for delivery of natural gas to CPEP.

On January 30, 2014, RBC filed a Complaint in the United States District Court for the District of Nebraska (Court) seeking a declaration that RBC be entitled to terminate the Agreement with CPEP as a result of changes in applicable banking and regulatory authorities, which RBC claimed to have a material, adverse effect on the transaction. CPEP disagreed that the regulatory changes RBC cited would result in a material, adverse effect on the transaction, and filed an Answer and Counterclaim with the Court asking for damages from RBC as a result of anticipatory breach of the Agreement.

Prior to the matter being heard by the Court, RBC and CPEP negotiated a settlement where RBC would provide the funds necessary and redeem all outstanding bonds associated with the 2009 issue; issuance of new bonds to effectuate a five year term fixed discount Prepaid Transaction between RBC and CPEP; and certain cash payments to CPEP. CPEP in turn entered into a new GSA with the Utilities for a five year term that shall run from November 1, 2014 through October 31, 2019, and provides for delivery of the same monthly volumes received previously. Prior to the end of the five year term RBC and CPEP may negotiate to extend the Agreement for a mutually agreeable term and fixed discount rate. If these negotiations are unsuccessful, the Agreement will terminate effective October 31, 2019. In the event an extension of the Agreement between RBC and CPEP is negotiated, the Utilities, in its sole discretion, has the option of whether it wishes to extend the term of its GSA with CPEP, incorporating the new term and discount rate, or cease taking deliveries effective October 31, 2019.

On November 16, 2018 the Utilities entered into a 30 year Gas Supply Agreement (GSA) with CPEP Project No. 4 for approximately 25 percent of the Utilities 10 year historical average annual natural gas consumption. To provide the natural gas supply for the GSA, CPEP entered into a 30 year term Prepaid Natural Gas Purchase and Sale Agreement (Agreement) with J. Aron & Company LLC, a New York limited liability company ("J. Aron") and a wholly-owned subsidiary of The Goldman Sachs Group, Inc., for the delivery of natural gas to CPEP.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Natural Gas Contracts, continued

Trailblazer Pipeline Company LLC

The Utilities signed a firm natural gas transportation contract running through September 30, 2025 with the Trailblazer Pipeline Company LLC (Trailblazer). The Maximum Daily Quantity (MDQ) under the contract is 14,840 Dth/day.

Tall Grass Interstate Gas Transmission LLC

The Utilities also has a long term firm natural gas transportation contract with Tall Grass Interstate Gas Transmission LLC. The contract originated on October 1, 1993 with the current contract term running through August 31, 2021. The Maximum Daily Quantity (MDQ) is 16,000 Dth/day.

Power Purchase Agreement

CCC-Hastings Renewable Energy, LLC

On August 31, 2016, the Utilities executed a Power Purchase Agreement (PPA) with CCC-Hastings Renewable Energy, LLC (HRE), to purchase the entire output of a 1.7 MW General Electric wind turbine. The PPA has a 25 year term with an option for Utilities to extend thereafter. The wind turbine is located on property owned by the Central Community College and is interconnected to the Utilities' electric distribution system. Per the terms of the PPA, HRE was responsible for obtaining all required permits, turbine construction oversight and payment of all costs to construct the turbine and interconnection facilities. HRE will also own, operate and have cost responsibility to maintain the wind turbine and interconnection facilities going forward. The wind turbine began commercial operation on December 29, 2016.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Wind Power Purchase Agreement

Central Community College

On August 31, 2016, the Utilities executed a Wind Power Purchase Agreement (WPPA) with Central Community College (CCC) which will provide for the Utilities to sell CCC energy purchased by the Utilities from a wind turbine owned by CCC-Hastings Renewable Energy, LLC (HRE). The intent of the WPPA is for the Utilities to provide up to 100 percent of CCC's energy needs at its Hastings' campus with energy produced by the wind turbine. In addition, CCC will receive a portion of the Renewable Energy Credits generated by the wind turbine. The WPPA is to remain in force for a term that coincides with the Power Purchase Agreement between the Utilities and HRE, which is currently 25 years.

Public Power Generation Agency Financial Commitment

On October 25, 2006, the Utilities entered into an Amended and Restated Participation Agreement with the Public Power Generation Agency (PPGA). PPGA was formed under the Interlocal Cooperation Act of the State of Nebraska to construct and operate Whelan Energy Center Unit 2 (WEC 2), a 220 megawatt (MW) coal-fired electric generating plant located at the existing Whelan Energy Center. The Agreement entitles the Utilities to 35 MW of capacity (or 15.9 percent) of the estimated 220 MW capacity of WEC 2. Under the terms of the Agreement, the Utilities has been selected to be the Project Construction Manager and Project Operating Agent for WEC 2. WEC 2 began commercial operation on May 1, 2011.

Construction Commitments

	Contract Amount	Paid/Incurred at 9/30/2020	Remaining Commitment	Estimated Completion
Water Commitments:				
Water main project	$ 267,075	$ 217,305	$ 49,770	November 2020
Admin Commitments:				
NDS Administration Building	$ 494,423	$ 455,120	$ 39,303	December 2020

NOTE D – OTHER NOTES, continued

4. **Operating Leases**

On December 1, 2016, the City entered into a 63-month operating lease for a postage machine for $870 per month.

On August 25, 2018, the Utility Departments entered into a 60-month operating lease for a copier for $732 per month.

On August 25, 2018, the Utility Departments entered into a 60-month operating lease for a copier for $231 per month.

On August 25, 2018, the Utility Departments entered into a 60-month operating lease for a copier for $1,576 per month.

On October 25, 2018, the Utility Departments entered into a 57-month operating lease for a copier for $49 per month.

On October 25, 2018, the Utility Departments entered into a 57-month operating lease for a copier for $24 per month.

Lease expense for the years ended September 30, 2020 and 2019, was $41,791 and $48,580, respectively.

Future commitments under these operating leases:

	Lease Commitment
Year ending September 30, 2021	$ 41,791
2022	41,791
2023	34,518
	$ 118,100

NOTE D – OTHER NOTES, continued

5. Loan from Gas Rate Stabilization Fund to Street Lighting

At the April 2, 2015 Board of Public Works meeting, the Utilities was authorized to transfer up to $1,600,000 from the Gas Rate Stabilization Fund to the Street Lighting Department to be repaid over a five year period at an interest rate of 1 percent. The purpose of the transfer is to fund the conversion of the existing street lighting system to more economical LED fixtures. At September 30, 2020 and 2019, the balance was $1,100,000. This loan is not shown on the accompanying statement of Net Position, as it has been eliminated within the Combined System.

6. Contingencies

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen worldwide. While the disruption this pandemic is causing is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the financial impact to the Utilities that could occur as a result of this issue is unknown and cannot be reasonably estimated at this time.

7. Subsequent Events

Management has evaluated subsequent events through February 11, 2021, the date on which the financial statements were available for issue.

On December 14, 2020, the City Council approved a $624,167 contract with Van Kirk Bros. Contracting, Inc. for 2021 water main improvements.

SUPPLEMENTARY INFORMATION

CITY OF HASTINGS, NEBRASKA
ELECTRIC DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2020	2019
Operating revenues:		
Retail	$ 35,998,268	$ 36,336,115
Wholesale	2,166,395	5,084,519
Total operating revenues	38,164,663	41,420,634
Operating expenses:		
Production expenses:		
Fuel	4,400,959	4,491,467
Other	7,537,692	8,267,853
Purchased power	12,890,218	14,504,958
Transmission and distribution expense	2,392,371	1,670,620
General and administrative expenses:		
Direct	3,092,854	2,522,198
Indirect	3,888,061	3,532,431
Depreciation	5,080,920	4,987,218
Total operating expenses	39,283,075	39,976,745
Operating income (loss)	(1,118,412)	1,443,889
Other income (expenses)		
Interest income	283,680	400,367
Reimbursement from PPGA	5,984,562	5,969,026
Cost of services to PPGA	(5,984,562)	(5,969,026)
Participation and capacity agreements	711,989	697,046
Miscellaneous income	539,036	439,301
Coal sales	4,273,368	4,912,075
Cost of coal resold	(2,697,736)	(3,146,116)
Interest and amortization expense	-	(42,923)
Non-utility plant depreciation expense	(692,772)	(692,772)
Miscellaneous expenses	(219,577)	(227,761)
Contributions in aid of construction	38,389	7,570
Total other income (expenses)	2,236,377	2,346,787
Excess of revenues over expenses before transfers	1,117,965	3,790,676
Other financing uses		
Transfers to City governmental funds	(2,137,221)	(2,319,556)
Change in net position	(1,019,256)	1,471,120
Net position - beginning of year	110,636,017	109,164,897
Net position - end of year	$ 109,616,761	$ 110,636,017

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEMS

DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2020		
	Gas	Water	Pollution Control
Operating revenue	$ 7,787,136	$ 7,721,429	$ 7,289,337
Operating expenses (non-depreciation)	(6,440,548)	(3,749,851)	(3,248,532)
Operating income before depreciation	1,346,588	3,971,578	4,040,805
Less depreciation	(1,500,378)	(795,246)	(1,881,072)
Operating income (loss)	(153,790)	3,176,332	2,159,733
Other income (expenses)			
Interest income	11,000	-	32,453
Allocation of administration department revenue	172,687	84,280	84,007
Reimbursement from PPGA	-	877	-
Cost of services to PPGA	-	(877)	-
Miscellaneous income	354,664	89,428	49,890
Interest and amortization expense	-	(33,291)	(426,035)
Loan fees	-	-	-
Economic development	-	-	-
Miscellaneous expenses	(181,371)	(41,542)	(16,213)
Contributions in aid of construction	-	222,040	141,865
Total other income (expenses)	356,980	320,915	(134,033)
Excess of revenues over expenses before transfers	203,190	3,497,247	2,025,700
Other financing uses			
Transfers to City governmental funds	(502,933)	(594,201)	(291,573)
Change in net position	$ (299,743)	$ 2,903,046	$ 1,734,127
Net position - beginning of year			
Net position - end of year			

2020			2019
Street Lighting	Adminis- tration	Total	Total
$ 488,742	$ -	$ 23,286,644	$ 23,002,466
(199,354)	-	(13,638,285)	(14,787,967)
289,388	-	9,648,359	8,214,499
(80,004)	-	(4,256,700)	(4,030,098)
209,384	-	5,391,659	4,184,401
-	-	43,453	38,801
102	-	341,076	605,473
-	-	877	2,526
-	-	(877)	(2,526)
-	-	493,982	245,587
(11,000)	-	(470,326)	(525,182)
-	-	-	(20,942)
-	-	-	(2,271,266)
-	-	(239,126)	(125,445)
-	-	363,905	(197,195)
(10,898)	-	532,964	(2,250,169)
198,486	-	5,924,623	1,934,232
-	-	(1,388,707)	(1,372,535)
$ 198,486	$ -	4,535,916	561,697
		107,536,971	106,975,274
		$ 112,072,887	$ 107,536,971

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - GAS DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2020	2019
Operating revenues:		
Retail	$ 7,787,136	$ 8,742,228
Operating expenses:		
Production expenses:		
Fuel	3,727,673	4,836,312
Other	40,311	48,453
Transmission and distribution expense	1,053,183	1,052,247
General and administrative expenses:		
Direct	763,270	894,620
Indirect	824,499	853,913
Intra-city services	31,612	33,965
Depreciation	1,500,378	1,477,386
Total operating expenses	7,940,926	9,196,896
Operating loss	(153,790)	(454,668)
Other income (expenses)		
Interest income	11,000	11,000
Allocation of administration department revenue	172,687	367,764
Miscellaneous income	354,664	144,166
Economic development	-	(2,271,266)
Miscellaneous expenses	(181,371)	(79,176)
Total other income (expenses)	356,980	(1,827,512)
Excess (deficiency) of revenues over expenses before transfers	203,190	(2,282,180)
Other financing uses		
Transfers to City governmental funds	(502,933)	(580,230)
Change in net position	$ (299,743)	$ (2,862,410)

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - WATER DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2020	2019
Operating revenues:		
Retail	$ 7,642,280	$ 6,431,382
Wholesale	79,149	78,311
Total operating revenues	7,721,429	6,509,693
Operating expenses:		
Production expenses:	916,663	690,528
Operating of water treatment	574,277	620,344
Transmission and distribution expense	669,248	829,428
General and administrative expenses:		
Direct	553,906	504,004
Indirect	1,035,757	887,896
Depreciation	795,246	649,170
Total operating expenses	4,545,097	4,181,370
Operating income	3,176,332	2,328,323
Other income (expenses):		
Allocation of administration department revenue	84,280	156,454
Reimbursement from PPGA	877	2,526
Cost of services to PPGA	(877)	(2,526)
Miscellaneous income	89,428	77,737
Interest and amortization expense	(33,291)	(34,261)
Loan fees	-	(20,942)
Miscellaneous expenses	(41,542)	(42,125)
Contributions in aid of construction	222,040	(225,145)
Total other income (expenses)	320,915	(88,282)
Excess of revenues over expenses before transfers	3,497,247	2,240,041
Other financing uses:		
Transfers to City governmental funds	(594,201)	(502,654)
Change in net position	$ 2,903,046	$ 1,737,387

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - POLLUTION CONTROL DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2020	2019
Operating revenues:		
Retail	$ 7,289,337	$ 7,241,271
Operating expenses:		
Sewer treatment expenses	1,272,213	1,258,345
Sewer line expenses	498,508	496,335
General and administrative expenses:		
Direct	603,643	638,472
Indirect	874,168	904,580
Depreciation	1,881,072	1,870,374
Total operating expenses	5,129,604	5,168,106
Operating income	2,159,733	2,073,165
Other income (expenses)		
Interest income	32,453	27,801
Allocation of administration department revenue	84,007	81,073
Miscellaneous income	49,890	23,684
Interest and amortization expense	(426,035)	(490,921)
Miscellaneous expenses	(16,213)	(4,144)
Contributions in aid of construction	141,865	19,245
Total other income (expenses)	(134,033)	(343,262)
Excess of revenues over expenses before transfers	2,025,700	1,729,903
Other financing uses		
Transfers to City governmental funds	(291,573)	(289,651)
Change in net position	$ 1,734,127	$ 1,440,252

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - STREET LIGHTING DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2020	2019
Operating revenues:		
Street lights	$ 488,742	$ 509,274
Operating expenses:		
Production expenses:		
Operation and maintenance	71,209	97,430
Purchased power	108,909	115,507
General and administrative expenses:		
Direct	-	36
Indirect	19,236	25,552
Depreciation	80,004	33,168
Total operating expenses	279,358	271,693
Operating income	209,384	237,581
Other income		
Allocation of administration department revenue	102	182
Interest expense	(11,000)	-
Contributions in aid of construction	-	8,705
Total other income	(10,898)	8,887
Change in net position	$ 198,486	$ 246,468

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - ADMINISTRATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2020	2019
General and administrative expenses	$ 8,919,770	$ 8,008,971
Depreciation	15,900	15,936
Less: Overhead allocated	(1,391,787)	(980,897)
Reimbursement from PPGA	(920,224)	(863,174)
Reimbursement from EPS	(1,174)	(2,016)
Allocable expenses	6,622,485	6,178,820
Allocation of expenses to operating departments:		
Electric	(3,888,061)	(3,532,431)
Gas	(824,499)	(853,913)
Water	(1,035,757)	(887,896)
Pollution control	(874,168)	(904,580)
Total allocation	(6,622,485)	(6,178,820)
Operating expenses	-	-
Other income:		
Interest income	249,983	499,105
Miscellaneous income	91,093	106,368
Total other income	341,076	605,473
Allocation of other income to operating departments:		
Gas	(172,687)	(367,764)
Water	(84,280)	(156,454)
Pollution control	(84,007)	(81,073)
Street lighting	(102)	(182)
Total allocation	(341,076)	(605,473)
Change in net position	$ -	$ -

AMGL
CPAs & Advisors

SHAREHOLDERS:

Robert D. Almquist
Phillip D. Maltzahn
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon

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

To the Utility Advisory Board
Hastings Utilities
City of Hastings, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Hastings Utilities, Hastings, Nebraska, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Hastings Utilities' financial statements, and have issued our report thereon dated February 11, 2021.

Internal Control Over Financial Reporting

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

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

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A PROFESSIONAL CORPORATION

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

Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Compliance and Other Matters

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

Hastings Utilities' Response to Findings

The Hastings Utilities' response to the findings identified in our audit is that due to the small size of Hastings Utilities, it is impractical to further segregate duties. Hastings Utilities' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

AMGL, P.C.

Grand Island, Nebraska
February 11, 2021

Utility Board Meeting

Thursday, March 11, 2021

HASTINGS UTILITIES

Financial and Operating Report

Fiscal Year 2021

Quarter 1

Oct 1, 2020 – Dec 31, 2020

Kevin Johnson

HASTINGS UTILITIES

Balance Sheet Highlights

FY 2021 Q1 Update

($M)	*Electric*	*Combined System*	*Total*	*End FY 2020*
Net Assets	**74.4**	**85.1**	**159.5**	**160.8**
Special Funds:				
Insurance	2.0	1.0	3.0	3.0
Bond Reserve	0.0	1.4	1.4	1.4
Rate Stabilization	2.1	11.4	13.5	14.2
Health Insurance	0.0	2.3	2.3	2.3
Closure/Post Closure	1.2	0.0	1.2	1.1
Economic Development	0.0	1.5	1.5	1.5
Cash & Investments	**28.8**	**12.9**	**41.7**	**42.6**
Revenue Bonds & SRF	**0.0**	**12.6**	**12.6**	**13.5**
City Equity	**109.2**	**112.2**	**221.4**	**221.7**

HASTINGS UTILITIES

Electric Summary

FY 2021 Q1 Update

($M)	*FY 2021 Q1*	*Year Over Year*	*FY 2021 Budget*	*%*
Operating Revenue:	**8.5**	**(0.5)**	**43.1**	**20%**
Retail	8.1	(0.2)	37.9	21%
Wholesale, Solar, Str	0.4	(0.3)	5.2	8%
Operating Expenses:	**8.2**	**0.5**	**41.7**	**20%**
Production	2.5	0.2	12.5	20%
Purchased Power	0.6	(0.1)	5.5	11%
PP - PPGA	2.3	0.6	10.4	22%
Trans & Dist	0.4	(0.1)	2.2	18%
Gen & Admin	1.8	(0.1)	8.6	21%
Pymt in Lieu of Tax	0.6	(0.1)	2.4	25%
Operating Income	**0.3**	**0.0**	**1.3**	**23%**
Depreciation	1.4	(0.1)	5.6	25%
Other Income/Exp	**0.6**	**0.0**	**1.7**	**35%**
Net Income	**(0.4)**	**0.0**	**(1.8)**	

HASTINGS UTILITIES

Gas Summary

FY 2021 Q1 Update

($M)	*FY 2021 Q1*	*Year Over Year*	*FY 2021 Budget*	*%*
Operating Revenue	**1.7**	**(0.3)**	**8.2**	**21%**
Operating Expenses:	**2.1**	**(0.2)**	**8.8**	**24%**
Purchased Gas	1.2	0.0	5.1	24%
Trans & Dist	0.3	(0.1)	1.2	25%
Gen & Admin	0.4	0.0	1.9	21%
Pymt in Lieu of Tax & Transfer to Gen. Fund	0.1	0.0	0.3	33%
Operating Income	**(0.4)**	**(0.5)**	**(0.6)**	
Depreciation	0.4	0.0	1.5	27%
Other Income/Exp	**0.0**	**(0.1)**	**0.0**	
Net Income	**(0.7)**	**(0.6)**	**(2.1)**	

HASTINGS UTILITIES

Water Summary

FY 2021 Q1 Update

($M)	FY 2021 Q1	Year Over Year	FY 2021 Budget	%
Operating Revenue	**1.6**	**0.1**	**7.1**	**23%**
Operating Expenses:	**1.0**	**0.0**	**5.0**	**20%**
Production & Water Treatment	0.3	0.0	1.6	19%
Trans & Dist	0.2	0.0	0.9	22%
Gen & Admin	0.4	0.0	1.9	21%
Pymt in Lieu of Tax & Transfer to General Fund	0.1	0.0	0.5	20%
Operating Income:	**0.6**	**0.0**	**2.1**	**29%**
Depreciation	0.2	0.0	0.9	22%
Net Income	**0.5**	**0.0**	**1.3**	**38%**

HASTINGS UTILITIES

Pollution Control

FY 2021 Q1 Update

($M)	*FY 2021 Q1*	*Year Over Year*	*FY 2021 Budget*	*%*
Operating Revenue	**1.8**	**(0.2)**	**7.4**	**24%**
Operating Expenses:	**0.9**	**(0.1)**	**4.2**	**21%**
Wastewater Treatment Plant	0.3	(0.1)	1.7	18%
Collection System	0.1	0.0	0.4	25%
Gen & Admin	0.4	0.0	1.8	22%
Pymt in Lieu of Tax	0.1	0.0	0.3	33%
Operating Income:	**0.9**	**(0.3)**	**3.2**	**28%**
Depreciation	0.5	0.0	1.9	26%
Other Income/Exp	**0.0**	**0.1**	**(0.4)**	
Net Income	**0.4**	**(0.4)**	**0.9**	**44%**

HASTINGS UTILITIES

General & Admin

FY 2021 Q1 Update

($M)	*FY 2021 Q1*	*Year Over Year*	*FY 2021 Budget*	*%*
General & Administrative *(showing only budgets > $400K)*	**2.0**	**0.1**	**9.3**	**22%**
Customer Records & Collections	0.2	(0.1)	0.5	40%
Engineering	0.0	0.3	0.7	0%
G & A Salaries	0.3	0.2	1.4	21%
Admin & Engineering Services to PPGA	0.2	0.0	0.8	25%
Outside Services	0.2	(0.1)	0.5	40%
Employee Benefits	0.2	0.1	1.6	13%
Maintenance of Buildings & Grounds	0.1	0.0	0.5	20%

HASTINGS UTILITIES

Hastings Utilities Headcount

		No. of Employees for Pay Periods 25 & 26 ending 12/19/2020		Budget Headcount 2020-2021
GAS		18		18
WATER/SEWER		12		15
PCC		9		9
ELEC/SUBS		18		20
NDS		6		7
WEC		71		78
ADMIN		13		13
(EXCLUDES ENGIN, HR,				
IT, FINANCE)				
(INCLUDES MAINT,				
MECHANIC, WAREHOUSE)				
ENGINEERING		20		26
ENV ENIGEERING		4		4
BUSINESS OFFICE/		13		14
METER READING				
		184		204

HASTINGS UTILITIES

Unit Sales & Cost Analysis

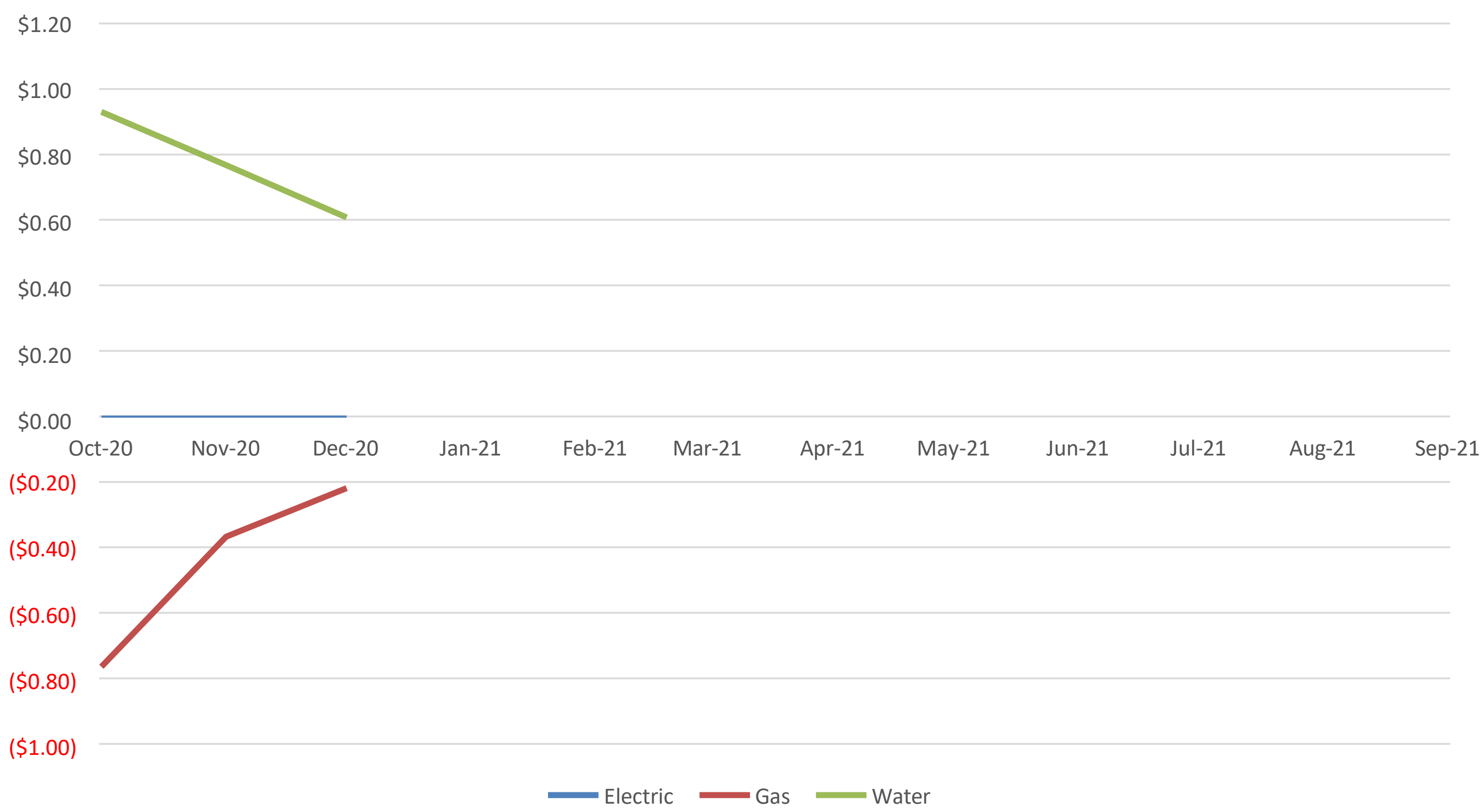
Electric		Revenue per KWH	Cost per KWH	NET
Oct	$	0.0663	0.0632	$0.0031
Nov	$	0.0721	0.0761	($0.0040)
Dec	$	0.0731	0.0769	($0.0039)
Jan	$			$0.0031
Feb	$			$0.0000
March	$			$0.0000
April	$			$0.0000
May	$			$0.0000
June	$			$0.0000
July	$			$0.0000
Aug	$			$0.0000
Sept	$			$0.0000

Gas		Revenue per CCF	Cost per CCF	NET
Oct	$	0.4857	1.2499	($0.7642)
Nov	$	0.4603	0.8277	($0.3674)
Dec	$	0.5062	0.7254	($0.2193)
Jan	$			$0.0000
Feb	$			$0.0000
March	$			$0.0000
April	$			$0.0000
May	$			$0.0000
June	$			$0.0000
July	$			$0.0000
Aug	$			$0.0000
Sept	$			$0.0000

Water		Revenue per CCF	Cost per CCF	NET
Oct	$	1.9267	0.9955	$0.9312
Nov	$	2.1490	1.3803	$0.7687
Dec	$	2.2520	1.6432	$0.6088
Jan	$			$0.0000
Feb	$			$0.0000
March	$			$0.0000
April	$			$0.0000
May	$			$0.0000
June	$			$0.0000
July	$			$0.0000
Aug	$			$0.0000
Sept	$			$0.0000

HASTINGS UTILITIES

Net Revenue per Unit Sold



HASTINGS UTILITIES

Electrical Production

HASTINGS UTILITIES
COMPARATIVE STATEMENT OF PRODUCTION
December 2020 and 2019 - Year to Date FY2021 and FY2020

Electric Department K-W Hours	No. Meters In Service 12/31/2020	December 2020	Year to Date FY 2020-2021	Yr-Over-Yr	No. Meters In Service 12/31/2019	December 2019	Year to Date FY 2019-2020
Residential - Hastings	10,680	7,716,169	21,042,656		10,514	7,517,046	21,847,241
Residential - Rural	272	497,204	1,136,777		275	480,961	1,134,855
Residential - Juniata	350	388,467	902,883		347	395,777	931,843
Commercial - Hastings	1,833	5,831,090	16,650,622		1,842	5,655,133	16,967,446
Commercial - Rural *	209	1,206,129	3,262,149		202	1,136,368	3,200,378
Commercial - Juniata	51	125,683	333,508		49	115,169	320,385
Commercial Heating - Hastings	32	205,364	459,098		32	247,744	569,482
Commercial Heating - Rural	4	20,846	39,665		4	16,706	35,100
Primary Power	37	18,472,890	52,779,040		37	16,969,710	51,003,440
Irrigation	118	-	63,964		-	-	47,118
Street Lighting - Hastings	1	191,099	497,770		1	170,580	473,824
Traffics - Hastings	1	5,930	16,666		1	6,550	20,657
Street Lighting - Juniata	1	-	-		1	11,362	31,672
Public Authorities - Hastings	86	234,622	697,057		80	162,653	765,754
Public Authorities - Juniata	9	20,230	51,515		10	17,781	77,951
Unmetered	10	5,214	15,642		10	5,214	15,642
Interdepartmental	37	1,144,343	2,848,875		31	856,526	2,400,796
	13,731			2.20%	13,436		
Total Retail Sales		36,065,280	100,797,887			33,765,280	99,843,584
Total Wholesale Sales		5,994,283	25,562,874			17,298,500	33,074,935
Total Sales		42,059,563	126,360,761			51,063,780	132,918,519
Gross Generation		38,248,410	99,875,990			36,678,800	102,414,000
Less Plant Power		3,828,496	10,315,063			4,546,874	11,733,274
Net Generation		34,419,914	89,560,927	-1.23%		32,131,926	90,680,726
KWH Purchased		7,509,916	30,955,099	-28.55%		20,273,413	43,322,883
Total KWH		41,929,830	120,516,026			52,405,339	134,003,609
Unaccounted For/Unbilled		(129,733)	(5,844,735)			1,341,559	1,085,090
KWH Sold (Retail and Wholesale)		42,059,563	126,360,761	-4.93%		51,063,780	132,918,519

Water Production

HASTINGS UTILITIES
COMPARATIVE STATEMENT OF PRODUCTION
December 2020 and 2019 - Year to Date FY2021 and FY2020

Water Department - CCF	No. Meters In Service 12/31/2020	December 2020	Year to Date FY 2020-2021	Yr-Over-Yr	No. Meters In Service 12/31/2019	December 2019	Year to Date FY 2019-2020
Residential - Hastings	8,688	45,776	240,948		8,528	41,922	165,446
Residential - Rural	34	152	726		34	156	500
Residential - CMS	5	36	102		5	27	67
Commercial - Hastings	1,330	55,207	233,610		1,283	57,893	201,575
Commercial - Rural	32	465	2,217		31	390	1,624
Commercial - CMS *	78	12,453	40,543		78	12,856	33,021
Large Industrial - Hastings	5	14,192	45,445		4	19,451	55,606
Large Industrial - Rural	1	43,589	119,681		1	42,634	122,130
Sales to Public Authorities	69	264	14,495		33	140	6,596
Interdepartmental	29	8,662	16,223		28	2,402	6,859
	10,271			2.45%	10,025		
Total Retail Sales		180,796	713,990			177,871	593,424
Total Wholesale Sales		1,106	3,494			3,155	9,853
Total Sales		181,902	717,484	18.93%		181,026	603,277
CCF Pumped		163,397	616,293			179,874	598,903
Water Main Flushing		150	1,361			799	2,449
Unaccounted For/Unbilled		(18,655)	(102,552)			(1,951)	(6,823)
CCF Sold		181,902	717,484	18.93%		181,026	603,277

Gas Production

HASTINGS UTILITIES
COMPARATIVE STATEMENT OF PRODUCTION
December 2020 and 2019 - Year to Date FY2021 and FY2020

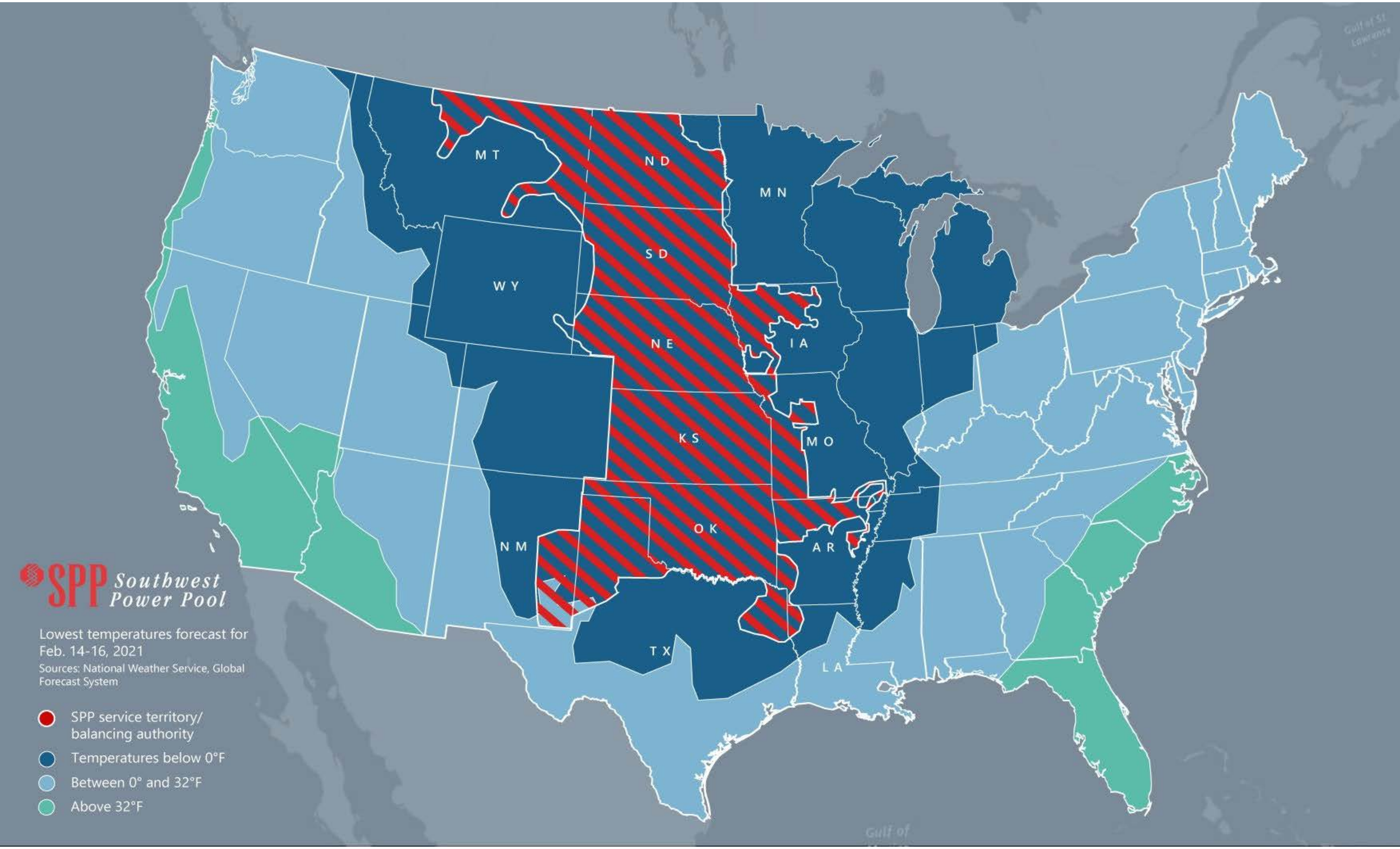
Gas Department - CCF	No. Meters In Service 12/31/2020	December 2020	Year to Date FY 2020-2021	Yr-Over-Yr	No. Meters In Service 12/31/2019	December 2019	Year to Date FY 2019-2020
Residential - Hastings	9,370	806,915	1,549,587		9,347	955,381	1,871,525
Residential - Rural	18	2,420	4,294		18	3,017	5,904
Commercial - Hastings	1,217	369,301	659,974		1,203	418,017	798,973
Commercial - Rural	37	16,221	61,432		25	9,419	79,875
Industrial - Hastings	45	179,471	529,798		41	305,293	706,381
Industrial - Rural	2	91,835	103,888		2	20,708	42,968
Sales to Public Authorities	24	11,563	21,602		22	15,328	29,513
Firm Transportation	13	189,651	415,486		13	172,341	370,148
Interdepartmental	8	20,291	32,351		7	12,521	26,070
Total	10,734	1,687,668	3,378,412	0.52%	10,678	1,912,025	3,931,357
Gas Purchased		1,803,670	3,904,480			1,820,052	4,244,514
Gas Manufactured		1,294	10,954			-	-
Total CCF		1,804,964	3,915,434			1,820,052	4,244,514
Unaccounted For/Unbilled		117,296	537,022			(91,973)	313,157
CCF Sold		1,687,668	3,378,412	-14.06%		1,912,025	3,931,357

Response to SPP Market

Extreme Weather Event – Strategic Efforts: Electric & Gas

Derek Zeisler & Noel Nienhueser

HASTINGS UTILITIES



HASTINGS UTILITIES

Timeline

Feb 13th

- Afternoon, HU notified that SPP's available capacity may not meet forecasted load
- Evening, HU staff was assembled to start strategic planning

Feb 14th

- Morning, HU staff reviewed load shedding procedures
- Started putting out energy conservation requests to customers

Feb 15th

- 5 A.M. SPP declared an Energy Emergency Alert (EEA) Level 1
- 7:22 A.M. SPP declared an EEA Level 2
- 10:08 A.M. SPP declared an EEA Level 3

SPP was in some level of EEA from Feb 15th until Feb 19th

HASTINGS UTILITIES

SPP Reliability Events

- Conservative Operations
- Energy Emergency Alert Level 1
- Energy Emergency Alert Level 2
- Energy Emergency Alert Level 3

HASTINGS UTILITIES

Load Shedding

Participates in mock load shedding drill

- Received any time, duty operator asked to shed specific amount.

If emergency load shedding failed to reduce consumption, automatic safeties are programmed

- Load is higher, system will fall from 60Hz
- Falls to 59.3Hz, 10% load is shed
- Falls to 59.0Hz, another 10% load is shed
- Falls to 58.7Hz, another 10% load is shed

Frequency Shedding is programmed & tested on individual feeder relays.

HASTINGS UTILITIES

Key Points

- First time in SPP's 80 year history that they had to take actions to this level.
- SSP has to match power being sent to power being received.
- Controlled power outages were implemented to prevent longer, sustained outages.
- No controlled outage in Hastings lasted longer than 45 minutes.
- Hastings was able to avoid most of the load shedding needs by customers responding to requests of conservation.

HASTINGS UTILITIES

Gas Supply

- Record breaking cold required more gas to be purchased than typically needed this time of year.
- HU worked to line up sufficient gas supply to meet demand for the weekend.
- Due to high demand and limited supply due to freeze-offs, gas prices spiked.
- HU utilized our peak shaving plant to help minimize that demand.
- HU will utilize a portion of the Gas Rate Stabilization Fund and average the fluctuations in the price of gas over the next 12 months.

HASTINGS UTILITIES

Generation Efforts

Rich Kleinhample & Keith Leonhardt

HASTINGS UTILITIES

West Avenue Propane Plant

HASTINGS UTILITIES

HASTINGS
UTILITIES

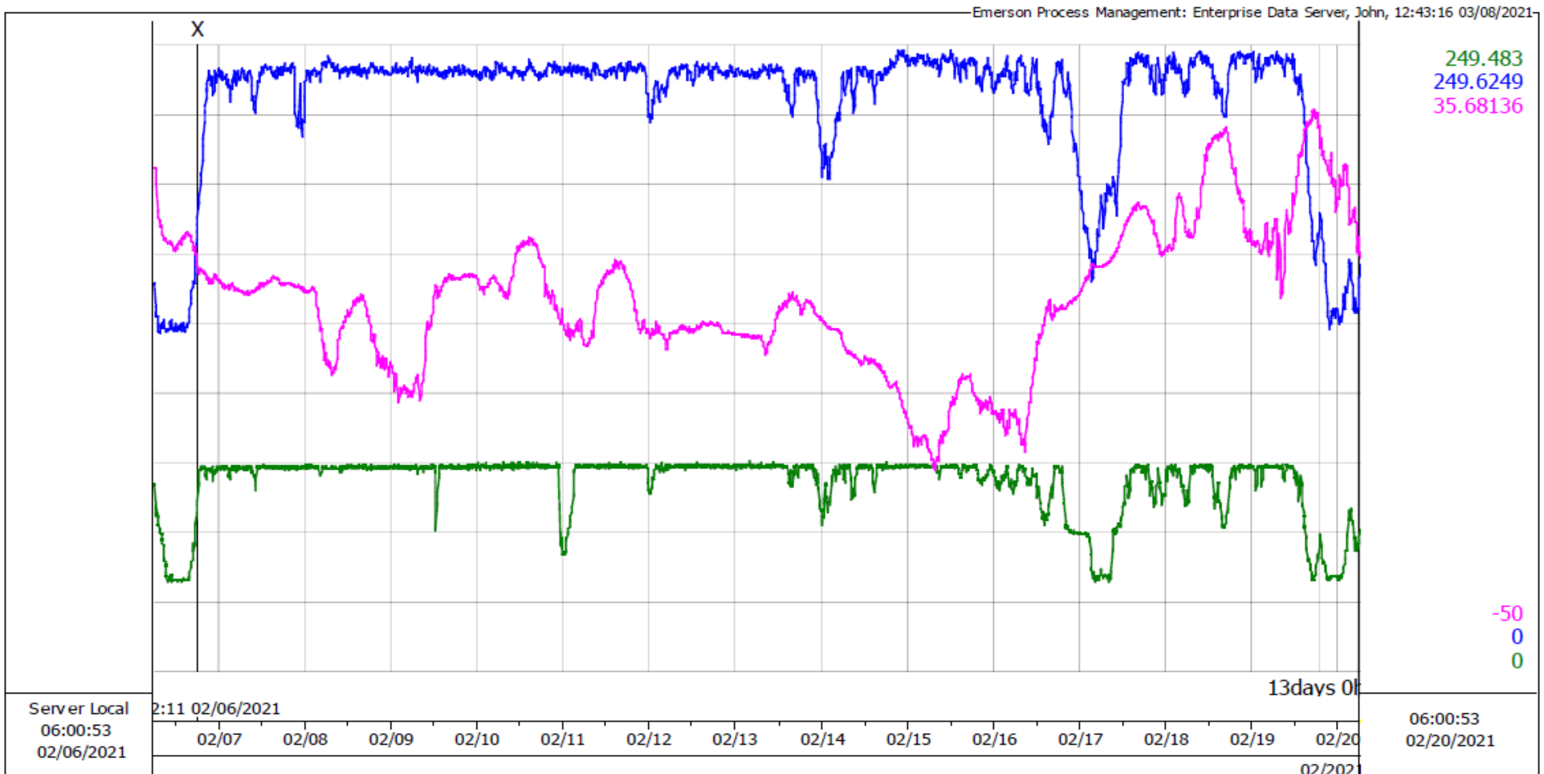
Operational Challenges

- Uses a mixture of propane and air to reduce natural gas peak demand.
- Natural gas makeup has changed in recent years.
- Operating in extreme cold is challenging with outdoor equipment.
- Training of staff.
- Plant built in 1996.
- Staff is reviewing needed upgrades.

Whelan Energy Center

HASTINGS UTILITIES

WEC 1 & 2 Outputs + Ambient Temps: February 6-20th



IESS	Description	Unit	IDCS	Source	Avg	Max	Min	Hair	Show alias
1TCSMWSEL.UNIT1@WHELAN	SELECTED MW	MW	1TCSMWSEL	UNIT1	75.18129G	83.8367	35.9637	63.32988G	
2TGBCAB0003AIA.UNIT2@NET0	GEN WATTS	MW	2TGBCAB0003AIA	UNIT2	228.3727G	247.288	135.182	174.575G	
1TE1386.UNIT1@WHELAN	AMBIENT TEMP	DEG F	1TE1386	UNIT1	0.9699277G	26.8005	-22.348	7.104293G	

HASTINGS
UTILITIES

Fuel Handling Team Challenges

- Worked through the extreme cold conditions with conveyor alignment and equipment issues as well as periodic hopper plugs.
- **Many Fuel Handlers worked extra days as well as extended days to ensure plants stayed full of coal.**
- Ran both Locomotives throughout the -0° temps to ensure that they were both available and did not freeze up.

HASTINGS UTILITIES

Operations Team Challenges

Temperature monitoring and Supplemental Heat

- Implement additional temperature checks of outbuildings.
- Place additional heaters as needed to prevent frozen pipes.

Modify Operating Procedures

- Run two circulation water pumps at full load to minimize cooling tower icing, even though two pumps were not required for the ambient temps.
- Operate fuel oil pumps continuously during the coldest periods to help maintain tank temperature and prevent gelling.

HASTINGS UTILITIES

Maintenance and EI&C Team Challenges

Maintenance

- Ensured there was a designated person available for after-hours emergency call outs.
- Provided support to Fuel Handling as needed to ensure plant availability.

EI&C

- Operated and provided support for DHPC. They started the unit 19 times between the 8th and the 20th, many of those in the late evening and early morning hours.
- Provided support for the Peak Shaver Propane Plants.
- Responded to numerous after-hours calls for WEC to ensure plant availability.

HASTINGS UTILITIES

Hastings Utilities COVID-19 Data

Kevin Johnson

HASTINGS UTILITIES

Inoculation Data

Out of 161 Hastings Utilities employees

- 88 said YES
- 54 said NO
- 19 said MAYBE

First rounds started January 21, 2021

Broke it down into phases and sub phases

- 1A, 2A, 2B, 2C, 3A, 4A, 5A

1st Vaccine Received – 85 total

- Phase 1A: 29
- Phase 2A: 10, 2B: 10, 2C: 12
- Phase 3A: 20
- Phase 4A: 4
- Phase 5A: Next in line

2nd Vaccine Received – 61 total

- Phase 1A: 29
- Phase 2A: 10, 2B: 10, 2C: 12
- Phase 3A: Next in line