



**CITY OF HASTINGS
BARRY COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Hastings, Michigan

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hastings (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As stated in Note 13 to the basic financial statements, the City adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements ("SBITA")* in 2023, which represents a change in its policy for reporting lease and subscription-based information technology activities. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension schedules and other post-employment benefit plans, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
December 15, 2023

Management's Discussion and Analysis

**City of Hastings
Management's Discussion and Analysis
June 30, 2023**

As management of the City of Hastings (the "City" or "government"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant financial highlights for the recent fiscal year, as follows:

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of this fiscal year by \$35,047,390 (shown as *net position*), representing an increase of \$1,275,165 over the previous fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$6,756,254, an increase of \$1,098,442 in comparison with the prior year. Approximately 59.2% of this amount, \$3,999,633, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,999,633, or 74.0% of the general fund's total expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Component Units

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units, as follows, Brownfield Redevelopment Authority (Brownfield), Downtown Development Authority (DDA), and the Local Development Finance Authority (LDFA) for which the City is financially accountable. Information for the Brownfield, DDA, and LDFA are reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and local street, which are considered major funds. Data is combined into a single aggregated presentation for the other governmental funds (nonmajor governmental funds). Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and all special revenue funds, as required by state law. Budgetary comparison schedules have been provided for the general fund, and major street fund (as required supplemental information).

Proprietary Funds

The City maintains three separate enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and township sewer activity. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions.

The City utilizes internal service funds to account for its equipment. Because these services primarily benefit the City's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and township sewer operations. The water and sewer fund is considered to be a major fund of the City.

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension and OPEB information, and budget and actual presentations. Supplemental information follows the required pension information and includes combining and individual fund statements and schedules.

The combining statements referred to earlier in connection with nonmajor governmental and internal service funds are presented immediately following the required supplementary information on pensions and OPEB.

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$35,047,390 at the close of the most recent fiscal year. The chart on the following page illustrates the composition of net position at the close of each of the past two fiscal years.

City of Hastings's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 8,161,243	\$ 7,298,468	\$ 3,129,288	\$ 3,520,391	\$ 11,290,531	\$ 10,818,859
Accounts Receivable	19,682	204,446	629,856	525,354	649,538	729,800
Due from Other Governmental Units	423,273	329,388	-	-	423,273	329,388
Inventories	21,181	30,261	57,260	70,886	78,441	101,147
Prepaid and Other Assets	396,426	409,818	-	-	396,426	409,818
Total Current Assets	9,021,805	8,272,381	3,816,404	4,116,631	12,838,209	12,389,012
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	1,862,105	1,709,131	150,774	322,760	2,012,879	2,031,891
Capital Assets being Depreciated	15,825,069	15,536,767	20,013,876	20,561,335	35,838,945	36,098,102
Investment in Joint Venture	2,850,098	2,556,418	-	-	2,850,098	2,556,418
Total Assets	29,559,077	28,074,697	23,981,054	25,000,726	53,540,131	53,075,423
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	1,984,028	1,660,389	524,508	306,896	2,508,536	1,967,285
OPEB Related	27,451	42,408	6,863	7,839	34,314	50,247
Total Deferred Outflows of Resources	2,011,479	1,702,797	531,371	314,735	2,542,850	2,017,532
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	126,043	195,777	33,628	189,233	159,671	385,010
Due to Other Governments	225	28,511	-	-	225	28,511
Accrued Liabilities	120,213	54,850	62,751	49,124	182,964	103,974
Unearned Revenues	768,244	768,199	-	-	768,244	768,199
Current Portion of Compensated Absences	51,818	64,011	6,721	8,197	58,539	72,208
Current Portion of Long-term Debt	63,163	62,031	435,000	427,440	498,163	489,471
Total Current Liabilities	1,129,706	1,173,379	538,100	673,994	1,667,806	1,847,373
<i>Noncurrent Liabilities</i>						
Compensated Absences	73,886	77,656	14,276	13,470	88,162	91,126
Long-term Debt	195,597	258,927	8,548,726	8,983,726	8,744,323	9,242,653
Net Pension Liability	8,180,594	8,068,337	2,162,668	1,491,304	10,343,262	9,559,641
Net OPEB Liability	47,110	144,263	11,778	26,665	58,888	170,928
Total Liabilities	9,626,893	9,722,562	11,275,548	11,189,159	20,902,441	20,911,721
DEFERRED INFLOWS OF RESOURCES						
Pension Related	104,858	76,521	27,721	-	132,579	76,521
OPEB Related	457	268,683	114	63,805	571	332,488
Total Deferred Inflows of Resources	105,315	345,204	27,835	63,805	133,150	409,009
NET POSITION						
Net Investment in Capital Assets	17,428,414	16,924,940	11,180,924	11,472,929	28,609,338	28,397,869
<i>Restricted</i>	5,006,652	4,408,548	-	-	5,006,652	4,408,548
<i>Unrestricted</i>	(596,718)	(1,623,760)	2,028,118	2,589,568	1,431,400	965,808
Total Net Position	\$ 21,838,348	\$ 19,709,728	\$ 13,209,042	\$ 14,062,497	\$ 35,047,390	\$ 33,772,225

The largest portion of the City's net position, \$28,609,338, or 81.6%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be

noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$5,006,652, or 14.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,431,400 or 4.1%, may be used to meet the City's ongoing obligations to citizens and creditors.

Cash and investments increased by \$862,775 within governmental activities and decreased \$391,103 within business-type activities. Governmental activities increased largely due to the change in fund balance. See the statement of cash flows for why business-type activities cash changed.

Within both governmental activities and business-type activities, net pension liability and net OPEB liability increased due to investment returns for the pension and a change in actuarial assumptions for the OPEB plan. Due to the investment returns pension deferred inflows decreased.

The City's total revenue for the fiscal year ended June 30, 2023 was \$12,675,868 while total cost of all programs and services was \$11,400,703. This resulted in an increase in net position of \$1,275,165.

The following table presents a summary of the changes in net position for the years ended June 30, 2023 and 2022:

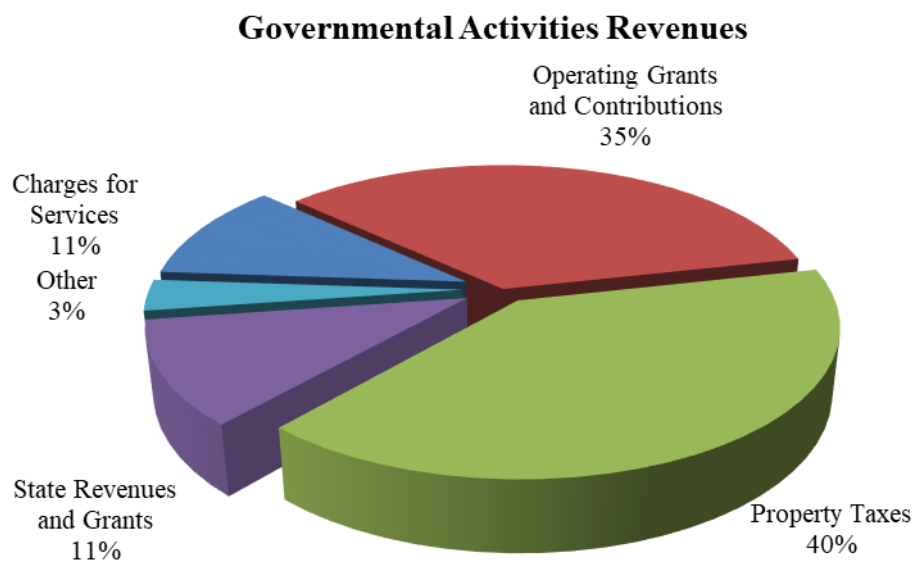
City of Hastings's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$ 947,660	\$ 1,599,637	\$ 3,635,872	\$ 3,317,243	\$ 4,583,532	\$ 4,916,880
Operating Grants and Contributions	3,081,873	1,775,800	44,295	73,936	3,126,168	1,849,736
Capital Grants and Contributions	-	130,907	-	95,208	-	226,115
Total Program Revenues	4,029,533	3,506,344	3,680,167	3,486,387	7,709,700	6,992,731
General Revenues						
Property Taxes	3,546,131	3,330,612	-	-	3,546,131	3,330,612
Unrestricted State Aid	993,440	996,905	-	-	993,440	996,905
Investment Earnings	299,206	136,247	127,391	1,631	426,597	137,878
Total General Revenues	4,838,777	4,463,764	127,391	1,631	4,966,168	4,465,395
Total Revenues	8,868,310	7,970,108	3,807,558	3,488,018	12,675,868	11,458,126
Expenses						
General Government	2,182,030	354,669	-	-	2,182,030	354,669
Public Safety	1,829,027	(1,318,445)	-	-	1,829,027	(1,318,445)
Public Works	1,554,594	(8,578)	4,661,013	1,674,190	6,215,607	1,665,612
Health and Welfare	-	699,473	-	-	-	699,473
Community and Economic Development	242,676	239,318	-	-	242,676	239,318
Recreation and Culture	927,312	618,231	-	-	927,312	618,231
Interest on Long-term Debt	4,051	-	-	-	4,051	-
Total Expenses	6,739,690	584,668	4,661,013	1,674,190	11,400,703	2,258,858
Change in Net Position	2,128,620	7,385,440	(853,455)	1,813,828	1,275,165	9,199,268
<i>Net Position at Beginning of Period - Restated</i>	<i>19,709,728</i>	<i>12,324,288</i>	<i>14,062,497</i>	<i>12,248,669</i>	<i>33,772,225</i>	<i>24,572,957</i>
Net Position at End of Period	\$ 21,838,348	\$ 19,709,728	\$ 13,209,042	\$ 14,062,497	\$ 35,047,390	\$ 33,772,225

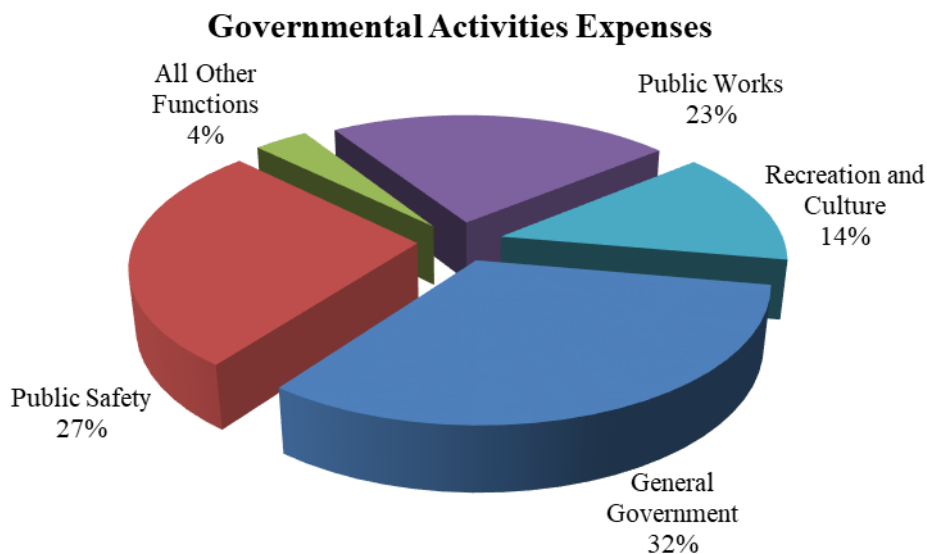
Governmental Activities. Governmental activities increased the City's net position by \$2,128,620 for the year ended June 30, 2023 compared to an increase of \$7,385,440 for the year ended June 30, 2022. Operating grants and contributions increased by \$1,306,073 due to an increase in donations and public works grants. Property taxes saw a modest increase due to a slight increase in taxable values.

Business-type Activities. Business-type activities decreased the City's net position by \$853,455 for the year ended June 30, 2023, compared to an increase of \$1,813,828 for the year ended June 30, 2022. Charges for services increased by \$318,629 as a result of an increase in sewer and water usage. Expenditures increased by \$2,986,823 largely due to poor overall performance of the pension plan as well as increased depreciation expense.

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end:



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end:



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2023, the City's governmental funds reported combined fund balances of \$6,756,254, an increase of \$1,098,442 in comparison with the prior year. Approximately 59.2% of this amount, or \$3,999,633, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable*, *committed*, or *restricted* to indicate that it is 1) not in spendable form, \$396,426, or 5.9%, for land held for resale, 2) assigned for police and recreation and culture expenditures, \$203,641 or 3.0%, or 3) restricted for particular purposes of \$2,156,554, or 31.9%.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,999,633, while total fund balance increased

to \$4,699,700. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 74.0% of total general fund expenditures and transfers out, while total fund balance represents approximately 87.0% of that same amount.

The fund balance of the City's general fund increased by \$897,630 during the current fiscal year. The City Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the City's available resources.

The fund balance of the local street fund, a major fund, increased by \$197,953 for an ending fund balance of \$815,401. The increase is a result of the fund having fewer public works expenditures compared to the prior year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise operations consist of two separate and distinct activities. The water and sewer and township sewer funds provide service to most residents and businesses of the City. The water and sewer fund decreased net position by \$804,333, and the township sewer decreased by \$49,122.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were minimal amendments to the original budget.

Final budget compared to actual results. The City had the following expenditures in excess of the amount appropriated during the year ended June 30, 2023:

Fund / Activity	Final Budget	Actual Amount	Negative Variance
General			
Code Compliance	\$ 51,690	\$ 62,816	\$ (11,126)
Community Service	124,022	143,807	(19,785)
Arts and Cultural Activities	57,775	62,220	(4,445)

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$37,851,824 (net of accumulated depreciation). Of this amount, \$17,687,174 was for its governmental activities and \$20,164,650 as for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-term Debt

At the end of the current fiscal year the City had total long-term debt outstanding of \$9,242,486. Of this amount, \$258,760 was for governmental activities while \$8,983,726 was for business-type activities.

The City made principal payments of \$489,638 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Management estimates that approximately \$6.5 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2023. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2024, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City'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
Clerk's Office
201 E. State Street
Hastings, MI 49058

Basic Financial Statements

**City of Hastings
Statement of Net Position
June 30, 2023**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 8,161,243	\$ 3,129,288	\$ 11,290,531
Accounts Receivable	19,682	629,856	649,538
Due from Other Governments	423,273	--	423,273
Inventories	21,181	57,260	78,441
Other Assets	396,426	--	396,426
Total Current Assets	9,021,805	3,816,404	12,838,209
<i>Noncurrent Assets</i>			
Capital Assets not Being Depreciated	1,862,105	150,774	2,012,879
Capital Assets Being Depreciated	15,825,069	20,013,876	35,838,945
Investment in Joint Venture	2,850,098	--	2,850,098
Total Assets	29,559,077	23,981,054	53,540,131
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,984,028	524,508	2,508,536
OPEB Related	27,451	6,863	34,314
Total Deferred Outflows of Resources	2,011,479	531,371	2,542,850
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	126,043	33,628	159,671
Due to Other Governments	225	--	225
Accrued Liabilities	120,213	62,751	182,964
Unearned Revenues	768,244	--	768,244
Current Portion of Compensated Absences	51,818	6,721	58,539
Current Portion of Long-Term Debt	63,163	435,000	498,163
Total Current Liabilities	1,129,706	538,100	1,667,806
<i>Noncurrent Liabilities</i>			
Compensated Absences	73,886	14,276	88,162
Long-Term Debt	195,597	8,548,726	8,744,323
Net Pension Liability	8,180,594	2,162,668	10,343,262
Net OPEB Liability	47,110	11,778	58,888
Total Liabilities	9,626,893	11,275,548	20,902,441
DEFERRED INFLOWS OF RESOURCES			
Pension Related	104,858	27,721	132,579
OPEB Related	457	114	571
Total Deferred Inflows of Resources	105,315	27,835	133,150
NET POSITION			
Net Investment in Capital Assets	17,428,414	11,180,924	28,609,338
<i>Restricted for:</i>			
Major and Local Streets	200,801	--	200,801
Public Safety	17,739	--	17,739
Library Operations	1,457,689	--	1,457,689
Building Improvement and Revolving Loans	100,000	--	100,000
Joint Airport Authority	2,850,098	--	2,850,098
Cemetery Operations	380,325	--	380,325
<i>Unrestricted</i>	(596,718)	2,028,118	1,431,400
Total Net Position	\$ 21,838,348	\$ 13,209,042	\$ 35,047,390

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hastings
Statement of Activities
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 2,182,030	\$ 710,507	\$ 298,500	\$ --	\$ (1,173,023)	\$ --	\$ (1,173,023)	\$ --
Public Safety	1,829,027	54,518	362,235	--	(1,412,274)	--	(1,412,274)	--
Public Works	1,554,594	135,257	1,693,643	--	274,306	--	274,306	--
Community and Economic Development	242,676	4,845	217,995	--	(19,836)	--	(19,836)	--
Recreation and Culture	927,312	42,533	509,500	--	(375,279)	--	(375,279)	--
Interest on Long-Term Debt	4,051	--	--	--	(4,051)	--	(4,051)	--
Total Governmental Activities	6,739,690	947,660	3,081,873	--	(2,710,157)	--	(2,710,157)	--
Business-type Activities:								
Water and Sewer	4,558,163	3,585,413	44,295	--	--	(928,455)	(928,455)	--
Township Sewer (Nonmajor)	102,850	50,459	--	--	--	(52,391)	(52,391)	--
Total Business-type Activities	4,661,013	3,635,872	44,295	--	--	(980,846)	(980,846)	--
Total Primary Government	\$ 11,400,703	\$ 4,583,532	\$ 3,126,168	\$ --	(2,710,157)	(980,846)	(3,691,003)	--
Component Units								
Brownfield	\$ 9,338	\$ --	\$ --	\$ --	--	--	--	(9,338)
Downtown Development Authority	647,870	2,249	60,282	--	--	--	--	(585,339)
Local Finance Development Authority	6,384	4,948	39,363	--	--	--	--	37,927
Total Component Units	\$ 663,592	\$ 7,197	\$ 99,645	\$ --	--	--	--	(556,750)
General Purpose Revenues:								
Property Taxes					3,546,131	--	3,546,131	705,516
Unrestricted State Aid					993,440	--	993,440	--
Investment Earnings					299,206	127,391	426,597	37,731
Total General Revenues					4,838,777	127,391	4,966,168	743,247
Change in Net Position					2,128,620	(853,455)	1,275,165	186,497
<i>Net Position at Beginning of Period - Restated (Note 14)</i>					<i>19,709,728</i>	<i>14,062,497</i>	<i>33,772,225</i>	<i>669,871</i>
Net Position at End of Period					\$ 21,838,348	\$ 13,209,042	\$ 35,047,390	\$ 856,368

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hastings
Balance Sheet
Governmental Funds
June 30, 2023**

		<u>Special Revenue</u>		
	<u>General</u>	<u>Major Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 4,996,808	\$ 691,258	\$ 1,233,164	\$ 6,921,230
Accounts Receivable	19,682	--	--	19,682
Due from Other Governments	242,607	128,449	52,217	423,273
Other Assets	396,426	--	--	396,426
Due from Other Funds	--	--	3,098	3,098
<i>Total Assets</i>	<u>\$ 5,655,523</u>	<u>\$ 819,707</u>	<u>\$ 1,288,479</u>	<u>\$ 7,763,709</u>
LIABILITIES				
Accounts Payable	\$ 90,181	\$ --	\$ 31,667	\$ 121,848
Due to Other Governments	225	--	--	225
Accrued Liabilities	94,075	4,306	15,659	114,040
Unearned Revenues	768,244	--	--	768,244
Due to Other Funds	3,098	--	--	3,098
<i>Total Liabilities</i>	<u>955,823</u>	<u>4,306</u>	<u>47,326</u>	<u>1,007,455</u>
FUND BALANCE				
Nonspendable	396,426	--	--	396,426
Restricted	100,000	815,401	1,241,153	2,156,554
Assigned	203,641	--	--	203,641
Unassigned	3,999,633	--	--	3,999,633
<i>Total Fund Balance</i>	<u>4,699,700</u>	<u>815,401</u>	<u>1,241,153</u>	<u>6,756,254</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 5,655,523</u>	<u>\$ 819,707</u>	<u>\$ 1,288,479</u>	<u>\$ 7,763,709</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$ 6,756,254
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements	2,730,201
General government capital assets of \$25,976,547, net of accumulated depreciation of \$10,038,058, are not financial resources and, accordingly, are not reported in the funds.	15,938,489
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(115,154)
Net pension liability and related deferrals are not due and payable in the current period and are not reported in the funds.	(6,301,424)
Net pension liability and related deferrals are not due and payable in the current period and are not reported in the funds.	(20,116)
The government's investment in its joint venture is not a current financial resource, and therefore is not reported in the funds.	2,850,098
Total Net Position - Governmental Activities	\$ <u>21,838,348</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

		<u>Special Revenue</u>		
	<u>General</u>	<u>Major Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ 3,341,472	\$ --	\$ 204,659	\$ 3,546,131
Licenses and Permits	64,058	--	--	64,058
Federal Sources	21,000	257,224	11,947	290,171
State Sources	1,084,139	861,120	360,049	2,305,308
Local Sources	558,524	3,070	412,795	974,389
Charges for Services	580,475	--	57,431	637,906
Fines and Forfeitures	18,133	--	--	18,133
Investment Income and Rentals	331,242	23,163	44,814	399,219
Other Revenue	302,096	571	279,206	581,873
Total Revenues	6,301,139	1,145,148	1,370,901	8,817,188
Expenditures				
General Government	2,027,072	--	--	2,027,072
Public Safety	2,272,917	--	8,828	2,281,745
Public Works	421,994	797,195	993,456	2,212,645
Community and Economic Development	245,316	--	--	245,316
Recreation and Culture	276,105	--	675,863	951,968
Total Expenditures	5,243,404	797,195	1,678,147	7,718,746
Excess of Revenues Over (Under) Expenditures	1,057,735	347,953	(307,246)	1,098,442
Other Financing Sources (Uses)				
Transfers In	--	--	310,105	310,105
Transfers Out	(160,105)	(150,000)	--	(310,105)
Net Other Financing Sources (Uses)	(160,105)	(150,000)	310,105	--
Net Change in Fund Balance	897,630	197,953	2,859	1,098,442
<i>Fund Balance at Beginning of Period</i>	<i>3,802,070</i>	<i>617,448</i>	<i>1,238,294</i>	<i>5,657,812</i>
Fund Balance at End of Period	\$ 4,699,700	\$ 815,401	\$ 1,241,153	\$ 6,756,254

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 1,098,442
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements	116,383
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures of \$1,001,295 exceeds depreciation expense of \$859,875 and net disposals of capital assets of \$71,449.	69,971
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase in compensated absences is to decrease net position.	16,722
Changes to the net pension liability and related deferrals are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	183,045
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; they are deferred into the following year.	(45)
Changes to the net pension liability and related deferrals are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	350,422
Changes to the joint venture are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	293,680
Changes in Net Position - Governmental Activities	\$ <u>2,128,620</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hastings
Statement of Net Position
Proprietary Funds
June 30, 2023**

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer	Township Sewer (Nonmajor)	Total Enterprise Funds	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 3,127,438	\$ 1,850	\$ 3,129,288	\$ 1,240,013
Accounts Receivable	622,549	7,307	629,856	--
Inventories	57,260	--	57,260	21,181
Total Current Assets	3,807,247	9,157	3,816,404	1,261,194
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	150,774	--	150,774	104,700
Capital Assets Being Depreciated	20,013,876	--	20,013,876	1,643,985
Total Assets	23,971,897	9,157	23,981,054	3,009,879
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	524,508	--	524,508	--
OPEB Related	6,863	--	6,863	--
Total Deferred Outflows of Resources	531,371	--	531,371	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	32,129	1,499	33,628	4,195
Accrued Liabilities	62,751	--	62,751	6,173
Current Portion of Compensated Absences	6,721	--	6,721	3,750
Current Portion of Long-Term Debt	435,000	--	435,000	63,163
Total Current Liabilities	536,601	1,499	538,100	77,281
<i>Noncurrent Liabilities</i>				
Compensated Absences	14,276	--	14,276	6,800
Long-Term Debt	8,548,726	--	8,548,726	195,597
Net Pension Liability	2,162,668	--	2,162,668	--
Net OPEB Liability	11,778	--	11,778	--
Total Liabilities	11,274,049	1,499	11,275,548	279,678
DEFERRED INFLOWS OF RESOURCES				
Pension Related	27,721	--	27,721	--
OPEB Related	114	--	114	--
Total Deferred Inflows of Resources	27,835	--	27,835	--
NET POSITION				
Net Investment in Capital Assets	11,180,924	--	11,180,924	1,489,925
Unrestricted	2,020,460	7,658	2,028,118	1,240,276
Total Net Position	\$ 13,201,384	\$ 7,658	\$ 13,209,042	\$ 2,730,201

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Township Sewer (Nonmajor)	Total Enterprise Funds	Activities Internal Service Funds
Operating Revenues				
Charges for Services	\$ 3,513,466	\$ 50,459	\$ 3,563,925	\$ 844,133
Other Operating Revenue	71,947	--	71,947	--
Total Operating Revenues	3,585,413	50,459	3,635,872	844,133
Operating Expenses				
Personnel Services	1,387,869	--	1,387,869	157,832
Materials and Supplies	398,501	8,377	406,878	252,314
Other Services and Charges	1,719,788	94,473	1,814,261	164,044
Depreciation	858,490	--	858,490	272,125
Total Operating Expenses	4,364,648	102,850	4,467,498	846,315
Operating Income (Loss)	(779,235)	(52,391)	(831,626)	(2,182)
Non-Operating Revenues (Expenses)				
State Sources	44,295	--	44,295	--
Investment Earnings	124,122	3,269	127,391	11,114
Gain on Sale of Capital Assets	--	--	--	62,806
Insurance Claims and Reimbursements	--	--	--	48,696
Interest on Long-Term Debt	(193,515)	--	(193,515)	(4,051)
Net Non-Operating Revenues (Expenses)	(25,098)	3,269	(21,829)	118,565
Change In Net Position	(804,333)	(49,122)	(853,455)	116,383
<i>Net Position at Beginning of Period - Restated (Note 14)</i>	14,005,717	56,780	14,062,497	2,613,818
Net Position at End of Period	\$ 13,201,384	\$ 7,658	\$ 13,209,042	\$ 2,730,201

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hastings
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023**

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer	Township Sewer (Nonmajor)	Total Enterprise Funds	
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ 3,496,827	\$ 48,169	\$ 3,544,996	\$ 1,035,085
Cash Paid to Suppliers for Good and Services	(2,268,796)	(107,948)	(2,376,744)	(412,931)
Cash Paid to Employees for Services and Fringe Benefits	(971,041)	-	(971,041)	(157,799)
Net Cash Provided by (Used in) Operating Activities	256,990	(59,779)	197,211	464,355
Cash Flows from Non-capital Financing Activities				
Miscellaneous Non-Operating Income (Expense)	-	-	-	48,696
State-shared Revenues and Grants	44,295	-	44,295	-
Change in Interfund Balances	-	-	-	255,001
Net Cash Provided by Non-capital Financing Activities	44,295	-	44,295	303,697
Cash Flows from Capital and Related Financing Activities				
Net Change of Capital Assets	(139,045)	-	(139,045)	(643,520)
Sale of Fixed Assets	-	-	-	62,806
Principal and Interest Paid on Capital Debt	(620,955)	-	(620,955)	(66,249)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(760,000)	-	(760,000)	(646,963)
Cash Flows from Investing Activities				
Investment Earnings	124,122	3,269	127,391	11,114
Net Cash Provided by Investing Activities	124,122	3,269	127,391	11,114
Net Increase (Decrease) in Cash and Investments	(334,593)	(56,510)	(391,103)	132,203
Cash and Investments - Beginning of Period	3,462,031	58,360	3,520,391	1,107,810
Cash and Investments - End of Period	\$ 3,127,438	\$ 1,850	\$ 3,129,288	\$ 1,240,013
Classification of Cash and Investments				
Cash and Investments	\$ 3,127,438	\$ 1,850	\$ 3,129,288	\$ 1,240,013
Total Cash and Cash Investments	\$ 3,127,438	\$ 1,850	\$ 3,129,288	\$ 1,240,013

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Hastings
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023**

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer	Township Sewer (Nonmajor)	Total Enterprise Funds	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ (779,235)	\$ (52,391)	\$ (831,626)	\$ (2,182)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization	858,490	-	858,490	272,125
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(102,212)	(2,290)	(104,502)	181,872
Inventories	13,626	-	13,626	9,080
Accounts Payable	(150,507)	(5,098)	(155,605)	3,427
Accrued and Other Liabilities	13,627	-	13,627	(816)
Net Pension Liability and Related Deferrals	481,473	-	481,473	-
Net OPEB Liability and Related Deferrals	(77,602)	-	(77,602)	-
Compensated Absences	(670)	-	(670)	849
Net Cash Provided by (Used in) Operating Activities	\$ 256,990	\$ (59,779)	\$ 197,211	\$ 464,355

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Pension and Benefit Trust	Custodial	
	Retiree Health Care	General Custodial	Tax Collection
ASSETS			
Cash and Investments	\$ --	\$ 54,023	\$ 663
Interest in Pooled Intestments	744,027	--	--
<i>Total Assets</i>	744,027	--	--
LIABILITIES			
Accounts Payable	--	60	--
Due to Other Governments	--	53,963	663
<i>Total Liabilities</i>	--	54,023	663
NET POSITION			
Restricted for Individuals, Organizations, and Agencies	\$ 744,027	\$ --	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Pension and Benefit Trust	Custodial	
	Retiree Health Care	General Custodial	Tax Collection
Additions			
Investment Income			
Net Increase (Decrease) Fair Value	\$ 51,691	\$ --	\$ --
<i>Net Investment Income</i>	51,691	--	--
Contributions			
Employer Contributions	103,052	--	--
<i>Total Contributions</i>	103,052	--	--
Taxes Collected for Other Governments	--	--	6,778,326
Contributions	--	133,219	--
Total Additions	154,743	133,219	6,778,326
Deductions			
General Government	104,361	--	--
Payments of Property Taxes to Other Governments	--	--	6,778,326
Services on Behalf of Other Organizations	--	133,219	--
Total Deductions	104,361	133,219	6,778,326
Change in Net Position	50,382	--	--
<i>Net Position at Beginning of Period - Restated (Note 14)</i>	693,645	--	--
Net Position at End of Period	\$ 744,027	\$ --	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Combining Statement of Net Position
Component Units
June 30, 2023

	<u>Brownfield</u>	<u>Downtown Development Authority</u>	<u>Local Finance Development Authority</u>	<u>Total Component Units</u>
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 326	\$ 779,929	\$ 493,594	\$ 1,273,849
Other Assets	--	--	23,738	23,738
<i>Total Current Assets</i>	<u>326</u>	<u>779,929</u>	<u>517,332</u>	<u>1,297,587</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	315,346	38,082	--	353,428
Due to Other Governments	--	87,791	--	87,791
<i>Total Current Liabilities</i>	<u>315,346</u>	<u>125,873</u>	<u>--</u>	<u>441,219</u>
NET POSITION				
<i>Unrestricted</i>	(315,020)	654,056	517,332	856,368
<i>Total Net Position</i>	<u>\$ (315,020)</u>	<u>\$ 654,056</u>	<u>\$ 517,332</u>	<u>\$ 856,368</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Hastings
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2023

	Brownfield	Downtown Development Authority	Local Finance Development Authority	Total Component Units
Expenses				
General Government	\$ 9,338	\$ --	\$ --	\$ 9,338
Community and Economic Development	--	647,870	6,384	654,254
Total Expenses	9,338	647,870	6,384	663,592
Program Revenues				
Charges for services	--	2,249	4,948	7,197
Operating grants and contributions	--	60,282	39,363	99,645
Total Program Revenues	--	62,531	44,311	106,842
Net Program Revenues (Expenses)	(9,338)	(585,339)	37,927	(556,750)
General Revenue				
Property Taxes	23,593	659,355	22,568	705,516
Investment Earnings	264	23,120	14,347	37,731
Total General Revenues	23,857	682,475	36,915	743,247
Change in Net Position	14,519	97,136	74,842	186,497
<i>Net Position at Beginning of Period</i>	<i>(329,539)</i>	<i>556,920</i>	<i>442,490</i>	<i>669,871</i>
Net Position at End of Period	\$ (315,020)	\$ 654,056	\$ 517,332	\$ 856,368

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

City of Hastings

Notes to the Financial Statements

Note 1 - Nature of Business and Significant Accounting Policies

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

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

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

Reporting Entity

The City is governed by an elected nine-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Units

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

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

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

The City of Hastings Local Development Finance Authority was created to account for the work done to improve local infrastructure, as well as promote economic growth within the district.

City of Hastings

Notes to the Financial Statements

Operation of the authority is funded through tax increment financing (TIF) which helps to cover costs related to improvements. The budgets and expenditures of the authority must be approved by the City Council.

Joint Venture

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

The agreement requires that each governmental unit provide 50% of the net budget appropriation requirements and that financial record keeping be maintained by the County. During the current year, the City did not contribute any funds for operations and capital improvements. The City’s investment in this joint venture as of June 30, 2023 is \$2,850,098, which is recorded in the governmental activities of the City. The Commission is presented as a component unit in the County’s financial statements. The financial statements can be obtained by contacting Barry County, 220 West State Street, Hastings, MI 49058.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

City of Hastings

Notes to the Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds, fiduciary funds, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

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

The ***major street fund*** is used for the operation of the Cities major street operation and maintenances, and is funded in part by State revenues.

The City reports the following major proprietary funds:

The ***water and sewer fund*** accounts for the activities of the Sewage disposal treatment water treatment and distribution systems.

City of Hastings

Notes to the Financial Statements

Additionally, the City reports the following fund types:

The ***special revenue funds*** are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The ***internal service funds*** are used to account for shared services and equipment usage provided to the City departments and funds on a cost reimbursement basis.

The ***enterprise funds*** are used to account for usage fees charged at a level intended to recover the expenses associated with the underlying service.

The ***retiree health care trust fund*** accounts for the activities of the City of Hastings Retiree Health Care System, which accumulates resources for retiree health care payments to qualified employees.

The ***custodial fund*** is custodial in nature and does not present results of operations or have a measurement focus. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in a custodial capacity (such as taxes collected for other governments).

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Property Tax Revenue

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

City of Hastings

Notes to the Financial Statements

City property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available. The 2022 property tax roll, levied July 1, 2022, represents revenue for the fiscal year ended June 30, 2023.

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

The Taxable Value of the City for June 30, 2023 was \$228,866,410, the city levied 15.7745 Mills for operating and Cemetery 0.9848.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

Cash, Cash Equivalents, and Investments

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

State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level

City of Hastings

Notes to the Financial Statements

of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The water, and general funds have an allowance for doubtful accounts of \$1,050 and \$4,226, respectively.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale

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

Capital Assets

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

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

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

City of Hastings

Notes to the Financial Statements

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

	<u>Years</u>
Infrastructure	5-50
Land Improvements	10-30
Buildings and Improvements	15-50
Machinery, Equipment, and Vehicles	5-10
Office Furnishings	5-7
Water System	30-67
Sewer System	30-67

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation pay can only have 24 hours carried over year to year. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The general fund and debt service funds are generally used to liquidate governmental long-term debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Retiree Health Care Costs

The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Hastings Retiree

City of Hastings

Notes to the Financial Statements

Health Care Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension

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

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability and net OPEB liability. The net pension liability and net OPEB liability amounts are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan/OPEB investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Additionally, the City has a deferred inflow, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: receivables for revenues that are not considered to be available to liquidate liabilities of the current period and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Hastings

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular order from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The

City of Hastings

Notes to the Financial Statements

City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

Use of Estimates

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

Note 2 - Statutory Compliance

Budgetary Information

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

- The budgets are generated with input from the City Manager, the City Clerk/Treasurer/Director of Finance, the various department heads, and the City Council.
- The completed budgets are then presented to City electors at a public budget hearing in May, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.
- Prior to July 1, the budgets are legally enacted through passage of an appropriations resolution.
- The budget may only be amended by action of the City Council.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.

City of Hastings

Notes to the Financial Statements

- The original General and Special Revenue Funds budgets were amended one time during the year.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level for each individual fund.

Budgetary Compliance

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The City had the following expenditures in excess of the amount appropriated during the year ended June 30, 2023:

<u>Fund / Activity</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
General			
Code Compliance	\$ 51,690	\$ 62,816	\$ (11,126)
Community Service	124,022	143,807	(19,785)
Arts and Cultural Activities	57,775	62,220	(4,445)

Note 3 - Deposits and Investments

The City maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of June 30, 2023:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Statement of Net Position			
Cash and Investments	\$ 11,290,531	\$ 1,273,849	\$ 12,564,380
Statement of Fiduciary Net Position			
Cash and Investments	798,713	-	798,713
Total Deposits and Investments	<u>\$ 12,089,244</u>	<u>\$ 1,273,849</u>	<u>\$ 13,363,093</u>
Deposits and Investments			
Checking and Savings Accounts			\$ 5,102,958
Certificates of Deposit			720,000
External Investment Pool			7,540,135
Total			<u>\$ 13,363,093</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require, and the City does not have a

City of Hastings

Notes to the Financial Statements

policy for deposit custodial credit risk. As of year-end, \$1,748,759 of the City's bank balance of \$5,933,369 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, City policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2023, none of the City's investments were exposed to concentration credit risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City's investments of \$1,453,027 were not applicable to credit risk ratings, while \$6,807,108 was AAAm.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	Certificates of	
	Deposit	Investments
No Maturity	\$ -	\$ 7,540,135
Due Within One Year	720,000	-
	<u>\$ 720,000</u>	<u>\$ 7,540,135</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio.

City of Hastings

Notes to the Financial Statements

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- | | |
|----------|--|
| Level 1: | Quoted prices in active markets for identical securities. |
| Level 2: | Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others. |
| Level 3: | Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available. |

The City has the following recurring fair value measurements as of June 30, 2023:

- All investments that are categorized as certificate of deposit, cash equivalents, money market, and liquid asset savings, with a balance of \$1,453,027, which are valued using quoted market prices (level 1 inputs).
- All external investment pool amounts (Michigan CLASS), with a balance of \$6,807,108, which are valued using observable inputs (level 2 inputs).

City of Hastings

Notes to the Financial Statements

Note 4 - Interfund Transactions

Interfund transfers in and out for the year ended June 30, 2023 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Street	General	\$ 160,105
Local Street	Major Street	150,000

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund Receivables and Payable were as follows as of June 30, 2023:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	General	\$ 3,098

City of Hastings

Notes to the Financial Statements

Note 5 - Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 1,568,287	\$ -	\$ -	\$ -	\$ 1,568,287
Art	129,012	-	-	-	129,012
Construction in Progress	11,832	152,974	-	-	164,806
<i>Subtotal</i>	<u>1,709,131</u>	<u>152,974</u>	<u>-</u>	<u>-</u>	<u>1,862,105</u>
Capital Assets being Depreciated					
Land Improvements	3,133,526	720,350	-	-	3,853,876
Infrastructure	9,809,500	-	-	-	9,809,500
Buildings and Improvements	9,261,153	5,085	20,772	-	9,245,466
Equipment	2,556,723	663,433	89,290	-	3,130,866
Library Books	13,767	-	-	-	13,767
Vehicles	2,504,267	154,000	179,231	-	2,479,036
<i>Subtotal</i>	<u>27,278,936</u>	<u>1,542,868</u>	<u>289,293</u>	<u>-</u>	<u>28,532,511</u>
Less Accumulated Depreciation					
Land Improvements	1,512,574	135,997	-	-	1,648,571
Infrastructure	2,924,915	378,989	-	-	3,303,904
Buildings and Improvements	4,028,222	228,799	20,772	-	4,236,249
Equipment	1,545,235	221,958	87,823	-	1,679,370
Library Books	13,766	1	-	-	13,767
Vehicles	1,768,574	166,256	109,249	-	1,825,581
<i>Subtotal</i>	<u>11,793,286</u>	<u>1,132,000</u>	<u>217,844</u>	<u>-</u>	<u>12,707,442</u>
Capital Assets being Depreciated, Net	<u>15,485,650</u>	<u>410,868</u>	<u>71,449</u>	<u>-</u>	<u>15,825,069</u>
Capital Assets, Net	<u>\$ 17,194,781</u>	<u>\$ 563,842</u>	<u>\$ 71,449</u>	<u>\$ -</u>	<u>\$ 17,687,174</u>

City of Hastings

Notes to the Financial Statements

Business-type Activities	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 99,200	\$ -	\$ -	\$ -	\$ 99,200
Construction in Progress	223,560	86,374	-	(258,360)	51,574
<i>Subtotal</i>	<u>322,760</u>	<u>86,374</u>	<u>-</u>	<u>(258,360)</u>	<u>150,774</u>
Capital Assets being Depreciated					
Land Improvements	18,003	46,872	-	-	64,875
Buildings and Improvements	18,265,517	-	-	-	18,265,517
Equipment	2,696,010	5,799	-	258,360	2,960,169
Water System	9,620,542	-	-	-	9,620,542
Sewer System	2,146,640	-	-	-	2,146,640
<i>Subtotal</i>	<u>32,746,712</u>	<u>52,671</u>	<u>-</u>	<u>258,360</u>	<u>33,057,743</u>
Less Accumulated Depreciation					
Land Improvements	6,922	1,933			8,855
Buildings and Improvements	6,004,161	501,319	-	-	6,505,480
Equipment	1,080,302	180,907			1,261,209
Water System	4,280,917	142,134	-	-	4,423,051
Sewer System	813,075	32,197	-	-	845,272
<i>Subtotal</i>	<u>12,185,377</u>	<u>858,490</u>	<u>-</u>	<u>-</u>	<u>13,043,867</u>
Capital Assets being Depreciated, Net	<u>20,561,335</u>	<u>(805,819)</u>	<u>-</u>	<u>258,360</u>	<u>20,013,876</u>
Capital Assets, Net	<u>\$ 20,884,095</u>	<u>\$ (719,445)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,164,650</u>

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

Governmental Activities

General Government	\$ 265,869
Public Safety	77,868
Public Works	514,722
Recreation and Culture	1,416
Equipment Fund	272,125
Total	<u>\$ 1,132,000</u>

Business-type Activities

Water and Sewer	\$ 858,490
Total	<u>\$ 858,490</u>

City of Hastings

Notes to the Financial Statements

Note 6 - Long-term Debt

The following is a summary of the debt transactions of the City for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2021 Installment Purchase Agreement	\$ 320,958	\$ -	\$ 62,198	\$ 258,760	\$ 63,163
Compensated Absences	141,667	168,857	184,820	125,704	51,818
Total Governmental Activities	462,625	168,857	247,018	384,464	114,981
Business-Type Activities:					
2013 Waste-Water Treatment SRF Loan	723,853	-	55,000	668,853	55,000
2020 Clean Water SRF Loan	8,687,313	-	372,440	8,314,873	380,000
Compensated Absences	21,667	34,616	35,286	20,997	6,721
Total Business-type Activities	9,432,833	34,616	462,726	9,004,723	441,721
Total Long-term Obligations	\$ 9,895,458	\$ 203,473	\$ 709,744	\$ 9,389,187	\$ 556,702

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2023, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 63,094	\$ 4,437	\$ 67,531	\$ 435,000	\$ 175,875	\$ 610,875
2025	64,166	3,365	67,531	435,000	167,175	602,175
2026	65,274	2,257	67,531	445,000	158,375	603,375
2027	66,226	1,305	67,531	460,000	149,375	609,375
2028	-	-	-	470,000	140,075	610,075
2029-2033	-	-	-	2,445,000	556,273	3,001,273
2034-2038	-	-	-	2,343,853	311,114	2,654,967
2039-2043	-	-	-	1,949,873	74,192	2,024,065
Totals:	\$ 258,760	\$ 11,364	\$ 270,124	\$ 8,983,726	\$ 1,732,454	\$ 10,716,180

The following is a description of the City's debt instruments outstanding for the year ended June 30, 2023:

2013 Waste-Water Treatment SRF Loan – The City issued a \$1,140,000 waste water treatment loan on September 13, 2013. The loan calls for annual principal installments ranging from \$50,000 to \$69,000 through April 1, 2034, with interest at 2.00%.

2020 Clean Water SRF Loan – The City issued a \$8,687,313 clean water loan on March 27, 2020. The loan calls for annual principal installments ranging from \$372,000 to \$510,000 through October 1, 2039, with interest at 2.00%.

2021 Installment Purchase Agreement – The City issued a \$381,944 installment purchase agreement on March 27, 2020. The loan calls for annual principal installments ranging from \$61,000 to \$66,000 through July 1, 2026, with interest at 1.69%.

City of Hastings

Notes to the Financial Statements

Note 7 - Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the City including AFSCME, non-union, police, patrolmen, police command, and clerical employees. Retirement benefits for employees are as follows:

Division	Plan Type	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - closed to new hires	Defined Benefit	2.5%/2.0%	80% Max/No Max	5	60	55/25	50/25 or 55/15	10
Police - closed to new hires	Defined Benefit	2.5%/2.25%	80% Max/80% Max	5	60	50/25	55/15	10
Fire - FT - closed to new hires	Defined Benefit	2.5%/2.0%	80% Max/No Max	5	60	55/25	50/25 or 55/15	10
DPW - closed to new hires	Defined Benefit	2.5%/2.0%	80% Max/No Max	5	60	55/25	50/25 or 55/15	10
Fire Volunteer - closed to new hires	Defined Benefit	1.2% x FAC < 4,200, plus 1.7% x FAC > 4,200	No Max	5	60	n/a	50/25 or 55/15	10
City Council - closed to new hires	Defined Benefit	2.5%/2.0%	80% Max/No Max	5	60	55/25	50/25 or 55/15	10
DPW	Hybrid	1.00%	No Max	3	60	n/a	n/a	6
General	Hybrid	1.00%	No Max	3	60	n/a	n/a	6
Fire - Full Time	Hybrid	1.00%	No Max	3	60	n/a	n/a	6
Police	Hybrid	1.00%	No Max	3	60	n/a	n/a	6
City Council	Hybrid	1.00%	No Max	3	60	n/a	n/a	6

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

City of Hastings

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	83
Inactive Plan Members Entitled to but not yet Receiving Benefits	43
Active Plan Members	49
<i>Total Employees Covered by MERS</i>	<u>175</u>

Contributions

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

Division	Employer Contributions	Employee Contributions
General - closed to new hires	\$ 40,283	0.00%
Police - closed to new hires	15,227	2.10%
Fire - FT - closed to new hires	5,004	0.00%
DPW - closed to new hires	13,457	0.00%
Fire Volunteer - closed to new hires	-	3% < 5%
City Council - closed to new hires	977	0.00%
 DPW	 5.50%	 0.00%
General	5.70%	0.00%
Fire - Full Time	0.00%	0.00%
Police	2.73%	0.00%
City Council	4.51%	0.00%

Net Pension Liability

The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

City of Hastings

Notes to the Financial Statements

Actuarial Assumptions

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

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment Rate of Return: 7.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates were based on the following tables:

Preretirement mortality:

1. 100 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100 percent of PubG-2010 Employee Mortality Tables for Ages 18-80
3. 100 percent of PubG-2010 Healthy Retiree Tables for Ages 81-120

Nondisabled retired plan members and beneficiaries:

1. 106 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 106 percent of PubG-2010 Employee Mortality Tables for Ages 18-49
3. 106 percent of PubG-2010 Healthy Retiree Tables for Ages 50-120

Disabled retired plan members:

1. 100 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100 percent of PubNS-2010 Disabled Retiree Tables for Ages 18-120

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

City of Hastings

Notes to the Financial Statements

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Total	100.00%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total pension liability in the current year and prior year is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 18,269,660	\$ 8,710,020	\$ 9,559,640
<i>Changes for the Year:</i>			
Service Cost	135,898	-	135,898
Interest on Total Pension Liability	1,279,447	-	1,279,447
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(130,870)	-	(130,870)
Changes of Assumptions	-	-	-
Contributions - Employer	-	1,398,574	(1,398,574)
Contributions - Employee	-	2,014	(2,014)
Net Investment Income	-	(878,591)	878,591
Benefit Payments, Including Refunds	(1,380,127)	(1,380,127)	-
Administrative Expenses		(21,143)	21,143
Other	1	-	1
<i>Net Changes</i>	<i>(95,651)</i>	<i>(879,273)</i>	<i>783,622</i>
Balance at December 31, 2022	\$ 18,174,009	\$ 7,830,747	\$ 10,343,262

City of Hastings

Notes to the Financial Statements

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability of the City	<u>\$ 1,906,516</u>	<u>\$ 10,343,262</u>	<u>\$ (1,609,828)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City recognized pension expense of \$1,688,023. At June 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 132,579
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,601,267	-
Changes of Assumptions	202,229	-
Contributions Subsequent to the Measurement Date*	705,039	-
Total	<u>\$ 2,508,535</u>	<u>\$ 132,579</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2024.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 511,999
2025	443,287
2026	413,622
2027	302,009
Total	<u>\$ 1,670,917</u>

City of Hastings

Notes to the Financial Statements

Note 8 - Postemployment Health Care Benefits

Plan Description

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

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

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

Benefits Provided and Contributions

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

Effective November 8, 2021, Medicare eligible retirees are given a monthly stipend of \$100 to be deposited into an HSCP and coverage of dependents and spouses has been discontinued.

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

City of Hastings

Notes to the Financial Statements

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2023):

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	36
Active Plan Members	9
<i>Total Employees Covered by the Plan</i>	<u>45</u>

Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023 and a measurement date of June 30, 2023 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.0% for purposes of allocating liabilities
Investment Rate of Return	7.0% including inflation
20-Year Aa Municipal Bond Rate	4.13%
Mortality	PubG-2010 Mortality Table using Scale MP-2021

Healthcare cost trend rates starting at 7.25% in FYE 2023 for pre-Medicare decreasing to an ultimate rate of 4.50% for in FYE 2033 and beyond, and post-Medicare starting at 5.50% in FYE 2023 decreasing to a rate of 4.50% in FYE 2026 and beyond.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.78%. This discount rate is used to determine the total OPEB liability.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The City Treasurer is authorized by the City Charter to manage investments of the City, as well as to establish procedures and internal controls for the operation of the investment program to be consistent with the investment policy.

The investment rate of return was assumed to be 7.0%, net of OPEB plan investment expense, including inflation. The long-term expected rate of return on OPEB plan investments was determined by using the long-term expected rate of return using the target asset allocation:

City of Hastings

Notes to the Financial Statements

Asset Class	Target Allocation	Long-term Expected Gross Rate of Return
Global Equity	60.00%	4.50%
Global Fixed Income	20.00%	2.00%
Private Investments	20.00%	7.00%
Total	100.00%	

Changes in Assumptions Since Prior Valuation

The mortality and medical trend rates were changed to reflect anticipated experience under Public Act 202. The expected retirement age was changed to reflect retiree experience. The premiums have decreased from the previous year. The overall impact of the new assumptions is a decrease in the benefit obligations.

Changes in the net OPEB liability during the measurement year were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2022	\$ 864,573	\$ 693,645	\$ 170,928
<i>Changes for the Year:</i>			
Service Cost	2,387	-	2,387
Interest on Total Pension Liability	47,132	-	47,132
Differences Between Expected and Actual Experience	20,986	-	20,986
Changes in Benefit Terms	-	-	-
Changes of Assumptions	(29,111)	-	(29,111)
Contributions - Employer	-	103,052	(103,052)
Net Investment Income	-	51,691	(51,691)
Benefit Payments, Including Refunds	(103,052)	(103,052)	-
Administrative Expenses	-	(1,309)	1,309
<i>Net Changes</i>	(61,658)	50,382	(112,040)
Balance at June 30, 2023	\$ 802,915	\$ 744,027	\$ 58,888

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

The following presents the net OPEB liability of the employer, calculated using the discount rate of 5.78%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

City of Hastings

Notes to the Financial Statements

	1% Decrease (4.78%)	Current Discount Rate (5.78%)	1% Increase (6.78%)
Net Pension Liability of the City	\$ 114,395	\$ 58,888	\$ 9,788

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

The following presents the net OPEB liability of the employer, calculated using the current healthcare cost trend rate, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate:

	1% Decrease (6.5%)	Current Trend Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability of the City	\$ 37,798	\$ 58,888	\$ 81,657

OPEB Expense and Deferred Inflows of Resources Related to OPEB Plan

For the year ended June 30, 2023, the City recognized OPEB expense of \$(310,828). At June 30, 2023, the City reported deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 411	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	33,903	-
Changes of Assumptions	-	571
Total	\$ 34,314	\$ 571

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

Year Ending June 30,	Amount
2024	\$ 9,089
2025	2,342
2026	22,950
2027	(638)
Total	\$ 33,743

City of Hastings

Notes to the Financial Statements

Note 9 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2023, the City's operating tax revenues were reduced by \$44,973 under this.

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims, claims relating to general liability and property loss, and participates in the Michigan Municipal League Workers' Compensation Fund risk pool for claims relating to workers' compensation. Settled claims related to commercial insurances have historically not exceeded the City's insurance coverages.

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

Note 11 - Compliance

The City reported a fund balance deficit in the Brownfield Redevelopment Authority fund of \$315,020 as of June 30, 2023. The deficit will be paid down and eliminated in future years as the Authority is able to capture revenue from future incremental increase in taxable values.

The City reported an unrestricted deficit net position in the Governmental Activities of \$666,288.

Note 12 - Subsequent Events

Management of the city is aware of the following subsequent events as of December 15, 2023, the date of issuance of the audit report.

1. On August 29, 2023, the City issues a new limited tax bond for 2.73 million. The bond has an interest rate of 3.844% and will mature on November 1, 2043.

City of Hastings

Notes to the Financial Statements

Note 13 - Adoption of GASB Statement No. 96, SBITAs

The City adopted the provisions of GASB Statement No. 96, SBITAs, in the current year, which improves accounting and financial reporting for subscription-based information technology arrangements by governments. This statement requires recognition of certain right to use assets and liabilities for SBITAs that previously were not shown on the balance sheet. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under this statement, the City is required to recognize a SBITA liability and an intangible right-to-use SBITA asset, if certain conditions were met, the City did not have any such agreements.

Note 14 – Prior Period Adjustments

The financial statements for the year ended June 30, 2022 have been restated.

The restatement is summarized as follows:

	Governmental Activities	Business-Type Activities	Water and Sewer	Pension and Benefit Trust
Net Position - June 30, 2022, as previously reported	\$ 19,068,806	\$ 14,444,832	\$ 13,798,157	\$ -
Adjustment in Bond Payable	-	207,560	207,560	-
Reclassification of Internal Service Net Position	589,895	(589,895)	-	-
Adjustment to Beginning Capital Assets	51,027	-	-	-
Adjustment for Unrecorded Assets	-	-	-	744,027
<i>Net Position - June 30, 2022 - as restated</i>	<u>\$ 19,709,728</u>	<u>\$ 14,062,497</u>	<u>\$ 14,005,717</u>	<u>\$ 744,027</u>

Required Supplementary Information

City of Hastings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 3,362,500	\$ 3,345,008	\$ 3,341,472	\$ (3,536)
Special Assessments	56,750	--	--	--
Licenses and Permits	26,525	64,375	64,058	(317)
Federal Sources	365,000	21,000	21,000	--
State Sources	1,273,000	1,103,322	1,084,139	(19,183)
Local Sources	590,320	606,320	558,524	(47,796)
Charges for Services	597,250	573,700	580,475	6,775
Fines and Forfeitures	9,200	18,450	18,133	(317)
Investment Income and Rentals	113,000	204,000	331,242	127,242
Other Revenue	16,500	307,830	302,096	(5,734)
Total Revenues	6,410,045	6,244,005	6,301,139	57,134
Expenditures				
General Government				
City Council	68,604	66,104	63,079	3,025
Mayor	13,347	13,847	12,954	893
City Manager	181,323	186,323	179,546	6,777
Finance Department	328,063	327,063	297,515	29,548
Clerk	146,355	126,355	114,345	12,010
Information Technology	223,000	233,000	208,446	24,554
Board of Review	2,392	2,392	2,124	268
Treasurer	75,496	75,496	74,524	972
Assessor	122,169	142,169	140,811	1,358
Elections	38,970	38,970	36,405	2,565
City Hall and Grounds	175,945	165,945	141,294	24,651
Legal and Audit	78,000	73,000	62,666	10,334
Other General Government	764,675	764,675	693,363	71,312
Total General Government	2,218,339	2,215,339	2,027,072	188,267
Public Safety				
Police	2,026,807	1,776,807	1,687,019	89,788
Code Compliance	47,690	51,690	62,816	(11,126)
Fire Department	526,004	516,004	477,267	38,737
Inspections	40,000	48,000	45,815	2,185
Total Public Safety	2,640,501	2,392,501	2,272,917	119,584
Public Works				
Department of Public Service Admin	173,662	173,662	158,785	14,877
Parking Lots - Non SAD	59,500	59,500	11,134	48,366
Parking Lots - SAD	80,850	80,850	21,061	59,789
Street Lighting	94,500	94,500	87,207	7,293
Community Services	114,022	124,022	143,807	(19,785)
Total Public Works	522,534	532,534	421,994	110,540
Community and Economic Development				
Planning and Zoning	21,570	18,570	16,930	1,640
Joint Planning and Zoning	600	2,600	1,879	721
Community and Economic Development	137,886	152,886	144,813	8,073
Community Development Grants	75,000	70,594	70,593	1
Cable Access	23,757	13,757	11,101	2,656
Total Community and Economic Development	258,813	258,407	245,316	13,091
Recreation and Culture				
Parks and Recreation	714,164	214,164	213,885	279
Arts and Cultural Activities	57,775	57,775	62,220	(4,445)
Total Recreation and Culture	771,939	271,939	276,105	(4,166)
Total Expenditures	6,412,126	5,670,720	5,243,404	427,316
Other Financing Uses				
Transfers Out	160,105	160,105	160,105	--
Total Expenditures and Other Financing Uses	6,572,231	5,830,825	5,403,509	427,316
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(162,186)	413,180	897,630	484,450
Net Change in Fund Balance	(162,186)	413,180	897,630	484,450
Fund Balance at Beginning of Period	3,802,070	3,802,070	3,802,070	--
Fund Balance at End of Period	\$ 3,639,884	\$ 4,215,250	\$ 4,699,700	\$ 484,450

City of Hastings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Major Street
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Federal Sources	\$ 230,000	\$ 260,000	\$ 257,224	\$ (2,776)
State Sources	680,000	830,000	861,120	31,120
Local Sources	--	--	3,070	3,070
Charges for Services	32,500	32,500	--	(32,500)
Investment Income and Rentals	150	7,150	23,163	16,013
Other Revenue	--	--	571	571
Total Revenues	942,650	1,129,650	1,145,148	15,498
Expenditures				
Public Works	1,094,877	924,877	797,195	127,682
Total Expenditures	1,094,877	924,877	797,195	127,682
Other Financing Uses				
Transfers Out	--	150,000	150,000	--
Total Expenditures and Other Financing Uses	1,094,877	1,074,877	947,195	127,682
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(152,227)	54,773	197,953	143,180
Net Change in Fund Balance	(152,227)	54,773	197,953	143,180
<i>Fund Balance at Beginning of Period</i>	<i>617,448</i>	<i>617,448</i>	<i>617,448</i>	<i>--</i>
Fund Balance at End of Period	\$ 465,221	\$ 672,221	\$ 815,401	\$ 143,180

City of Hastings
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Plan Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 135,898	\$ 125,234	\$ 128,088	\$ 134,489	\$ 148,110	\$ 138,539	\$ 149,861	\$ 156,822	\$ 166,909
Interest on Total Pension Liability	1,279,447	1,198,127	1,217,073	1,177,358	1,252,431	1,234,049	1,215,477	1,192,492	1,175,920
Changes in Benefit Terms	-	-	-	-	-	(1,974)	-	-	-
Differences Between Expected and Actual Experience	(130,870)	(135,997)	78,860	478,489	(324,935)	53,377	66,455	(176,810)	-
Changes of Assumptions**	-	606,688	464,905	557,681	-	-	-	727,510	-
Benefit Payments, Including Refunds	(1,380,127)	(1,352,687)	(1,388,409)	(1,291,043)	(1,174,619)	(1,223,752)	(1,164,203)	(1,150,859)	(1,122,957)
Other	1	98,466	40,340	62,374	-	180	-	-	-
Net Change in Pension Liability	(95,651)	539,831	540,857	1,119,348	(99,013)	200,419	267,590	749,155	219,872
<i>Total Pension Liability - Beginning</i>	<i>18,269,660</i>	<i>17,729,829</i>	<i>17,188,972</i>	<i>16,069,624</i>	<i>16,168,637</i>	<i>15,968,218</i>	<i>15,700,628</i>	<i>14,951,473</i>	<i>14,731,601</i>
Total Pension Liability - Ending (a)	\$ 18,174,009	\$ 18,269,660	\$ 17,729,829	\$ 17,188,972	\$ 16,069,624	\$ 16,168,637	\$ 15,968,218	\$ 15,700,628	\$ 14,951,473
Plan Fiduciary Net Position									
Contributions - Employer	\$ 1,398,574	\$ 828,110	\$ 731,102	\$ 677,236	\$ 638,127	\$ 609,436	\$ 717,651	\$ 633,390	\$ 598,213
Contributions - Employee	2,014	3,136	3,561	5,717	7,647	5,785	5,649	7,266	8,466
Net Investment Income (Loss)	(878,591)	1,108,847	921,263	988,651	(310,528)	1,017,247	834,716	(115,260)	509,219
Benefit Payments, Including Refunds	(1,380,127)	(1,352,687)	(1,388,409)	(1,291,043)	(1,174,619)	(1,223,752)	(1,164,203)	(1,150,859)	(1,122,957)
Administrative Expenses	(21,143)	(12,717)	(15,253)	(17,018)	(15,830)	(16,164)	(16,520)	(17,437)	(18,563)
Net Change in Plan Fiduciary Net Position	(879,273)	574,689	252,264	363,543	(855,203)	392,552	377,293	(642,900)	(25,622)
<i>Plan Fiduciary Net Position - Beginning</i>	<i>8,710,020</i>	<i>8,135,331</i>	<i>7,883,067</i>	<i>7,519,524</i>	<i>8,374,727</i>	<i>7,982,175</i>	<i>7,604,882</i>	<i>8,247,782</i>	<i>8,273,404</i>
Plan Fiduciary Net Position - Ending (b)	\$ 7,830,747	\$ 8,710,020	\$ 8,135,331	\$ 7,883,067	\$ 7,519,524	\$ 8,374,727	\$ 7,982,175	\$ 7,604,882	\$ 8,247,782
Net Pension Liability - Ending (a) - (b)	\$ 10,343,262	\$ 9,559,640	\$ 9,594,498	\$ 9,305,905	\$ 8,550,100	\$ 7,793,910	\$ 7,986,043	\$ 8,095,746	\$ 6,703,691
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	43.09%	47.67%	45.88%	45.86%	46.79%	51.80%	49.99%	48.44%	55.16%
Covered Payroll	\$ 2,356,060	\$ 2,324,434	\$ 2,408,130	\$ 2,288,966	\$ 2,356,062	\$ 2,167,475	\$ 2,186,822	\$ 2,137,801	\$ 2,251,414
Net Pension Liability as a Percentage of Covered Payroll	439.01%	411.27%	398.42%	406.55%	362.90%	359.58%	365.19%	378.70%	297.75%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

**The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

City of Hastings
Required Supplementary Information
Schedule of Contributions
Last Nine Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 705,039	\$ 828,110	\$ 731,101	\$ 677,236	\$ 596,547	\$ 625,114	\$ 567,651	\$ 544,754	\$ 507,242
Contributions in Relation to the Actuarially Determined Contribution	705,039	828,110	731,101	677,236	596,547	625,114	717,651	654,754	617,242
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ (110,000)</u>	<u>\$ (110,000)</u>
Covered Payroll	\$ 1,403,737	\$ 2,324,434	\$ 2,408,130	\$ 2,288,966	\$ 2,294,274	\$ 2,303,999	\$ 2,242,387	\$ 2,327,398	\$ 2,238,967
Contributions as a Percentage of Covered Payroll	50.23%	35.63%	30.36%	29.59%	26.00%	27.13%	32.00%	28.13%	27.57%

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which is the year prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019)
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2019

City of Hastings
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Six Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 2,387	\$ 29,208	\$ 38,947	\$ 63,413	\$ 74,878	\$ 103,897
Interest on Total Pension Liability	47,132	299,635	291,965	295,791	300,137	431,988
Differences Between Expected and Actual Experience	20,986	(2,260,553)	(46,604)	268,711	(98,888)	(88,853)
Changes of Assumptions**	(29,111)	(180,086)	(817,922)	156,183	13,969	-
Change in Plan Terms	-	(6,043,819)	-	-	(4,368,569)	-
Benefit Payments, Including Refunds	(103,052)	(283,708)	(382,613)	(397,247)	(380,682)	(335,982)
Net Change in OPEB Liability	(61,658)	(8,439,323)	(916,227)	386,851	(4,459,155)	111,050
<i>Total OPEB Liability - Beginning</i>	<i>864,573</i>	<i>9,303,896</i>	<i>10,220,123</i>	<i>9,833,272</i>	<i>14,292,427</i>	<i>14,181,377</i>
Total OPEB Liability - Ending (a)	\$ 802,915	\$ 864,573	\$ 9,303,896	\$ 10,220,123	\$ 9,833,272	\$ 14,292,427
Plan Fiduciary Net Position						
Contributions - Employer	\$ 103,052	\$ 283,708	\$ 382,613	\$ 397,247	\$ 380,682	\$ 335,982
Net Investment Income (Loss)	51,691	(62,321)	144,161	12,190	25,279	44,207
Benefit Payments, Including Refunds	(103,052)	(283,708)	(382,613)	(397,247)	(380,682)	(335,982)
Administrative Expenses	(1,309)	(1,358)	(1,256)	(1,102)	(1,220)	(1,353)
Net Change in Plan Fiduciary Net Position	50,382	(63,679)	142,905	11,088	24,059	42,854
<i>Plan Fiduciary Net Position - Beginning</i>	<i>693,645</i>	<i>757,324</i>	<i>614,419</i>	<i>603,331</i>	<i>579,272</i>	<i>536,418</i>
Plan Fiduciary Net Position - Ending (b)	\$ 744,027	\$ 693,645	\$ 757,324	\$ 614,419	\$ 603,331	\$ 579,272
Net OPEB Liability - Ending (a) - (b)	\$ 58,888	\$ 170,928	\$ 8,546,572	\$ 9,605,704	\$ 9,229,941	\$ 13,713,155
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	92.67%	80.23%	8.14%	6.01%	6.14%	4.05%
Covered Payroll	\$ 480,666	\$ 524,450	\$ 550,344	\$ 588,525	\$ 843,228	\$ 992,264
Net OPEB Liability as a Percentage of Covered Payroll	12.25%	32.59%	1552.95%	1632.17%	1094.60%	1382.01%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.75. An additional year will be added each year until ten years are presented.

City of Hastings
Required Supplementary Information
Schedule of Contributions
Last Six Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 37,045	\$ 549,052	\$ 585,583	\$ 584,630	\$ 590,387	\$ 808,642
Contributions in Relation to the Actuarially Determined Contribution	103,052	283,708	382,613	397,247	380,682	335,982
Contribution Deficiency (Excess)	<u>\$ (66,007)</u>	<u>\$ 265,344</u>	<u>\$ 202,970</u>	<u>\$ 187,383</u>	<u>\$ 209,705</u>	<u>\$ 472,660</u>
 Covered Payroll	 \$ 480,666	 \$ 524,450	 \$ 550,344	 \$ 588,525	 \$ 843,228	 \$ 992,264
 Contributions as a Percentage of Covered Payroll	 21.44%	 54.10%	 69.52%	 67.50%	 45.15%	 33.86%

Notes:

Valuation Date: June 30, 2023

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Remaining Amortization Period	6 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation
Healthcare Cost Trend Rate	7.25% for pre-Medicare; 5.50% for post-Medicare
Retirement Age	100% at and after age 59
Mortality	Pub-2010 with MP-2021

Combining and Individual Fund Statements and Schedules

**City of Hastings
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023**

	Special Revenue					Total Nonmajor Governmental Funds
	Local Streets	Cemetery	Drug Enforcement	Police Training	Library	
ASSETS						
Cash and Investments	\$ 159,474	\$ 387,761	\$ 12,856	\$ 3,883	\$ 669,190	\$ 1,233,164
Due from Other Governments	52,217	--	--	--	--	52,217
Due from Other Funds	--	2,098	--	1,000	--	3,098
<i>Total Assets</i>	\$ 211,691	\$ 389,859	\$ 12,856	\$ 4,883	\$ 669,190	\$ 1,288,479
LIABILITIES						
Accounts Payable	\$ 4,431	\$ 9,534	\$ --	\$ --	\$ 17,702	\$ 31,667
Accrued Liabilities	6,459	--	--	--	9,200	15,659
<i>Total Liabilities</i>	10,890	9,534	--	--	26,902	47,326
FUND BALANCE						
Restricted	200,801	380,325	12,856	4,883	642,288	1,241,153
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	200,801	380,325	12,856	4,883	642,288	1,241,153
<i>Total Liabilities and Fund Balance</i>	\$ 211,691	\$ 389,859	\$ 12,856	\$ 4,883	\$ 669,190	\$ 1,288,479

City of Hastings
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue					Total Nonmajor Governmental Funds
	Local Streets	Cemetery	Drug Enforcement	Police Training	Library	
Revenues						
Property Taxes	\$ --	\$ 204,659	\$ --	\$ --	\$ --	\$ 204,659
Federal Sources	--	1,018	--	--	10,929	11,947
State Sources	343,304	--	--	2,354	14,391	360,049
Local Sources	--	--	--	--	412,795	412,795
Charges for Services	--	30,957	--	--	26,474	57,431
Investment Income and Rentals	8,156	10,306	--	147	26,205	44,814
Other Revenue	327	219,807	--	368	58,704	279,206
Total Revenues	351,787	466,747	--	2,869	549,498	1,370,901
Expenditures						
Public Safety	--	--	5,730	3,098	--	8,828
Public Works	620,985	372,471	--	--	--	993,456
Recreation and Culture	--	--	--	--	675,863	675,863
Total Expenditures	620,985	372,471	5,730	3,098	675,863	1,678,147
Excess of Revenues Over (Under) Expenditures	(269,198)	94,276	(5,730)	(229)	(126,365)	(307,246)
Other Financing Sources (Uses)						
Transfers In	150,000	--	--	1,500	158,605	310,105
Net Other Financing Sources (Uses)	150,000	--	--	1,500	158,605	310,105
Net Change in Fund Balance	(119,198)	94,276	(5,730)	1,271	32,240	2,859
<i>Fund Balance at Beginning of Period</i>	<i>319,999</i>	<i>286,049</i>	<i>18,586</i>	<i>3,612</i>	<i>610,048</i>	<i>1,238,294</i>
Fund Balance at End of Period	\$ 200,801	\$ 380,325	\$ 12,856	\$ 4,883	\$ 642,288	\$ 1,241,153

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 Honorable Mayor
and the City Council
City of Hastings, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, Michigan (the "City"), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI
December 15, 2023

December 15, 2023

To the Honorable Mayor and Members of the City Council
City of Hastings, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hastings, Michigan (the “City”) for the year ended June 30, 2023. 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 August 17, 2023. 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 the City are described in Note 1 to the financial statements. There were no new accounting policies adopted, except as stated in Note 13 to the financial statements, the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by the City 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 City’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefit plans are based on historical trends and industry standards.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the 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 December 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's 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 the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules, which are 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 combining and individual fund statements, which accompany the financial statements but are not RSI. With respect to this 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 information and use the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI