



**CITY OF HASTINGS
BARRY COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024**

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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, 2024, 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, 2024, 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.

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 16, 2024, 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.



Gabridge & Company, PLC
Grand Rapids, MI
December 16, 2024

Management's Discussion and Analysis

**City of Hastings
Management’s Discussion and Analysis
June 30, 2024**

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, 2024. 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 \$40,597,513 (shown as *net position*), representing an increase of \$5,550,123 over the previous fiscal year.
- At the close of the current fiscal year, the City’s governmental funds reported combined fund balances of \$7,756,521, an increase of \$1,000,267 in comparison with the prior year. Approximately 66.3% of this amount, \$5,141,169, 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 \$5,141,169, or 81.5% 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 \$40,597,513 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		Business-type		Total Primary	
	Activities		Activities		Government	
	2024	2023	2024	2023	2024	2023
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 8,559,807	\$ 8,161,243	\$ 3,712,931	\$ 3,129,288	\$ 12,272,738	\$ 11,290,531
Accounts Receivable	11,130	19,682	848,534	629,856	859,664	649,538
Due from Other Governmental Units	426,997	423,273	-	-	426,997	423,273
Leases Receivable	37,947	-	-	-	37,947	-
Inventories	18,616	21,181	81,107	57,260	99,723	78,441
Prepaid and Other Assets	420,165	396,426	-	-	420,165	396,426
Total Current Assets	9,474,662	9,021,805	4,642,572	3,816,404	14,117,234	12,838,209
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	2,457,098	1,862,105	253,970	150,774	2,711,068	2,012,879
Capital Assets being Depreciated	16,624,516	15,825,069	19,436,501	20,013,876	36,061,017	35,838,945
Investment in Joint Venture	2,850,098	2,850,098	-	-	2,850,098	2,850,098
Lease Receivable, Long-Term	26,445	-	-	-	26,445	-
Net OPEB Asset	105,342	-	26,335	-	131,677	-
Total Assets	31,538,161	29,559,077	24,359,378	23,981,054	55,897,539	53,540,131
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	1,069,412	1,984,028	399,850	524,508	1,469,262	2,508,536
OPEB Related	4,189	27,451	1,047	6,863	5,236	34,314
Total Deferred Outflows of Resources	1,073,601	2,011,479	400,897	531,371	1,474,498	2,542,850
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	312,473	126,043	55,779	33,628	368,252	159,671
Due to Other Governments	815	225	-	-	815	225
Accrued Liabilities	120,904	120,213	55,879	62,751	176,783	182,964
Unearned Revenues	236,261	768,244	-	-	236,261	768,244
Current Portion of Compensated Absences	59,136	51,818	8,320	6,721	67,456	58,539
Current Portion of Long-term Debt	64,234	63,163	435,000	435,000	499,234	498,163
Total Current Liabilities	793,823	1,129,706	554,978	538,100	1,348,801	1,667,806
<i>Noncurrent Liabilities</i>						
Compensated Absences	77,244	73,886	16,868	14,276	94,112	88,162
Long-term Debt	131,363	195,597	8,113,726	8,548,726	8,245,089	8,744,323
Net Pension Liability	4,972,471	8,180,594	1,859,188	2,162,668	6,831,659	10,343,262
Net OPEB Liability	-	47,110	-	11,778	-	58,888
Total Liabilities	5,974,901	9,626,893	10,544,760	11,275,548	16,519,661	20,902,441
DEFERRED INFLOWS OF RESOURCES						
Pension Related	138,551	104,858	51,803	27,721	190,354	132,579
OPEB Related	1,582	457	395	114	1,977	571
Deferred Lease Revenues	62,532	-	-	-	62,532	-
Total Deferred Inflows of Resources	202,665	105,315	52,198	27,835	254,863	133,150
NET POSITION						
Net Investment in Capital Assets	18,886,017	17,428,414	11,141,745	11,180,924	30,027,762	28,609,338
<i>Restricted</i>	1,991,546	5,006,652	-	-	1,991,546	5,006,652
<i>Unrestricted</i>	5,556,633	(596,718)	3,021,572	2,028,118	8,578,205	1,431,400
Total Net Position	\$ 26,434,196	\$ 21,838,348	\$ 14,163,317	\$ 13,209,042	\$ 40,597,513	\$ 35,047,390

The largest portion of the City's net position, \$30,027,762, or 74.0%, 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, \$1,991,546, or 4.9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,578,205 or 21.1%, may be used to meet the City's ongoing obligations to citizens and creditors.

Cash and investments increased by \$398,564 within governmental activities and \$583,643 within business-type activities. Governmental activities increased largely due to the change in fund balance and change in unearned revenues. 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 decreased 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 increased.

The City's total revenue for the fiscal year ended June 30, 2024 was \$14,816,975 while total cost of all programs and services was \$9,266,852. This resulted in an increase in net position of \$5,550,123.

The following table presents a summary of the changes in net position for the years ended June 30, 2024 and 2023:

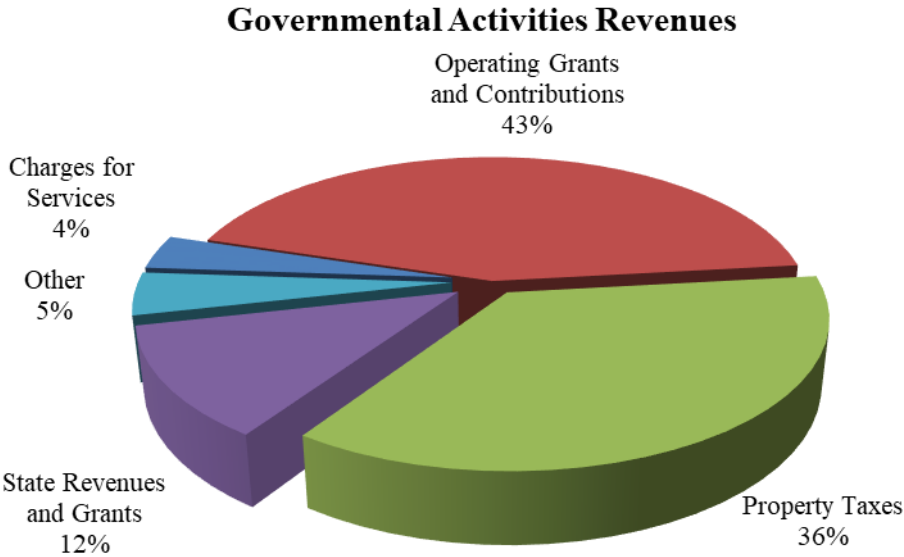
City of Hastings's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues						
Charges for Services	\$ 375,422	\$ 947,660	\$ 4,448,720	\$ 3,635,872	\$ 4,824,142	\$ 4,583,532
Operating Grants and Contributions	4,400,963	3,081,873	36,020	44,295	4,436,983	3,126,168
Total Program Revenues	<u>4,776,385</u>	<u>4,029,533</u>	<u>4,484,740</u>	<u>3,680,167</u>	<u>9,261,125</u>	<u>7,709,700</u>
General Revenues						
Property Taxes	3,673,412	3,546,131	-	-	3,673,412	3,546,131
Unrestricted State Aid	1,217,901	993,440	-	-	1,217,901	993,440
Investment Earnings	469,827	299,206	194,710	127,391	664,537	426,597
Total General Revenues	<u>5,361,140</u>	<u>4,838,777</u>	<u>194,710</u>	<u>127,391</u>	<u>5,555,850</u>	<u>4,966,168</u>
Total Revenues	<u>10,137,525</u>	<u>8,868,310</u>	<u>4,679,450</u>	<u>3,807,558</u>	<u>14,816,975</u>	<u>12,675,868</u>
Expenses						
General Government	975,107	2,182,030	-	-	975,107	2,182,030
Public Safety	1,558,549	1,829,027	-	-	1,558,549	1,829,027
Public Works	1,992,199	1,554,594	3,725,175	4,661,013	5,717,374	6,215,607
Community and Economic Development	198,559	242,676	-	-	198,559	242,676
Recreation and Culture	813,727	927,312	-	-	813,727	927,312
Interest on Long-term Debt	3,536	4,051	-	-	3,536	4,051
Total Expenses	<u>5,541,677</u>	<u>6,739,690</u>	<u>3,725,175</u>	<u>4,661,013</u>	<u>9,266,852</u>	<u>11,400,703</u>
Change in Net Position	<u>4,595,848</u>	<u>2,128,620</u>	<u>954,275</u>	<u>(853,455)</u>	<u>5,550,123</u>	<u>1,275,165</u>
<i>Net Position at Beginning of Period</i>	<u>21,838,348</u>	<u>19,709,728</u>	<u>13,209,042</u>	<u>14,062,497</u>	<u>35,047,390</u>	<u>33,772,225</u>
Net Position at End of Period	<u>\$ 26,434,196</u>	<u>\$ 21,838,348</u>	<u>\$ 14,163,317</u>	<u>\$ 13,209,042</u>	<u>\$ 40,597,513</u>	<u>\$ 35,047,390</u>

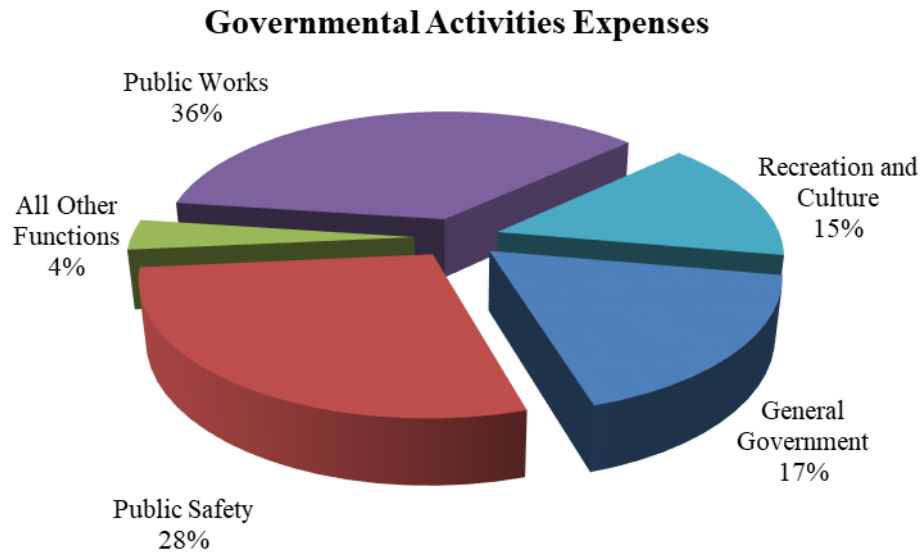
Governmental Activities. Governmental activities increased the City’s net position by \$4,595,848 for the year ended June 30, 2024 compared to an increase of \$2,128,620 for the year ended June 30, 2023. Operating grants and contributions increased by \$1,319,090 due to an increase in federal grants in the general fund. Property taxes saw a modest increase due to a slight increase in taxable values.

Business-type Activities. Business-type activities increased the City’s net position by \$954,275 for the year ended June 30, 2024, compared to a decrease of \$853,455 for the year ended June 30, 2023. Charges for services increased by \$8,12,848 as a result of an increase in sewer and water usage. Expenditures decreased by \$935,838 largely due to better overall performance of the pension plan and decreased repairs and maintenance costs.

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, 2024, the City's governmental funds reported combined fund balances of \$7,756,521, an increase of \$1,000,267 in comparison with the prior year. Approximately 66.3% of this amount, or \$5,141,169, 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, \$420,165, or 5.4%, for land held for resale, 2) assigned for police and recreation and culture expenditures, \$203,641 or 2.6%, or 3) restricted for particular purposes of \$1,991,546, or 25.7%.

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 \$5,141,169, while total fund balance increased

to \$1,000,267. 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 81.5% of total general fund expenditures and transfers out, while total fund balance represents approximately 89.7% of that same amount.

The fund balance of the City’s general fund increased by \$958,249 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 library fund, a major fund, decreased by \$129,296 for an ending fund balance of \$512,992. The increase is a result of the fund having increased 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 increased net position by \$961,933, and the township sewer decreased by \$7,658.

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, 2024:

Fund / Activity	Final Budget	Actual Amount	Negative Variance
General			
City Manager	\$ 183,080	\$ 187,432	\$ (4,352)
Finance Department	356,745	368,219	(11,474)
Treasurer	78,808	81,997	(3,189)
Fire Department	1,140,922	1,209,060	(68,138)
Inspections	55,000	103,877	(48,877)

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, 2024 amounted to \$38,772,085 (net of accumulated depreciation). Of this amount, \$19,081,614 was for its governmental activities and \$19,690,471 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 \$8,744,323. Of this amount, \$195,597 was for governmental activities while \$8,548,726 was for business-type activities.

The City made principal payments of \$498,163 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 7 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 2024. 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 2025, 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, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 8,559,807	\$ 3,712,931	\$ 12,272,738	\$ 2,363,255
Accounts Receivable	11,130	848,534	859,664	--
Due from Other Governments	426,997	--	426,997	--
Lease Receivable	37,947	--	37,947	--
Inventories	18,616	81,107	99,723	--
Other Assets	420,165	--	420,165	--
Total Current Assets	9,474,662	4,642,572	14,117,234	2,363,255
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	2,457,098	253,970	2,711,068	2,594,117
Capital Assets Being Depreciated	16,624,516	19,436,501	36,061,017	--
Investment in Joint Venture	2,850,098	--	2,850,098	--
Lease Receivable, Long Term	26,445	--	26,445	--
Net OPEB Asset	105,342	26,335	131,677	--
Total Assets	31,538,161	24,359,378	55,897,539	4,957,372
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	1,069,412	399,850	1,469,262	--
OPEB Related	4,189	1,047	5,236	--
Total Deferred Outflows of Resources	1,073,601	400,897	1,474,498	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	312,473	55,779	368,252	1,140,914
Due to Other Governments	815	--	815	87,791
Accrued Liabilities	120,904	55,879	176,783	--
Unearned Revenues	236,261	--	236,261	--
Current Portion of Compensated Absences	59,136	8,320	67,456	--
Current Portion of Long-Term Debt	64,234	435,000	499,234	90,000
Total Current Liabilities	793,823	554,978	1,348,801	1,318,705
<i>Noncurrent Liabilities</i>				
Compensated Absences	77,244	16,868	94,112	--
Long-Term Debt	131,363	8,113,726	8,245,089	2,678,604
Net Pension Liability	4,972,471	1,859,188	6,831,659	--
Total Liabilities	5,974,901	10,544,760	16,519,661	3,997,309
DEFERRED INFLOWS OF RESOURCES				
Pension Related	138,551	51,803	190,354	--
OPEB Related	1,582	395	1,977	--
Deferred Lease Revenues	62,532	--	62,532	--
Total Deferred Inflows of Resources	202,665	52,198	254,863	--
NET POSITION				
Net Investment in Capital Assets	18,886,017	11,141,745	30,027,762	--
<i>Restricted for:</i>				
Major and Local Streets	309,055	--	309,055	--
Public Safety	13,601	--	13,601	--
Library Operations	1,111,180	--	1,111,180	--
Building Improvement and Revolving Loans	105,966	--	105,966	--
Cemetery Operations	451,744	--	451,744	--
<i>Unrestricted</i>	5,556,633	3,021,572	8,578,205	960,063
Total Net Position	\$ 26,434,196	\$ 14,163,317	\$ 40,597,513	\$ 960,063

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, 2024**

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	\$ 975,107	\$ 310,910	\$ 1,436,938	\$ --	\$ 772,741	\$ --	\$ 772,741	\$ --
Public Safety	1,558,549	1,002	453,871	--	(1,103,676)	--	(1,103,676)	--
Public Works	1,992,199	25,932	1,166,711	--	(799,556)	--	(799,556)	--
Community and Economic Development	198,559	6,445	10,550	--	(181,564)	--	(181,564)	--
Recreation and Culture	813,727	31,133	1,332,893	--	550,299	--	550,299	--
Interest on Long-Term Debt	3,536	--	--	--	(3,536)	--	(3,536)	--
Total Governmental Activities	5,541,677	375,422	4,400,963	--	(765,292)	--	(765,292)	--
Business-type Activities:								
Water and Sewer	3,717,287	4,448,720	36,020	--	--	767,453	767,453	--
Township Sewer (Nonmajor)	7,888	--	--	--	--	(7,888)	(7,888)	--
Total Business-type Activities	3,725,175	4,448,720	36,020	--	--	759,565	759,565	--
Total Primary Government	\$ 9,266,852	\$ 4,824,142	\$ 4,436,983	\$ --	\$ (765,292)	\$ 759,565	\$ (5,727)	--
Component Units								
Brownfield	\$ 8,728	\$ --	\$ --	\$ --	--	--	--	(8,728)
Downtown Development Authority	270,848	1,603	--	--	--	--	--	(269,245)
Local Finance Development Authority	589,805	6,285	--	--	--	--	--	(583,520)
Total Component Units	\$ 869,381	\$ 7,888	\$ --	\$ --	--	--	--	(861,493)
General Purpose Revenues:								
					3,673,412	--	3,673,412	854,049
					1,217,901	--	1,217,901	--
					469,827	194,710	664,537	111,139
					5,361,140	194,710	5,555,850	965,188
					4,595,848	954,275	5,550,123	103,695
					21,838,348	13,209,042	35,047,390	856,368
					\$ 26,434,196	\$ 14,163,317	\$ 40,597,513	\$ 960,063

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

**City of Hastings
Balance Sheet
Governmental Funds
June 30, 2024**

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Library</u>		
ASSETS				
Cash and Investments	\$ 5,354,721	\$ 575,570	\$ 1,627,230	\$ 7,557,521
Accounts Receivable	11,130	--	--	11,130
Due from Other Governments	252,003	--	174,994	426,997
Lease Receivable	64,392	--	--	64,392
Other Assets	420,165	--	--	420,165
Due from Other Funds	--	--	3,098	3,098
<i>Total Assets</i>	<u>\$ 6,102,411</u>	<u>\$ 575,570</u>	<u>\$ 1,805,322</u>	<u>\$ 8,483,303</u>
LIABILITIES				
Accounts Payable	\$ 46,669	\$ 53,478	\$ 208,301	\$ 308,448
Due to Other Governments	815	--	--	815
Accrued Liabilities	95,087	9,100	11,441	115,628
Unearned Revenues	236,261	--	--	236,261
Due to Other Funds	3,098	--	--	3,098
<i>Total Liabilities</i>	<u>381,930</u>	<u>62,578</u>	<u>219,742</u>	<u>664,250</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Lease Revenues	62,532	--	--	62,532
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>444,462</u>	<u>62,578</u>	<u>219,742</u>	<u>726,782</u>
FUND BALANCE				
Nonspendable	420,165	--	--	420,165
Restricted	105,966	300,000	1,585,580	1,991,546
Assigned	203,641	--	--	203,641
Unassigned	4,928,177	212,992	--	5,141,169
<i>Total Fund Balance</i>	<u>5,657,949</u>	<u>512,992</u>	<u>1,585,580</u>	<u>7,756,521</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 6,102,411</u>	<u>\$ 575,570</u>	<u>\$ 1,805,322</u>	<u>\$ 8,483,303</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, 2024

Total Fund Balance - Governmental Funds	\$	7,756,521
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		2,702,078
General government capital assets of \$27,979,735, net of accumulated depreciation of \$10,793,127, are not financial resources and, accordingly, are not reported in the funds.		17,186,608
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(127,448)
Net pension liability and related deferrals are not due and payable in the current period and are not reported in the funds.		(4,041,610)
Net pension liability and related deferrals are not due and payable in the current period and are not reported in the funds.		107,949
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>26,434,196</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, 2024

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Library</u>		
Revenues				
Property Taxes	\$ 3,465,463	\$ --	\$ 207,949	\$ 3,673,412
Special Assessments	27,659	--	--	27,659
Licenses and Permits	131,686	--	--	131,686
Federal Sources	535,133	23,600	--	558,733
State Sources	1,406,966	13,704	1,125,443	2,546,113
Local Sources	857,536	464,346	--	1,321,882
Charges for Services	19,906	18,488	25,932	64,326
Fines and Forfeitures	19,556	--	652	20,208
Investment Income and Rentals	452,155	29,068	54,634	535,857
Other Revenue	348,459	818,720	3,993	1,171,172
Total Revenues	<u>7,264,519</u>	<u>1,367,926</u>	<u>1,418,603</u>	<u>10,051,048</u>
Expenditures				
General Government	1,688,686	--	--	1,688,686
Public Safety	3,252,482	--	6,814	3,259,296
Public Works	516,447	--	1,391,975	1,908,422
Community and Economic Development	222,240	--	--	222,240
Recreation and Culture	309,966	1,662,171	--	1,972,137
Total Expenditures	<u>5,989,821</u>	<u>1,662,171</u>	<u>1,398,789</u>	<u>9,050,781</u>
Excess of Revenues Over (Under) Expenditures	<u>1,274,698</u>	<u>(294,245)</u>	<u>19,814</u>	<u>1,000,267</u>
Other Financing Sources (Uses)				
Transfers In	--	164,949	301,500	466,449
Transfers Out	(316,449)	--	(150,000)	(466,449)
Net Other Financing Sources (Uses)	<u>(316,449)</u>	<u>164,949</u>	<u>151,500</u>	<u>--</u>
Net Change in Fund Balance	958,249	(129,296)	171,314	1,000,267
<i>Fund Balance at Beginning of Period</i>	4,699,700	642,288	1,414,266	6,756,254
Fund Balance at End of Period	<u>\$ 5,657,949</u>	<u>\$ 512,992</u>	<u>\$ 1,585,580</u>	<u>\$ 7,756,521</u>

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, 2024

Total Net Change in Fund Balances - Governmental Funds	\$	1,000,267
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		(28,123)
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 \$2,159,452 exceeds depreciation expense of \$911,333.		1,248,119
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.		(12,294)
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.		2,259,814
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.		128,065
Changes in Net Position - Governmental Activities	\$	<u>4,595,848</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, 2024**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Township Sewer (Nonmajor)</u>	<u>Total Enterprise Funds</u>	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 3,712,931	\$ --	\$ 3,712,931	\$ 1,002,286
Accounts Receivable	848,534	--	848,534	--
Inventories	81,107	--	81,107	18,616
Total Current Assets	4,642,572	--	4,642,572	1,020,902
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	253,970	--	253,970	104,700
Capital Assets Being Depreciated	19,436,501	--	19,436,501	1,790,306
Net OPEB Asset	26,335	--	26,335	--
Total Assets	24,359,378	--	24,359,378	2,915,908
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	399,850	--	399,850	--
OPEB Related	1,047	--	1,047	--
Total Deferred Outflows of Resources	400,897	--	400,897	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	55,779	--	55,779	4,025
Accrued Liabilities	55,879	--	55,879	5,276
Current Portion of Compensated Absences	8,320	--	8,320	2,980
Current Portion of Long-Term Debt	435,000	--	435,000	64,234
Total Current Liabilities	554,978	--	554,978	76,515
<i>Noncurrent Liabilities</i>				
Compensated Absences	16,868	--	16,868	5,952
Long-Term Debt	8,113,726	--	8,113,726	131,363
Net Pension Liability	1,859,188	--	1,859,188	--
Total Liabilities	10,544,760	--	10,544,760	213,830
DEFERRED INFLOWS OF RESOURCES				
Pension Related	51,803	--	51,803	--
OPEB Related	395	--	395	--
Total Deferred Inflows of Resources	52,198	--	52,198	--
NET POSITION				
Net Investment in Capital Assets	11,141,745	--	11,141,745	1,699,409
<i>Unrestricted</i>	3,021,572	--	3,021,572	1,002,669
Total Net Position	\$ 14,163,317	\$ --	\$ 14,163,317	\$ 2,702,078

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, 2024

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Township Sewer (Nonmajor)</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Operating Revenues				
Charges for Services	\$ 4,367,538	\$ --	\$ 4,367,538	\$ 603,230
Other Operating Revenue	81,182	--	81,182	--
Total Operating Revenues	<u>4,448,720</u>	<u>--</u>	<u>4,448,720</u>	<u>603,230</u>
Operating Expenses				
Personnel Services	887,884	--	887,884	149,419
Materials and Supplies	487,857	--	487,857	158,144
Other Services and Charges	1,296,432	7,888	1,304,320	102,521
Depreciation	871,414	--	871,414	304,210
Total Operating Expenses	<u>3,543,587</u>	<u>7,888</u>	<u>3,551,475</u>	<u>714,294</u>
Operating Income (Loss)	<u>905,133</u>	<u>(7,888)</u>	<u>897,245</u>	<u>(111,064)</u>
Non-Operating Revenues (Expenses)				
State Sources	36,020	--	36,020	--
Investment Earnings	194,480	230	194,710	48,902
Gain on Sale of Capital Assets	--	--	--	36,418
Insurance Claims and Reimbursements	--	--	--	1,157
Interest on Long-Term Debt	(173,700)	--	(173,700)	(3,536)
Net Non-Operating Revenues (Expenses)	<u>56,800</u>	<u>230</u>	<u>57,030</u>	<u>82,941</u>
Change In Net Position	961,933	(7,658)	954,275	(28,123)
<i>Net Position at Beginning of Period</i>	13,201,384	7,658	13,209,042	2,730,201
Net Position at End of Period	<u>\$ 14,163,317</u>	<u>\$ --</u>	<u>\$ 14,163,317</u>	<u>\$ 2,702,078</u>

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, 2024**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Township Sewer (Nonmajor)</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ 4,222,735	\$ 7,307	\$ 4,230,042	\$ 603,230
Cash Paid to Suppliers for Good and Services	(1,077,321)	(9,387)	(1,086,708)	(151,934)
Cash Paid to Employees for Services and Fringe Benefits	(1,784,486)	-	(1,784,486)	(258,270)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>1,360,928</u>	<u>(2,080)</u>	<u>1,358,848</u>	<u>193,026</u>
Cash Flows from Non-capital Financing Activities				
Miscellaneous Non-Operating Income (Expense)	-	-	-	1,157
State-shared Revenues and Grants	36,020	-	36,020	-
<i>Net Cash Provided by Non-capital Financing Activities</i>	<u>36,020</u>	<u>-</u>	<u>36,020</u>	<u>1,157</u>
Cash Flows from Capital and Related Financing Activities				
Net Change of Capital Assets	(397,235)	-	(397,235)	(450,531)
Sale of Fixed Assets	-	-	-	36,418
Principal and Interest Paid on Capital Debt	(608,700)	-	(608,700)	(66,699)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>(1,005,935)</u>	<u>-</u>	<u>(1,005,935)</u>	<u>(480,812)</u>
Cash Flows from Investing Activities				
Investment Earnings	194,480	230	194,710	48,902
<i>Net Cash Provided by Investing Activities</i>	<u>194,480</u>	<u>230</u>	<u>194,710</u>	<u>48,902</u>
Net Increase (Decrease) in Cash and Investments	585,493	(1,850)	583,643	(237,727)
Cash and Investments - Beginning of Period	3,127,438	1,850	3,129,288	1,240,013
<i>Cash and Investments - End of Period</i>	<u>\$ 3,712,931</u>	<u>\$ -</u>	<u>\$ 3,712,931</u>	<u>\$ 1,002,286</u>
Classification of Cash and Investments				
Cash and Investments	\$ 3,712,931	\$ -	\$ 3,712,931	\$ 1,002,286
<i>Total Cash and Cash Investments</i>	<u>\$ 3,712,931</u>	<u>\$ -</u>	<u>\$ 3,712,931</u>	<u>\$ 1,002,286</u>

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, 2024**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Township Sewer (Nonmajor)</u>	<u>Total Enterprise Funds</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ 905,133	\$ (7,888)	\$ 897,245	\$ (111,064)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization	871,414	-	871,414	304,210
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(225,985)	7,307	(218,678)	-
Inventories	(23,847)	-	(23,847)	2,565
Accounts Payable	23,650	(1,499)	22,151	(170)
Accrued and Other Liabilities	(6,872)	-	(6,872)	(897)
Net Pension Liability and Related Deferrals	(154,740)	-	(154,740)	-
Net OPEB Liability and Related Deferrals	(32,016)	-	(32,016)	-
Compensated Absences	4,191	-	4,191	(1,618)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 1,360,928</u>	<u>\$ (2,080)</u>	<u>\$ 1,358,848</u>	<u>\$ 193,026</u>

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, 2024

	Pension and Benefit Trust	Custodial	
	Retiree Health Care	General Custodial	Tax Collection
ASSETS			
Cash and Investments	\$ --	\$ 71,924	\$ --
Interest in Pooled Intestments	818,695	--	--
<i>Total Assets</i>	818,695	--	--
LIABILITIES			
Accounts Payable	--	30	--
Due to Other Governments	--	71,894	--
<i>Total Liabilities</i>	--	71,924	--
NET POSITION			
Restricted for Individuals, Organizations, and Agencies	\$ 818,695	\$ --	\$ --

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, 2024

	Pension and Benefit Trust	Custodial	
	Retiree Health Care	General Custodial	Tax Collection
Additions			
Investment Income			
Net Increase (Decrease) Fair Value	\$ 76,297	\$ --	\$ --
<i>Net Investment Income</i>	<u>76,297</u>	<u>--</u>	<u>--</u>
Contributions			
Employer Contributions	66,468	--	--
<i>Total Contributions</i>	<u>66,468</u>	<u>--</u>	<u>--</u>
Taxes Collected for Other Governments	--	--	6,480,019
Contributions	--	70,915	--
Total Additions	<u>142,765</u>	<u>70,915</u>	<u>6,480,019</u>
Deductions			
General Government	68,097	--	--
Payments of Property Taxes to Other Governments	--	--	6,480,019
Services on Behalf of Other Organizations	--	70,915	--
Total Deductions	<u>68,097</u>	<u>70,915</u>	<u>6,480,019</u>
Change in Net Position	74,668	--	--
<i>Net Position at Beginning of Period</i>	744,027	--	--
Net Position at End of Period	<u>\$ 818,695</u>	<u>\$ --</u>	<u>\$ --</u>

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

Brownfield Development Authority (Component Unit of the City of Hastings)
Governmental Fund Balance Sheet / Statement of Net Position
June 30, 2024

	Brownfield Fund	Statement of Net Position
ASSETS		
<i>Current Assets</i>		
Cash and Investments	\$ 52,060	\$ 52,060
Total Current Assets	52,060	52,060
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	270,214	270,214
Total Current Liabilities	270,214	270,214
FUND BALANCE / NET POSITION		
Unassigned / Unrestricted	(218,154)	(218,154)
Total Fund Balance / Net Position	\$ (218,154)	\$ (218,154)

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

Brownfield Development Authority (Component Unit of the City of Hastings)
Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2024

	Brownfield Fund	Statement of Activities
Expenditures / Expenses		
General Government	\$ 8,728	\$ 8,728
<i>Total Expenses</i>	8,728	8,728
<i>Net Program Revenues (Expenses)</i>	(8,728)	(8,728)
General Revenue		
Property Taxes	110,139	110,139
Interest Revenue (Loss)	(4,545)	(4,545)
<i>Total General Revenues</i>	105,594	105,594
<i>Change in Fund Balance / Net Position</i>	96,866	96,866
<i>Fund Balance / Net Position at Beginning of Period</i>	(315,020)	(315,020)
<i>Fund Balance / Net Position at End of Period</i>	\$ (218,154)	\$ (218,154)

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

Downtown Development Authority (Component Unit of the City of Hastings)
Governmental Fund Balance Sheet / Statement of Net Position
June 30, 2024

	DDA Fund	Adjustments	Statement of Net Position
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 2,311,195		\$ 2,311,195
Total Current Assets	2,311,195		2,311,195
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	-- (1)	2,594,117	2,594,117
Total Assets	2,311,195		4,905,312
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	870,700		870,700
Due to Other Governments	87,791		87,791
Current Long-term Debt	-- (2)	90,000	90,000
Total Current Liabilities	958,491		1,048,491
<i>Noncurrent Liabilities</i>			
Long-term Debt	-- (2)	2,678,604	2,678,604
Total Liabilities	958,491		3,727,095
FUND BALANCE / NET POSITION			
Unassigned / Unrestricted	1,352,704	(174,487)	1,178,217
Total Fund Balance / Net Position	\$ 1,352,704		\$ 1,178,217

(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

(2) Long-term debt and accrued interest are not due and payable in the current period and, therefore, are not reported as liabilities in the fund.

Downtown Development Authority (Component Unit of the City of Hastings)
Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2024

	DDA Fund		Adjustments	Statement of Activities
Expenditures / Expenses				
Community and Economic Development	\$ 2,791,558	(1)/(2)	(2,594,117)	\$ 197,441
Interest on Long-term Debt	73,407	(2)	-	73,407
Total Expenses	2,864,965			270,848
Program Revenues				
Charges for Services	1,603			1,603
Total Program Revenues	1,603			1,603
Net Program Revenues (Expenses)	(2,863,362)			(269,245)
General Revenue				
Property Taxes	695,713			695,713
Interest Revenue	97,693			97,693
Bond Proceeds	2,768,604	(2)	(2,768,604)	-
Total General Revenues	3,562,010			793,406
Change in Fund Balance / Net Position	698,648			524,161
<i>Fund Balance / Net Position at Beginning of Period</i>	654,056			654,056
Fund Balance / Net Position at End of Period	\$ 1,352,704			\$ 1,178,217

(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay expenditures of \$2,594,117.

(2) Current year long-term debt principal payments and bond proceeds are expenditures or revenues in the fund financial statements but are reductions or additions in long-term debt in the government-wide financial statements. This amount represents the principal payment on the debt of \$0 and the issuance of bonds of \$2,768,604.

Local Finance Development Authority (Component Unit of the City of Hastings)
Governmental Fund Balance Sheet / Statement of Net Position
June 30, 2024

	LFDA Fund	Statement of Net Position
ASSETS		
<i>Current Assets</i>		
Cash and Investments	\$ --	\$ --
Taxes Receivable	--	--
<i>Total Current Assets</i>	--	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	--	--
<i>Total Current Liabilities</i>	--	--
FUND BALANCE / NET POSITION		
Unassigned / Unrestricted	--	--
<i>Total Fund Balance / Net Position</i>	\$ --	\$ --

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

Local Finance Development Authority (Component Unit of the City of Hastings)
Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2024

	LFDA Fund	Statement of Activities
Expenditures / Expenses		
Community and Economic Development	\$ 589,805	\$ 589,805
<i>Total Expenses</i>	589,805	589,805
Program Revenues		
Charges for Services	6,285	6,285
<i>Total Program Revenues</i>	6,285	6,285
<i>Net Program Revenues (Expenses)</i>	(583,520)	(583,520)
General Revenue		
Property Taxes	48,197	48,197
Interest Revenue	17,991	17,991
<i>Total General Revenues</i>	66,188	66,188
<i>Change in Fund Balance / Net Position</i>	(517,332)	(517,332)
<i>Fund Balance / Net Position at Beginning of Period</i>	517,332	517,332
<i>Fund Balance / Net Position at End of Period</i>	\$ -	\$ -

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, 2024 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 ***library fund*** is used for the operation of the Cities library operations and is funded mainly by local contributions.

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 2023 property tax roll, levied July 1, 2023, represents revenue for the fiscal year ended June 30, 2024.

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, 2024 was \$240,001,913, 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.

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 order 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, 2024:

Fund / Activity	Final Budget	Actual Amount	Negative Variance
General			
City Manager	\$ 183,080	\$ 187,432	\$ (4,352)
Finance Department	356,745	368,219	(11,474)
Treasurer	78,808	81,997	(3,189)
Fire Department	1,140,922	1,209,060	(68,138)
Inspections	55,000	103,877	(48,877)

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, 2024:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Investments	\$ 12,272,738	\$ 2,363,255	\$ 14,635,993
Statement of Fiduciary Net Position			
Cash and Investments	890,619	-	890,619
<i>Total Deposits and Investments</i>	\$ 13,163,357	\$ 2,363,255	\$ 15,526,612
	Deposits and Investments		
Checking and Savings Accounts			\$ 7,530,969
External Investment Pool			7,995,643
<i>Total</i>			\$ 15,526,612

City of Hastings

Notes to the Financial Statements

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 policy for deposit custodial credit risk. As of year-end, \$3,299,958 of the City's bank balance of \$7,703,802 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, 2024, 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 \$818,695 were not applicable to credit risk ratings, while \$7,176,948 was AAAM (S&P).

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:

	<u>Investments</u>
No Maturity	<u>\$ 7,995,643</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, 2024:

- All investments that are categorized as certificate of deposit, cash equivalents, money market, and liquid asset savings, with a balance of \$818,695, which are valued using quoted market prices (level 1 inputs).
- All external investment pool amounts (Michigan CLASS), with a balance of \$7,176,948, 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, 2024 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental	General	151,500
Library	General	164,949
Nonmajor Governmental	Nonmajor Governmental	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, 2024:

<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	164,806	594,993	-	-	759,799
<i>Subtotal</i>	<u>1,862,105</u>	<u>594,993</u>	<u>-</u>	<u>-</u>	<u>2,457,098</u>
Capital Assets being Depreciated					
Land Improvements	3,853,876	197,020	-	-	4,050,896
Infrastructure	9,809,500	334,339	-	-	10,143,839
Buildings and Improvements	9,245,466	363,505	-	-	9,608,971
Equipment	3,130,866	207,086	29,998	-	3,307,954
Library Books	13,767	-	-	-	13,767
Vehicles	2,479,036	949,057	283,250	-	3,144,843
<i>Subtotal</i>	<u>28,532,511</u>	<u>2,051,007</u>	<u>313,248</u>	<u>-</u>	<u>30,270,270</u>
Less Accumulated Depreciation					
Land Improvements	1,648,571	183,931	-	-	1,832,502
Infrastructure	3,303,904	353,728	-	-	3,657,632
Buildings and Improvements	4,236,249	239,643	-	-	4,475,892
Equipment	1,679,370	256,856	29,998	-	1,906,228
Library Books	13,767	-	-	-	13,767
Vehicles	1,825,581	181,385	247,233	-	1,759,733
<i>Subtotal</i>	<u>12,707,442</u>	<u>1,215,543</u>	<u>277,231</u>	<u>-</u>	<u>13,645,754</u>
Capital Assets being Depreciated, Net	<u>15,825,069</u>	<u>835,464</u>	<u>36,017</u>	<u>-</u>	<u>16,624,516</u>
Capital Assets, Net	<u>\$ 17,687,174</u>	<u>\$ 1,430,457</u>	<u>\$ 36,017</u>	<u>\$ -</u>	<u>\$ 19,081,614</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	51,574	154,770	-	(51,574)	154,770
<i>Subtotal</i>	<u>150,774</u>	<u>154,770</u>	<u>-</u>	<u>(51,574)</u>	<u>253,970</u>
Capital Assets being Depreciated					
Land Improvements	64,875	-	-	-	64,875
Buildings and Improvements	18,265,517	106,307	-	51,574	18,423,398
Equipment	2,960,169	136,157	-	-	3,096,326
Water System	9,620,542	-	-	-	9,620,542
Sewer System	2,146,640	-	-	-	2,146,640
<i>Subtotal</i>	<u>33,057,743</u>	<u>242,464</u>	<u>-</u>	<u>51,574</u>	<u>33,351,781</u>
Less Accumulated Depreciation					
Land Improvements	8,855	2,775	-	-	11,630
Buildings and Improvements	6,505,480	501,455	-	-	7,006,935
Equipment	1,261,209	192,852	-	-	1,454,061
Water System	4,423,051	142,134	-	-	4,565,185
Sewer System	845,272	32,198	-	-	877,469
<i>Subtotal</i>	<u>13,043,867</u>	<u>871,414</u>	<u>-</u>	<u>-</u>	<u>13,915,280</u>
Capital Assets being Depreciated, Net	20,013,876	(628,950)	-	51,574	19,436,501
Capital Assets, Net	<u>\$ 20,164,650</u>	<u>\$ (474,180)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,690,471</u>

Component Unit - DDA	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Construction in progress	\$ -	\$ 2,594,117	\$ -	\$ -	\$ 2,594,117
Component Unit Capital Assets, Net	<u>\$ -</u>	<u>\$ 2,594,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,594,117</u>

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

Governmental Activities

General Government	\$ 287,185
Public Safety	86,754
Public Works	537,394
Equipment Fund	304,210
Total	<u>\$ 1,215,543</u>

Business-type Activities

Water and Sewer	\$ 871,414
Total	<u>\$ 871,414</u>

City of Hastings

Notes to the Financial Statements

Note 6 – Lease Receivables

The City acts as the lessor for leases involving the right to use City assets. The City recognizes a lease receivable and a deferred inflow of resources in its governmentwide-and governmental fund financial statements.

Initially, the lease receivable is measured at the present value of expected lease payments over the lease term. The lease receivable is subsequently reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable. Over the lease term the deferred inflow of resources is recognized as revenue.

Significant estimates and judgements involved include determining the discount rate used to present value lease receipts, determining the lease term, and estimating lease receipts. The City utilizes its estimated incremental borrowing rate as the discount rate for leases. The lease term comprises the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable consist of fixed payments from the lessee.

The City continually monitors changes that may necessitate a re-measurement of the lease receivable. If significant changes occur, the lease receivable will be remeasured accordingly.

The City is reporting total lease receivables of \$64,392 and deferred lease revenue of \$62,532 as of June 30, 2024.

The following describes the City's lease receivable as of year-end. T-Mobile lease: On March 1, 2021 the City entered into an agreement with T-Mobile to provide use of City land for communication services.

Below is a maturity schedule for the lease receivable:

Year ending	Governmental Activities		
	Principal	Interest	Total
June 30			
2025	\$ 37,947	\$ 1,016	\$ 38,963
2026	26,445	214	26,659
Total	<u>\$ 64,392</u>	<u>\$ 1,230</u>	<u>\$ 65,622</u>

City of Hastings

Notes to the Financial Statements

Note 7 - Long-term Debt

The following is a summary of the debt transactions of the City and DDA component unit for the year ended June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2021 Installment Purchase Agreement	\$ 258,760	\$ -	\$ 63,163	\$ 195,597	\$ 64,234
Compensated Absences	125,704	167,487	156,811	136,380	59,136
Total Governmental Activities	<u>384,464</u>	<u>167,487</u>	<u>219,974</u>	<u>331,977</u>	<u>123,370</u>
Business-Type Activities:					
2013 Waste-Water Treatment SRF Loan	668,853	-	55,000	613,853	55,000
2020 Clean Water SRF Loan	8,314,873	-	380,000	7,934,873	380,000
Compensated Absences	20,997	38,023	33,832	25,188	8,320
Total Business-type Activities	<u>9,004,723</u>	<u>38,023</u>	<u>468,832</u>	<u>8,573,914</u>	<u>443,320</u>
Total Long-term Obligations	<u>\$ 9,389,187</u>	<u>\$ 205,510</u>	<u>\$ 688,806</u>	<u>\$ 8,905,891</u>	<u>\$ 566,690</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit (DDA)					
2023 Limited Tax General Obligation Bonds - Streetscape Premium	\$ -	\$ 2,730,000	\$ -	\$ 2,730,000	\$ 90,000
	-	38,604	-	38,604	-
Total Component Unit (DDA)	<u>-</u>	<u>2,768,604</u>	<u>-</u>	<u>2,768,604</u>	<u>90,000</u>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2024, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 64,234	\$ 3,365	\$ 67,531	\$ 435,000	\$ 167,175	\$ 602,175
2026	65,274	2,257	67,531	445,000	158,375	603,375
2027	66,089	1,305	67,531	460,000	149,375	609,375
2028	-	-	-	470,000	140,075	610,075
2029	-	-	-	475,000	130,625	605,625
2030-2034	-	-	-	2,483,853	507,073	2,990,926
2035-2039	-	-	-	2,300,000	263,987	2,563,987
2040-2044	-	-	-	1,479,873	39,895	1,519,768
Totals:	<u>\$ 195,597</u>	<u>\$ 6,927</u>	<u>\$ 202,524</u>	<u>\$ 8,548,726</u>	<u>\$ 1,556,580</u>	<u>\$ 10,105,306</u>

City of Hastings

Notes to the Financial Statements

Component Unit (DDA)		
Principal	Interest	Total
\$ 90,000	\$ 107,400	\$ 197,400
95,000	103,700	198,700
100,000	99,800	199,800
105,000	95,700	200,700
105,000	91,500	196,500
600,000	389,000	989,000
735,000	256,100	991,100
900,000	92,800	992,800
<u>\$ 2,730,000</u>	<u>\$ 1,236,000</u>	<u>\$ 3,966,000</u>

The following is a description of the City's debt instruments outstanding for the year ended June 30, 2024:

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%.

2024 DDA Streetscape Bond – The City issued a \$2,730,000 bond agreement on August 29, 2023. The bond calls for annual principal installments ranging from \$90,000 to \$195,000 through October 1, 2043, with interest at 6.00%.

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

City of Hastings

Notes to the Financial Statements

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
		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
Fire Volunteer - closed to new hires	Defined Benefit							
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.

Employees Covered by Benefit Terms

At the December 31, 2023 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	<u>52</u>
<i>Total Employees Covered by MERS</i>	<u>178</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.

City of Hastings

Notes to the Financial Statements

Contributions are as follows:

<u>Division</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
General - closed to new hires	\$ 41,816	0.00%
Police - closed to new hires	16,398	2.10%
Fire - FT - closed to new hires	3,782	0.00%
DPW - closed to new hires	14,462	0.00%
Fire Volunteer - closed to new hires	-	3% < 5%
City Council - closed to new hires	570	0.00%
DPW	6.13%	0.00%
General	6.17%	0.00%
Fire - Full Time	2.80%	0.00%
Police	3.89%	0.00%
City Council	1.72%	0.00%

Net Pension Liability

The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2023 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: 6.93%, 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

City of Hastings

Notes to the Financial Statements

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:

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%	6.93%	4.16%	2.50%	2.66%
Global Fixed Income	20.00%	4.44%	0.89%	2.50%	0.39%
Private Investments	20.00%	9.44%	1.89%	2.50%	1.39%
Total	100.00%		6.93%		4.43%

Discount Rate

The discount rate used to measure the total pension liability in the current year and prior year is 7.18%. 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.

City of Hastings

Notes to the Financial Statements

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, 2022	\$ 18,174,009	\$ 7,830,747	\$ 10,343,262
<i>Changes for the Year:</i>			
Service Cost	150,151	-	150,151
Interest on Total Pension Liability	1,273,002	-	1,273,002
Differences Between Expected and Actual Experience	(220,096)	-	(220,096)
Changes of Assumptions	122,581	-	122,581
Contributions - Employer	-	3,843,121	(3,843,121)
Contributions - Employee	-	2,044	(2,044)
Net Investment Income	-	1,012,322	(1,012,322)
Benefit Payments, Including Refunds	(1,380,862)	(1,380,862)	-
Administrative Expenses		(20,245)	20,245
Other	1	-	1
<i>Net Changes</i>	<u>(55,223)</u>	<u>3,456,380</u>	<u>(3,511,603)</u>
Balance at December 31, 2023	<u>\$ 18,118,786</u>	<u>\$ 11,287,127</u>	<u>\$ 6,831,659</u>

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 7.18%, 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 (6.18%) or one percentage point higher (8.18%) than the current rate:

	1% Decrease	Current	1% Increase
	(6.18%)	Discount Rate (7.18%)	(8.18%)
Net Pension Liability of the City	<u>\$ 1,922,657</u>	<u>\$ 6,831,659</u>	<u>\$ (1,622,699)</u>

City of Hastings

Notes to the Financial Statements

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

For the year ended June 30, 2024, the City recognized pension expense of \$1,193,325. At June 30, 2024, 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	\$ -	\$ 190,354
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	917,745	-
Changes of Assumptions	81,721	-
Contributions Subsequent to the Measurement Date*	469,796	-
Total	\$ 1,469,262	\$ 190,354

* 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, 2025.

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
2025	\$ 339,583
2026	309,918
2027	230,809
2028	(71,198)
Total	\$ 809,112

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

City of Hastings

Notes to the Financial Statements

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.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2024):

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	34
Active Plan Members	<u>8</u>
<i>Total Employees Covered by the Plan</i>	<u>42</u>

City of Hastings

Notes to the Financial Statements

Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 and a measurement date of June 30, 2024 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.75% for purposes of allocating liabilities
Investment Rate of Return	7.0% including inflation
20-Year Aa Municipal Bond Rate	4.21%
Mortality	PubG-2010 Mortality Table using Scale MP-2021

Healthcare cost trend rates starting at 7.25% in FYE 2024 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 2024 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 7.00%. 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.

City of Hastings

Notes to the Financial Statements

The investment rate of return was assumed to be 7.00%, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Gross Rate of Return</u>
Global Equity	60.00%	4.50%
Global Fixed Income	20.00%	2.00%
Private Investments	20.00%	7.00%
<i>Total</i>	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, 2023	\$ 802,915	\$ 744,027	\$ 58,888
<i>Changes for the Year:</i>			
Service Cost	1,979	-	1,979
Interest on Total Pension Liability	49,387	-	49,387
Differences Between Expected and Actual Experience	(71,837)	-	(71,837)
Changes of Assumptions	(28,958)	-	(28,958)
Contributions - Employer	-	66,468	(66,468)
Net Investment Income	-	76,297	(76,297)
Benefit Payments, Including Refunds	(66,468)	(66,468)	-
Administrative Expenses	-	(1,629)	1,629
<i>Net Changes</i>	(115,897)	74,668	(190,565)
Balance at June 30, 2024	\$ 687,018	\$ 818,695	\$ (131,677)

City of Hastings

Notes to the Financial Statements

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 7.00%, 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability of the City	\$ (85,361)	\$ (131,677)	\$ (172,823)

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 (6.25%)	Current Trend Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability of the City	\$ (145,364)	\$ (131,677)	\$ (116,992)

OPEB Expense and Deferred Inflows of Resources Related to OPEB Plan

For the year ended June 30, 2024, the City recognized OPEB expense of \$(93,613). At June 30, 2024, 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	\$ -	\$ 1,409
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,236	-
Changes of Assumptions	-	568
Total	\$ 5,236	\$ 1,977

City of Hastings

Notes to the Financial Statements

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

Year Ending	
June 30,	Amount
2025	\$ (4,489)
2026	18,096
2027	(5,492)
2028	(4,856)
Total	\$ 3,259

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, 2024, the City's operating tax revenues were reduced by approximately \$45,000 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 \$218,154 as of June 30, 2024. 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.

City of Hastings

Notes to the Financial Statements

Note 12 - Subsequent Events

Management has evaluated subsequent events as of December 16, 2024, the date of issuance of the audit report. Nothing significant was noted.

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, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
				Final to Actual
Revenues				
Property Taxes	\$ 3,465,461	\$ 3,463,000	\$ 3,465,463	\$ 2,463
Special Assessments	27,659	43,650	27,659	(15,991)
Licenses and Permits	131,686	21,175	131,686	110,511
Federal Sources	535,133	531,983	535,133	3,150
State Sources	1,406,965	1,101,176	1,406,966	305,790
Local Sources	857,536	868,416	857,536	(10,880)
Charges for Services	20,386	558,250	19,906	(538,344)
Fines and Forfeitures	19,556	9,700	19,556	9,856
Investment Income and Rentals	436,970	209,000	452,155	243,155
Other Revenue	348,459	30,500	348,459	317,959
Total Revenues	<u>7,249,811</u>	<u>6,836,850</u>	<u>7,264,519</u>	<u>427,669</u>
Expenditures				
General Government				
City Council	59,016	74,001	59,017	14,984
Mayor	15,663	15,602	15,583	19
City Manager	187,433	183,080	187,432	(4,352)
Finance Department	368,220	356,745	368,219	(11,474)
Clerk	108,786	118,397	108,785	9,612
Information Technology	205,278	244,000	205,278	38,722
Board of Review	2,196	2,862	2,196	666
Treasurer	81,997	78,808	81,997	(3,189)
Assessor	139,333	162,581	139,334	23,247
Elections	31,559	64,277	31,560	32,717
City Hall and Grounds	150,298	184,500	150,297	34,203
Legal and Audit	55,234	70,000	55,234	14,766
Other General Government	359,251	753,387	283,754	469,633
Total General Government	<u>1,764,264</u>	<u>2,308,240</u>	<u>1,688,686</u>	<u>619,554</u>
Public Safety				
Police	1,880,350	1,937,101	1,880,347	56,754
Code Compliance	59,198	63,171	59,198	3,973
Fire Department	1,169,057	1,140,922	1,209,060	(68,138)
Inspections	103,877	55,000	103,877	(48,877)
Total Public Safety	<u>3,212,482</u>	<u>3,196,194</u>	<u>3,252,482</u>	<u>(56,288)</u>
Public Works				
Department of Public Service Admin	162,351	182,683	162,352	20,331
Parking Lots - Non SAD	9,357	19,750	9,358	10,392
Parking Lots - SAD	47,120	234,000	47,121	186,879
Community Services	250,157	232,085	200,155	31,930
Street Lighting	97,461	102,500	97,461	5,039
Total Public Works	<u>566,446</u>	<u>771,018</u>	<u>516,447</u>	<u>254,571</u>
Community and Economic Development				
Planning and Zoning	8,825	18,285	8,825	9,460
Joint Planning and Zoning	78	550	78	472
Community and Economic Development	132,456	141,500	132,456	9,044
Community Development Grants	71,197	75,100	71,197	3,903
Cable Access	9,684	13,457	9,684	3,773
Total Community and Economic Development	<u>222,240</u>	<u>248,892</u>	<u>222,240</u>	<u>26,652</u>
Recreation and Culture				
Parks and Recreation	219,641	236,240	221,483	14,757
Arts and Cultural Activities	88,404	89,400	88,483	917
Total Recreation and Culture	<u>308,045</u>	<u>325,640</u>	<u>309,966</u>	<u>15,674</u>
Total Expenditures	<u>6,073,476</u>	<u>6,849,984</u>	<u>5,989,821</u>	<u>860,163</u>
Other Financing Uses				
Transfers Out	356,449	316,449	316,449	--
Total Expenditures and Other Financing Uses	<u>6,429,925</u>	<u>7,166,433</u>	<u>6,306,270</u>	<u>860,163</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>819,886</u>	<u>(329,583)</u>	<u>958,249</u>	<u>1,287,832</u>
Net Change in Fund Balance	<u>819,886</u>	<u>(329,583)</u>	<u>958,249</u>	<u>1,287,832</u>
<i>Fund Balance at Beginning of Period</i>	4,699,700	4,699,700	4,699,700	--
Fund Balance at End of Period	<u>\$ 5,519,586</u>	<u>\$ 4,370,117</u>	<u>\$ 5,657,949</u>	<u>\$ 1,287,832</u>

City of Hastings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Library
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Federal Sources	\$ 23,600	\$ 12,000	\$ 23,600	\$ 11,600
State Sources	13,704	12,000	13,704	1,704
Local Sources	464,346	400,000	464,346	64,346
Charges for Services	18,489	22,500	18,488	(4,012)
Investment Income and Rentals	29,068	6,000	29,068	23,068
Other Revenue	818,720	756,000	818,720	62,720
Total Revenues	1,367,927	1,208,500	1,367,926	159,426
Other Financing Sources				
Transfer In	164,949	164,949	164,949	--
Total Revenues and Other Financing Sources	1,532,876	1,373,449	1,532,875	159,426
Expenditures				
Recreation and Culture	1,662,382	1,708,154	1,662,171	45,983
Total Expenditures	1,662,382	1,708,154	1,662,171	45,983
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(129,506)	(334,705)	(129,296)	205,409
Net Change in Fund Balance	(129,506)	(334,705)	(129,296)	205,409
Fund Balance at Beginning of Period	642,288	642,288	642,288	--
Fund Balance at End of Period	\$ 512,782	\$ 307,583	\$ 512,992	\$ 205,409

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 150,151	\$ 135,898	\$ 125,234	\$ 128,088	\$ 134,489	\$ 148,110	\$ 138,539	\$ 149,861	\$ 156,822	\$ 166,909
Interest on Total Pension Liability	1,273,002	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	(220,096)	(130,870)	(135,997)	78,860	478,489	(324,935)	53,377	66,455	(176,810)	-
Changes of Assumptions**	122,581	-	606,688	464,905	557,681	-	-	-	727,510	-
Benefit Payments, Including Refunds	(1,380,862)	(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	1	98,466	40,340	62,374	-	180	-	-	-
Net Change in Pension Liability	(55,223)	(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>18,174,009</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)	\$ 18,118,786	\$ 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	\$ 3,843,121	\$ 1,398,574	\$ 828,110	\$ 731,102	\$ 677,236	\$ 638,127	\$ 609,436	\$ 717,651	\$ 633,390	\$ 598,213
Contributions - Employee	2,044	2,014	3,136	3,561	5,717	7,647	5,785	5,649	7,266	8,466
Net Investment Income (Loss)	1,012,322	(878,591)	1,108,847	921,263	988,651	(310,528)	1,017,247	834,716	(115,260)	509,219
Benefit Payments, Including Refunds	(1,380,862)	(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	(20,245)	(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	3,456,380	(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>7,830,747</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)	\$ 11,287,127	\$ 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)	\$ 6,831,659	\$ 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	62.30%	43.09%	47.67%	45.88%	45.86%	46.79%	51.80%	49.99%	48.44%	55.16%
Covered Payroll	\$ 2,857,610	\$ 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	239.07%	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%.

2023 valuation - The investment rate of return assumption was reduced from 7.25% to 7.18%.

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

	<u>2024</u>	<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	\$ 682,313	\$ 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	2,925,566	705,039	828,110	731,101	677,236	596,547	625,114	717,651	654,754	617,242
Contribution Deficiency (Excess)	\$ (2,243,253)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (150,000)	\$ (110,000)	\$ (110,000)
Covered Payroll	\$ 2,915,606	\$ 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	100.34%	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	15 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	6.93%, Net of Investment Expense, including Inflation
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 Seven Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability							
Service Cost	\$ 1,979	\$ 2,387	\$ 29,208	\$ 38,947	\$ 63,413	\$ 74,878	\$ 103,897
Interest on Total Pension Liability	49,387	47,132	299,635	291,965	295,791	300,137	431,988
Differences Between Expected and Actual Experience	(71,837)	20,986	(2,260,553)	(46,604)	268,711	(98,888)	(88,853)
Changes of Assumptions**	(28,958)	(29,111)	(180,086)	(817,922)	156,183	13,969	-
Change in Plan Terms	-	-	(6,043,819)	-	-	(4,368,569)	-
Benefit Payments, Including Refunds	(66,468)	(103,052)	(283,708)	(382,613)	(397,247)	(380,682)	(335,982)
Net Change in OPEB Liability	<u>(115,897)</u>	<u>(61,658)</u>	<u>(8,439,323)</u>	<u>(916,227)</u>	<u>386,851</u>	<u>(4,459,155)</u>	<u>111,050</u>
<i>Total OPEB Liability - Beginning</i>	802,915	864,573	9,303,896	10,220,123	9,833,272	14,292,427	14,181,377
Total OPEB Liability - Ending (a)	<u>\$ 687,018</u>	<u>\$ 802,915</u>	<u>\$ 864,573</u>	<u>\$ 9,303,896</u>	<u>\$ 10,220,123</u>	<u>\$ 9,833,272</u>	<u>\$ 14,292,427</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 66,468	\$ 103,052	\$ 283,708	\$ 382,613	\$ 397,247	\$ 380,682	\$ 335,982
Net Investment Income (Loss)	76,297	51,691	(62,321)	144,161	12,190	25,279	44,207
Benefit Payments, Including Refunds	(66,468)	(103,052)	(283,708)	(382,613)	(397,247)	(380,682)	(335,982)
Administrative Expenses	(1,629)	(1,309)	(1,358)	(1,256)	(1,102)	(1,220)	(1,353)
Net Change in Plan Fiduciary Net Position	<u>74,668</u>	<u>50,382</u>	<u>(63,679)</u>	<u>142,905</u>	<u>11,088</u>	<u>24,059</u>	<u>42,854</u>
<i>Plan Fiduciary Net Position - Beginning</i>	744,027	693,645	757,324	614,419	603,331	579,272	536,418
Plan Fiduciary Net Position - Ending (b)	<u>\$ 818,695</u>	<u>\$ 744,027</u>	<u>\$ 693,645</u>	<u>\$ 757,324</u>	<u>\$ 614,419</u>	<u>\$ 603,331</u>	<u>\$ 579,272</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (131,677)	\$ 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	119.17%	92.67%	80.23%	8.14%	6.01%	6.14%	4.05%
Covered Payroll	\$ 496,200	\$ 480,666	\$ 524,450	\$ 550,344	\$ 588,525	\$ 843,228	\$ 992,264
Net OPEB Liability as a Percentage of Covered Payroll	-26.54%	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 Seven Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 64,763	\$ 37,045	\$ 549,052	\$ 585,583	\$ 584,630	\$ 590,387	\$ 808,642
Contributions in Relation to the Actuarially Determined Contribution	66,468	103,052	283,708	382,613	397,247	380,682	335,982
Contribution Deficiency (Excess)	<u>\$ (1,705)</u>	<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	 \$ 496,200	 \$ 480,666	 \$ 524,450	 \$ 550,344	 \$ 588,525	 \$ 843,228	 \$ 992,264
 Contributions as a Percentage of Covered Payroll	 13.40%	 21.44%	 54.10%	 69.52%	 67.50%	 45.15%	 33.86%

Notes:

Valuation Date: June 30, 2024

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Remaining Amortization Period	5 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.75% 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, 2024**

	Special Revenue					Total Nonmajor Governmental Funds
	Major Street	Local Streets	Cemetery	Drug Enforcement	Police Training	
ASSETS						
Cash and Investments	\$ 852,853	\$ 294,106	\$ 467,670	\$ 8,852	\$ 3,749	\$ 1,627,230
Due from Other Governments	124,387	50,607	--	--	--	174,994
Due from Other Funds	--	--	2,098	--	1,000	3,098
Total Assets	\$ 977,240	\$ 344,713	\$ 469,768	\$ 8,852	\$ 4,749	\$ 1,805,322
LIABILITIES						
Accounts Payable	\$ 161,378	\$ 28,899	\$ 18,024	\$ --	\$ --	\$ 208,301
Accrued Liabilities	4,682	6,759	--	--	--	11,441
Total Liabilities	166,060	35,658	18,024	--	--	219,742
FUND BALANCE						
Restricted	811,180	309,055	451,744	8,852	4,749	1,585,580
Unassigned	--	--	--	--	--	--
Total Fund Balance	811,180	309,055	451,744	8,852	4,749	1,585,580
Total Liabilities and Fund Balance	\$ 977,240	\$ 344,713	\$ 469,768	\$ 8,852	\$ 4,749	\$ 1,805,322

City of Hastings
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	<u>Major Street</u>	<u>Local Streets</u>	<u>Cemetery</u>	<u>Drug Enforcement</u>	<u>Police Training</u>	
Revenues						
Property Taxes	\$ --	\$ --	\$ 207,949	\$ --	\$ --	\$ 207,949
State Sources	775,846	349,597	--	--	--	1,125,443
Charges for Services	--	--	25,932	--	--	25,932
Fines and Forfeitures	--	--	--	652	--	652
Investment Income and Rentals	31,740	5,076	17,594	--	224	54,634
Other Revenue	--	--	3,693	300	--	3,993
Total Revenues	<u>807,586</u>	<u>354,673</u>	<u>255,168</u>	<u>952</u>	<u>224</u>	<u>1,418,603</u>
Expenditures						
Public Safety	--	--	--	4,956	1,858	6,814
Public Works	661,807	546,419	183,749	--	--	1,391,975
Total Expenditures	<u>661,807</u>	<u>546,419</u>	<u>183,749</u>	<u>4,956</u>	<u>1,858</u>	<u>1,398,789</u>
Excess of Revenues Over (Under) Expenditures	<u>145,779</u>	<u>(191,746)</u>	<u>71,419</u>	<u>(4,004)</u>	<u>(1,634)</u>	<u>19,814</u>
Other Financing Sources (Uses)						
Transfers In	--	300,000	--	--	1,500	301,500
Transfers Out	(150,000)	--	--	--	--	(150,000)
Net Other Financing Sources (Uses)	<u>(150,000)</u>	<u>300,000</u>	<u>--</u>	<u>--</u>	<u>1,500</u>	<u>151,500</u>
Net Change in Fund Balance	(4,221)	108,254	71,419	(4,004)	(134)	171,314
<i>Fund Balance at Beginning of Period</i>	815,401	200,801	380,325	12,856	4,883	1,414,266
Fund Balance at End of Period	\$ 811,180	\$ 309,055	\$ 451,744	\$ 8,852	\$ 4,749	\$ 1,585,580

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, 2024 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 16, 2024.

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.



Gabridge & Company, PLC
Grand Rapids, MI
December 16, 2024

December 16, 2024

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, 2024. 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 December 11, 2024. 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 and the application of existing policies was not changed during the fiscal year ended June 30, 2024. 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 16, 2024.

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 cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI