

City of Hannibal, Missouri

Board of Public Works

Basic Financial Statements

And Management's Discussion and Analysis

For the Fiscal Years

Ending June 30, 2012 and 2011

City of Hannibal, Missouri
Board of Public Works
Year Ended June 30, 2012
Table of Contents

Financial Section:

| | |
|--------------------------------------|-------|
| Independent Auditor's Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 7 |

Combined Financial Statements:

Electric, Water and Sewer Departments:

| | |
|---|---------|
| Statement of Net Assets | 8 |
| Statement of Revenues, Expenses, and Changes in Net Assets | 9 |
| Statement of Cash Flows | 10 - 11 |
| Notes to Financial Statements | 12 - 24 |
| Required Supplementary Information - Schedule of Funding Progress | 25 |

Supplementary Schedules:

Depreciation Summary:

| | |
|---------------------------------------|----|
| Electric Department | 26 |
| Water Department | 27 |
| Sewer Department | 28 |
| Schedule of Investments | 29 |
| Schedule of Top Ten Utility Customers | 30 |

Comparative Statement of Operating Factors:

| | |
|---------------------|----|
| Electric Department | 31 |
| Water Department | 32 |
| Sewer Department | 33 |

Financial Section



Independent Auditor's Report

To the Honorable Mayor,
City Council and Board of
Public Works
City of Hannibal, Missouri

We have audited the accompanying financial statements of the Electric, Water, and Sewer funds (Board of Public Works) of Hannibal, Missouri, as of and for the year ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of Board of Public Works' management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Board of Public Works 2011 financial statements and, in our report dated we expressed an unqualified opinions on the Electric, Water, and Sewer funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Electric, Water and Sewer funds and do not purport to, and do not, present fairly the financial position of the City of Hannibal, Missouri as of June 30, 2012, and the changes in its financial position or cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric, Water, and Sewer funds, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report (Concluded)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Public Works' financial statements as a whole. The supplementary schedules and comparative statement of operating factors are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules and comparative statement of operating factors have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

November 15, 2012
Hannibal, Missouri

Management's Discussion and Analysis

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012 and 2011
(Unaudited)

Introduction

The Hannibal Board of Public Works of Hannibal, Missouri (HBPW) is a municipally owned utility of the City of Hannibal, Missouri (City). The HBPW is comprised of the Electric, Water and Sewer Departments, serving approximately 8,200 customers. The following discussion and analysis of the financial performance of the Board HBPW provides an overview of the HBPW's financial activities for the fiscal year ended June 30, 2012. This analysis should be read in conjunction with the financial statements and notes.

Financial Highlights

- The assets of HBPW exceeded its liabilities at the close of the fiscal year ending June 30, 2012, by \$50,826,218 (net assets). Of this amount, \$11,547,507 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The assets of the HBPW exceeded its liabilities at the close of the fiscal year ending June 30, 2011, by \$48,666,118 (net assets). Of this amount, \$9,714,544 (unrestricted net assets) may be used to meet the Board's ongoing obligations to citizens and creditors.
- The HBPW's total net assets increased by \$2,160,100 for the year ended June 30, 2012. The increase in net assets can be attributed to the Electric Department fund that ended the year with net income of \$1,848,198.
- For the year ended June 30, 2011, the total net assets increased by \$1,437,283. This increase is attributable to Electric Department fund that ended the year with net income of \$1,065,025.
- With the payment of total principal due on the HBPW's long-term debt, the total debt decreased \$1,792,642 for the year ended June 30, 2012 and \$2,414,188 for the year ended June 30, 2011. HBPW did not incur any additional debt during the years ended June 30, 2012 and 2011.

The Board's wholesale power supply contract with Ameren Energy Marketing expired on Dec. 31, 2011. It was replaced by a new 3-year contract with the same company which will expire in December 2014. Contract price for energy dropped from \$65/MWH to \$43/MWH. In addition, due to falling market prices through the year another contract with Ameren Energy Marketing for the years 2015 and 2016 at a price of \$41.69 was bid and awarded.

Capacity payments began in March for the Board's share of a new coal fired generating plant; Prairie State Energy Campus is located near Mt. Vernon, Ill. The Board is a participant in the 1600MW plant for 10 MW from each of the two units. Unit 1 gained commercial status in June 2011 and the Board started making energy payments at that time.

- Electric rates for all rate classes remained unchanged from the previous year. An incentive rate to attract new industry was established in July 2011. The incentives offered gradually reduce to zero over a 48 month period. One customer has applied for the incentive rate since its inception.
- Water rates were increased 8% on July 1, 2011 for all rate classes. An industrial incentive rate similar to the electric incentive was established. No applications for the incentive rate were received during the year.
- Sewer rates were increased 8% on July 1, 2010 for all customers.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to HBPW's basic financial statements. The HBPW's financial statements are comprised of two components, fund financial statements and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Fund Financial Statements

The HBPW maintains three business-type funds that are used to charge customers for the service it provides electric, water and sewer services. It is also used to account for all of the HBPW's activities.

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012 and 2011
(Unaudited)

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found immediately following the basic financial statements.

Business-type Activities

CONDENSED STATEMENTS OF NET ASSETS

| | 2012 | 2011 |
|--------------------|---------------|---------------|
| Assets | | |
| Current | \$ 12,967,513 | \$ 12,020,122 |
| Net capital assets | 49,140,025 | 50,324,799 |
| Other | 2,733,099 | 2,787,189 |
| Total | \$ 64,840,637 | \$ 65,132,110 |
| Liabilities | | |
| Current | \$ 5,398,382 | \$ 5,460,473 |
| Long-term | 8,772,506 | 10,996,813 |
| Other liabilities | 7,021 | 8,706 |
| Total | \$ 14,177,909 | \$ 16,465,992 |
| Net Assets | \$ 50,662,728 | \$ 48,666,118 |

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

| | 2012 | 2011 |
|-------------------------------------|---------------|---------------|
| Operating Revenues | \$ 34,966,417 | \$ 34,950,598 |
| Less Operating Expenses | (32,652,558) | (33,282,917) |
| Total Operating Income | \$ 2,313,859 | \$ 1,667,681 |
| Non-Operating Revenues and Expenses | | |
| Interest income | \$ 47,587 | \$ 63,149 |
| Interest expense | (468,710) | (616,179) |
| Other items (net) | 103,874 | 322,632 |
| Total Other Income (Expenses) | \$ (317,249) | \$ (230,398) |
| Change in Net Assets | \$ 1,996,610 | \$ 1,437,283 |
| Net Assets at beginning of period | 48,666,118 | 47,228,835 |
| Net Assets at end of period | \$ 50,662,728 | \$ 48,666,118 |

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012 and 2011
(Unaudited)

The HBPW's most significant revenue in 2012 was charge for services for industrial of \$14,233,379 and residential for \$12,876,897. The HBPW's most significant revenue in 2011 was charge for services for industrial of \$14,173,527 and residential for \$12,981,227.

| | 2012 | 2011 |
|--------------------|---------------|---------------|
| Operating Revenues | | |
| Electric | \$ 26,539,414 | \$ 27,113,891 |
| Water | 4,535,068 | 4,222,219 |
| Sewer | 3,891,935 | 3,614,488 |
| Total | \$ 34,966,417 | \$ 34,950,598 |

The HBPW's most significant expenses in 2012 were purchase of power of \$15,969,630 and customer accounts expenses for \$2,732,143. The HBPW's most significant expenses in 2011 were purchase of power of \$19,286,104 and customer accounts expenses for \$2,712,838.

| | 2012 | 2011 |
|--------------------|---------------|---------------|
| Operating Expenses | | |
| Electric | \$ 24,462,910 | \$ 26,039,545 |
| Water | 4,165,026 | 3,801,003 |
| Sewer | 3,861,132 | 3,442,369 |
| Total | \$ 32,489,068 | \$ 33,282,917 |

Property, Plant and Equipment

At the end of the fiscal year 2012, the HBPW had total property, plant and equipment of \$49,140,025. Total property, plant and equipment was \$50,324,799 for the 2011 fiscal year.

Budgeting Highlights

For the year ended June 30, 2012, HBPW budgeted total revenues of \$37,067,892. Actual revenues were \$35,117,878 for a negative variance of \$1,950,014. The majority of this variance was in the Electric fund with a negative variance of \$1,697,028 with \$1,134,000 being the budgeted revenue for Prairie State Capacity Sales with no actual revenue being earned in this fiscal year.

Budgeted expenses for the year ended June 30, 2012, were \$37,685,056 and actual total expenses of \$32,957,778 for a positive variance of \$4,727,278. Of this variance, \$3,328,376 was from the Electric Fund with the majority in purchased power.

MAJOR INITIATIVES

Electric Department

The Electric Department planned and completed one major capital project for the year. Rehabilitation and life extension of the Indian Mounds Substation begun in FY 2010-2011 was completed at a cost of about \$290,000. The project costs were kept low by using Electric Department staff to accomplish the work under the direction of our consulting engineer.

Another project initiated and expected to be ongoing for several years is the aggressive replacement of substandard distribution poles throughout the City, but especially focusing on those in rear lot line easements. These poles were previously very difficult to replace until the purchase last year of a specially designed miniature digger derrick able to work in residential settings without damaging lawns and fences.

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012 and 2011
(Unaudited)

A labor contract was awarded to a local GIS data collection firm to locate and collect various data on each electric pole in the Department's system. The contract when complete will provide the electronic basis for an updated map of the electric distribution system. The contract costs are being shared equally with AT&T. At the completion of the contract we expect to have a mutually agreeable inventory and ownership basis for all the joint use poles within the City.

Also, during the year the Department has begun a renewed effort to maintain and replace as necessary significant elements of our street lighting system.

Overall, capital spending was somewhat restricted due to low cash reserves. But routine maintenance is no longer being deferred as in previous years.

Water Department

The Water Department also operated for the year doing maintenance only work due to budget constraints brought on by low cash reserves.

To conform to increasing pressure from Missouri Dept. of Natural Resources related to drinking water standards, the Dept. has completed a study jointly with Ralls County Water District, the Department's largest and only wholesale customer, to determine the best way to lower the formation of Disinfection Byproducts in our joint distribution systems. That study has resulted in a design contract for the construction of a new UV disinfection system at the Water Treatment Plant to be completed prior to December 2013. Since the technical necessity for the project is driven by needs of the customer, there will be some cost sharing which is not negotiated yet but could be through rates or a lump sum contribution at the time of construction.

Sewer Department

The Sewer Department also operated for the year doing maintenance only work due to the above mentioned budget constraints and did not perform any significant upgrades to the collection system. The sewer crew continued maintenance of the existing system by cleaning, root cutting and televising sewer mains but at an accelerated pace compared to previous years. The crews also completed repairs of deteriorated sections of main as needed.

The Sewer Department contracted with a GPS locating firm from Quincy, IL to locate all sewer facilities in the City for mapping purposes. As of June 30, all facilities have been located and mapped with the exception of about 100 manholes that need to be raised to grade. Work is underway at year end to locate, excavate and raise those remaining manholes. The mapping project for the sewer collection system is virtually complete and should allow for more efficient maintenance of the sewer system in the future.

Engineering studies performed during the year indicate a great need for a life extension of the Wastewater Treatment Plant. Several pieces of equipment are nearing the end of their 30 year life. This has been evidenced by several equipment failures during the year necessitating unbudgeted replacements. One study completed estimates about \$5 million in machinery and equipment replacements in the near future will be necessary. An engineering contract has been awarded for the necessary design work.

Another part of the life extension work at the WWTP needing more immediate attention has been initiated by BPW staff. The replacement of two air compressors that supply feedstock to the air separation plant began with the purchase of replacement units. Installation is planned in the next fiscal year.

Several projects related to enhanced environmental compliance have been initiated with engineering studies with detailed design and construction to follow.

Administration

The four appointed Board Members who governed the operations of the Hannibal Board of Public Works during the past year were Randy Park, President; Dr. Ervin Harder, Vice President; Jason Janes, Secretary; and Bud Janes, Board Member.

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012 and 2011
(Unaudited)

Staffing

The retirement bubble passed Hannibal Board of Public Works in calendar year 2011. Budget year 2011-2012 was a time of rebuilding staff primarily in the Electric and Maintenance Departments which is now complete. The board is operating with essentially a full staff that all have appropriate experience and training for their positions.

One key position, Finance Director, was vacant for two periods during the year due to voluntary resignations. Recruitment activities resulted in total vacancy in the job for about four months.

FUTURE PLANS

The Electric Dept. will continue an aggressive program of pole replacements especially in rear lot line easement areas. GIS data collection and mapping of the distribution system will also continue. We also are planning the next Cost of Service study to review rates and the rate impact of our participation in the Prairie State Energy Campus. Also planned is a distribution load study and coordination study.

Future improvements for the water system include continued replacement of existing deteriorated and undersized water mains, replacement and upgrading of water storage tanks, and various water treatment plant upgrades to maintain compliance with Federal and State regulations.

Within the Sewer Dept. the WWTP will require upgrades due to new regulation from MoDNR related to effluent limits and we are planning to address several items of deferred maintenance. The collection system will receive enhanced attention to pipe cleaning, CCTV surveillance, and I and I control.

OPERATING RESULTS

Electric, water and sewer revenue is comprised of sales to the HBPW's customers. Electric customers provided \$26,625,486 in revenue for the year, which represents an increase of 0.87% from the previous year. Electric sales were up 2.26% from the prior year. Of the revenue received, 59.98%, or \$15,969,630, went directly to Ameren/UE to pay for wholesale electric power. This was a 17.20% decrease from the prior year.

Water revenues increased 7.51% from the previous year. Reported sales of water in prior years have been estimated, however, this year is based on actual metering data. Sewer revenues increased 8.21% from the previous year.

In recent years, the Electric Fund reflected an anomaly in its year-end statistical review that was noted in the previous year's management discussion. System losses, or the difference between wholesale purchases in kWh and retail sales in kWh, are significantly less than should be expected due to the physical configuration of the electric distribution system. A review of metering calibration with the wholesale provider yielded no new insights into the reason for the noted anomaly. Further investigation continues to determine if this is a problem with meter accuracy on the part of the wholesale supplier or if HBPW is experiencing an internal problem with timing of retail meter reading or the associated booking of revenue.

As required by the City Charter, the Hannibal Board of Public Works pays a percentage of its revenues into the general fund of the City. In addition to this transfer into the City's general fund, the Hannibal Board of Public Works provides other benefits to the City and community. These supplemental benefits include free street lighting, free utility service to City Government, free utility relocation work for City projects, support of economic development, maintenance of traffic signals, responsibility for operation of the Bear Creek Dam and maintenance of the floodwall pumps. Transfer fees totaling \$1,628,087 were paid to the City of Hannibal.

The Hannibal Board of Public Works remains financially sound at the conclusion of fiscal year 2011-2012. For more than 100 years customers have trusted the HBPW to deliver reliable, affordable and responsible utility services. The HBPW will continue to safeguard the future of essential services for our customers.

To learn more about the operation of the Board of Public Works, visit the HBPW website at <http://www.hannibalbpw.org/>.

City of Hannibal, Missouri
Board of Public Works
Statements of Net Assets
June 30, 2012 and 2011

| | Electric Department | Water Department | Sewer Department | 2012 | 2011 |
|--|--------------------------------|-----------------------------|-----------------------------|----------------------|----------------------|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 3,904,443 | \$ 526,385 | \$ 342,789 | \$ 4,773,617 | \$ 2,266,993 |
| Investments | 2,664,506 | 1,016,345 | - | 3,680,851 | 5,514,217 |
| Receivables (Net, where applicable of allowances for uncollectible accounts): | | | | | |
| Customers | 2,066,776 | 319,789 | 313,962 | 2,700,527 | 2,625,940 |
| Other | 11,372 | 386 | 1,181 | 12,939 | 55,433 |
| Due from cities - current | 20,778 | - | - | 20,778 | 19,984 |
| Inventory | 896,318 | 374,413 | 28,825 | 1,299,556 | 1,125,596 |
| Prepaid insurance | 222,788 | 127,676 | 128,781 | 479,245 | 411,959 |
| Total Current Assets | \$ 9,786,981 | \$ 2,364,994 | \$ 815,538 | \$ 12,967,513 | \$ 12,020,122 |
| Restricted Assets: | | | | | |
| Investments - Debt Service | - | - | 283,882 | 283,882 | 280,731 |
| Property, Plant and Equipment (Net of accumulated depreciation): | 17,135,334 | 19,078,923 | 12,925,768 | 49,140,025 | 50,324,799 |
| Other Assets: | | | | | |
| Other investment - land | 505,055 | - | - | 505,055 | 505,055 |
| Water rights | - | 1,500,000 | - | 1,500,000 | 1,500,000 |
| Prairie State Energy | 101,599 | - | - | 101,599 | 103,000 |
| Due from cities - long-term | 156,695 | - | - | 156,695 | 177,473 |
| Deferred issuance costs, net | 130,562 | 44,244 | 11,062 | 185,868 | 220,930 |
| Total Assets | \$ 27,816,226 | \$ 22,988,161 | \$ 14,036,250 | \$ 64,840,637 | \$ 65,132,110 |
| Liabilities | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 1,380,641 | \$ 107,660 | \$ 153,912 | \$ 1,642,213 | \$ 2,464,765 |
| Customer deposits | 392,455 | 92,072 | 95,674 | 580,201 | 550,764 |
| Other accrued expenses | 100,598 | 30,618 | 13,294 | 144,510 | 109,465 |
| Accrued leave | 330,330 | 297,083 | 180,529 | 807,942 | 733,336 |
| Current portion of long-term debt | 909,728 | 540,034 | 706,254 | 2,156,016 | 1,534,643 |
| Current portion due to PWSD#1 | - | 67,500 | - | 67,500 | 67,500 |
| Total Current Liabilities | \$ 3,113,752 | \$ 1,134,967 | \$ 1,149,663 | \$ 5,398,382 | \$ 5,460,473 |
| Current Liabilities payable from Restricted Assets: | | | | | |
| Accrued interest | \$ - | \$ - | \$ 7,021 | \$ 7,021 | \$ 8,706 |
| Long-term Liabilities: | | | | | |
| Due to PWSD #1 | - | 810,000 | - | 810,000 | 877,500 |
| Net pension obligation | 3,880 | 2,681 | 2,803 | 9,364 | - |
| OPEB obligation | 34,956 | 24,152 | 25,246 | 84,354 | - |
| Long-term debt | 5,564,619 | 1,495,104 | 645,575 | 7,705,298 | 10,119,313 |
| Total Liabilities | \$ 8,717,207 | \$ 3,466,904 | \$ 1,830,308 | \$ 14,014,419 | \$ 16,465,992 |
| Net Assets | | | | | |
| Invested in capital assets, net of related long-term debt | \$ 10,660,987 | \$ 17,043,785 | \$ 11,573,939 | \$ 39,278,711 | \$ 38,670,843 |
| Restricted for debt service | - | - | - | - | 280,731 |
| Unrestricted | 8,438,032 | 2,477,472 | 632,003 | 11,547,507 | 9,714,544 |
| Total Net Assets | \$ 19,099,019 | \$ 19,521,257 | \$ 12,205,942 | \$ 50,826,218 | \$ 48,666,118 |
| Total Liabilities and Net Assets | \$ 27,816,226 | \$ 22,988,161 | \$ 14,036,250 | \$ 64,840,637 | \$ 65,132,110 |

The accompanying notes are an integral part of these financial statements.

City of Hannibal, Missouri
Board of Public Works
Statements of Revenues, Expenses and
Changes in Fund Net Assets
Years Ended June 30, 2012 and 2011

| | Electric Department | Water Department | Sewer Department | 2012 | 2011 |
|--|--------------------------------|-----------------------------|-----------------------------|----------------------|----------------------|
| Operating Revenues: | | | | | |
| Charges for services | | | | | |
| Residential | \$ 8,514,921 | \$ 2,133,198 | \$ 2,228,778 | \$ 12,876,897 | \$ 12,981,227 |
| Commercial | 3,035,393 | 793,280 | 805,562 | 4,634,235 | 4,575,664 |
| Industrial | 12,873,668 | 729,977 | 629,734 | 14,233,379 | 14,173,527 |
| Sales (including interest) | - | 557,972 | - | 557,972 | 537,927 |
| Transfer fees collected | 1,235,310 | 208,937 | 183,840 | 1,628,087 | 1,607,690 |
| Sales tax collected | 690,910 | 67,832 | - | 758,742 | 804,051 |
| Penalties | 189,212 | 43,872 | 44,021 | 277,105 | 270,512 |
| Total Operating Revenues | \$ 26,539,414 | \$ 4,535,068 | \$ 3,891,935 | \$ 34,966,417 | \$ 34,950,598 |
| Operating Expenses: | | | | | |
| Administrative | \$ 568,880 | \$ 208,566 | \$ 215,114 | \$ 992,560 | \$ 783,267 |
| Customer accounts | 2,083,002 | 377,870 | 271,271 | 2,732,143 | 2,712,838 |
| Depreciation | 1,123,432 | 574,727 | 718,087 | 2,416,246 | 2,425,271 |
| Amortization | 1,401 | - | - | 1,401 | - |
| Distribution | 2,922,822 | 702,678 | - | 3,625,500 | 2,118,006 |
| Fringe benefits | 791,412 | 558,491 | 559,022 | 1,908,925 | 1,813,195 |
| Maintenance - general plant | 180,033 | 69,891 | 92,442 | 342,366 | 319,542 |
| Meter reading | 90,122 | 51,810 | 44,086 | 186,018 | 171,032 |
| Other administrative expenses | 157,008 | 48,522 | 69,889 | 275,419 | 136,482 |
| Purchased power | 15,969,630 | - | - | 15,969,630 | 19,286,104 |
| Water pumping | - | 216,622 | - | 216,622 | 193,796 |
| SCADA/Information systems | 341,177 | 170,589 | 171,275 | 683,041 | 482,331 |
| Sewer collection | - | - | 595,078 | 595,078 | 546,893 |
| Sewer treatment | - | - | 955,527 | 955,527 | 815,114 |
| Superintendent & supervisors | 233,991 | 154,872 | 169,341 | 558,204 | 517,313 |
| Water treatment | - | 1,030,388 | - | 1,030,388 | 961,733 |
| Total Operating Expenses | \$ 24,462,910 | \$ 4,165,026 | \$ 3,861,132 | \$ 32,489,068 | \$ 33,282,917 |
| Income (Loss) from Operations | \$ 2,076,504 | \$ 370,042 | \$ 30,803 | \$ 2,477,349 | \$ 1,667,681 |
| Non-Operating Revenue (Expense) | | | | | |
| Interest income | \$ 47,167 | \$ 420 | \$ - | \$ 47,587 | \$ 63,149 |
| Rental income | 6,000 | - | - | 6,000 | 61,609 |
| Miscellaneous | 32,906 | 37,421 | 27,547 | 97,874 | 102,051 |
| Disaster relief income | - | - | - | - | 94,128 |
| Flood wall reimbursement | - | - | - | - | 64,844 |
| Interest expense/fees | (314,379) | (107,546) | (46,785) | (468,710) | (616,179) |
| Gain (Loss) on capital assets | - | - | - | - | - |
| Total Non-Operating Revenue (Expense) | \$ (228,306) | \$ (69,705) | \$ (19,238) | \$ (317,249) | \$ (230,398) |
| Net Income (Loss) | \$ 1,848,198 | \$ 300,337 | \$ 11,565 | \$ 2,160,100 | \$ 1,437,283 |
| Net Assets, Beginning of Year | 17,250,821 | 19,220,920 | 12,194,377 | 48,666,118 | 47,228,835 |
| Net Assets, End of Year | \$ 19,099,019 | \$ 19,521,257 | \$ 12,205,942 | \$ 50,826,218 | \$ 48,666,118 |

The accompanying notes are an integral part of these financial statements.

City of Hannibal, Missouri
Board of Public Works
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

| | Electric Fund | Water Fund | Sewer Fund | 2012 | 2011 |
|--|----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | | | | |
| Receipts from customers | \$ 26,582,907 | \$ 4,516,896 | \$ 3,863,958 | \$ 34,963,761 | \$ 34,869,241 |
| Payments to suppliers | (22,370,879) | (2,527,361) | (1,835,982) | (26,734,222) | (27,006,683) |
| Payments to employees | (1,766,314) | (1,209,809) | (1,222,906) | (4,199,029) | (4,044,901) |
| Net Cash Flows from Operating Activities | <u>\$ 2,445,714</u> | <u>\$ 779,726</u> | <u>\$ 805,070</u> | <u>\$ 4,030,510</u> | <u>\$ 3,817,657</u> |
| Cash Flows from Investing Activities: | | | | | |
| Interest revenue | \$ 47,167 | \$ 420 | \$ - | \$ 47,587 | \$ 63,149 |
| Purchase / sale of securities (net) | 1,801,437 | 33,330 | (3,151) | 1,831,616 | (262,643) |
| Additions to capital assets | (464,115) | (531,394) | (235,963) | (1,231,472) | (689,428) |
| Other revenue | 38,906 | 37,421 | 27,547 | 103,874 | 322,632 |
| Net Cash Flows Provided By (Used In) Investing Activities | <u>\$ 1,423,395</u> | <u>\$ (460,223)</u> | <u>\$ (211,567)</u> | <u>\$ 751,605</u> | <u>\$ (566,290)</u> |
| Cash Flows from Capital Financing Activities: | | | | | |
| Due from cities | \$ 19,984 | \$ - | \$ - | \$ 19,984 | \$ 19,221 |
| Debt proceeds / (payments) | (1,050,151) | (408,580) | (401,410) | (1,860,141) | (2,481,688) |
| Interest expense paid | (314,379) | (107,546) | (48,470) | (470,395) | (618,004) |
| Deferred issuance costs | 21,062 | 8,467 | 5,532 | 35,061 | 50,951 |
| Net Cash Provided By (Used In) Capital Financing Activities | <u>\$ (1,323,484)</u> | <u>\$ (507,659)</u> | <u>\$ (444,348)</u> | <u>\$ (2,275,491)</u> | <u>\$ (3,029,520)</u> |
| Net Increase (Decrease) in Cash | <u>\$ 2,545,625</u> | <u>\$ (188,156)</u> | <u>\$ 149,155</u> | <u>\$ 2,506,624</u> | <u>\$ 221,847</u> |
| Cash at Beginning of Year | <u>1,358,818</u> | <u>714,541</u> | <u>193,634</u> | <u>2,266,993</u> | <u>2,045,146</u> |
| Cash at End of Year | <u><u>\$ 3,904,443</u></u> | <u><u>\$ 526,385</u></u> | <u><u>\$ 342,789</u></u> | <u><u>\$ 4,773,617</u></u> | <u><u>\$ 2,266,993</u></u> |

The accompanying notes are an integral part of these financial statements.

City of Hannibal, Missouri
Board of Public Works
Statements of Cash Flows (Concluded)
Years Ended June 30, 2012 and 2011

| | <u>Electric Fund</u> | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>2012</u> | <u>2011</u> |
|--|--------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | | | |
| Operating income (loss) | \$ 2,076,504 | \$ 370,042 | \$ 30,803 | \$ 2,477,349 | \$ 1,667,681 |
| Adjustments to reconcile net income to net cash provided by: | | | | | |
| Depreciation | 1,123,432 | 574,727 | 718,087 | 2,416,246 | 2,425,271 |
| Changes in operating assets and liabilities | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable - customers | (1,856) | (38,296) | (34,435) | (74,587) | (128,391) |
| Accounts receivable - other | 26,316 | 16,375 | (197) | 42,494 | (5,390) |
| Inventories | (84,021) | (92,276) | 2,337 | (173,960) | (1,862) |
| Prepaid expenses | (29,307) | (21,802) | (16,177) | (67,286) | 23,768 |
| Increase (decrease) in: | | | | | |
| Accounts payable | (796,326) | (69,670) | 43,444 | (822,552) | (26,665) |
| Accrued expenses | 26,445 | 14,414 | (5,814) | 35,045 | 13,478 |
| Net pension obligation | 3,880 | 2,681 | 2,803 | 9,364 | - |
| OPEB obligation | 34,956 | 24,152 | 25,246 | 84,354 | - |
| Customer deposits | 19,033 | 3,749 | 6,655 | 29,437 | 47,034 |
| Accrued leave | 46,658 | (4,370) | 32,318 | 74,606 | (197,267) |
| Net Cash Provided by (used in) Operating Activities | <u>\$ 2,445,714</u> | <u>\$ 779,726</u> | <u>\$ 805,070</u> | <u>\$ 4,030,510</u> | <u>\$ 3,817,657</u> |

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity:

Board of Public Works of Hannibal, Missouri, (the "Board"), is a municipality owned utility of the City of Hannibal, Missouri (the "City"), as provided for in the City Charter. The Board is comprised of the electric, water, and sewer utilities.

For financial reporting purposes, the Board includes all funds that are controlled by the Board of Public Works of Hannibal, Missouri as determined on the basis of financial interdependency, selection of management, ability in influence operations and budget adoption. No other funds or entities met any of these criteria.

Basis of Accounting:

The Board consists of three enterprise funds: electric utility, water utility and sewer utility. The Board utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded as incurred.

The financial statements have been prepared in conformity with the pronouncements of the Governmental Accounting Standards Board (GASB) including GASB Statement No. 14, *The Financial Reporting Entity*, which defines the Electric, Water and Sewer funds as enterprise funds of the City. Accordingly, the financial statements of the Board are included in the Financial Report of the City. The Board has elected to apply all Financial Accounting Standard Board (FASB) Statements and Interpretations except for those that conflict with GASB pronouncements in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Propriety Fund Accounting*. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The Board has elected to not follow subsequent private sector guidance.

Capital Assets:

The cost of additions and betterments of utility plant is capitalized. Costs include material, labor, vehicle and equipment usage, related overhead items, capitalized interest and administrative and general expenses.

Expenses for maintenance and renewals of items not considered to be units of property are charged to income as incurred. When units of depreciable property are retired, the original cost and removal costs, less salvage are charged to accumulated depreciation.

Depreciation:

Depreciation is provided over the estimated lives of the various classes of depreciable property by applying composite rates on a straight-line basis. The provisions for depreciation in 2012 and 2011, based on estimates of useful lives, were as follows:

| | |
|--------------|----------------|
| Buildings | 25 – 50 years |
| Improvements | 10 – 100 years |
| Equipment | 3 – 10 years |

1. Summary of Significant Accounting Policies (Concluded)

Investments:

Investments consist of bank certificates of deposit and money market accounts and are reported at June 30 values.

Inventories:

Inventory is valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

Pensions:

Employees are covered by the Missouri Local Government Employees Retirement Systems (LAGERS).

Capitalization of Interest

Net interest costs related to acquiring or constructing certain utility plants are capitalized as a part of the cost of the related asset. The Board has capitalized interest on construction projects financed with the revenue bonds, commercial paper and renewal and replacement funds in accordance with SFAS No. 34 and SGAS No. 62. No interest was capitalized at June 30, 2012 and 2011.

Budgeting:

The City Charter requires the Board to prepare and submit an annual operating budget showing estimated revenues and expenses for use by the City Council.

Cash and Cash Equivalents:

For purposes of combining statements of cash flows, the Board considers all certificates of deposit and restricted investments not to be cash equivalents.

Management's 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, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

2. Capital Assets

Activity for the year ended June 30, 2012 and 2011 are as follows:

June 30, 2012

| | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Buildings and roads | \$ 66,529 | \$ 3,523,068 | \$ 17,507,544 | \$ 21,097,141 |
| Systems and improvements | 22,002,834 | 23,886,809 | 10,539,799 | 56,429,442 |
| Equipment | 9,972,951 | 769,844 | 1,448,572 | 12,191,367 |
| Construction in progress | 106,819 | 60,506 | 123,405 | 290,730 |
| | <u>\$ 32,149,133</u> | <u>\$ 28,240,227</u> | <u>\$ 29,619,320</u> | <u>\$ 90,008,680</u> |
| Less: Accumulated depreciation | (15,133,054) | (9,269,979) | (17,212,095) | (41,615,128) |
| | <u>\$ 17,016,079</u> | <u>\$ 18,970,248</u> | <u>\$ 12,407,225</u> | <u>\$ 48,393,552</u> |
| Land | <u>119,255</u> | <u>108,675</u> | <u>518,543</u> | <u>746,473</u> |
| | <u><u>\$ 17,135,334</u></u> | <u><u>\$ 19,078,923</u></u> | <u><u>\$ 12,925,768</u></u> | <u><u>\$ 49,140,025</u></u> |

June 30, 2011

| | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Buildings and roads | \$ 53,029 | \$ 3,516,869 | \$ 17,390,665 | \$ 20,960,563 |
| Systems and improvements | 21,575,977 | 23,406,321 | 10,539,799 | 55,522,097 |
| Equipment | 9,942,070 | 762,992 | 1,441,555 | 12,146,617 |
| Construction in progress | 264,335 | 25,888 | 14,575 | 304,798 |
| | <u>\$ 31,835,411</u> | <u>\$ 27,712,070</u> | <u>\$ 29,386,594</u> | <u>\$ 88,934,075</u> |
| Less: Accumulated depreciation | (14,160,015) | (8,698,489) | (16,497,245) | (39,355,749) |
| | <u>\$ 17,675,396</u> | <u>\$ 19,013,581</u> | <u>\$ 12,889,349</u> | <u>\$ 49,578,326</u> |
| Land | <u>119,255</u> | <u>108,675</u> | <u>518,543</u> | <u>746,473</u> |
| | <u><u>\$ 17,794,651</u></u> | <u><u>\$ 19,122,256</u></u> | <u><u>\$ 13,407,892</u></u> | <u><u>\$ 50,324,799</u></u> |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

3. Deposits and Investments

The Board maintains cash and investment securities. The Hannibal Board of Public Works permits investments only in direct obligations of the U.S. Governments such as bills, notes or bonds, and any other obligations guaranteed as to payment of principal and interest by the U.S. governments or any agency or instrumentality thereof. Funds in the form of cash on deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investment held by the Board agents in the Board's name.

The following represents the Board's total cash and investments at June 30, 2012 and 2011:

| | 2012 | 2011 |
|--------------------------------|---------------------|---------------------|
| Checking/money market accounts | \$ 4,773,617 | \$ 2,266,993 |
| Certificates of deposit | 2,664,506 | 4,464,542 |
| Other short term investments | 1,016,345 | 1,049,675 |
| Debt service accounts | 283,882 | 280,731 |
| Total | \$ 8,738,350 | \$ 8,061,941 |

These cash and investments are included in the following balance sheet accounts at June 30, 2012 and 2011:

| | Electric | Water | Sewer | Total |
|------------------------|---------------------|---------------------|-------------------|---------------------|
| June 30, 2012 | | | | |
| Cash | \$ 3,904,443 | \$ 526,385 | \$ 342,789 | \$ 4,773,617 |
| Short term investments | 2,664,506 | 1,016,345 | - | 3,680,851 |
| Debt service accounts | - | - | 283,882 | 283,882 |
| Total | \$ 6,568,949 | \$ 1,542,730 | \$ 626,671 | \$ 8,738,350 |
| June 30, 2011 | | | | |
| Cash | \$ 1,358,818 | \$ 714,541 | \$ 193,634 | \$ 2,266,993 |
| Short term investments | 4,464,542 | 1,049,675 | - | 5,514,217 |
| Debt service accounts | - | - | 280,731 | 280,731 |
| Total | \$ 5,823,360 | \$ 1,764,216 | \$ 474,365 | \$ 8,061,941 |

4. Long-Term Obligations

For the Year Ended June 30, 2012, the changes in long-term debt are as follows:

| | Balance July 1, 2011 | (Retirements) Additions | Balance June 30, 2012 |
|-----------------------------------|-------------------------|----------------------------|--------------------------|
| Lease Purchase Agreement | \$ 2,890,000 | \$ (305,000) | \$ 2,585,000 |
| Lease Purchase Agreement | 5,099,000 | (656,000) | 4,443,000 |
| Revenue Bonds | 1,116,000 | (258,000) | 858,000 |
| Escrow Trust Agreement | 945,000 | (67,500) | 877,500 |
| Lease Purchase Agreement - Meters | 2,548,956 | (573,642) | 1,975,314 |
| Total | \$ 12,598,956 | \$ (1,860,142) | \$ 10,738,814 |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

4. Long-Term Obligations (Continued)

The long-term obligations consist of the following issues:

| | 2012 | 2011 |
|--|---------------|---------------|
| \$4,660,000 Lease Purchase Agreement - Missouri Association of Municipal Utilities | \$ 2,585,000 | \$ 2,890,000 |
| \$6,971,000 Lease Purchase Agreement - Missouri Association of Municipal Utilities - Series 2006-A | 4,443,000 | 5,099,000 |
| \$3,910,000 Sewerage System Revenue Bonds, Series 1993, due 2015 | 858,000 | 1,116,000 |
| \$1,500,000 Escrow Trust Agreement - Due to PWSD #1 | 877,500 | 945,000 |
| \$5,474,839 Lease Purchase Agreement - Commerce Bank due 8/1/2015 | 1,975,314 | 2,548,956 |
| Total | \$ 10,738,814 | \$ 12,598,956 |
| Less: Current portion due to PWSD #1 | (67,500) | (67,000) |
| Less: Current portion long-term debt | (2,156,016) | (1,534,643) |
| | \$ 8,515,298 | \$ 10,997,313 |

Lease Purchase Agreement – Missouri Association of Municipal Utilities

The Board has entered into a lease purchase agreement with the Missouri Association of Municipal Utilities through their leasing financing program. Debt was incurred to construct a new water tank, two substations and the Sawyer Creek sewer line.

A summary of the total amount of base rentals is as follows:

| Fiscal Year June 30, | |
|---------------------------------------|--------------|
| 2013 | \$ 439,126 |
| 2014 | 438,613 |
| 2015 | 437,184 |
| 2016 | 435,283 |
| 2017 | 437,367 |
| 2018 | 438,549 |
| 2019 | 438,737 |
| | \$ 3,064,859 |
| Less Amounts Representing Interest | (479,859) |
| | \$ 2,585,000 |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

4. Long-Term Obligations (Continued)

Lease Purchase Agreement – Missouri Association of Municipal Utilities

On May 15, 2008, the Board has entered into a lease/purchase agreement with the Missouri Association of Municipal Utilities through their leasing financing program in the amount of \$6,971,000. Debt was incurred to finance the 161 kV transmission line and substation west of the City and improvements to the disinfection system at water treatment plant.

This lease includes both water and electric, therefore, the accrued interest and related liability is divided between both proprietary funds: 88% electric and 12% water.

A summary of the total amount of base rentals is as follows:

| Fiscal Year June 30, | | |
|---------------------------------|----|-------------------------|
| 2013 | \$ | 816,309 |
| 2014 | | 820,661 |
| 2015 | | 823,317 |
| 2016 | | 829,982 |
| 2017 | | 833,673 |
| 2018 | | <u>770,364</u> |
| | \$ | 4,894,306 |
| Representing Interest | | <u>(451,306)</u> |
| | \$ | <u><u>4,443,000</u></u> |

Lease Purchase Agreement – Commerce Bank

On November 19, 2004, the Board entered into a lease/purchase agreement with Commerce Bank in the amount of \$5,474,839. This lease is for new meters to replace the existing electric and water meters for its customers. The lease calls for monthly payments of \$55,430 that began on September 1, 2005 with a final payment due August 1, 2015 at an interest rate of 4.00%.

This lease includes both water and electric meters, therefore, the accrued interest and related liability is divided between all three proprietary funds: 50% electric, 25% water, and 25% sewer.

A summary of the total amount of base rentals is as follows:

| Fiscal Year June 30, | | |
|---------------------------------------|----|-------------------------|
| 2013 | \$ | 665,161 |
| 2014 | | 665,161 |
| 2015 | | 665,161 |
| 2016 | | <u>110,859</u> |
| | \$ | 2,106,342 |
| Less Amounts Representing Interest | | <u>(131,028)</u> |
| | \$ | <u><u>1,975,314</u></u> |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

4. Long-Term Obligations (Continued)

Escrow Trust Agreement

On October 20, 2004, the Board entered into a Sale Contract with the Public Water Supply District No. 1 of Ralls County (the "PWSD #1), pursuant to which the Board agreed to acquire the right to provide water service to the area described in the Sale Contract for the sum of \$1,500,000.

Under the Sale Contract, the Board has heretofore paid \$150,000 of the cost of acquiring such rights, and is obligated to pay the remaining portion of the acquisition price (\$1,350,000.00) in semi annual payments of \$33,750 beginning July 1, 2005 and ending January 1, 2025.

The Board intends to provide for the payment of the Purchase Price through the appropriation of funds sufficient to make the payments. The Board has agreed to secure its obligation to pay the remainder of the Purchase Price by the deposit of cash and Escrowed Securities into an escrow account to be established under this Escrow Agreement with the Bank of New York.

The cost of acquiring these rights of \$1,500,000 has been capitalized and is shown as an other asset on the balance sheet of the water department. The Board has determined no impairment of this asset as of June 30, 2012.

The payment schedule is as follows:

| Fiscal Year | | |
|--------------------|-----------|----------------|
| June 30 | | |
| 2013 | \$ | 67,500 |
| 2014 | | 67,500 |
| 2015 | | 67,500 |
| 2016 | | 67,500 |
| 2017 | | 67,500 |
| 2018 | | 67,500 |
| 2019 | | 67,500 |
| 2020 | | 67,500 |
| 2021 | | 67,500 |
| 2022 | | 67,500 |
| 2023 | | 67,500 |
| 2024 | | 67,500 |
| 2025 | | 67,500 |
| | <u>\$</u> | <u>877,500</u> |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

4. Long-Term Obligations (Concluded)

Revenue Bonds

The Board has issued \$3,910,000 of Sewerage System Revenue Bonds. These bonds are dated August 1, 1993. The proceeds of the bond issue were used to extend and improve the existing wastewater treatment facility. The interest due on these bonds will be subsidized by interest earnings on a reserve fund held by the bond issue's trustee. These funds are not considered to be Board funds. As the Board is reimbursed for project expenditures from the construction funds held by the trustee, the Department of Natural Resources will deposit an amount equal to approximately 70% of the reimbursement into the reserve fund. The maximum amount of funds that will be advanced to the reserve fund will be \$2,737,000. As bonds are paid off, 70% of the amount of bonds paid off will be repaid to the Department of Natural Resources out of the reserve fund. The balance of the reserve fund at June 30, 2012 was \$600,600. Monthly payments to UMB Bank net of interest credits earned are made by the City and are recomputed every six months by the trustee.

Revenue bond debt service requirements to maturity, including \$71,118 of interest, are as follows:

| <u>Fiscal Year June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 271,000 | \$ 39,015 | \$ 310,015 |
| 2014 | 286,000 | 23,976 | 309,976 |
| 2015 | 301,000 | 8,127 | 309,127 |
| Total | <u>\$ 858,000</u> | <u>\$ 71,118</u> | <u>\$ 929,118</u> |

Costs associated with original issuance as well as reissuance costs are being amortized over the remaining term of bonds as follows:

| | <u>Balance July 1, 2011</u> | <u>Issuance Costs</u> | <u>Amortization Expense</u> | <u>Balance June 30, 2012</u> |
|----------------------------|---------------------------------|---------------------------|---------------------------------|----------------------------------|
| 1994 Bond Issuance - Sewer | \$ 16,594 | \$ - | \$ 5,532 | \$ 11,062 |
| 1994 Bond Issuance - Water | 7,637 | - | 2,545 | 5,092 |
| 2003 Issuance - Electric | 51,540 | - | 9,095 | 42,445 |
| 2003 Issuance - Water | 31,014 | - | 3,877 | 27,137 |
| 2008 Issuance - Electric | 100,084 | - | 11,968 | 88,116 |
| 2008 Issuance - Water | 14,061 | - | 2,045 | 12,016 |
| Total | <u>\$ 220,930</u> | <u>\$ -</u> | <u>\$ 35,062</u> | <u>\$ 185,868</u> |

5. Interfund Transfers

There were no interfund transfers during the year.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

6. Other Non-current Liabilities

The Board currently maintains one defined benefit pension plans for its employees as explained later in these notes to financial statements. In accordance with Government Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as amended by GASB Statement No. 50, *Pension Disclosures*, the Board is required to report a liability if the Board did not make contributions equal to or more than the Annual Required Contribution (ARC) as calculated by the actuary. For the year ended June 30, 2012, the Board had accumulated a liability of \$9,364.

In accordance with Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Board is required to account for a liability if the Board did not make contributions equal to or more than the Annual Required Contribution (ARC) as calculated by the actuary for other postemployment benefits (OPEB) owed to retirees and beneficiaries. The Board pays for continued health insurance coverage for a three year period after retirement. After the three years the retirees can stay on the plan solely at their own expense unless they are Medicare eligible. Once they are Medicare eligible they are not eligible to remain on the plan. For the year ended June 30, 2012, the Board had accumulated a liability of \$84,354.

7. Pension Plan

Plan Description

The Board participates in Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and governed by statute section RSMo.70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the Board do not contribute to the pension plan. The June 30th statutorily required contribution rate is 17.3% (General) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by State Statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

| | |
|--|------------------------|
| Annual required contribution | \$ 554,349 |
| Interest on net pension obligation | 677 |
| Adjustment to annual required contribution | <u>(653)</u> |
| Annual pension cost | \$ 554,373 |
| Actual contributions | <u>554,349</u> |
| Increase (decrease) in NPO | \$ 24 |
| NPO beginning of year | <u>9,340</u> |
| NPO end of year | <u><u>\$ 9,364</u></u> |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

7. Pension Plan (Concluded)

The annual required contribution (ARC) was determined as part of the February 28, 2010 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back -0- years for men and -0- years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back -0- years for men and -0- years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2010 was 23 years for the General division.

| Three-Year Trend Information | | | |
|------------------------------|---------------------------------|-------------------------------------|------------------------------|
| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 2010 | \$ 488,786 | 100.0% | \$ - |
| 2011 | 518,881 | 98.2% | 9,340 |
| 2012 | 554,373 | 100.0% | 9,364 |

The schedule of funding progress, presented as RSI following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. Health Insurance Plan for Retired Employees

The Board of Public Works provides health insurance coverage to qualifying former employees and their dependents. The Board pays for continued health insurance coverage for a three year period after retirement. After the three years the retirees can stay on the plan solely at their own expense unless they are Medicare eligible. Once they are Medicare eligible they are not eligible to remain on the plan.

Covered employees are not required to contribute to the Plan for up to three years. The City is also not required to contribute to the Plan. Employees who retire with a covered spouse pay 25% of the spouse rate for up to 3 years or until age 65. After three years, participants must pay 100% of the plan premium rates. The City's annual OPEB cost and net OPEB obligation for the plan for the year ended June 30, 2012 were as follows:

| | | |
|--|----|-----------|
| Annual required contribution | \$ | 119,508 |
| Interest on net OPEB obligation | | 2,898 |
| Adjustment to annual required contribution | | (3,847) |
| Annual pension cost | \$ | 118,559 |
| Contributions made | | (117,000) |
| Increase in net OPEB obligation | \$ | 1,559 |
| Net OPEB obligation, beginning of year | | 82,795 |
| Net OPEB obligation, end of year | \$ | 84,354 |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

8. Health Insurance Plan for Retired Employees (Concluded)

The annual required contribution for the year ended June 30, 2012, was determined as part of the July 1, 2011 actuarial valuation using the Projected Unit Actuarial Cost method. The actuarial assumptions at July 1, 2011, included (a) 3.50% investment rate of return, (b) valuation date at July 1, 2011, (c) health care inflation rate of 8.5% initial to 5.0% ultimate, (d) dental cost trend of 4.0% per year, (e) cost analysis by age, (f) when employer-paid coverage applies 100% of future retiring employees are assumed to elect coverage, when employer-paid coverage does not apply, 50% are assumed to elect benefit (g) mortality rate based on RP-2000 Mortality Table, (h) retirement rates used were those used for the LAGERS pension actuarial valuation, (i) turnover incident rates used were those used for the LAGERS pension actuarial valuation, (j) disability incidence was not assumed, (k) 70% of future participating retirees are assumed to have a covered spouse, (l) Males are assumed to be 3 years older than their female spouses for future retirees, (m) Medicare eligibility age is 65, (n) claim payments are mid-year, (o) non-spouse dependents were deemed immaterial and not valued, (p) upon retirement, participants are assumed to elect coverage to age 65. Upon covered retiree death or attainment of age 65, a covered spouse is assumed to elect up to three years of coverage not to exceed their own age 65.

The actuarial value of the Plan assets was not calculated due to the understanding that there are no plan assets as recognized under GASB rules. Retiree costs are paid as they come due through general operating funds of the Board. The Plan's unfunded actuarial accrued liability is amortized over 30 years as a level percent-of-pay on an open period basis.

As of July 1, 2011, the most recent actuarial valuation date, the Plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$1,177,861 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,177,861. The covered payroll (annual payroll of active employees covered by the plan) was \$2,980,129 and the ratio of the UAAL to covered payroll was 39.5 percent.

The schedule of funding progress, presented as RSI following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

| Trend Information | | | | |
|-------------------------|------------------------|-----------------------------------|---------------------------|------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Expected Contributions Made | Percentage Contributed | Net OPEB Obligation |
| 2009 | \$ 111,293 | \$ 78,000 | 70.1% | \$ 33,293 (projected) |
| 2010 | 110,911 | 83,000 | 74.8% | 61,204 (projected) |
| 2011 | 110,591 | 89,000 | 80.5% | 82,795 (projected) |
| 2012 | 118,559 | 117,000 | 98.7% | 84,354 |

At July 1, 2011, the Plan membership consisted of:

| | |
|---|----|
| Retirees and beneficiaries receiving benefits | 15 |
| Active members | 61 |
| Total members | 76 |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

9. Obligations to Purchase Electric Power and Energy

The Board has an agreement with AmerenUE to purchase electric power and energy. The rate per kilowatt hour is fixed through December 31, 2014 under a firm contract. The agreement is for a fixed cost of \$43/MWh. The Board also pays a monthly facility charge for the use of the AmerenUE substation on Highway 79.

10. Other Investments

Other investments consist of the following:

| | 2012 | 2011 |
|--|-------------|-------------|
| Land for industrial park site on Route MM in Hannibal, Missouri net of dirt sold to state for highway and bridge projects. | \$ 505,055 | 505,055 |
| Power purchase agreement with Prairie State | 101,599 | 103,000 |
| | \$ 606,654 | \$ 608,055 |

The initial investment of \$103,000 with Prairie State is being amortized over the estimated life of the agreement. The investment is shown net of accumulated amortization. Amortization expense for the year ended June 30, 2012 amounted to \$1,401.

11. Accrued Leave

Vacation hours earned range from 0-200 hours and occur at anniversary date. All prior vacation is lost at anniversary date. Sick pay accrues at 8 hours per month. Maximum accrual for union employees is 800 hours. Personal time is accrued on July 1 for all employees (16 hours total). All prior unused time is lost.

A summary of vacation, sick leave, and personal time off accruals is as follows:

| | June 30, 2012 | | |
|-------------------|----------------------|--------------|--------------|
| | Electric | Water | Sewer |
| Vacation/Personal | \$ 55,420 | \$ 43,795 | \$ 21,283 |
| Sick | 274,910 | 253,288 | 159,246 |
| | \$ 330,330 | \$ 297,083 | \$ 180,529 |
| | | | |
| | June 30, 2011 | | |
| | Electric | Water | Sewer |
| Vacation/Personal | \$ 52,117 | \$ 36,553 | \$ 17,573 |
| Sick | 231,555 | 264,900 | 130,638 |
| | \$ 283,672 | \$ 301,453 | \$ 148,211 |

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2012 and 2011

12. Due from City

During the year ended June 30, 2005, the City borrowed \$310,000 from the Board of Public Works for sewer services to Sawyer's Creek and Mark Twain Cave. This will be repaid using sales tax revenue from Sawyer's Creek and Mark Twain Cave based on a fifteen-year repayment schedule. The interest rate will be reviewed annually and the Board retains the option to adjust the interest rate, not to exceed two percentage points above the Board's current investment portfolio rate of return. A summary of the repayment schedule follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 20,778 | \$ 6,642 | \$ 27,420 |
| 2014 | 21,603 | 5,816 | 27,419 |
| 2015 | 22,460 | 4,959 | 27,419 |
| 2016 | 23,352 | 4,067 | 27,419 |
| 2017 | 24,280 | 3,140 | 27,419 |
| 2018-2020 | 65,000 | 3,545 | 95,966 |
| Total | <u>\$ 177,473</u> | <u>\$ 28,169</u> | <u>\$ 233,062</u> |

13. Subsequent Events

Subsequent events have been evaluated through November 15, 2012 which is the date the reports were available to be issued.

City of Hannibal, Missouri
Board of Public Works
Schedule of Funding Progress
June 30, 2012 and 2011

Missouri Local Government Employee Retirement System

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Entry Age Actuarial Accrued Liability | (b-a) Unfunded Accrued Liability (UAL) | a/b Funded Ratio | (c) Annual Covered Payroll | [(b-a)/c] UAL as a Percentage of Covered Payroll |
|--------------------------------|--|---|--|------------------------|---------------------------------------|--|
| 2/28/2010 | \$ 6,214,140 | \$ 9,535,233 | \$ 3,321,093 | 65% | \$ 3,203,050 | 104% |
| 2/28/2011 | 5,780,537 | 9,013,756 | 3,233,219 | 64% | 3,008,604 | 107% |
| 2/29/2012 | 4,487,598 | 7,969,932 | 3,482,334 | 56% | 3,096,520 | 112% |

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

Health Insurance Plan for Retired Employees

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability | (b-a) Unfunded Accrued Liability (UAL) | a/b Funded Ratio | (c) Annual Covered Payroll | [(b-a)/c] UAL as a Percentage of Covered Payroll |
|--------------------------------|--|--|--|------------------------|---------------------------------------|--|
| 7/1/2011 | - | \$ 1,177,861 | \$ 1,177,861 | - | 2980129 (A) | 39.5% |

(A) Annualized Pay of Active Employees as of 7/1/2011 eligible to participate in health plan.

Supplementary Schedules

City of Hannibal, Missouri
Board of Public Works
Electric Department
Plant Assets and Depreciation Schedule
Year Ended June 30, 2012

| | Cost 6/30/2011 | Additions | Retirements and Other | Cost 6/30/2012 | Accumulated Depreciation 6/30/2011 | Depreciation for the Year | Retirements | Accumulated Depreciation 6/30/2012 |
|---------------------------------------|---------------------------|-------------------|----------------------------------|---------------------------|---|--------------------------------------|--------------------|---|
| Land and land rights | \$ 20,062 | \$ - | \$ - | \$ 20,062 | \$ - | \$ - | \$ - | \$ - |
| Clearing land & right of way | 2,642 | - | - | 2,642 | - | 101 | - | 101 |
| Structures & improvements | 33,973 | - | - | 33,973 | 29,600 | 625 | - | 30,225 |
| Station equipment | 1,165,670 | - | - | 1,165,670 | 831,202 | 25,156 | - | 856,358 |
| Transmission towers & fixtures | 78,953 | - | - | 78,953 | 78,953 | - | - | 78,953 |
| Poles & fixtures | 604,015 | - | - | 604,015 | 568,964 | 3,797 | - | 572,761 |
| Overhead conduit & device | 471,843 | - | - | 471,843 | 471,399 | 89 | - | 471,488 |
| Underground conduit & device | 200 | - | - | 200 | 200 | - | - | 200 |
| Road | 9,523 | - | - | 9,523 | 7,380 | 476 | - | 7,856 |
| Land and land rights | 99,193 | - | - | 99,193 | - | - | - | - |
| Plant structure & improvements | 38,637 | 13,500 | - | 52,137 | 38,637 | - | - | 38,637 |
| Station equipment | 7,137,169 | - | - | 7,137,169 | 3,432,026 | 364,238 | - | 3,796,264 |
| 161 kV transmission line | 9,155,576 | - | - | 9,155,576 | 228,890 | 228,889 | - | 457,779 |
| Poles, towers & fixtures | 2,019,503 | 11,745 | - | 2,031,248 | 1,435,324 | 71,047 | - | 1,506,371 |
| Overhead conduit & device | 2,082,446 | - | - | 2,082,446 | 1,586,631 | 79,234 | - | 1,665,865 |
| Underground conduit | 30,725 | - | - | 30,725 | 15,133 | 1,477 | - | 16,610 |
| Underground conduit & device | 180,432 | - | - | 180,432 | 141,138 | 8,168 | - | 149,306 |
| Line transformers | 1,547,969 | 51,896 | - | 1,599,865 | 1,304,025 | 36,334 | - | 1,340,359 |
| Services | 333,839 | - | - | 333,839 | 295,686 | 7,055 | - | 302,741 |
| Meters | 3,037,490 | - | - | 3,037,490 | 775,270 | 164,771 | - | 940,041 |
| Install on customer premise | 3,225 | - | - | 3,225 | 2,580 | 323 | - | 2,903 |
| Leased property | 2,227 | - | - | 2,227 | 1,715 | 111 | - | 1,826 |
| Street Light & Signal | 956,424 | - | - | 956,424 | 726,298 | 28,882 | - | 755,180 |
| Structures & Improvements | 1,039,364 | 363,216 | - | 1,402,580 | 1,002,624 | 2,296 | - | 1,004,920 |
| Office furniture & equipment | 384,149 | 1,501 | - | 385,650 | 272,024 | 24,325 | - | 296,349 |
| Transportation | 1,070,436 | 157,864 | 150,392 | 1,077,908 | 784,447 | 65,049 | 150,393 | 699,103 |
| Tools - shop & garage | 55,211 | 12,482 | - | 67,693 | 33,594 | 4,694 | - | 38,288 |
| Power operated equipment | 7,551 | - | - | 7,551 | 7,551 | - | - | 7,551 |
| Communication equipment | 28,040 | 9,426 | - | 37,466 | 6,686 | 3,105 | - | 9,791 |
| Miscellaneous equipment | 93,844 | - | - | 93,844 | 82,038 | 3,190 | - | 85,228 |
| Total Utility Plant in Service | \$ 31,690,331 | \$ 621,630 | \$ 150,392 | \$ 32,161,569 | \$ 14,160,015 | \$ 1,123,432 | \$ 150,393 | \$ 15,133,054 |
| Construction in Progress | 264,335 | 19,071 | 176,587 | 106,819 | - | - | - | - |
| Total Utility Plant | \$ 31,954,666 | \$ 640,701 | \$ 326,979 | \$ 32,268,388 | \$ 14,160,015 | \$ 1,123,432 | \$ 150,393 | \$ 15,133,054 |

The accompanying notes are an integral part of these financial statements.

City of Hannibal, Missouri
Board of Public Works
Water Department
Plant Assets and Depreciation Schedule
Year Ended June 30, 2012

| | <u>Cost 6/30/2011</u> | <u>Additions</u> | <u>Retirements and Other</u> | <u>Cost 6/30/2012</u> | <u>Accumulated Depreciation 6/30/2011</u> | <u>Depreciation for the Year</u> | <u>Retirements</u> | <u>Accumulated Depreciation 6/30/2012</u> |
|---------------------------------------|-----------------------------|--------------------------|----------------------------------|-----------------------------|---|--------------------------------------|------------------------|---|
| Land | \$ 108,675 | \$ - | \$ - | \$ 108,675 | \$ - | \$ - | \$ - | \$ - |
| Purification Plan: | | | | | | | | |
| Filtration Plan | 8,308,268 | - | - | 8,308,268 | 2,826,188 | 167,319 | - | 2,993,507 |
| Pumping Plant: | | | | | | | | |
| Pumping plant and equipment | 2,434,647 | - | - | 2,434,647 | 593,444 | 54,587 | - | 648,031 |
| Distribution Plant: | | | | | | | | |
| Reservoir | 3,975,605 | - | - | 3,975,605 | 505,956 | 39,733 | - | 545,689 |
| Booster stations | 521,778 | - | - | 521,778 | 323,579 | 17,444 | - | 341,023 |
| Distribution mains | 8,172,675 | 406,158 | - | 8,578,833 | 2,081,456 | 110,981 | - | 2,192,437 |
| Structures | 385,297 | 6,199 | - | 391,496 | 263,631 | 32,214 | - | 295,845 |
| Meters | 1,618,318 | 74,330 | - | 1,692,648 | 435,570 | 88,294 | - | 523,864 |
| Services | 721,047 | - | - | 721,047 | 510,534 | 10,139 | - | 520,673 |
| Hydrants | 610,408 | - | - | 610,408 | 419,471 | 15,311 | - | 434,782 |
| Transportation equipment | 314,881 | - | 3,237 | 311,644 | 231,772 | 13,402 | 3,237 | 241,937 |
| Tools and equipment | 188,594 | 5,935 | - | 194,529 | 146,744 | 9,510 | - | 156,254 |
| Other equipment | 54,527 | - | - | 54,527 | 43,725 | 2,314 | - | 46,039 |
| | <u>\$ 27,414,720</u> | <u>\$ 492,622</u> | <u>\$ 3,237</u> | <u>\$ 27,904,105</u> | <u>\$ 8,382,070</u> | <u>\$ 561,248</u> | <u>\$ 3,237</u> | <u>\$ 8,940,081</u> |
| General Plant: | | | | | | | | |
| Office equipment | \$ 191,116 | \$ 751 | \$ - | \$ 191,867 | \$ 146,410 | \$ 10,494 | \$ - | \$ 156,904 |
| Communication equipment | 13,874 | 3,403 | - | 17,277 | 5,827 | 1,209 | - | 7,036 |
| Structures and improvements | 175,147 | - | - | 175,147 | 164,182 | 1,776 | - | 165,958 |
| | <u>\$ 380,137</u> | <u>\$ 4,154</u> | <u>\$ -</u> | <u>\$ 384,291</u> | <u>\$ 316,419</u> | <u>\$ 13,479</u> | <u>\$ -</u> | <u>\$ 329,898</u> |
| Total Utility Plant In Service | <u>\$ 27,794,857</u> | <u>\$ 496,776</u> | <u>\$ 3,237</u> | <u>\$ 28,288,396</u> | <u>\$ 8,698,489</u> | <u>\$ 574,727</u> | <u>\$ 3,237</u> | <u>\$ 9,269,979</u> |
| Construction in Progress | 25,888 | 34,618 | - | 60,506 | - | - | - | - |
| Total Utility Plant | <u><u>\$ 27,820,745</u></u> | <u><u>\$ 531,394</u></u> | <u><u>\$ 3,237</u></u> | <u><u>\$ 28,348,902</u></u> | <u><u>\$ 8,698,489</u></u> | <u><u>\$ 574,727</u></u> | <u><u>\$ 3,237</u></u> | <u><u>\$ 9,269,979</u></u> |

The accompanying notes are an integral part of these financial statements.

City of Hannibal, Missouri
Board of Public Works
Sewer Department
Plant Assets and Depreciation Schedule
Year Ended June 30, 2012

| | Cost 6/30/2011 | Additions | Retirements and Other | Cost 6/30/2012 | Accumulated Depreciation 6/30/2011 | Depreciation for the Year | Retirements | Accumulated Depreciation 6/30/2012 |
|---------------------------------------|----------------------|-------------------|--------------------------|----------------------|--|------------------------------|-----------------|--|
| Land and land rights | \$ 518,543 | \$ - | \$ - | \$ 518,543 | \$ - | \$ - | \$ - | \$ - |
| Treatment plant | 17,238,886 | 110,679 | - | 17,349,565 | 10,437,000 | 378,202 | - | 10,815,202 |
| Storm sewers | 250,454 | - | - | 250,454 | 87,681 | 5,009 | - | 92,690 |
| Sanitary sewers | 8,901,440 | - | - | 8,901,440 | 4,568,710 | 182,288 | - | 4,750,998 |
| Sewer connections | 1,387,905 | - | - | 1,387,905 | 353,204 | 68,923 | - | 422,127 |
| Office furniture and equipment | 262,700 | 751 | - | 263,451 | 228,228 | 9,294 | - | 237,522 |
| Transportation equipment | 485,415 | - | 3,237 | 482,178 | 215,850 | 37,653 | 3,237 | 250,266 |
| Tools and equipment | 122,206 | 5,442 | - | 127,648 | 115,167 | 2,195 | - | 117,362 |
| Office building and improvement | 114,042 | 6,200 | - | 120,242 | 66,314 | 3,897 | - | 70,211 |
| Laboratory equipment | 23,423 | - | - | 23,423 | 23,423 | - | - | 23,423 |
| Communication equipment | 47,562 | 4,061 | - | 51,623 | 5,526 | 5,230 | - | 10,756 |
| Other equipment | 500,249 | - | - | 500,249 | 385,559 | 25,396 | - | 410,955 |
| Structures | 37,737 | - | - | 37,737 | 10,583 | - | - | 10,583 |
| Total Utility Plant in Service | \$ 29,890,562 | \$ 127,133 | \$ 3,237 | \$ 30,014,458 | \$ 16,497,245 | \$ 718,087 | \$ 3,237 | \$ 17,212,095 |
| Construction in Progress | 14,575 | 108,830 | - | 123,405 | - | - | - | - |
| Total Utility Plant | \$ 29,905,137 | \$ 235,963 | \$ 3,237 | \$ 30,137,863 | \$ 16,497,245 | \$ 718,087 | \$ 3,237 | \$ 17,212,095 |

The accompanying notes are an integral part of these financial statements.

City of Hannibal, Missouri
Board of Public Works
Schedule of Investments
June 30, 2012

| Description | Interest Rate | Maturity Date | Book Value | Market Value |
|--|---------------|---------------|---------------------|---------------------|
| Electric | | | | |
| Unrestricted Temporary Cash Investments: | | | | |
| F&M Bank and Trust Co - Certificate of Deposit | 0.12% | 9/27/2012 | \$ 535,993 | \$ 535,993 |
| F&M Bank and Trust Co - Certificate of Deposit | 0.25% | 6/27/2013 | 628,196 | 628,196 |
| Commerce Bank | 0.20% | 8/29/2012 | 248,000 | 248,000 |
| Commerce Bank | 0.30% | 8/29/2012 | 248,000 | 248,000 |
| Commerce Bank | 0.20% | 9/7/2012 | 248,000 | 248,000 |
| Palmyra State Bank | | 8/27/2012 | 250,000 | 250,000 |
| HNB | 0.20% | 11/1/2012 | <u>506,317</u> | <u>506,317</u> |
| Total Unrestricted Temporary Cash Investments | | | <u>\$ 2,664,506</u> | <u>\$ 2,664,506</u> |
| Water | | | | |
| Unrestricted Temporary Cash Investments: | | | | |
| Bank of New York Mellon Trust Company N.A. | | | <u>\$ 1,016,345</u> | <u>\$ 1,016,345</u> |
| Restricted Investments | | | | |
| Sewer | | | | |
| Debt Service Reserve: | | | | |
| Money Market Funds - UMB Bank | | | <u>\$ 283,882</u> | <u>\$ 283,882</u> |
| Total Restricted Investments | | | <u>\$ 283,882</u> | <u>283,882</u> |
| Total Investments | | | <u>\$ 3,964,733</u> | <u>\$ 3,964,733</u> |

City of Hannibal, Missouri
Board of Public Works
Schedule of Top Ten Utility Customers
Year Ended June 30, 2012

Electric

| Rank | Consumer | Annual Kilowatt Hours | Percent of Total |
|------|------------------------------|--------------------------|---------------------|
| 1 | General Mills | 44,930,200 | 16.87% |
| 2 | Buckhorn Ribber Products | 14,610,400 | 5.49% |
| 3 | Enduro Industries LLC | 11,541,600 | 4.33% |
| 4 | Spartan Light Metal Products | 10,829,000 | 4.07% |
| 5 | Watlow Industries | 7,967,400 | 2.99% |
| 6 | Walmart | 4,623,200 | 1.74% |
| 7 | HLG University | 4,096,147 | 1.54% |
| 8 | Board of Public Works | 3,882,200 | 1.46% |
| 9 | Cosmoflex Inc. | 3,431,400 | 1.29% |
| 10 | Niemann Foods Inc. | 3,547,680 | 0.096% |

Water

| Rank | Consumer | Annual Gallons x 100 | Percent of Total |
|------|--------------------------------|-------------------------|---------------------|
| 1 | Ralls County Water District #1 | 1,730,067 | 18.52% |
| 2 | General Mills | 1,278,888 | 13.69% |
| 3 | Board of Public Works | 593,650 | 6.35% |
| 4 | Hannibal Regional Hospital | 128,286 | 1.37% |
| 5 | Watlow Industries | 105,970 | 1.13% |
| 6 | Hannibal Country Club | 86,994 | 0.93% |
| 7 | Levering Care Center | 79,718 | 0.85% |
| 8 | Cosmoflex Inc. | 78,938 | 0.84% |
| 9 | Enduro Industries LLC | 56,241 | 0.60% |
| 10 | SWB Hospitality LLC | 40,900 | 0.43% |

Sewer

| Rank | Consumer | Annual Gallons x 100 | Percent of Total |
|------|------------------------------|-------------------------|---------------------|
| 1 | General Mills | 1,278,888 | 20.02% |
| 2 | Hannibal Regional Hospital | 119,182 | 1.86% |
| 3 | Levering Care Center | 73,377 | 1.14% |
| 4 | Enduro Industries | 56,241 | 0.88% |
| 5 | SWB Hospitality LLC | 37,700 | 0.59% |
| 6 | Beth Haven Nursing Home | 36,470 | 0.57% |
| 7 | Luther Manor | 34,789 | 0.54% |
| 8 | Hannibal Health Care Center | 30,759 | 0.48% |
| 9 | Spartan Light Metal Products | 29,578 | 0.46% |
| 10 | Jai Shri Ram Hospitality | 27,662 | 0.43% |

Comparative Statement
of Operating Factors

City of Hannibal, Missouri
Board of Public Works
Electric Department
Comparative Statement of Operating Factors
Years Ended June 30, 2012 and 2011

| | <u>Unit</u> | <u>2012</u> | <u>2011</u> |
|---|-------------|--------------|--------------|
| Population served per 2010 Census | | 17,757 | 17,757 |
| Number of customers per 100 population | | 51.22 | 50.78 |
| Maximum peak load operation | KW | 60,000 | 59,219 |
| Investment per capita | \$ | 1,817.22 | 1,799.55 |
| Total operating revenue per \$100.00 investment | \$ | 82.25 | 97.46 |
| Ratio of total operation expense to total operating revenue | % | 92.18% | 91.84% |
| Operating profit (loss) per \$100.00 investment | \$ | 6.44 | 2.61 |
| Total purchased power cost per kWh | \$ | 0.0583 | 0.0700 |
| Average price received per kWh sold | \$ | 0.1006 | 0.1006 |
| Operating profit (loss) per kWh sold | \$ | 0.0070 | 0.0040 |
| Average residential use | kWh | 10,489 | 10,781 |
| Total kWh purchased | kWh | 274,040,349 | 275,682,308 |
| Total kWh sold | kWh | 263,834,251 | 269,503,073 |
| Customers at end of year: | | | |
| Residential | | 7,635 | 7,709 |
| Commercial | | 1,204 | 1,175 |
| Industrial | | 257 | 133 |
| | | <u>9,096</u> | <u>9,017</u> |

City of Hannibal, Missouri
Board of Public Works
Water Department
Comparative Statement of Operating Factors
Years Ended June 30, 2012 and 2011

| | <u>Unit</u> | <u>2012</u> | <u>2011</u> |
|---|-------------|----------------------|----------------------|
| Population served per 2010 Census | | 17,757 | 17,757 |
| Number of customers per 100 population | | 44.46 | 42.54 |
| Capacity per day | Gallon | 7,500,000 | 7,500,000 |
| Maximum production per day | Gallon | 7,500,000 | 7,500,000 |
| Average production per day | Gallon | 3,130,000 | 2,982,658 |
| Investment per 1,000 gallons sold | \$ | 25.39 | 25.55 |
| Investment per capita | \$ | 1,596.49 | 1,566.75 |
| Total Revenue per \$100.00 investment | \$ | 16.00 | 15.18 |
| Ratio of operating expenses to operating revenue | % | 91.84% | 90.02% |
| Operating profit (loss) per \$100.00 investment | \$ | 1.31 | 1.51 |
| Average price received per 1,000 gallons | \$ | 4.06 | 4.09 |
| Average cost per 1,000 gallons | \$ | 3.73 | 3.92 |
| Customers at end of year: | | | |
| Residential | | 7,010 | 6,697 |
| Commercial | | 841 | 829 |
| Industrial | | 41 | 24 |
| Other public authorities | | 3 | 3 |
| | | <u>7,895</u> | <u>7,553</u> |
| Consumption for year: | | | |
| Residential | Gallon | 345,325,300 | 354,548,200 |
| Commercial | Gallon | 165,015,000 | 156,119,600 |
| Industrial | Gallon | 190,999,200 | 190,379,100 |
| Other public authorities | Gallon | 167,067,600 | 161,370,600 |
| Interdepartmental | Gallon | 1,695,100 | 2,107,800 |
| Non-Revenue services | Gallon | - | - |
| Filtration plant - washing filter, filling basins, etc. | Gallon | 55,678,069 | 111,345,917 |
| City use (Fires, street cleaning, etc.) and lost water | Gallon | 190,736,430 | 112,798,903 |
| Total gallons received from pumping station/filtered | | <u>1,116,516,699</u> | <u>1,088,670,120</u> |

City of Hannibal, Missouri
Board of Public Works
Sewer Department
Comparative Statement of Operating Factors
Years Ended June 30, 2012 and 2011

| | <u>Unit</u> | <u>2012</u> | <u>2011</u> |
|---|-------------|---------------|---------------|
| Population served per 2010 Census | | 17,757 | 17,757 |
| Number of customers per 100 population | | 42.46 | 42.77 |
| Investment per capita | \$ | 1,697.24 | 1,684.13 |
| Total revenue per \$100.00 investment | \$ | 12.91 | 12.09 |
| Ratio of total operation expense to total operating revenue | % | 99.21% | 95.24% |
| Operating profit (loss) per \$100.00 investment | \$ | 0.10 | 0.58 |
| Total treatment cost per million gallons | \$ | 3,384.29 | 3,256.18 |
| Average price received per million gallons treated | \$ | 3,411.28 | 3,258.31 |
| Operating profit (loss) per million gallons treated | \$ | 27.00 | 162.81 |
| Total gallons treated | Gallons | 1,140,900,000 | 1,057,180,000 |
| Total gallons from water plant | Gallons | 1,039,740,000 | 1,703,180,000 |
| Customers at end of year: | | | |
| Residential | | 6,745 | 6,807 |
| Commercial | | 775 | 768 |
| Industrial | | 19 | 19 |
| | | <u>7,539</u> | <u>7,594</u> |