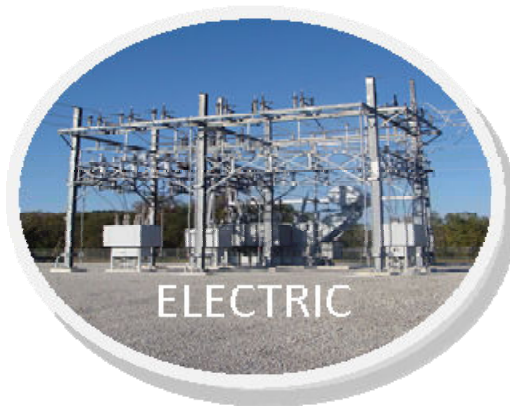


City of Hannibal, Missouri

Board of Public Works

Basic Financial Statements
And Management's Discussion and Analysis
For the Fiscal Year
Ending June 30, 2014



City of Hannibal, Missouri

Board of Public Works

Basic Financial Statements

And Management's Discussion and Analysis

For the Fiscal Year

Ending June 30, 2014

City of Hannibal, Missouri
Board of Public Works
Year Ended June 30, 2014
Table of Contents

Financial Section:

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

Electric, Water and Sewer Departments:

Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10 - 11
Notes to Financial Statements	12 - 22
Required Supplementary Information - Schedule of Funding Progress	23

Supplementary Schedules:

Depreciation Summary:

Electric Department	24
Water Department	25
Sewer Department	26
Schedule of Investments	27 - 28
Schedule of Top Ten Utility Customers	29

Comparative Statement of Operating Factors:

Electric Department	30
Water Department	31
Sewer Department	32

Financial Section



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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 the City of Hannibal, Missouri, as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion

As discussed in Note 1, the financial statements present only the Electric, Water, and Sewer funds of the City of Hannibal, Missouri. Accounting principles generally accepted in the United States of America require that City of Hannibal, Missouri's financial statements present 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 Hannibal, Missouri.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of City of Hannibal, Missouri as of June 30, 2014, or the changes in financial position or cash flows thereof for the year then ended.

Independent Auditor's Report (Concluded)

Unmodified Opinion

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 of the City of Hannibal, Missouri, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 7 and page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hannibal's Board of Public Works' basic financial statements. The supplementary schedules and statistical section on pages 24 to 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Wade Stables P.C.

Wade Stables P.C.

Certified Public Accountants

December 11, 2014
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, 2014
(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 8,900 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, 2014. 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, 2014, by \$54,983,147 (net position). Of this amount, \$12,318,581 (unrestricted net position) may be used to meet the Board's ongoing obligations to citizens and creditors.
- The HBPW's total net position increased by \$1,561,245 for the year ended June 30, 2014. The increase in net position can be attributed to the Water Department fund that ended the year with net income of \$970,625 and the Electric Department fund which ended the year with net income of \$555,200.
- With the payment of total principal due on the HBPW's long-term debt of \$2,018,838 and new debt proceeds of \$6,430,000, total debt increased by \$4,411,162 for the year ended June 30, 2014.

The Board's full requirements wholesale power supply contract with Ameren Energy Marketing will expire in December 2014. Contract price for energy is firm at \$43/MWH. In addition, another contract with Ameren Energy Marketing for the years 2015 and 2016 at a price of \$41.69 was bid and awarded and that contract was extended by mutual agreement through May 2017.

The Board is a participant in the 1600MW Prairie State Energy Campus located near Mt. Vernon, Ill for 10 MW from each of the two units. The first full year of operations at the plant has been problematic with lost generation time due to start-up problems and plant reliability issues which the operating staff is bringing under control. Energy from the plant is being sold into the MISO day ahead market which has also been below expectations.

- Electric rates for the residential rate class increased 3% 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 4% on July 1, 2013 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 4% on July 1, 2013 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.

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.

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Business-type Activities

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>
Assets		
Current	\$ 21,187,434	\$ 14,853,353
Net capital assets	48,476,060	48,852,772
Other	2,212,390	2,515,454
Total	<u>\$ 71,875,884</u>	<u>\$ 66,221,579</u>
Liabilities		
Current	\$ 5,777,698	\$ 5,741,566
Long-term	11,115,039	7,058,111
Total	<u>\$ 16,892,737</u>	<u>\$ 12,799,677</u>
Net Position	<u>\$ 54,983,147</u>	<u>\$ 53,421,902</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$ 37,469,171	\$ 37,570,397
Less Operating Expenses	(35,334,362)	(34,731,641)
Total Operating Income	<u>\$ 2,134,809</u>	<u>\$ 2,838,756</u>
Non-Operating Revenues and Expenses		
Interest income	\$ 10,266	\$ 43,293
Interest expense	(617,999)	(364,335)
Other items (net)	34,169	263,838
Total Other Income (Expenses)	<u>\$ (573,564)</u>	<u>\$ (57,204)</u>
Change in Net Position	\$ 1,561,245	\$ 2,781,552
Net Position at beginning of period	53,421,902	50,640,350
Net Position at end of period	<u>\$ 54,983,147</u>	<u>\$ 53,421,902</u>

The HBPW's most significant revenue in 2014 was charges for services for commercial of \$11,007,701 and residential for \$14,074,182.

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Electric	\$ 28,727,997	\$ 28,599,785
Water	4,742,047	4,921,718
Sewer	3,999,127	4,048,894
Total	<u>\$ 37,469,171</u>	<u>\$ 37,570,397</u>

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Business-type Activities (Concluded)

The HBPW's most significant expenses in 2014 were purchase of power of \$22,418,810 and salary and wages for \$4,432,409.

	<u>2014</u>	<u>2013</u>
Operating Expenses		
Electric	\$ 27,985,386	\$ 26,777,128
Water	3,714,243	4,142,134
Sewer	3,634,733	3,812,379
Total	<u>\$ 35,334,362</u>	<u>\$ 34,731,641</u>

Property, Plant and Equipment

At the end of the fiscal year 2014, the HBPW had total property, plant and equipment of \$48,476,060.

Budgeting Highlights

For the year ended June 30, 2014, HBPW budgeted total revenues of \$40,778,994. Actual revenues were \$37,515,076 for a negative variance of \$3,263,918. The majority of this variance was in the Electric fund with a negative variance of \$2,454,848 with \$2,072,491 being the budgeted revenue for taxes, transfer fees and deposits however these are not reported as revenue on the financial statements.

Budgeted expenses for the year ended June 30, 2014, were \$38,610,501 and actual total expenses of \$35,952,361 for a positive variance of \$2,658,140. Of this variance, \$2,165,690 was from the Electric Fund with the majority in purchased power.

MAJOR INITIATIVES

Electric Department

A major project that has been ongoing for several years is the aggressive replacement of substandard distribution poles throughout the City, focusing especially on those in rear lot line easements. This process is expected to be completed within approximately one year. These poles were previously very difficult to replace until the purchase of a specially designed miniature digger derrick able to work in residential settings without damaging lawns and fences.

An electric distribution coordination study was completed this year which recommended settings and sizes for safety devices in the system such as fuses and reclosers. It is our goal that these changes will improve system availability and reliability, which already stands at 99.9%.

Water Department

To conform to increasing pressure from Missouri Dept. of Natural Resources (MoDNR) related to drinking water standards, the Water Department completed a study to determine the best way to lower the formation of Disinfection Byproducts in our distribution system. That study 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 2015. Removal of Disinfection Byproducts and micro-organisms from the drinking water supply is mandated by the MoDNR and the Board of Public Works is under an Administrative Order of Consent to do so by December of 2015.

A comprehensive engineering review of the water system was conducted in the previous year by a consultant, and the report is being used as the basis for its long range plans for system upgrades. The report recommended many projects to improve treatment plant operations, solve some MODNR compliance issues, and improve distribution system weaknesses such as low pressure areas. The report also provided recommended priorities of these various projects and is being used as our primary reference as the department completes the application process for State Revolving Funds. It is expected that these improvements will require a capital outlay of approximately \$12 million over the next year to 18 months.

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Water Department (Concluded)

Voter approval of a bond sale to finance the numerous projects was approved with an 89% approval in the August 2013 referendum.

A Water System Cost of Service Study is underway at year-end that should provide recommendations for future rate designs and rates.

Sewer Department

The sewer crew continued maintenance of the existing system by cleaning, root cutting and televising sewer mains. The crews also completed repairs of deteriorated sections of main as needed.

During the year work was begun on approximately \$6 million of upgrades to the Wastewater Treatment Plant (WWTP) and Collection System.

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

A Sewer System Cost of Service Study is underway at year-end that should provide recommendations for future rate designs and rates.

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; Betty Anderson, Vice President; Susan Wathen, Secretary; and Tim Goodman, Board Member.

The Board implemented a new software to modernize its business office, allow more convenient methods of payment, and enhance the functionality of its automated meter reading system.

FUTURE PLANS

The Electric Dept. will continue an aggressive program of pole replacements especially in rear lot line easement areas. 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. We are in the beginning stages of determining options for our next power supply contract, which will take effect the summer of 2017.

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 Inflow and Infiltration control.

The Board owns about 110 acres of undeveloped ground on the west edge of the City. Plans are being developed to create a business park. At year-end work is being finalized to get the site designated as a Missouri Certified Site which should enhance marketability of the property.

Work is underway to develop a fiber optic ring around the City for internal utility use. In the next fiscal year we expect to be able to connect our Service Center to our Water Treatment Plant, our Wastewater Treatment Plant, and all five electric substations to a fiber ring for utility operations and communications.

City of Hannibal, Missouri
Board of Public Works
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

OPERATING RESULTS

Electric, water and sewer revenue is comprised of retail sales to the HBPW's customers and wholesale sales of both electricity and water to resellers.

Retail Electric customers provided \$25,537,299 in revenue for the year, which represents an increase of 4.5% from the previous year. Retail Electric sales were up 1.8% from the prior year. Of the revenue received, 68.7%, or \$22,418,810, went to Ameren Energy Marketing, Missouri Public Utility Alliance and Prairie State to pay for wholesale electric power.

Retail Water revenues were \$4,036,671 for the year compared to \$3,936,489 the previous year, for an increase of 2.5% from the previous year. Wholesale revenue was \$657,294 or an increase of 2.6% from the previous year.

Retail Sewer revenues were \$3,951,302 for the year compared to \$3,813,684 the previous year for an increase of 3.6% from the previous year.

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 \$1,589,694 were paid to the City of Hannibal. Unbilled utility services valued at approximately \$215,000 were provided to the City during the fiscal year.

The Hannibal Board of Public Works remains financially sound at the conclusion of fiscal year 2013-2014. 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
Statement of Net Position
June 30, 2014

	Electric Department	Water Department	Sewer Department	Total 2014
Assets				
Current Assets:				
Cash	\$ 1,452,225	\$ 1,299,948	\$ (126,299)	\$ 2,625,874
Restricted Cash-Debt Service	-	-	1,568,204	1,568,204
Investments	4,897,625	915,604	5,090,263	10,903,492
Receivables (Net, where applicable, of allowances for uncollectible accounts):				
Customers	1,993,536	314,523	323,175	2,631,234
Other	256,149	-	-	256,149
Due from cities - current	22,460	-	-	22,460
Inventory	1,386,690	465,910	24,204	1,876,804
Prepays	1,098,664	102,277	102,276	1,303,217
Total Current Assets	<u>\$ 11,107,349</u>	<u>\$ 3,098,262</u>	<u>\$ 6,981,823</u>	<u>\$ 21,187,434</u>
Property, Plant and Equipment (Net of accumulated depreciation):	16,070,601	19,297,096	13,108,363	48,476,060
Other Assets:				
Other investment - land	505,055	-	-	505,055
Water rights	-	1,500,000	-	1,500,000
Prairie State Energy	94,703	-	-	94,703
Due from cities - long-term	112,632	-	-	112,632
Total Assets	<u><u>\$ 27,890,340</u></u>	<u><u>\$ 23,895,358</u></u>	<u><u>\$ 20,090,186</u></u>	<u><u>\$ 71,875,884</u></u>
Liabilities				
Current Liabilities:				
Accounts payable	\$ 1,481,697	\$ 174,406	\$ 279,046	\$ 1,935,149
Customer deposits	422,032	95,008	96,850	613,890
Other accrued expenses	88,003	31,385	33,552	152,940
Accrued leave	553,137	180,631	186,737	920,505
Current portion of long-term debt	1,111,930	548,125	427,659	2,087,714
Current portion due to PWSD#1	-	67,500	-	67,500
Total Current Liabilities	<u>\$ 3,656,799</u>	<u>\$ 1,097,055</u>	<u>\$ 1,023,844</u>	<u>\$ 5,777,698</u>
Long-term Liabilities:				
Due to PWSD #1	-	675,000	-	675,000
Net pension obligation	4,245	2,316	2,688	9,249
OPEB obligation	22,278	12,159	14,106	48,543
Long-term debt	3,235,585	707,068	6,439,594	10,382,247
Total Liabilities	<u><u>\$ 6,918,907</u></u>	<u><u>\$ 2,493,598</u></u>	<u><u>\$ 7,480,232</u></u>	<u><u>\$ 16,892,737</u></u>
Net Position				
Invested in capital assets, net of related long-term debt	\$ 11,723,086	\$ 18,041,903	\$ 11,331,373	\$ 41,096,362
Restricted for debt service	-	-	1,568,204	1,568,204
Unrestricted	9,248,347	3,359,857	(289,623)	12,318,581
Total Net Position	<u><u>\$ 20,971,433</u></u>	<u><u>\$ 21,401,760</u></u>	<u><u>\$ 12,609,954</u></u>	<u><u>\$ 54,983,147</u></u>

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

City of Hannibal, Missouri
Board of Public Works
Statement of Revenues, Expenses and
Changes in Net Position
Year Ended June 30, 2014

	Electric Department	Water Department	Sewer Department	Total 2014
Operating Revenues:				
Charges for services				
Residential	\$ 9,313,298	\$ 2,379,812	\$ 2,381,072	\$ 14,074,182
Commercial	9,344,734	851,417	811,550	11,007,701
Industrial	6,879,267	805,442	758,680	8,443,389
Wholesale	-	657,294	-	657,294
Penalties	189,892	48,082	47,825	285,799
Prairie State Energy sales	3,000,806	-	-	3,000,806
Total Operating Revenues	<u>\$ 28,727,997</u>	<u>\$ 4,742,047</u>	<u>\$ 3,999,127</u>	<u>\$ 37,469,171</u>
Operating Expenses:				
Purchased power	\$ 22,418,810	\$ -	\$ -	\$ 22,418,810
Salaries and wages	1,948,825	1,297,700	1,185,884	4,432,409
Benefits	1,081,600	505,140	556,752	2,143,492
Purchased services	559,017	273,400	293,047	1,125,464
Supplies	337,814	554,481	351,406	1,243,701
Noncapitalized equipment	66,057	26,449	35,176	127,682
Uncollectible Accounts Expense	130,917	17,808	19,844	168,569
Other objects	302,318	432,253	549,745	1,284,316
Depreciation	1,136,595	607,012	642,879	2,386,486
Amortization	3,433	-	-	3,433
Total Operating Expenses	<u>\$ 27,985,386</u>	<u>\$ 3,714,243</u>	<u>\$ 3,634,733</u>	<u>\$ 35,334,362</u>
Income (Loss) from Operations	<u>\$ 742,611</u>	<u>\$ 1,027,804</u>	<u>\$ 364,394</u>	<u>\$ 2,134,809</u>
Non-Operating Revenue (Expense)				
Interest income	\$ 4,824	\$ -	\$ 5,442	\$ 10,266
Miscellaneous	17,258	8,639	9,742	35,639
Interest expense/fees	(209,493)	(65,171)	(343,335)	(617,999)
Gain (Loss) on capital assets	-	(647)	(823)	(1,470)
Total Non-Operating Revenue (Expense)	<u>\$ (187,411)</u>	<u>\$ (57,179)</u>	<u>\$ (328,974)</u>	<u>\$ (573,564)</u>
Net Income (Loss)	<u>\$ 555,200</u>	<u>\$ 970,625</u>	<u>\$ 35,420</u>	<u>\$ 1,561,245</u>
Net Position, Beginning of Year	<u>20,416,233</u>	<u>20,431,135</u>	<u>12,574,534</u>	<u>53,421,902</u>
Net Position, End of Year	<u><u>\$ 20,971,433</u></u>	<u><u>\$ 21,401,760</u></u>	<u><u>\$ 12,609,954</u></u>	<u><u>\$ 54,983,147</u></u>

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

City of Hannibal, Missouri
Board of Public Works
Statement of Cash Flows
Year Ended June 30, 2014

	Electric Fund	Water Fund	Sewer Fund	Total 2014
Cash Flows from Operating Activities:				
Receipts from customers	\$ 28,656,606	\$ 4,749,119	\$ 3,981,773	\$ 37,387,498
Payments to suppliers	(25,318,785)	(1,656,838)	(1,627,479)	(28,603,102)
Payments to employees	(2,299,074)	(1,534,243)	(1,180,650)	(5,013,967)
Net Cash Flows Provided By (Used In) Operating Activities	<u>\$ 1,038,747</u>	<u>\$ 1,558,038</u>	<u>\$ 1,173,644</u>	<u>\$ 3,770,429</u>
Cash Flows from Investing Activities:				
Interest revenue	\$ 4,824	\$ -	\$ 5,442	\$ 10,266
Increase (Decrease) short-term investments	(129,910)	67,499	(4,813,092)	(4,875,503)
Additions to capital assets	(344,823)	(777,060)	(887,891)	(2,009,774)
Other revenue	17,258	8,639	9,742	35,639
Gain (loss) on capital assets	-	(647)	(823)	(1,470)
Net Cash Flows Provided By (Used In) Investing Activities	<u>\$ (452,651)</u>	<u>\$ (701,569)</u>	<u>\$ (5,686,622)</u>	<u>\$ (6,840,842)</u>
Cash Flows from Capital Financing Activities:				
Due from cities	\$ 21,603	\$ -	\$ -	\$ 21,603
Principal paid on capital debt	(1,227,856)	(392,452)	(398,530)	(2,018,838)
Debt proceeds	-	-	6,430,000	6,430,000
Interest expense paid	(209,493)	(65,171)	(346,245)	(620,909)
Net Cash Provided By (Used In) Capital Financing Activities	<u>\$ (1,415,746)</u>	<u>\$ (457,623)</u>	<u>\$ 5,685,225</u>	<u>\$ 3,811,856</u>
Net Increase (Decrease) in Cash	<u>\$ (829,650)</u>	<u>\$ 398,846</u>	<u>\$ 1,172,247</u>	<u>\$ 741,443</u>
Cash at Beginning of Year	<u>2,281,875</u>	<u>901,102</u>	<u>269,658</u>	<u>3,452,635</u>
Cash at End of Year	<u><u>\$ 1,452,225</u></u>	<u><u>\$ 1,299,948</u></u>	<u><u>\$ 1,441,905</u></u>	<u><u>\$ 4,194,078</u></u>

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

City of Hannibal, Missouri
Board of Public Works
Statement of Cash Flows (Concluded)
Year Ended June 30, 2014

	Electric Fund	Water Fund	Sewer Fund	Total 2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 742,611	\$ 1,027,804	\$ 364,394	\$ 2,134,809
Adjustments to reconcile net income to net cash provided by:				
Depreciation	1,136,595	607,012	642,879	2,386,486
Changes in operating assets and liabilities				
(Increase) decrease in:				
Accounts receivable - customers	(165,046)	5,943	(18,704)	(177,807)
Accounts receivable - other	82,147	159	2,435	84,741
Inventories	(282,301)	(26,313)	18,841	(289,773)
Prepaid expenses	(89,981)	19,389	17,757	(52,835)
Increase (decrease) in:				
Accounts payable	(569,977)	18,715	155,910	(395,352)
Accrued expenses	(21,569)	15,885	15,441	9,757
Net pension obligation	480	(435)	(122)	(77)
OPEB obligation	(7,957)	(9,938)	(8,456)	(26,351)
Customer deposits	11,508	970	(1,085)	11,393
Accrued leave	202,237	(101,153)	(15,646)	85,438
Net Cash Provided by (used in) Operating Activities	<u>\$ 1,038,747</u>	<u>\$ 1,558,038</u>	<u>\$ 1,173,644</u>	<u>\$ 3,770,429</u>

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

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

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), the standard-setting body for state and local governments. These standards define 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.

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 2043 and 2013, based on estimates of useful lives, were as follows:

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

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).

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (Concluded)

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 generally accepted accounting standards. No interest was capitalized at June 30, 2014.

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 with original maturity of three months or less 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.

Accounts Receivables:

Receivables include amounts due from customers for Electric, Water, and Sewer Services. Receivables are reported net of an allowance for uncollectible accounts. Allowances for uncollectible accounts netted with accounts receivable were \$2,631,234 for year ended June 30, 2014. The allowance for uncollectible accounts was \$160,000 at June 30, 2014.

2. Capital Assets

A summary of the changes in the capital assets and accumulated depreciation of the Board is included in a separate schedule in the supplementary information section of this report.

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. Government such as bills, notes or bonds, and any other obligations guaranteed as to payment of principal and interest by the U.S Government 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.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

3. Deposits and Investments (Concluded)

The following represents the Board's total cash and investments at June 30, 2014:

	2014
Checking/money market accounts	\$ 2,625,874
Certificates of deposit	9,697,625
Other short term investments	915,604
Debt service accounts	1,858,467
Total	<u>\$ 15,097,570</u>

These cash and investments are included in the following balance sheet accounts at June 30, 2014:

	Electric	Water	Sewer	Total
Cash	\$ 1,452,225	\$ 1,299,948	\$ (126,299)	\$ 2,625,874
Short term investments	4,897,625	915,604	5,090,263	10,903,492
Debt service accounts	-	-	1,568,204	1,568,204
Total	<u>\$ 6,349,850</u>	<u>\$ 2,215,552</u>	<u>\$ 6,532,168</u>	<u>\$ 15,097,570</u>

4. Long-Term Obligations

For the Year Ended June 30, 2014, the changes in long-term debt are as follows:

	Balance July 1, 2013	(Retirements) Additions	Balance June 30, 2014
Lease Purchase Agreement	\$ 2,265,000	\$ (335,000)	\$ 1,930,000
Lease Purchase Agreement	3,761,000	(709,000)	3,052,000
Revenue Bonds	587,000	(286,000)	301,000
Escrow Trust Agreement	810,000	(67,500)	742,500
Lease Purchase Agreement - Meters	1,378,299	(621,338)	756,961
Revenue Bonds	-	6,430,000	6,430,000
Total	<u>\$ 8,801,299</u>	<u>\$ 4,411,162</u>	<u>\$ 13,212,461</u>

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

4. Long-Term Obligations (Continued)

The long-term obligations consist of the following issues:

	<u>2014</u>
\$4,660,000 Lease Purchase Agreement - Missouri Association of Municipal Utilities	\$ 1,930,000
\$6,971,000 Lease Purchase Agreement - Missouri Association of Municipal Utilities - Series 2006-A	3,052,000
\$3,910,000 Sewerage System Revenue Bonds, Series 1993, due 2015	301,000
\$1,500,000 Escrow Trust Agreement - Due to PWSD #1	742,500
\$5,474,839 Lease Purchase Agreement - Commerce Bank due 8/1/2015	756,961
\$6,430,000 Sewerage System Revenue Bonds, Series 2013, due 7/1/2033	<u>6,430,000</u>
Total	\$ 13,212,461
Less: Current portion due to PWSD #1	(67,500)
Less: Current portion long-term debt	<u>(2,087,714)</u>
Net Long-Term Debt	<u><u>\$ 11,057,247</u></u>

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:

<u>Fiscal Year</u> <u>June 30,</u>	
2015	\$ 437,184
2016	435,283
2017	437,367
2018	438,549
2019	<u>438,737</u>
	\$ 2,187,120
Less Amounts Representing Interest	<u>(257,120)</u>
	<u><u>\$ 1,930,000</u></u>

Lease Purchase Agreement – Missouri Association of Municipal Utilities

On May 15, 2008, the Board 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 the 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.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

4. Long-Term Obligations (Continued)

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

Fiscal Year June 30,	
2015	\$ 823,317
2016	829,982
2017	833,673
2018	770,364
	<u>\$ 3,257,336</u>
Less Amounts Representing Interest	<u>(205,336)</u>
	<u><u>\$ 3,052,000</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: 64.14% electric, 17.81% water, and 18.05% sewer.

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

Fiscal Year June 30,	
2015	\$ 665,161
2016	110,859
	<u>\$ 776,020</u>
Less Amounts Representing Interest	<u>(19,059)</u>
	<u><u>\$ 756,961</u></u>

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, 2014.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

4. Long-Term Obligations (Continued)

The payment schedule is as follows:

Fiscal Year June 30	
2015	\$ 67,500
2016	67,500
2017	67,500
2018	67,500
2019	67,500
2020-2024	337,500
2025	67,500
	<u>\$ 742,500</u>

Revenue Bonds

The Board issued \$3,910,000 of Sewerage System Revenue Bonds 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, 2014 was \$301,000. 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 \$8,127 of interest, are as follows:

Fiscal Year June 30,	Principal	Interest	Total
2015	\$ 301,000	\$ 8,127	\$ 309,127
Total	<u>\$ 301,000</u>	<u>\$ 8,127</u>	<u>\$ 309,127</u>

The Board issued \$6,430,000 of Sewerage System Revenue Bonds dated November 19, 2013. The proceeds of the bond issue will be used to acquire, construct, extend, and improve the City's sewerage system. Debt Service payments on the Bonds are financed through revenues derived from the operation of the Sewerage System. Interest on the Bonds will be payable semiannually on January 1 and July 1 beginning on July 1, 2014. Principal payments are due annually on July 1 beginning July 1, 2015. The bonds mature July 1, 2033.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

4. Long-Term Obligations (Concluded)

The payment schedule is as follows:

Fiscal Year June 30,	Principal	Interest	Total
2015	\$ -	\$ 262,619	\$ 262,619
2016	255,000	236,799	491,799
2017	260,000	231,649	491,649
2018	265,000	226,399	491,399
2019	270,000	221,049	491,049
2020-2024	1,455,000	996,824	2,451,824
2025-2029	1,745,000	712,948	2,457,948
2030-2034	2,180,000	273,629	2,453,629
	<u>\$ 6,430,000</u>	<u>\$ 3,161,916</u>	<u>\$ 9,591,916</u>

Prairie State Energy Contract

The City of Hannibal is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC) and has a long-term Unit Power Purchase Agreement (UPPA) with MJMEUC for the purchase of capacity and energy from MJMEUC's interest in the Prairie State Energy Campus (Prairie State). MJMEUC's interest in Prairie State is 195 MW (Megawatt), and the Hannibal Board of Public Works has contracted to receive approximately 10% (or about 20MW) of MJMEUC's energy from the generating facility. The UPPA does not create any ownership rights on the part of the City in the Prairie State Project.

MJMEUC has acquired an undivided interest and is a joint owner of Prairie State, which is a coal-fired facility in Illinois that was placed in service in 2012. MJMEUC owns 195 MW of a two unit, 1,582 MW facility. Prairie State includes the ownership and operation of a coal mine that is expected to supply all the fuel for Prairie State for approximately 30 years.

In September 2007, MJMEUC financed the majority of its portion of the cost of acquisition and construction of Prairie State through the issuance of \$549,805,000 in power project revenue bonds. Additional bonds were issued in the amount of \$207,920,000 in December 2009 and \$78,005,000 in December 2010 to complete MJMEUC's financing of the facility. MJMEUC capitalized its total costs incurred in connection with the development and construction of the Prairie State facility and is recovering those costs through monthly capacity charges. The Hannibal Board of Public Works is billed its proportionate share of the debt service cost, as one component of the total cost of energy, and all other applicable costs to operate and maintain the facility are included in the Hannibal Board of Public Works' power bills. Total costs billed and paid monthly by the Board was \$9,085,180 for the year ended June 30, 2014.

As of December 31, 2013, the City's 10% pro-rata share of MJMEUC's outstanding bond obligations for Prairie State is approximately \$82,737,500 plus the interest costs on the debt. This amount is payable through the final maturity of MJMEUC's bonds in 2042.

5. 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, 2014, the Board had accumulated a liability of \$9,249.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

5. Other Non-Current Liabilities (Concluded)

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, 2014, the Board had accumulated a liability of \$48,543.

6. Pension Plan

Plan Description

The Board participates in the 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 19.3% (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	\$ 720,152
Interest on net pension obligation	676
Adjustment to annual required contribution	<u>(753)</u>
Annual pension cost	\$ 720,075
Actual contributions	<u>720,152</u>
Increase (decrease) in NPO	\$ (77)
NPO beginning of year	<u>9,326</u>
NPO end of year	<u><u>\$ 9,249</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 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, 2012 was 18 years for the General division.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

6. Pension Plan (Concluded)

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 554,373	100.0%	\$ 9,364
2013	664,069	100.0%	9,326
2014	720,075	100.0%	9,249

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.

7. 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, 2014 were as follows:

Annual required contribution	\$ 119,508
Interest on net OPEB obligation	2,621
Adjustment to annual required contribution	<u>(3,480)</u>
Annual OPEB cost	\$ 118,649
Contributions made	<u>(145,000)</u>
Increase (Decrease) in net OPEB obligation	\$ (26,351)
Net OPEB obligation, beginning of year	74,894
Net OPEB obligation, end of year	<u><u>\$ 48,543</u></u>

The annual required contribution for the year ended June 30, 2014, 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.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

7. Health Insurance Plan for Retired Employees (Concluded)

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
2013	118,540	128,000	108.0%	74,894
2014	118,649	145,000	122.2%	48,543

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

Retirees and beneficiaries receiving benefits	15
Active members	61
Total members	<u>76</u>

8. 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.

City of Hannibal, Missouri
Board of Public Works
Notes to Financial Statements
June 30, 2014

9. Other Investments

Other investments consist of the following:

	<u>2014</u>
Land for industrial park site on Route MM in Hannibal, Missouri net of dirt sold to state for highway and bridge projects.	\$ 505,055
Prairie State Energy Coal Reserves	<u>94,703</u>
	<u><u>\$ 599,758</u></u>

The initial investment of \$103,000 with Prairie State for coal reserves 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, 2014, amounted to \$3,433.

10. Accrued Leave

Vacation hours earned range from 0-200 hours and occur at the employee's anniversary date. All prior vacation is lost at the 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:

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
Vacation/Personal	\$ 102,359	\$ 35,706	\$ 28,733
Sick	450,778	144,924	158,005
	<u>\$ 553,137</u>	<u>\$ 180,630</u>	<u>\$ 186,738</u>

11. 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 22,460	\$ 4,959	\$ 27,419
2016	23,352	4,067	27,419
2017	24,280	3,140	27,420
2018	25,243	2,177	27,420
2019	26,246	1,174	27,420
2020	13,511	198	13,709
Total	<u>\$ 135,092</u>	<u>\$ 15,715</u>	<u>\$ 150,807</u>

12. Subsequent Events

Subsequent events have been evaluated through December 11, 2014 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, 2014

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
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
2/29/2012	\$ 4,487,598	\$ 7,969,932	\$ 3,482,334	56%	\$ 3,096,520	112%
2/28/2013	4,253,153	7,968,750	3,715,597	53%	3,484,273	107%
2/24/2014	5,778,771	9,031,947	3,253,176	64%	3,891,503	84%

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	-	\$ 2,980,129 (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, 2014

	Cost 6/30/2013	Additions	Retirements and Other	Cost 6/30/2014	Accumulated Depreciation 6/30/2013	Depreciation for the Year	Retirements	Accumulated Depreciation 6/30/2014
Equipment	\$ 8,953,768	\$ 188,315	\$ 257,783	\$ 8,884,300	\$ 5,501,396	\$ 412,265	\$ 257,783	\$ 5,655,878
Transportation equipment	1,253,064	-	-	1,253,064	766,543	77,532	-	844,075
Infrastructure	21,111,173	-	2,986,147	18,125,026	8,895,602	640,953	2,986,146	6,550,409
Land and improvements	131,419	-	-	131,419	8,535	578	-	9,113
Structures	1,500,666	21,454	-	1,522,120	1,077,377	5,267	-	1,082,644
Total Utility Plant in Service	\$ 32,950,090	\$ 209,769	\$ 3,243,930	\$ 29,915,929	\$ 16,249,453	\$ 1,136,595	\$ 3,243,929	\$ 14,142,119
Construction in Progress	161,736	496,972	361,917	296,791	-	-	-	-
Total Utility Plant	\$ 33,111,826	\$ 706,741	\$ 3,605,847	\$ 30,212,720	\$ 16,249,453	\$ 1,136,595	\$ 3,243,929	\$ 14,142,119

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, 2014

	Cost 6/30/2013	Additions	Retirements and Other	Cost 6/30/2014	Accumulated Depreciation 6/30/2013	Depreciation for the Year	Retirements	Accumulated Depreciation 6/30/2014
Equipment	\$ 487,711	\$ 44,269	\$ 243,182	\$ 288,798	\$ 388,944	\$ 24,037	\$ 243,182	\$ 169,799
Transportation equipment	438,992	47,303	-	486,295	257,757	27,352		285,109
Infrastructure	27,175,190	111,354	39,471	27,247,073	8,717,492	520,891	38,824	9,199,559
Land and improvements	108,675	-	-	108,675	-			-
Structures	566,643	8,954	-	575,597	496,093	34,732	-	530,825
Total Utility Plant in Service	\$ 28,777,211	\$ 211,880	\$ 282,653	\$ 28,706,438	\$ 9,860,286	\$ 607,012	\$ 282,006	\$ 10,185,292
Construction in Progress	210,123	727,028	161,201	775,950	-	-	-	-
Total Utility Plant	\$ 28,987,334	\$ 938,908	\$ 443,854	\$ 29,482,388	\$ 9,860,286	\$ 607,012	\$ 282,006	\$ 10,185,292

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, 2014

	Cost 6/30/2013	Additions	Retirements and Other	Cost 6/30/2014	Accumulated Depreciation 6/30/2013	Depreciation for the Year	Retirements	Accumulated Depreciation 6/30/2014
Equipment	\$ 863,583	\$ 45,703	\$ 480,812	\$ 428,474	\$ 668,801	\$ 35,255	\$ 479,989	\$ 224,067
Transportation equipment	695,347	-	-	695,347	450,367	42,184	-	492,551
Infrastructure	28,146,350	150,926	-	28,297,276	16,651,869	560,656	-	17,212,525
Land and improvements	518,543	-	-	518,543	-	-	-	-
Structures	157,979	5,337	-	163,316	85,310	4,784	-	90,094
Total Utility Plant in Service	\$ 30,381,802	\$ 201,966	\$ 480,812	\$ 30,102,956	\$ 17,856,347	\$ 642,879	\$ 479,989	\$ 18,019,237
Construction in Progress	337,896	894,046	207,298	1,024,644	-	-	-	-
Total Utility Plant	\$ 30,719,698	\$ 1,096,012	\$ 688,110	\$ 31,127,600	\$ 17,856,347	\$ 642,879	\$ 479,989	\$ 18,019,237

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

City of Hannibal, Missouri
Board of Public Works
Schedule of Investments
June 30, 2014

Description	Interest Rate	Maturity Date	Book Value	Market Value
Electric				
Unrestricted Temporary Cash Investments:				
F&M Bank and Trust Co - Certificate of Deposit	0.10%	10/9/2014	\$ 537,386	\$ 537,386
HNB- Certificate of Deposit	0.10%	8/25/2014	508,239	508,239
Commerce Bank-Certificate of Deposit	0.20%	7/30/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.20%	8/28/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.20%	9/8/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	9/10/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	9/18/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.20%	10/1/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.30%	10/9/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	10/16/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.20%	10/21/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	11/17/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	12/29/2014	190,000	190,000
Commerce Bank-Certificate of Deposit	0.25%	1/27/2015	190,000	190,000
Commerce Bank-Certificate of Deposit	0.25%	2/2/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	3/31/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.30%	4/17/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	4/30/2015	248,000	248,000
Total Unrestricted Temporary Cash Investments			<u>\$ 4,897,625</u>	<u>\$ 4,897,625</u>
Water				
Unrestricted Temporary Cash Investments:				
Bank of New York Mellon Trust Company N.A.			<u>\$ 915,604</u>	<u>\$ 915,604</u>

City of Hannibal, Missouri
Board of Public Works
Schedule of Investments
June 30, 2014

Description	Interest Rate	Maturity Date	Book Value	Market Value
Sewer				
Unrestricted Temporary Cash Investments:				
F&M Bank and Trust Co - Certificate of Deposit	0.15%	12/18/2014	360,000	360,000
F&M Bank and Trust Co - Certificate of Deposit	0.15%	12/18/2014	360,000	360,000
F&M Bank and Trust Co - Certificate of Deposit	0.15%	12/18/2014	360,000	360,000
Commerce Bank-Certificate of Deposit	0.20%	7/10/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.30%	7/15/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.15%	7/17/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.20%	7/30/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.20%	7/30/2014	34,000	34,000
Commerce Bank-Certificate of Deposit	0.20%	8/7/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.15%	8/20/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.20%	9/22/2014	214,000	214,000
Commerce Bank-Certificate of Deposit	0.20%	11/26/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.00%	12/11/2014	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	1/8/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.00%	1/8/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	1/16/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	1/16/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.30%	1/23/2015	248,000	248,000
Commerce Bank-Certificate of Deposit	0.25%	1/23/2015	248,000	248,000
Total Unrestricted Temporary Cash Investments			<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>
Debt Service Reserve:				
Money Market Funds - UMB Bank			<u>\$ 290,263</u>	<u>\$ 290,263</u>
Total Restricted Investments			<u>\$ 290,263</u>	<u>\$ 290,263</u>
Total Investments			<u><u>\$ 10,903,492</u></u>	<u><u>\$ 10,903,492</u></u>

City of Hannibal, Missouri
Board of Public Works
Schedule of Top Ten Utility Customers
Year Ended June 30, 2014

Electric			
Rank	Consumer	Annual Kilowatt Hours	Percent of Total
1	General Mills	41,984,000	16.00%
2	Buckhorn Rubber Products	14,169,360	5.40%
3	Enduro Industries LLC	12,678,400	4.80%
4	Spartan Light Metal Products	11,428,200	4.40%
5	Board of Public Works	8,545,828	3.30%
6	Watlow Industries	8,050,350	3.10%
7	Hannibal-LaGrange University	4,643,481	1.80%
8	Walmart	4,360,800	1.70%
9	Niemann Foods Inc.	4,104,680	1.60%
10	Cosmoflex Inc.	3,552,235	1.40%

Water			
Rank	Consumer	Annual Gallons	Percent of Total
1	Ralls County Water District #1	175,311,847	19.10%
2	General Mills	137,660,370	15.00%
3	Board of Public Works	58,021,501	6.30%
4	Hannibal Regional Hospital	11,650,724	1.30%
5	Watlow Industries	10,659,790	1.20%
6	Hannibal-LaGrange University	8,426,382	0.90%
7	Levering Care Center	8,196,160	0.90%
8	Cosmoflex Inc.	7,203,637	0.80%
9	Jai Shri Ram	6,098,299	0.70%
10	Buckhorn Rubber Products	4,398,850	0.50%

Sewer			
Rank	Consumer	Annual Gallons	Percent of Total
1	General Mills	65,120,170	7.27%
2	Levering Care Center	4,005,160	0.45%
3	Hannibal Regional Hospital	3,692,905	0.41%
4	Jai Shri Ram	3,525,999	0.39%
5	Hannibal-LaGrange University	2,933,147	0.33%
6	Luther Manor	1,670,270	0.19%
7	SWB Hospitality LLC	1,378,900	0.15%
8	Beth Haven Terrace West	1,321,340	0.15%
9	Beth Haven Nursing Home	1,291,920	0.14%
10	Niemann Foods Inc.	1,267,853	0.14%

**Comparative Statement
of Operating Factors**

City of Hannibal, Missouri
Board of Public Works
Electric Department
Comparative Statement of Operating Factors
Years Ended June 30, 2014 and 2013

	<u>Unit</u>	<u>2014</u>	<u>2013</u>
Population served per 2010 Census		17,757	17,757
Number of customers per 100 population		49.91	50.08
Maximum peak load operation	KW	58	57,000
Investment per capita	\$	1,701.45	1,864.72
Total operating revenue per \$100.00 investment	\$	95.09	86.37
Ratio of total operation expense to total operating revenue	%	97.42%	93.63%
Operating profit (loss) per \$100.00 investment	\$	2.46	5.50
Total purchased power cost per kWh	\$	0.0800	0.0730
Average price received per kWh sold	\$	0.1049	0.1079
Operating profit (loss) per kWh sold	\$	0.0020	0.0055
Average residential use	kWh	11,115	10,919
Total kWh purchased	kWh	280,150,240	268,946,777
Total kWh sold	kWh	273,866,000	264,980,158
Customers at end of year:			
Residential		7,647	7,628
Commercial		1,085	1,197
Industrial		131	68
		<u>8,863</u>	<u>8,893</u>

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

City of Hannibal, Missouri
Board of Public Works
Water Department
Comparative Statement of Operating Factors
Years Ended June 30, 2014 and 2013

	<u>Unit</u>	<u>2014</u>	<u>2013</u>
Population served per 2010 Census		17,757	17,757
Number of customers per 100 population		44.37	43.93
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	3,094,000	3,130,000
Investment per 1,000 gallons sold	\$	20.68	25.65
Investment per capita	\$	1,660.32	1,632.45
Total Revenue per \$100.00 investment	\$	16.08	16.98
Ratio of operating expenses to operating revenue	%	78.33%	84.16%
Operating profit (loss) per \$100.00 investment	\$	3.49	2.69
Average price received per 1,000 gallons	\$	4.39	4.57
Average cost per 1,000 gallons	\$	3.58	3.89
Customers at end of year:			
Residential		7,016	6,967
Commercial		807	794
Industrial		55	40
Other public authorities		-	-
		<u>7,878</u>	<u>7,801</u>

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

City of Hannibal, Missouri
Board of Public Works
Sewer Department
Comparative Statement of Operating Factors
Years Ended June 30, 2014 and 2013

	<u>Unit</u>	<u>2014</u>	<u>2013</u>
Population served per 2010 Census		17,757	17,757
Number of customers per 100 population		42.39	42.19
Investment per capita	\$	1,752.98	1,730.00
Total revenue per \$100.00 investment	\$	12.85	13.18
Ratio of total operation expense to total operating revenue	%	90.89%	94.16%
Operating profit (loss) per \$100.00 investment	\$	1.17	0.77
Total treatment cost per million gallons	\$	3,434.70	3,083.32
Average price received per million gallons treated	\$	3,779.04	3,274.60
Operating profit (loss) per million gallons treated	\$	344.34	191.28
Total gallons treated	Gallons	1,058,240,231	1,236,454,000
Total gallons from water plant	Gallons	1,154,120,091	1,091,664,769
Customers at end of year:			
Residential		6,749	6,712
Commercial		758	761
Industrial		20	19
		<u>7,527</u>	<u>7,492</u>

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