

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020**

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BOARD OF PUBLIC WORKS**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the City of Hannibal, Missouri Board of Public Works (the HBPW), as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the accompanying 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the HBPW as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

The financial statements present only the HBPW and do not purport to, and do not present fairly the financial position of the City of Hannibal, Missouri, as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the pension and OPEB plan schedules as listed in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements that collectively comprise the HBPW's financial statements. The capital assets schedules, schedule of investments, and schedule of top ten utility customers are presented for purposes of additional analysis and are not a required part of the financial statements.

The capital assets schedules, schedule of investments, and schedule of top ten utility customers are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the capital assets schedules, schedule of investments, and schedule of top ten utility customers are fairly stated, in all material respects, in relation to the financial statements as a whole.

The comparative statements of operating factors have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

William K. Kasper UC

December 8, 2020

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Introduction

The Hannibal Board of Public Works of Hannibal, Missouri (the “HBPW”) is a municipally owned utility of the City of Hannibal, Missouri (the “City”). The HBPW is comprised of the Electric, Water, Sewer and Stormwater funds, serving approximately 8,800 customers. The following discussion and analysis of the financial performance of the HBPW provides an overview of the HBPW’s financial activities for the fiscal year ended June 30, 2020. This analysis should be read in conjunction with the financial statements and notes.

Financial Highlights

- The assets and deferred outflows of resources of HBPW exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2020, by \$70,793,968 (net position). Of this amount, \$21,937,406 (unrestricted net position) may be used to meet the HBPW’s ongoing obligations to citizens and creditors.
- The HBPW’s total net position increased by \$2,617,895 for the year ended June 30, 2020. The increase in net position can be attributed to the Electric Fund, which increased by \$1,150,615; the Water Fund, which increased by \$1,188,282; the Sewer Fund, which increased by \$488,636; offset by the Stormwater Fund, which decreased by \$209,638.
- With the bond and lease principal payments made of \$2,732,096, the total principal due on the HBPW’s long-term debt decreased by \$1,323,326 for the year ended June 30, 2020.
- Electric rates were unchanged from the prior year.
- Water rates were increased approximately 9.8% for the 2019-2020 year with the increases taking effect in January 2020. These increases were done to generate revenue sufficient to service the future debt service and operating expenses on the new water disinfection process.
- Sewer rates were unchanged from the prior year.

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 four business-type funds that are used to charge customers for the service it provides electric, water, sewer and stormwater 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.

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>
Assets		
Current	\$ 28,453,080	\$ 36,808,148
Net capital assets	76,985,841	69,887,367
Other assets	<u>2,079,158</u>	<u>2,082,591</u>
Total assets	<u>\$ 107,518,079</u>	<u>\$ 108,778,106</u>
Deferred outflows of resources	<u>\$ 1,611,126</u>	<u>\$ 985,243</u>
Liabilities		
Current	\$ 4,764,611	\$ 7,408,199
Long-term	<u>32,755,582</u>	<u>32,591,238</u>
Total liabilities	<u>\$ 37,520,193</u>	<u>\$ 39,999,437</u>
Deferred inflows of resources	<u>\$ 815,044</u>	<u>\$ 1,591,179</u>
Net Position		
Net investment in capital assets	\$ 47,172,867	\$ 38,990,668
Restricted	1,683,695	9,728,523
Unrestricted	<u>21,937,406</u>	<u>19,453,542</u>
Total net position	<u>\$ 70,793,968</u>	<u>\$ 68,172,733</u>

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

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 34,530,125	\$ 35,712,919
Less: operating expenses	<u>(31,800,557)</u>	<u>(33,160,703)</u>
Total operating income	<u>\$ 2,729,568</u>	<u>\$ 2,552,216</u>
Non-operating revenues and expenses:		
Interest income	\$ 421,543	\$ 421,121
Interest expense	(886,523)	(652,861)
Other items, net	<u>353,307</u>	<u>378,952</u>
Total non-operating income (loss)	<u>\$ (111,673)</u>	<u>\$ 147,212</u>
Increase in net position	\$ 2,617,895	\$ 2,699,428
Net position at beginning of period (as restated for 2020)	<u>68,176,073</u>	<u>65,473,305</u>
Net position at end of period	<u>\$ 70,793,968</u>	<u>\$ 68,172,733</u>

The HBPW's most significant revenue in 2020 was charges for services of \$34,530,125.

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Electric Fund	\$ 23,103,280	\$ 24,346,718
Water Fund	6,134,086	6,042,498
Sewer Fund	<u>5,292,759</u>	<u>5,323,703</u>
Total	<u>\$ 34,530,125</u>	<u>\$ 35,712,919</u>

The HBPW's most significant expenses in 2020 were purchased power of \$14,881,348 and salary and wages of \$4,709,873.

	<u>2020</u>	<u>2019</u>
Operating expenses:		
Electric Fund	\$ 22,229,794	\$ 23,187,823
Water Fund	4,677,941	4,901,102
Sewer Fund	4,703,188	4,516,218
Stormwater Fund	<u>189,634</u>	<u>555,560</u>
Total	<u>\$ 31,800,557</u>	<u>\$ 33,160,703</u>

Property, Plant and Equipment

At the end of fiscal year 2020, the HBPW's total property, plant and equipment was \$76,985,841, net of accumulated depreciation.

OPERATING RESULTS

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

Retail electric revenues were \$22,975,374 for the current year compared to \$24,174,743 for the prior year, a decrease of 4.96%.

Retail water revenues were \$5,908,841 for the current year compared to \$5,189,364 for the prior year, an increase of 13.86%, which is primarily due to the increase in water rates for the 2019-2020 year. Wholesale water revenues were \$181,902 for the current year compared to \$799,220 for the prior year, a decrease of 77.24%, which is primarily due to the loss of Ralls County Public Water Supply as a customer.

Retail sewer revenues were \$5,256,725 for the current year compared to \$5,274,655 for the prior year, a decrease of 0.34%.

As required by the City Charter, the HBPW pays a percentage of its revenues into the City's General Fund. In addition to this transfer, the HBPW provides other benefits to the City and the 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 \$1,667,243 were paid to the City in 2020. The HBPW remains financially sound at the conclusion of fiscal year 2019-2020. 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, 2020**

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Recycling Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,715,887	\$ 4,304,257	\$ 2,786,898	\$ 219,078	\$ 7,636	\$ 13,033,756
Restricted cash	290,780	535,643	857,272	-	-	1,683,695
Investments	8,140,000	-	120,000	-	-	8,260,000
Accounts receivable (net of allowance of \$100,000)	1,627,526	379,225	384,056	-	9,552	2,400,359
Other receivables	250,353	2,932	1,678	-	-	254,963
Inventory	1,573,552	555,691	45,261	-	-	2,174,504
Prepaid expenses	407,353	119,225	119,225	-	-	645,803
Interfund balances	1,000,000	-	-	(1,000,000)	-	-
Total current assets	19,005,451	5,896,973	4,314,390	(780,922)	17,188	28,453,080
Non-current assets:						
Capital assets, net of accumulated depreciation	19,425,018	40,677,122	16,847,590	36,111	-	76,985,841
Investment in land/water rights	505,055	1,500,000	-	-	-	2,005,055
Investment in Prairie State, net	74,103	-	-	-	-	74,103
Total non-current assets	20,004,176	42,177,122	16,847,590	36,111	-	79,064,999
Total assets	39,009,627	48,074,095	21,161,980	(744,811)	17,188	107,518,079
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	678,945	339,472	339,472	-	-	1,357,889
OPEB plan	126,429	63,404	63,404	-	-	253,237
Total deferred outflows of resources	805,374	402,876	402,876	-	-	1,611,126
LIABILITIES						
Current liabilities:						
Accounts payable	633,871	370,700	84,654	-	13,846	1,103,071
Accrued interest	56,000	92,000	109,000	18,337	-	275,337
Other accrued expenses	110,934	47,273	46,499	4,681	-	209,387
Compensated absences	605,689	226,745	187,904	8,023	-	1,028,361
Customer deposits	517,929	108,674	113,852	-	-	740,455
Current portion of long-term debt	525,000	603,000	280,000	-	-	1,408,000
Total current liabilities	2,449,423	1,448,392	821,909	31,041	13,846	4,764,611
Non-current liabilities:						
Long-term debt, net of current portion	3,505,000	20,074,974	4,825,000	-	-	28,404,974
Net pension liability	1,376,564	688,282	688,282	-	-	2,753,128
OPEB liability	798,446	399,517	399,517	-	-	1,597,480
Total non-current liabilities	5,680,010	21,162,773	5,912,799	-	-	32,755,582
Total liabilities	8,129,433	22,611,165	6,734,708	31,041	13,846	37,520,193
DEFERRED INFLOWS OF RESOURCES						
Pension plan	398,012	199,006	199,006	-	-	796,024
OPEB plan	9,488	4,766	4,766	-	-	19,020
Total deferred inflows of resources	407,500	203,772	203,772	-	-	815,044
NET POSITION						
Net investment in capital assets	15,395,018	19,999,148	11,742,590	36,111	-	47,172,867
Restricted for debt service	290,780	535,643	857,272	-	-	1,683,695
Unrestricted	15,592,270	5,127,243	2,026,514	(811,963)	3,342	21,937,406
TOTAL NET POSITION	\$ 31,278,068	\$ 25,662,034	\$ 14,626,376	\$ (775,852)	\$ 3,342	\$ 70,793,968

The notes to the financial statements are an integral part of these statements.

CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2020

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Recycling Fund	Total
OPERATING REVENUES						
Charges for services	\$ 23,103,280	\$ 6,134,086	\$ 5,292,759	\$ -	\$ -	\$ 34,530,125
Total operating revenues	23,103,280	6,134,086	5,292,759	-	-	34,530,125
OPERATING EXPENSES						
Purchased power	14,881,348	-	-	-	-	14,881,348
Purchased services	1,753,782	1,022,346	1,285,439	57,791	-	4,119,358
Salaries and wages	2,075,931	1,305,723	1,261,196	67,023	-	4,709,873
Employee benefits	1,199,840	599,705	599,718	62,733	-	2,461,996
Materials and supplies	569,936	795,806	403,060	2,087	-	1,770,889
Depreciation and amortization	1,620,933	936,823	1,118,520	-	-	3,676,276
Other operating expenses	128,024	17,538	35,255	-	-	180,817
Total operating expenses	22,229,794	4,677,941	4,703,188	189,634	-	31,800,557
OPERATING INCOME (LOSS)	873,486	1,456,145	589,571	(189,634)	-	2,729,568
NON-OPERATING REVENUES (EXPENSES)						
Gain on sale of capital assets	25,000	-	-	-	-	25,000
Interest income	217,720	109,891	93,932	-	-	421,543
Interest expense	(135,618)	(491,402)	(239,499)	(20,004)	-	(886,523)
Rental income	6,600	-	-	-	-	6,600
Other non-operating revenues	163,427	113,648	44,632	-	-	321,707
Total non-operating revenues (expenses)	277,129	(267,863)	(100,935)	(20,004)	-	(111,673)
Change in net position	1,150,615	1,188,282	488,636	(209,638)	-	2,617,895
Net position, July 1 (as restated)	30,127,453	24,473,752	14,137,740	(566,214)	3,342	68,176,073
NET POSITION, JUNE 30	\$ 31,278,068	\$ 25,662,034	\$ 14,626,376	\$ (775,852)	\$ 3,342	\$ 70,793,968

The notes to the financial statements are an integral part of these statements.

CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Recycling Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 23,133,905	\$ 6,195,243	\$ 5,266,488	\$ -	\$ 4,736	\$ 34,600,372
Cash paid to vendors	(17,720,419)	(2,001,304)	(1,883,371)	(60,753)	(577)	(21,666,424)
Cash paid to employees	(3,092,107)	(1,821,118)	(1,778,959)	(132,688)	-	(6,824,872)
Net cash provided (used) by operating activities	2,321,379	2,372,821	1,604,158	(193,441)	4,159	6,109,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Net change in interfund balances	231,848	-	-	-	-	231,848
Transfers in	-	(172,955)	(172,955)	-	-	(345,910)
Transfers (out)	-	-	-	345,910	-	345,910
Net cash provided (used) by noncapital financing activities	231,848	(172,955)	(172,955)	345,910	-	231,848
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchases of capital assets	(1,579,480)	(8,439,443)	(716,283)	(36,111)	-	(10,771,317)
Proceeds from the sale of capital assets	25,000	-	-	-	-	25,000
Payments on long-term debt	(644,618)	(1,552,801)	(514,673)	(20,004)	-	(2,732,096)
Net cash used by capital and related financing activities	(2,199,098)	(9,992,244)	(1,230,956)	(56,115)	-	(13,478,413)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income	217,720	109,891	93,932	-	-	421,543
Investment maturities/sales	-	610,531	493,000	-	-	1,103,531
Other revenues	170,027	113,648	44,632	-	-	328,307
Net cash provided by investing activities	387,747	834,070	631,564	-	-	1,853,381
Net change in cash and cash equivalents	741,876	(6,958,308)	831,811	96,354	4,159	(5,284,108)
Cash and cash equivalents, beginning of year	5,264,791	11,798,208	2,812,359	122,724	3,477	20,001,559
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,006,667	\$ 4,839,900	\$ 3,644,170	\$ 219,078	\$ 7,636	\$ 14,717,451
Cash and cash equivalents	\$ 5,715,887	\$ 4,304,257	\$ 2,786,898	\$ 219,078	\$ 7,636	\$ 13,033,756
Restricted cash	290,780	535,643	857,272	-	-	1,683,695
Total cash and cash equivalents	\$ 6,006,667	\$ 4,839,900	\$ 3,644,170	\$ 219,078	\$ 7,636	\$ 14,717,451
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 873,486	\$ 1,456,145	\$ 589,571	\$ (189,634)	\$ -	\$ 2,729,568
Adjustments:						
Depreciation and amortization	1,620,933	936,823	1,118,520	-	-	3,676,276
(Increase) decrease in assets and deferred outflows of						
Accounts receivable	(119,987)	58,213	(31,371)	-	4,736	(88,409)
Inventory	(34,381)	80,273	4,500	-	-	50,392
Prepaid expenses	690,115	(10,214)	(10,214)	-	-	669,687
Other receivables	125,197	(2,711)	(810)	-	-	121,676
Pension plan	(231,641)	(115,820)	(115,819)	-	-	(463,280)
OPEB plan	(81,112)	(40,745)	(40,746)	-	-	(162,603)
Increase (decrease) in liabilities and deferred inflows of						
Accounts payable	(1,047,492)	(242,763)	(165,601)	(1,508)	(577)	(1,457,941)
Customer deposits	25,415	5,655	5,910	-	-	36,980
Accrued expenses	4,429	7,090	11,699	635	-	23,853
Compensated absences	98,629	41,665	39,309	(2,934)	-	176,669
Net pension liability	660,716	330,359	330,359	-	-	1,321,434
OPEB liability	125,162	62,874	62,874	-	-	250,910
Pension plan	(397,578)	(198,789)	(198,789)	-	-	(795,156)
OPEB plan	9,488	4,766	4,766	-	-	19,020
Net cash provided (used) by operating activities	\$ 2,321,379	\$ 2,372,821	\$ 1,604,158	\$ (193,441)	\$ 4,159	\$ 6,109,076

The notes to the financial statements are an integral part of these statements.

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34).

A. Reporting Entity

The City of Hannibal, Missouri Board of Public Works (the HBPW) is a municipality-owned utility of the City of Hannibal, Missouri (the City) as provided for in the City Charter. The HBPW provides electric, water, and sewer utilities and stormwater services to the City and its residents.

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the HBPW that have been determined not to be component units as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB 61). Based on the criteria of GASB 61, there are no other agencies or entities for which the HBPW has been determined to be financially accountable and, therefore, should be included in the financial statements of the HBPW.

B. Fund Accounting

The HBPW uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The HBPW reports the following funds:

Electric Fund – This fund is used to account for the provision of electrical services to residents and businesses of the City.

Water Fund – This fund is used to account for the provision of water services to residents and businesses of the City.

Sewer Fund – This fund is used to account for the disposal of wastewater and industrial waste for the residents and businesses of the City.

Stormwater Fund – This fund is used to account for the provision of stormwater services to residents and businesses of the City.

Recycling Fund – This fund is used to account for the provision of the City's contracted recycling services to residents and businesses of the City. These services are provided on behalf of the City.

C. Basis of Accounting and Financial Statement Presentation

The financial statements use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the HBPW considers all certificates of deposit and investments with original maturities of three months or less to be cash equivalents.

E. Investments

Investments consist of certificates of deposit and are stated at cost as the HBPW intends to hold them to maturity.

F. Accounts Receivable

Accounts receivable result primarily from providing electric, water, and sewer utilities to the City and its residents. Accounts receivable are reported net of an estimated allowance for uncollectible accounts.

G. Inventory

Inventory, which consists of materials and supplies, is stated at cost using the first-in, first-out method.

H. Interfund Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The resulting receivables and payables are classified as “interfund balances” on the statement of net position.

I. Capital Assets

Capital assets owned by the HBPW are stated at cost. Contributions of capital assets received from federal, state or local sources are recorded as assets and are stated at fair value upon receipt. Additions, improvements and expenses that significantly extend the useful life of an asset are capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method beginning when the asset is placed in service, with zero expected salvage value. The estimated useful lives are as follows:

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. Compensated Absences

The HBPW's personnel policy provides its employees with vacation and sick leave in varying amounts. In the event of termination, employees are paid for accumulated vacation and up to 800 hours of accrued sick leave. Compensated absences are accrued in the financial statements when earned.

L. Long-Term Obligations

General long-term obligations consist of the non-current portion of bonds and leases payable and other long-term liabilities. In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs, if any, include all costs incurred to issue debt and are expensed as incurred.

M. Net Position

In the financial statements, net position is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

Sometimes the HBPW will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the HBPW's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

N. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Pensions

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

P. Subsequent Events

Events that have occurred subsequent to June 30, 2020, have been evaluated through December 8, 2020, which is the date the financial statements were available to be issued. The extent of the impact of Coronavirus Disease 2019 (COVID-19) on the HBPW's financial statements is uncertain at this time. The HBPW is continuing to monitor and evaluate the pandemic's effects on the HBPW.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits

Missouri State Statutes authorize the HBPW to deposit funds in obligations of the U.S. Treasury, federal agencies and instrumentalities, certificates of deposit, and repurchase agreements. Custodial credit risk for deposits is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The HBPW's deposit policy for custodial credit risk is set by statute. Statutes require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities, which are of the same type as authorized for investment by the HBPW, are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short-term obligations of the United States.

The HBPW maintains a cash and investment pool which is available for use by all funds for the purpose of increasing income through investment activities. Interest is allocated to the various funds based on average cash or investment balances. Each fund's portion of this pool is displayed on the statement of net position as cash and cash equivalents or restricted cash in each fund's column.

The HBPW's deposits are categorized to give an indication of the level of custodial risk assumed as of June 30, 2020. Deposits, categorized by level of custodial risk, were as follows as of June 30, 2020:

	Cash and Cash Equivalents	Certificates of Deposit	Total
Bank balance			
Insured by the FDIC	\$ 252,856	\$ 10,045,000	\$ 10,297,856
Collateralized with securities pledged by the financial institution	3,609,612	-	3,609,612
Collateralized with securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	886,913	-	886,913
	<u>\$ 4,749,381</u>	<u>\$ 10,045,000</u>	<u>\$ 14,794,381</u>
Carrying value	<u>\$ 4,672,451</u>	<u>\$ 10,045,000</u>	<u>\$ 14,717,451</u>

A reconciliation of cash and cash equivalents as shown on the statement of financial position is as follows:

Cash and cash equivalents	\$ 13,033,756
Restricted cash	<u>1,683,695</u>
	<u>\$ 14,717,451</u>

Investments

The HBPW had the following investments as of June 30, 2020:

	Investment Maturities (in years)			Carrying Value
	Less than 1	1-5	Over 5	
Certificates of deposit	<u>\$ 1,372,000</u>	<u>\$ 6,888,000</u>	<u>\$ -</u>	<u>\$ 8,260,000</u>

Interest rate risk – Interest rate risk is the risk that the fair values of investments will be adversely affected by a change in interest rates. The HBPW does not have a formal interest rate risk policy.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings or investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize the HBPW to invest in obligations of the U.S. Treasury, federal agencies and instrumentalities, certificates of deposit, and repurchase agreements. The HBPW has no investment policy that would further limit its investment choice but does not allow for investments with maturities over 5 years. As of June 30, 2020, none of the certificates of deposit were rated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The HBPW places no limit on the amount it may invest in any one issuer.

Custodial risk in investments – For an investment, this is the risk that in the event of the failure of the counterparty, the HBPW will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The HBPW does not have any custodial risk in investments.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 627,218	\$ 30,000	\$ -	\$ -	\$ 657,218
Construction in progress	4,932,084	9,673,014	-	(1,416,531)	13,188,567
Total capital assets, not being depreciated	5,559,302	9,703,014	-	(1,416,531)	13,845,785
Capital assets, being depreciated:					
Buildings	7,218,206	-	-	-	7,218,206
Improvements	131,419	-	-	-	131,419
Infrastructure	91,203,304	541,613	-	641,716	92,386,633
Vehicles and equipment	20,806,245	526,693	130,502	774,815	21,977,251
Total capital assets, being depreciated	119,359,174	1,068,306	130,502	1,416,531	121,713,509
Less accumulated depreciation for:					
Buildings	2,029,110	136,635	-	-	2,165,745
Improvements	10,334	101	-	-	10,435
Infrastructure	41,703,905	1,940,857	-	-	43,644,762
Vehicles and equipment	11,287,760	1,595,253	130,502	-	12,752,511
Total accumulated depreciation	55,031,109	3,672,846	130,502	-	58,573,453
Total capital assets being depreciated, net	64,328,065	(2,604,540)	-	1,416,531	63,140,056
Total capital assets, net	\$ 69,887,367	\$ 7,098,474	\$ -	\$ -	\$ 76,985,841

Depreciation expense was charged to the HBPW's funds as follows:

Electric Fund	\$ 1,617,503
Water Fund	936,823
Sewer Fund	1,118,520
Total depreciation expense	<u>\$ 3,672,846</u>

4. LONG-TERM DEBT

The following is a summary of the HBPW's long-term debt transactions for the year ended June 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due In One Year
Revenue bonds	\$ 26,564,699	\$ -	\$ 866,399	\$ 25,698,300	\$ 883,000
Series 2019 - premium	84,674	-	-	84,674	-
Lease purchase agreement	4,540,000	-	510,000	4,030,000	525,000
Escrow trust agreement	405,000	-	405,000	-	-
	<u>\$ 31,594,373</u>	<u>\$ -</u>	<u>\$ 1,781,399</u>	<u>\$ 29,812,974</u>	<u>\$ 1,408,000</u>

Revenue Bonds

In November 2013, the HBPW issued \$6,430,000 of Sewerage System Revenue Bonds. The bond proceeds are used to acquire, construct, extend, and improve the sewer system. Debt service payments on the bonds are financed through revenues derived from the operation of the sewer system. In April 2020, the Series 2013 bonds were called and defeased; however, the proceeds on the Series 2020 bonds were not received until July 2020.

In October 2015, the HBPW issued \$12,960,000 of Waterworks Revenue Bonds. The bond proceeds are used to acquire, construct, improve, and equip drinking water facilities. Debt service payments on the bonds are financed through revenues derived from the operation of the water system.

In April 2019, the HBPW issued \$9,915,000 of Waterworks Revenue Bonds. The bond proceeds are used to acquire, construct, and improve drinking water facilities, including but not limited to, improvements required to remove ammonia from the drinking water treatment process. Debt service payments on the bonds are financed through revenues derived from the operation of the water system. The City issued these bonds at a premium of \$84,674, which will be amortized over the life of the bonds.

The following summarizes the HBPW's revenue bonds:

	Original Amount	Interest Rate	Maturity Date	Balance June 30, 2020
Sewerage System Series 2013	\$ 6,430,000	2.000%-4.875%	7/1/2033	\$ 5,105,000
Waterworks Series 2015	12,960,000	1.23%	7/1/2035	10,678,300
Waterworks Series 2019	9,915,000	3.00%-3.25%	1/1/2044	9,915,000
				<u>\$ 25,698,300</u>

Future principal and interest payments on the HBPW's revenue bonds for the years ending June 30, are as follows:

	Principal	Interest	Total
2021	\$ 883,000	\$ 641,159	\$ 1,524,159
2022	1,208,000	625,686	1,833,686
2023	1,239,000	599,885	1,838,885
2024	1,270,000	572,579	1,842,579
2025	1,302,000	543,665	1,845,665
2026-2030	7,050,000	2,227,181	9,277,181
2031-2035	7,614,000	1,264,459	8,878,459
2036-2040	2,882,300	597,466	3,479,766
2041-2044	2,250,000	183,681	2,433,681
	<u>\$ 25,698,300</u>	<u>\$ 7,255,761</u>	<u>\$ 32,954,061</u>

Lease Purchase Agreement

In January 2017, the HBPW entered into a lease purchase agreement with Commerce Bank. The lease proceeds are used to acquire and install generators and other utility equipment.

The following summarizes the HBPW's lease purchase agreement:

	Interest Rate	Maturity Date	Balance June 30, 2020
Lease purchase agreement	2.89%	2/1/2027	<u>\$ 4,030,000</u>

Future base rentals on the HBPW's lease purchase agreement for the years ending June 30, are as follows:

	Total
2021	\$ 643,328
2022	647,701
2023	646,732
2024	645,323
2025	643,622
2026-2027	<u>1,289,501</u>
Total minimum lease payments	4,516,207
Less: amount representing interest	<u>(486,207)</u>
Present value of minimum lease payments	<u>\$ 4,030,000</u>

Escrow Trust Agreement

In October 2004, the HBPW entered into a sale contract with the Public Water Supply District No. 1 of Ralls County (the PWSD #1), pursuant to which the HBPW agreed to acquire the right to provide water service to the area described in the sale contract for the amount of \$1,500,000. Under the sale contract, the HBPW had previously paid \$150,000 of the cost of acquiring such rights and was obligated to pay the remaining portion of the acquisition price (\$1,350,000) in semi-annual payments of \$33,750 beginning July 1, 2005 and ending January 1, 2025. During the year ended June 30, 2020, the HBPW paid this agreement in full.

The cost of acquiring these rights in the amount of \$1,500,000 has been capitalized and is reported as an investment in land/water rights on the statement of net position. The HBPW determined this asset was not impaired as of June 30, 2020.

5. COMMITMENTS AND CONTINGENCIES

A. *MIRMA*

The HBPW is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and workman's compensation. The HBPW participates in Missouri Intergovernmental Risk Management Association (MIRMA) to cover these risks of losses. MIRMA is a group of local governments which provides a program of self-insurance to its members. The HBPW pays annual premiums to MIRMA based on its payroll. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded insurance coverage in any of the past three years.

B. *Prairie State Energy Contract*

In January 2007, the HBPW entered into an Amended and Restated Unit Power Purchase Agreement (the UPPA) with the Missouri Joint Municipal Electric Utility Commission (MJMEUC) for the purchase and sale of capacity and energy from the Prairie State Energy Campus. The UPPA is a life-of-unit, take-or-pay agreement pursuant to which MJMEUC supplies and the HBPW purchases capacity and energy to serve the electric utility system. The HBPW's payment obligations under the UPPA are limited to the requirements to make payments from revenues of the electric utility system. All payments made by the HBPW pursuant to the UPPA are considered operation and maintenance expenses of the electric utility system. The HBPW is required under the UPPA to at all times establish, maintain and collect rates, fee and charges for electric service sufficient to meet the HBPW's obligations under the UPPA.

The HBPW is a member of MJMEUC, which is a joint municipal utility commission formed under RSMo 393.700. MJMEUC's purpose is to procure electric energy and capacity for the benefit of, and pursuant to the governance and direction of, MJMEUC's members. MJMEUC operations are governed by its members consisting of one representative from each MJMEUC member. MJMEUC's audited financials are available on its website www.mpuua.org.

MJMEUC acquired a 12.33% ownership interest in the Prairie State Energy Campus (Prairie State). Prairie State is a two-unit, 1,582 MW coal-fired facility, including associated coal reserves and coal-mining facilities that commenced operations in 2012. MJMEUC's ownership interest in Prairie State equates to 195 megawatts (MW). Under the UPPA, MJMEUC provides approximately 10% (or approximately 20 MW) of MJMEUC's energy and capacity in Prairie State, to the HBPW. The UPPA does not create any ownership rights on the part of the HBPW in Prairie State.

Under the UPPA, MJMEUC sets rates to recover all of its costs incurred in connection with acquiring, providing, arranging or financing its interest in the Prairie State project. The HBPW is liable under the UPPA for its proportionate share of (a) the fixed and variable costs MJMEUC incurs in connection with Prairie State, and (b) MJMEUC's administrative and other reasonable costs associated with its role as power supplier to the HBPW.

The HBPW receives monthly power bills for its proportionate share of MJMEUC's costs to operate and maintain the facility, including debt service costs. Such costs are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make under contracts and/or financial commitments and obligations entered into by MJMEUC necessary for its ownership interest in Prairie State, without regard to whether the resource is available to or used by the HBPW. Direct costs can include amounts required to fund capital and/or operating reserves and debt service coverages MJMEUC is required to maintain. MJMEUC capitalized its total costs incurred in development and construction of Prairie State and is recovering those costs through monthly capacity charges.

The UPPA requires that rates charged to the HBPW be established at least annually and adjusted to recognize variances between budgeted and actual costs at least every six months. Charges based on such rates are assessed and billed monthly.

6. PENSION PLAN

General Information about the Pension Plan

The following information is presented in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Plan Description

The HBPW's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The HBPW participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo 70.600-70.755. As such, it is LAGERS' 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

The benefit provisions adopted by the HBPW are as follows:

	<u>2020 Valuation</u>
Benefit multiplier	1.75% for life,
Final average salary	plus 0.25% to age 65
Member contributions	5 years
	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	12
Active employees	67
	<hr/>
Total	144
	<hr/>

Contributions

The HBPW is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the HBPW do not contribute to the pension plan. The HBPW's contribution rate is and 20.4% of annual covered payroll.

Net Pension Liability

The HBPW's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2020.

Actuarial Assumptions

The total pension liability in the February 29, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increase	3.25% to 6.55%, including inflation
Investment rate of return	7.25%, net of investment expenses

Mortality rates were based on the RP-2014 Healthy Annuitant, Disabled, and Employees Mortality Tables.

The actuarial assumptions used in the February 29, 2020, valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed income	31.00%	1.41%
Real assets	36.00%	3.29%
Strategic assets	8.00%	5.25%
Cash/leverage	-25.00%	-0.29%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 22,670,381	\$ 21,238,687	\$ 1,431,694
Changes for the year:			
Service cost	435,687	-	435,687
Interest	1,616,589	-	1,616,589
Difference between expected and actual experience	307,866	-	307,866
Contributions - employer	-	849,831	(849,831)
Net investment income	-	263,414	(263,414)
Benefit payments, including refunds	(1,194,172)	(1,194,172)	-
Administrative expense	-	(18,550)	18,550
Other changes	-	(55,987)	55,987
Net changes	1,165,970	(155,464)	1,321,434
Balances at June 30, 2020	\$ 23,836,351	\$ 21,083,223	\$ 2,753,128

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

The following presents the net pension liability of the HBPW, calculated using the discount rate of 7.25%, as well as what the HBPW's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	Current Single Discount		
	1% Decrease (6.25%)	Rate Assumption (7.25%)	1% Increase (8.25%)
Total pension liability	\$ 27,125,734	\$ 23,836,351	\$ 21,130,823
Plan fiduciary net position	21,083,223	21,083,223	21,083,223
Net pension liability	<u>\$ 6,042,511</u>	<u>\$ 2,753,128</u>	<u>\$ 47,600</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued LAGERS financial report.

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

For the year ended June 30, 2020, the HBPW recognized pension expense of \$912,829. The HBPW reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ 749,225	\$ (796,024)
Projected and actual earnings on investments	592,081	-
Changes in assumptions	16,583	-
Total	<u>\$ 1,357,889</u>	<u>\$ (796,024)</u>

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

Year ending:	
2021	\$ (6,541)
2022	163,558
2023	119,178
2024	283,126
2025	2,544
Total	<u>\$ 561,865</u>

7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the Plan

The following information is presented in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions*.

Plan Description and Benefits Provided

The HBPW provides health insurance coverage to qualifying former employees and their dependents. The HBPW pays for continued health insurance coverage for a three-year period after retirement for employees and 50% of premiums for spouses. After the three-year period, the retirees can stay on the plan solely at their own expense unless they are Medicare eligible. Once they are Medicare-eligible they no longer eligible to remain on the plan.

Participants Covered by Benefit Terms

As of June 1, 2019, there were 66 active employees and 4 current benefit recipients participating in the plan.

Funding Policy

Covered employees are not required to contribute to the plan for up to three years. The HBPW is also not required to contribute to the plan. Employees who retire with a covered spouse pay 50% of the spouse's rate for up to three years (or until age 65. After three years, participants must pay 100% of the plan premium rates.

Total OPEB Liability

The HBPW's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 1, 2019. The HBPW does not have a trust dedicated exclusively for the payment of OPEB benefits.

Actuarial Assumptions

The total OPEB liability in the June 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	2.6% to 3.0%
Medical/Rx cost trend (and retiree contribution trend)	Average of 5.41% through fiscal year 2027
Dental cost trend	3.0% per year
Salary scale	3.0% per year

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables using Scale MP-2019 Full Generational Improvement.

In order to determine the municipal bond rate, the actuarial valuation uses the average of the published yields from the S&O Municipal Bond 20-year High Grade and the Fidelity GO AA-20 Years indexes. The selected average rates are 3.0% and 2.6% as of the beginning and end of the valuation year, respectively.

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

The following presents the total OPEB liability of the HBPW, calculated using the discount rate of 2.6%, as well as what the HBPW's total OPEB liability would be using a discount rate that is 1 percentage point lower (1.6%) and 1 percentage point higher (3.6%) than the current rate.

	Current Single Discount		
	1% Decrease (1.6%)	Rate Assumption (2.6%)	1% Increase (3.6%)
Total OPEB liability	\$ 1,740,917	\$ 1,597,480	\$ 1,464,491
Increase/(decrease) from baseline	143,437	-	(132,989)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the HBPW, calculated using the healthcare cost trend assumption, as well as what the HBPW's total OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower and 1 percentage point higher than the current rate.

	Current Trend		
	1% Decrease	Assumption	1% Increase
Total OPEB liability	\$ 1,390,389	\$ 1,597,480	\$ 1,845,744
Increase/(decrease) from baseline	(207,091)	-	248,264

Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	<u>\$ 1,346,570</u>
Changes for the year:	
Service cost	95,592
Interest	42,440
Difference between expected and actual experience	(20,922)
Changes in assumptions	188,800
Contributions - employer	<u>(55,000)</u>
Net changes	<u>250,910</u>
Total OPEB liability - end of year	<u><u>\$ 1,597,480</u></u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the HBPW recognized OPEB expense of (\$153,800). The HBPW reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ 14,016	\$ (19,020)
Changes in assumptions	239,221	-
Total	<u><u>\$ 253,237</u></u>	<u><u>\$ (19,020)</u></u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense during the years ending June 30 as follows:

Year ending:		
2021	\$	24,294
2022		24,294
2023		24,294
2024		24,294
2025		24,294
Thereafter		112,747
Total	\$	<u>234,217</u>

8. RESTATEMENT

During the year ended June 30, 2020, the HBPW determined prior year balances related to the pooled cash allocation were incorrect and needed to be restated.

As a result, net position as of June 30, 2019, was restated as follows:

	Net position, as previously reported	Effect of restatement	Net position, as restated
Water Fund	\$24,646,707	\$ (172,955)	\$24,473,752
Sewer Fund	14,310,695	(172,955)	14,137,740
Stormwater Fund	(912,122)	345,908	(566,214)
Totals	<u>\$38,045,280</u>	<u>\$ (2)</u>	<u>\$38,045,278</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
June 30, 2020**

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 435,687	\$ 446,800	\$ 412,987	\$ 384,213	\$ 396,111	\$ 412,341
Interest on the total pension liability	1,616,589	1,643,234	1,497,556	1,453,217	1,381,075	1,362,410
Difference between expected and actual experience	307,866	(1,242,409)	1,227,980	(142,897)	(313,060)	(382,273)
Assumption changes	-	-	-	-	685,338	-
Benefit payments	(1,194,172)	(1,224,684)	(1,069,584)	(1,123,670)	(1,172,585)	(1,083,083)
Net change in total pension liability	1,165,970	(377,059)	2,068,939	570,863	976,879	309,395
Total pension liability beginning	22,670,381	23,047,440	20,978,501	20,407,638	19,430,759	19,121,364
Total pension liability ending	<u>\$ 23,836,351</u>	<u>\$ 22,670,381</u>	<u>\$ 23,047,440</u>	<u>\$ 20,978,501</u>	<u>\$ 20,407,638</u>	<u>\$ 19,430,759</u>
Plan fiduciary net position						
Contributions - employer	\$ 849,831	\$ 810,846	\$ 824,620	\$ 659,410	\$ 653,218	\$ 731,733
Contributions - employee	-	-	-	-	25,792	-
Pension plan net investment income	263,414	1,330,378	2,235,327	2,005,620	(45,644)	360,839
Benefit payments	(1,194,172)	(1,224,684)	(1,069,584)	(1,123,670)	(1,172,585)	(1,083,083)
Pension plan administrative expense	(18,550)	(16,899)	(11,864)	(11,377)	(10,849)	(11,836)
Other	(55,987)	(509,845)	76,336	(21,909)	(343,369)	(427,100)
Net change in plan fiduciary net position	(155,464)	389,796	2,054,835	1,508,074	(893,437)	(429,447)
Plan fiduciary net position beginning	21,238,687	20,848,891	18,794,056	17,285,982	18,179,419	18,608,866
Plan fiduciary net position ending	<u>\$ 21,083,223</u>	<u>\$ 21,238,687</u>	<u>\$ 20,848,891</u>	<u>\$ 18,794,056</u>	<u>\$ 17,285,982</u>	<u>\$ 18,179,419</u>
Net pension liability	<u>\$ 2,753,128</u>	<u>\$ 1,431,694</u>	<u>\$ 2,198,549</u>	<u>\$ 2,184,445</u>	<u>\$ 3,121,656</u>	<u>\$ 1,251,340</u>
Plan fiduciary net position as a percentage of the total pension liability	88.45%	93.68%	90.46%	89.59%	84.70%	93.56%
Covered payroll	\$ 4,393,904	\$ 3,937,038	\$ 4,389,789	\$ 3,635,860	\$ 3,587,196	\$ 3,722,920
Net pension liability as a percentage of covered payroll	62.66%	36.36%	50.08%	60.08%	87.02%	33.61%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
June 30, 2020**

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 849,831	\$ 817,296	\$ 857,688	\$ 659,410	\$ 653,218
Contributions in relation to the actuarially determined contribution	<u>849,831</u>	<u>813,147</u>	<u>822,319</u>	<u>659,410</u>	<u>653,218</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 4,149</u>	<u>\$ 35,369</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,186,358	\$ 4,148,709	\$ 4,421,073	\$ 3,746,646	\$ 3,711,467
Contributions as a percentage of covered payroll	20.30%	19.60%	18.60%	17.60%	17.60%
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 731,733	\$ 731,346	\$ 689,510	\$ 591,382	\$ 587,691
Contributions in relation to the actuarially determined contribution	<u>731,733</u>	<u>720,152</u>	<u>664,107</u>	<u>559,066</u>	<u>509,541</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 11,194</u>	<u>\$ 25,403</u>	<u>\$ 32,316</u>	<u>\$ 78,150</u>
Covered payroll	\$ 3,771,818	\$ 3,731,356	\$ 3,629,000	\$ 3,231,596	\$ 3,126,017
Contributions as a percentage of covered payroll	19.40%	19.30%	18.30%	17.30%	16.30%

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**OPEB PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
June 30, 2020**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 95,592	\$ 97,054	\$ 92,381
Interest	42,440	48,118	50,139
Benefit changes	-	(191,644)	-
Difference between expected and actual experience	(20,922)	17,082	-
Assumption changes	188,800	72,903	10,635
Contributions - employer	(55,000)	(116,000)	(207,000)
Net change in total OPEB liability	250,910	(72,487)	(53,845)
Total OPEB liability beginning	1,346,570	1,419,057	1,472,902
Total OPEB liability ending	<u>\$ 1,597,480</u>	<u>\$ 1,346,570</u>	<u>\$ 1,419,057</u>
Covered payroll	\$ 3,887,352	\$ 3,788,616	\$ 3,788,616
Total OPEB liability as a percentage of covered payroll	41.09%	35.54%	37.46%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2020**

	2020	2019	2018
Expected retiree claims and administrative costs	\$ 57,000	\$ 138,000	\$ 231,000
Expected retiree premium contributions	2,000	22,000	24,000
Employer contributions	<u>\$ 55,000</u>	<u>\$ 116,000</u>	<u>\$ 207,000</u>
Covered payroll	\$ 3,887,352	\$ 3,788,616	\$ 3,788,616
Contributions as a percentage of covered payroll	0.05%	0.58%	0.63%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**CAPITAL ASSETS SCHEDULE - ELECTRIC FUND
Year Ended June 30, 2020**

	Cost				Accumulated Depreciation			
	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020
Equipment	\$ 14,515,135	\$ 106,175	\$ -	\$ 14,621,310	\$ 8,110,295	\$ 881,828	\$ -	\$ 8,992,123
Transportation equipment	1,991,909	34,540	(130,502)	1,895,947	1,115,422	202,264	(130,502)	1,187,184
Infrastructure	20,001,879	992,880	-	20,994,759	9,491,111	518,561	-	10,009,672
Land and improvements	131,419	15,000	-	146,419	10,334	101	-	10,435
Structures	1,860,265	-	-	1,860,265	1,129,806	14,744	-	1,144,550
Total placed in service	38,500,607	1,148,595	(130,502)	39,518,700	19,856,968	1,617,498	(130,502)	21,343,964
Construction in progress	819,399	882,150	(451,267)	1,250,282	-	-	-	-
Total capital assets	\$ 39,320,006	\$ 2,030,745	\$ (581,769)	\$ 40,768,982	\$ 19,856,968	\$ 1,617,498	\$ (130,502)	\$ 21,343,964

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**CAPITAL ASSETS SCHEDULE - WATER FUND
Year Ended June 30, 2020**

	Cost				Accumulated Depreciation			
	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020
Equipment	\$ 607,037	\$ 55,813	\$ -	\$ 662,850	\$ 315,700	\$ 64,266	\$ -	\$ 379,966
Transportation equipment	590,506	6,690	-	597,196	359,868	55,087	-	414,955
Infrastructure	41,353,761	137,902	-	41,491,663	12,079,894	810,655	-	12,890,549
Land and improvements	108,675	7,500	-	116,175	-	-	-	-
Structures	725,001	-	-	725,001	565,278	6,815	-	572,093
Total placed in service	43,384,980	207,905	-	43,592,885	13,320,740	936,823	-	14,257,563
Construction in progress	3,110,262	8,369,440	(137,902)	11,341,800	-	-	-	-
Total capital assets	\$ 46,495,242	\$ 8,577,345	\$ (137,902)	\$ 54,934,685	\$ 13,320,740	\$ 936,823	\$ -	\$ 14,257,563

CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS
CAPITAL ASSETS SCHEDULE - SEWER FUND
Year Ended June 30, 2020

	Cost				Accumulated Depreciation			
	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020
Equipment	\$ 1,876,846	\$ 919,080	\$ -	\$ 2,795,926	\$ 786,432	\$ 240,686	\$ -	\$ 1,027,118
Transportation equipment	1,224,812	179,210	-	1,404,022	600,044	151,118	-	751,162
Infrastructure	29,847,664	52,547	-	29,900,211	20,132,900	611,640	-	20,744,540
Land and improvments	518,543	7,500	-	526,043	-	-	-	-
Structures	4,632,940	-	-	4,632,940	334,025	115,076	-	449,101
Total placed in service	38,100,805	1,158,337	-	39,259,142	21,853,401	1,118,520	-	22,971,921
Construction in progress	1,002,423	385,308	(827,362)	560,369	-	-	-	-
Total capital assets	\$ 39,103,228	\$ 1,543,645	\$ (827,362)	\$ 39,819,511	\$ 21,853,401	\$ 1,118,520	\$ -	\$ 22,971,921

CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS
CAPITAL ASSETS SCHEDULE - STORMWATER FUND
Year Ended June 30, 2020

	Cost				Accumulated Depreciation			
	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation equipment	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Land and improvments	-	-	-	-	-	-	-	-
Structures	-	-	-	-	-	-	-	-
Total placed in service	-	-	-	-	-	-	-	-
Construction in progress	-	36,111	-	36,111	-	-	-	-
Total capital assets	\$ -	\$ 36,111	\$ -	\$ 36,111	\$ -	\$ -	\$ -	\$ -

CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS
SCHEDULE OF INVESTMENTS
June 30, 2020

Description	Interest Rate	Maturity Date	Cost	Market Value
Electric Fund				
Capital One NA CD	2.25%	9/30/2020	\$ 247,000	\$ 248,356
Unity Bank CD	1.65%	10/30/2020	247,000	248,767
National Cooperative Bank CD	1.75%	10/30/2020	246,000	247,791
Comenity Capital Bank CD	1.90%	1/19/2021	247,000	250,054
Portage County Bank CD	1.40%	4/29/2021	220,000	222,948
Fannie Mae CD	1.70%	5/26/2021	165,000	167,241
Discover Bank CD	1.50%	8/10/2021	248,000	251,688
Wells Fargo Bank CD	1.70%	8/10/2021	248,000	252,876
State Bank of India CD	2.30%	2/9/2022	245,000	253,310
Everbank/Jacksonville, FL CD	2.05%	2/14/2022	245,000	252,434
Capital One Bank USA NA CD	2.30%	2/23/2022	245,000	253,502
Privatebank & Trust CD	2.20%	3/30/2022	247,000	255,661
KS Statebank CD	2.10%	5/17/2022	245,000	253,710
American Express Centurion CD	2.35%	8/22/2022	247,000	257,402
Barclays Bank/Delaware CD	2.30%	10/18/2022	247,000	258,658
Crossfirst Bank CD	2.20%	11/18/2022	245,000	256,333
Enterprise Bank CD	2.15%	11/18/2022	248,000	259,275
MB Financial Bank CD	2.75%	3/20/2023	248,000	264,530
Belmont Savings Bank CD	3.05%	3/20/2023	245,000	264,285
Enerbank USA CD	3.20%	8/30/2023	248,000	270,301
UBS Bank USA CD	3.50%	10/27/2023	248,000	273,686
F&M Bank CD	3.15%	1/25/2024	1,000,000	1,000,000
F&M Bank CD	2.50%	8/7/2024	248,000	248,000
F&M Bank CD	1.95%	10/30/2024	248,000	251,648
F&M Bank CD	1.40%	3/10/2025	100,000	100,707
F&M Bank CD	1.65%	4/21/2025	248,000	249,020
F&M Bank CD	1.60%	5/8/2025	245,000	245,988
F&M Bank CD	1.25%	5/13/2025	245,000	245,772
Sallie Mae Bank/Salt Lake CD	0.85%	5/27/2025	245,000	247,239
Malaga Bank FSB CD	0.70%	5/29/2025	245,000	248,914
Financial Federal Savings Bank CD	0.65%	5/29/2025	245,000	244,857
Total Electric Fund			<u>8,140,000</u>	<u>8,344,953</u>
Sewer Fund				
Synchrony Bank	3.10%	10/10/2024	<u>120,000</u>	<u>120,000</u>
Total investments			<u><u>\$ 8,260,000</u></u>	<u><u>\$ 8,464,953</u></u>

CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS

SCHEDULE OF TOP TEN UTILITY CUSTOMERS
Year Ended June 30, 2020

Electric Fund

Rank	Customer	Annual Kilowatt Hours	Percent of Total
1	General Mills	45,648,170	19.38%
2	Spartan Light Metal Products	14,513,800	6.16%
3	Watlow Electric Manufacturing Co.	8,511,300	3.61%
4	Board of Public Works	7,544,129	3.20%
5	Enduro Industries	6,812,400	2.89%
6	Hannibal-LaGrange University	4,082,577	1.73%
7	Walmart Stores Inc.	3,580,400	1.52%
8	Niemann Foods Inc.	314,000	0.13%
9	Hannibal Senior High School	2,321,200	0.99%
10	Consolidated Machine & Welding	2,206,720	0.94%

Water Fund

Rank	Customer	Annual Gallons	Percent of Total
1	General Mills	237,917,050	28.47%
2	Board of Public Works	128,988,262	15.44%
3	Ralls County Water District #1	38,511,193	4.61%
4	Hannibal Regional Hospital	11,854,637	1.42%
5	Leverging Care Center	8,672,690	1.04%
6	Watlow Electric Manufacturing Co.	6,166,464	0.74%
7	Hannibal-LaGrange University	5,800,123	0.69%
8	Luther Manor	4,489,080	0.54%
9	Beth Haven Nursing Home	3,252,820	0.39%
10	Spartan Light Metal Products	3,187,810	0.38%

Sewer Fund

Rank	Customer	Annual Gallons	Percent of Total
1	General Mills	*	*
2	Hannibal Regional Hospital	11,854,637	1.81%
3	Leverging Care Center	8,672,690	1.33%
4	Hannibal-LaGrange University	5,630,969	0.86%
5	Luther Manor	4,489,080	0.69%
6	Beth Haven Nursing Home	3,252,820	0.50%
7	Spartan Light Metal Products	3,187,810	0.49%
8	Hannibal Elderly House	3,028,430	0.46%
9	SWB Hospitality LLC	2,711,100	0.41%
10	Holiday Inn Express	2,608,114	0.40%

*General Mills utilizes a significant percentage of its purchased water as an ingredient in its products. As a result, billing for General Mills is based on a formula other than gallons of water purchased. General Mills accounts for approximately 29% of Sewer Fund revenues.

OTHER INFORMATION

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**COMPARATIVE STATEMENT OF OPERATING FACTORS
ELECTRIC FUND
Years Ended June 30, 2020 and 2019**

	Unit	2020	2019
Population served per 2010 Census		17,757	17,757
Number of customers per 100 population		49.55	49.46
Maximum peak load operation	MW	54	52
Investment per capita	\$	2,196.86	2,214.34
Total operating revenue per \$100 investment	\$	59.22	61.92
Ratio of total operating expenses to total operating revenue	%	96.22%	95.24%
Operating profit (loss) per \$100 investment	\$	2.24	2.95
Total purchased power cost per kWh	\$	0.0632	0.0649
Average price received per kWh sold	\$	0.0981	0.0986
Operating profit (loss) per kWh sold	\$	0.0037	0.0059
Average residential use	kWh	10,298	10,653
Total kWh purchased	kWh	235,592,431	247,037,178
Total kWh sold	kWh	235,592,431	247,037,178
Customers at end of year:			
Residential		7,638	7,598
Commercial		1,046	1,064
Industrial		115	120
		<u>8,799</u>	<u>8,782</u>

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**COMPARATIVE STATEMENT OF OPERATING FACTORS
WATER FUND**

Years Ended June 30, 2020 and 2019

	Unit	2020	2019
Population served per 2010 Census		17,757	17,757
Number of customers per 100 population		44.30	44.16
Capacity per day	Gallon	7,500,000	7,500,000
Maximum production per day	Gallon	4,811,585	4,933,000
Average production per day	Gallon	3,317,990	3,389,416
Investment per 1,000 gallons sold	\$	57.54	50.21
Investment per capita	\$	2,707.33	2,618.42
Total operating revenue per \$100 investment	\$	12.76	13.00
Ratio of total operating expenses to operating revenue	%	76.26%	81.11%
Operating profit (loss) per \$100 investment	\$	(0.56)	2.45
Average price received per 1,000 gallons	\$	7.34	6.44
Average cost per 1,000 gallons	\$	5.60	5.22
Customers at end of year:			
Residential		7,061	7,006
Commercial		782	810
Industrial		23	24
Other		1	1
		<u>7,867</u>	<u>7,841</u>

**CITY OF HANNIBAL, MISSOURI
BOARD OF PUBLIC WORKS**

**COMPARATIVE STATEMENT OF OPERATING FACTORS
SEWER FUND**

Years Ended June 30, 2020 and 2019

	Unit	2020	2019
Population served per 2010 Census		17,757	17,757
Number of customers per 100 population		42.57	42.39
Investment per capita	\$	1,191.75	2,202.13
Total revenue per \$100 investment	\$	25.01	13.61
Ratio of total operating expenses to total operating revenue	%	88.86%	84.83%
Operating profit (loss) per \$100 investment	\$	(0.48)	2.07
Total treatment cost per million gallons	\$	2,884.47	2,247.40
Average price received per million gallons treated	\$	3,246.05	2,649.23
Operating profit (loss) per million gallons treated	\$	361.58	401.83
Total gallons treated	Gallon	1,630,521,000	2,009,527,000
Total gallons from water plant	Gallon	1,211,066,350	1,237,137,000
Customers at end of year:			
Residential		6,815	6,758
Commercial		729	753
Industrial		16	17
		<u>7,560</u>	<u>7,528</u>