

REPORT OF
MARSHALL MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE
CITY OF MARSHALL, MISSOURI
SEPTEMBER 30, 2023

**MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI**

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INDEPENDENT AUDITOR'S REPORT

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The Honorable Members of
The Marshall Municipal Utilities Board
City of Marshall, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Marshall Municipal Utilities (the "Municipal Utilities"), component unit of the City of Marshall, Missouri, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Municipal Utilities, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

PARTNERS

Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Benjamin E. Carrier

PARTNERS EMERITI

Robert A. Gerding
Fred W. Korte, Jr.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions, notes to schedule of contributions, and schedule of changes in net pension liabilities and related ratios on pages 4-14 and 39-42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipal Utilities' internal control over financial reporting and compliance.



December 7, 2023

Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

As management of the Marshall Municipal Utilities (“Municipal Utilities”), we offer readers of the Municipal Utilities’ financial statements this narrative overview and analysis of the financial activities of departments for the fiscal years ended September 30, 2023 and 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the departments’ basic financial statements. The Municipal Utilities’ basic financial statements are comprised of two components: 1) Enterprise Fund financial statements and 2) notes to the financial statements. This report also contains supplementary information to the basic financial statements themselves.

Enterprise Funds

The departments use enterprise fund accounting for their operations.

The enterprise fund financial statements are designed to provide readers with the broad overview of the departments’ finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of each department’s assets and liabilities, with the difference between the two reported as net position. Over time increases or decreases in net position may serve as a useful indicator to whether the financial position of the department is improving or deteriorating.

The Statement of Activities presents information showing how each department’s net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-38.

Nonrecurring Items

Fiscal Year 2023

The upgrade to the aeration basins and final clarifiers at our Wastewater Treatment Plant continued during the fiscal year. With an estimated cost of almost \$9 million dollars this project is expected to be completed by December of 2023.

Work has begun on upgrading the North Street Pump Station. This pump station was constructed in 1945 and operates on a daily basis. This project will include replacement of all motors, pumps, valves, and piping. We will also upgrade the electric panels and replace the diesel pump with a generator and auto-transfer switch. This project is estimated to cost \$2.8 million dollars and will not be completed until spring 2025.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

In working to improve inflow & infiltration within the sanitary sewer lines smoke testing was conducted during the summer months of 2023. MMU staff along with Burns & McDonnell tested and inventoried over 240,000 linear feet of sewer lines at a cost of \$65,325. Depending on the results of the testing MMU may do additional smoke testing in fiscal year 2024.

Round one of our IT & Broadband grant projects with USDA ReConnect is expected to be complete in early 2024. Round two of the is project has begun and is not expected to be completed until 2028. These projects will extend MMU broadband internet coverage to most of Saline County. MMU is anticipating to receive approximately \$9.1 million in grant funds for these projects.

Fiscal Year 2022

The largest project for FYE 9/30/2022 is the upgrade to the aeration basins and final clarifiers at our Wastewater Treatment Plant. This is a multi-year project that is scheduled for completion in 2023. MMU began working with Burns & McDonnell in April of 2020 to evaluate the Wastewater Treatment Plant and recommend improvements. Several major items were identified as past their useful life and in need of replacement, including the aeration basins and final clarifiers. Each of these had been installed during 1992 plant improvements.

Construction on this project began in early 2022 with completion scheduled for early 2023. The work on the aeration basins consisted of replacement of the aeration system, including bridges, blowers, mixers, controls and control building. All mechanical equipment in the three final clarifiers was replaced. This equipment consisted of the center columns, walkway bridges, suction headers, skimmers, scum boxes and weirs. At a cost of almost \$9 million dollars, an increase to the volume charge for sewer rates was passed in October 2021 to help fund the debt service. This increased the average monthly residential bill approximately \$5.25 or 14%. This major improvement to our wastewater treatment plant should serve the community of Marshall and its customers for many years.

The MMU IT & Broadband Department continued its work to extend high speed internet services to rural areas of Saline County utilizing USDA ReConnect grant funding. MMU's contractor completed installation of approximately 70 miles of conduit and all pull boxes and pedestals required for Round 1 of grant funding. MMU crews have been installing fiber, splicing and installing service drops where conduit installation is completed. We are running approximately 6 months behind the contractor installing and splicing fiber. This has been pretty consistent since the beginning of the project.

Another significant accomplishment was the utility-wide software conversion by the Administrative Services department. The old software had been written and maintained by in-house staff for over 30 years. With the growth of the IT & Broadband department and succession planning challenges, the decision was made to move these tasks to a third party. After reviewing multiple platforms, MMU selected Tyler Technologies for the new software. The software conversion began in February 2022 and involved billing, payroll, inventory, purchasing and payables. Moving all these systems to new software was a huge undertaking, both in terms of data and training requirements. One of the initial benefits was the move from online bill payment to both online and in-person payment with both credit and debit cards. We have also been able to move to mobile work orders for our serviceperson. This should streamline this process and improve customer service.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the department's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 39-42 of this report.

The following tables provide a summary of Electric Department's operations for years ended September 30, 2023 and 2022.

Electric Department's Revenue, Expense and Changes in Net Position				
	2023	2022	Change	Percent of Change
Revenues:				
Charges for services	\$ 18,655,087	\$ 19,853,676	\$ (1,198,589)	-6.04%
Capital grants and contributions	52,567	156,403	(103,836)	-66.39%
General Revenues:				
Investment earnings	802,410	9,468	792,942	8374.97%
Miscellaneous	193,250	174,233	19,017	10.91%
Total Revenues	19,703,314	20,193,780	(490,466)	-2.43%
Expenses:				
Electric	20,962,825	20,345,607	617,218	3.03%
Total Expenses	20,962,825	20,345,607	617,218	3.03%
Increase (decrease) in net position	(1,259,511)	(151,827)	(1,107,684)	729.57%
Net Position - beginning of year	48,387,987	48,539,814	(151,827)	-0.31%
Net Position - end of year	\$ 47,128,476	\$ 48,387,987	\$ (1,259,511)	-2.60%

Capital Assets

The Electric Department's investment in capital assets for its activities as of September 30, 2023, amounts to \$16,491,819 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and construction in progress.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

**Electric Department's Capital Assets at Year-End
Net of Accumulated Depreciation**

	2023	2022
Property, plant and equipment:		
Land and land rights	\$ 1,621,462	\$ 1,621,462
Plant structures and improvements	5,981,346	6,343,702
Collection	7,997,095	6,801,056
General equipment	763,843	755,705
Construction work in progress	128,073	1,503,695
Net Capital Assets	\$ 16,491,819	\$ 17,025,620

Additional information on the Electric Department's capital assets can be found in Note V on page 24 of this report.

Financial Highlights - Electric

- The assets and deferred outflows of the Electric Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$47,128,476 (net position). Of this amount,
- \$28,669,634 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors of the department.

- The department's total net position decreased by \$1,259,511.

One of the portions of the department's net position (35%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The department uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending.

Electric Department's Net Position

	2023	2022
Current and other assets	\$ 32,950,832	\$ 35,173,802
Capital assets	16,491,819	17,025,620
Total Assets	49,442,651	52,199,422
Deferred outflows	614,612	416,285
Other liabilities	2,782,293	3,542,551
Deferred inflows	146,494	685,169
Net Position		
Net investment in capital assets	16,491,819	17,025,620
Restricted	1,967,023	2,032,138
Unrestricted	28,669,634	29,330,229
Total Net Position	\$ 47,128,476	\$ 48,387,987

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

The following tables provide a summary of Water Department's operations for years ended September 30, 2023 and 2022:

**Water Department's Revenue, Expense and
Changes in Net Position**

	2023	2022	Change	Percent of Change
Revenues:				
Charges for services	\$ 4,410,206	\$ 4,327,258	\$ 82,948	1.92%
Capital grants and contributions	-	650	(650)	-100.00%
General Revenues:				
Gain on sale	51,850	-	51,850	
Investment earnings	3,587	4,661	(1,074)	-23.04%
Miscellaneous	62,918	29,793	33,125	111.18%
Total Revenues	<u>4,528,561</u>	<u>4,362,362</u>	<u>166,199</u>	3.81%
Expenses:				
Interest on long-term debt	39,628	8,212	31,416	382.56%
Water	4,519,659	3,799,363	720,296	18.96%
Total Expenses	<u>4,559,287</u>	<u>3,807,575</u>	<u>751,712</u>	19.74%
Increase (decrease) in net position	(30,726)	554,787	(585,513)	-105.54%
Net Position - beginning of year	13,785,331	13,230,544	554,787	4.19%
Net Position - end of year	<u>\$ 13,754,605</u>	<u>\$ 13,785,331</u>	<u>\$ (30,726)</u>	-0.22%

Capital Assets

The Water Department's investment in capital assets for its activities as of September 30, 2023, amounts to \$10,865,082 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and construction in progress.

**Water Department's Capital Assets at Year-End
Net of Accumulated Depreciation**

	2023	2022
Property, plant and equipment:		
Land and land rights	\$ 94,398	\$ 94,398
Plant structures and improvements	5,377,189	5,831,414
Collection	4,043,931	4,115,086
General equipment	271,918	111,111
Construction work in progress	1,077,646	405,252
Net Capital Assets	<u>\$ 10,865,082</u>	<u>\$ 10,557,261</u>

Additional information on the Water Department's capital assets can be found in Note V on page 26 of this report.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

Financial Highlights - Water

- The assets and deferred outflows of the Water Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,754,605 (net position). Of this amount, \$2,912,542 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors of the department.
- The department's total net position decreased by \$30,726.

The largest portion of the department's net position (73%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The department uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending.

Water Department's Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 4,163,779	\$ 4,718,578
Capital assets	<u>10,865,082</u>	<u>10,557,261</u>
	<u>15,028,861</u>	<u>15,275,839</u>
Deferred outflows	<u>239,648</u>	<u>159,373</u>
Long-term liabilities	481,764	764,709
Other liabilities	<u>867,992</u>	<u>521,163</u>
	<u>1,349,756</u>	<u>1,285,872</u>
Deferred inflows	<u>164,148</u>	<u>364,009</u>
Net Position		
Net investment in capital assets	10,093,445	9,505,710
Restricted	748,618	793,148
Unrestricted	<u>2,912,542</u>	<u>3,486,473</u>
Total Net Position	<u>\$ 13,754,605</u>	<u>\$ 13,785,331</u>

During the fiscal year, the department's total debt decreased by \$279,914. The decrease was due to debt repayment exceeding debt issued.

Debt Administration

**Outstanding Debt at Year End
Interfund Debt**

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% of Change</u>
Debt	<u>\$ 771,637</u>	<u>\$ 1,051,551</u>	<u>\$ (279,914)</u>	<u>-26.62%</u>

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

Additional information on Marshall Municipal Utilities Water Department's long-term debt can be found in Note V on pages 28-30 of this report.

The following tables provide a summary of Wastewater Department's operations for years ended September 30, 2023 and 2022:

**Wastewater Department's Revenue, Expense and
Changes in Net Position**

	2023	2022	Change	Percent of Change
Revenues:				
Charges for services	\$ 3,637,835	\$ 3,523,279	\$ 114,556	3.25%
Capital grants and contributions	162,280	99,167	63,113	63.64%
General Revenues:				
Gain on sale	19,600	-	19,600	
Investment earnings	108,362	20,678	87,684	424.04%
Miscellaneous	34,362	23,616	10,746	45.50%
Total Revenues	<u>3,962,439</u>	<u>3,666,740</u>	<u>295,699</u>	8.06%
Expenses:				
Interest on long-term debt	47,091	9,758	37,333	382.59%
Wastewater	3,250,469	2,580,545	669,924	25.96%
Total Expenses	<u>3,297,560</u>	<u>2,590,303</u>	<u>707,257</u>	27.30%
Increase in net position	664,879	1,076,437	(411,558)	-38.23%
Net Position - beginning of year	13,907,036	12,830,599	1,076,437	8.39%
Net Position - end of year	<u>\$ 14,571,915</u>	<u>\$ 13,907,036</u>	<u>\$ 664,879</u>	4.78%

Capital Assets

The Wastewater Department's investment in capital assets for its activities as of September 30, 2023, amounts to \$19,067,911 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and construction in progress.

**Wastewater Department's Capital Assets at Year-End
Net of Accumulated Depreciation**

	2023	2022
Property, plant and equipment:		
Land and land rights	\$ 118,398	\$ 118,398
Plant structures and improvements	4,577,182	5,084,316
Collection	5,060,641	5,247,987
General equipment	522,392	124,258
Construction work in progress	8,789,298	595,490
Net Capital Assets	<u>\$ 19,067,911</u>	<u>\$ 11,170,449</u>

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

Additional information on the Wastewater Department's capital assets can be found in Note V on page 27 of this report.

Financial Highlights - Wastewater

- The assets and deferred outflows of the Wastewater Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$14,571,915 (net position). Of this amount, \$4,387,763 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors of the department.
- The department's total net position increased by \$664,879.

The largest portion of the department's net position (67%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The department uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the department's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources and wastewater revenue, since the capital assets themselves cannot be used to liquidate these liabilities.

Wastewater Department's Net Position

	2023	2022
Current and other assets	\$ 4,916,432	\$ 5,033,853
Capital assets	19,067,911	16,807,849
	23,984,343	21,841,702
Deferred outflows	145,346	83,959
Long term liabilities	9,013,701	7,284,886
Other liabilities	501,366	538,197
	9,515,067	7,823,083
Deferred inflows	42,707	195,542
Net Position		
Net investment in capital assets	9,709,744	9,182,099
Restricted	474,408	508,461
Unrestricted	4,387,763	4,216,476
Total Net Position	\$ 14,571,915	\$ 13,907,036

Debt Administration

Outstanding Debt at Year End

Interfund Debt

	2023	2022	Change	% of Change
Debt	\$ 9,358,167	\$ 7,625,750	\$ 1,732,417	22.72%

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

During the fiscal year, the department's total debt increased by \$1,732,417 or 22.72%. The increase was due to advancements taken to pay for the aeration basins and final clarifiers at the wastewater plant.

Additional information on Marshall Municipal Utilities Wastewater Department's long-term debt can be found in Note V on pages 28-30 of this report.

The following tables provide a summary of IT & Broadband Department's operations for years ended September 30, 2023 and 2022:

**IT & Broadband Department's Revenue, Expense and
Changes in Net Position**

	2023	2022	Change	Percent of Change
Revenues:				
Charges for services	\$ 1,873,033	\$ 1,699,445	\$ 173,588	10.21%
Capital grants and contributions	652,569	-	652,569	100.00%
General Revenues:				
Investment earnings	67,983	6,134	61,849	1008.30%
Miscellaneous	38,588	48,606	(10,018)	-20.61%
Total Revenues	<u>2,632,173</u>	<u>1,754,185</u>	<u>877,988</u>	50.05%
Expenses:				
Interest on long-term debt	91,256	-	91,256	100.00%
IT & Broadband	1,844,394	1,522,036	322,358	21.18%
Total Expenses	<u>1,935,650</u>	<u>1,522,036</u>	<u>413,614</u>	27.18%
Increase in net position	696,523	232,149	464,374	200.03%
Net Position - beginning of year	2,387,392	2,155,243	232,149	10.77%
Net Position - end of year	<u>\$ 3,083,915</u>	<u>\$ 2,387,392</u>	<u>\$ 696,523</u>	29.18%

Capital Assets

The IT & Broadband Department's investment in capital assets for its activities as of September 30, 2023, amounts to \$3,855,737 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, improvements and construction in progress.

**IT & Broadband Department's Capital Assets at Year-End
Net of Accumulated Depreciation**

	2023	2022
Property, plant and equipment:		
Plant structures and improvements	\$ 2,764,322	\$ 1,947,450
General equipment	375,413	510,298
Construction work in progress	716,002	773,688
Net Capital Assets	<u>\$ 3,855,737</u>	<u>\$ 3,231,436</u>

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

Additional information on the IT & Broadband Department's capital assets can be found in Note V on page 25 of this report.

Financial Highlights – IT & Broadband

- The assets and deferred outflows of the IT & Broadband Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,083,915 (net position).
- The department's total net position increased by \$696,523.

The largest portion of the department's net position (50%) reflects its investments in capital assets (e.g., buildings, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The department uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending.

IT & Broadband Department's Net Position

	2023	2022
Current and other assets	\$ 2,251,781	\$ (713,584)
Capital assets	3,855,737	3,231,436
Total Assets	6,107,518	2,517,852
Deferred outflows	44,908	11,853
Long-term liabilities	2,744,976	-
Other liabilities	323,535	104,918
Deferred inflows	-	37,395
Net Position		
Net investment in capital assets	911,113	3,231,436
Restricted	158,746	221,981
Unrestricted	2,014,056	(1,066,025)
Total Net Position	\$ 3,083,915	\$ 2,387,392

Debt Administration

Outstanding Debt at Year End

During the fiscal year, the department incurred total debt in the amount of \$2,944,624. The debit is related to USDA advancement and interfund loan to pay for broadband expansion in Saline County.

2023	2022	Change	% of Change
\$2,944,624	\$0	\$2,944,624	100%

Economic Outlook

Marshall Municipal Utilities doesn't anticipate any rate increases for the Water, IT & Broadband, Wastewater, and Natural Gas Departments for 2024. We are however, waiting on the completion of a

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

cost-of-service electric rate study including Time-Of-Use (TOU) electric rates for residential customers. This study is expected to be completed in December of 2023. While not reflected in the 2024 budget, changes to the electric rates may be needed depending on the study results.

Marshall Municipal Utilities' operating revenue and other income of \$34,062,100 is based on minimum growth in all departments except IT & Broadband, where an increase is projected due to the continued expansion of our high-speed fiber to Saline County. Also included in the revenue is \$4,565,00 of grant income in several departments: \$2,225,000 in Water, \$2,075,000 in IT & Broadband and \$265,000 in Electric. MMU's operating expense, less depreciation, is projected to total \$28,444,267 with capital improvements of \$12,094,644. A decrease in working capital is projected for all departments, except natural gas. Wholesale power costs are forecast to remain stable for fiscal year 2024.

MMU is currently working on several significant capital expenditure for 2024:

- Overhaul of generating Unit #6 turbine and maintenance of auxiliary systems.
- Beginning phase of Miami #1 substation switchgear replacement.
- Continued expansion of fiber to the home availability, including rural areas outside the City of Marshall into Saline County through USDA funding.
- Beginning phase for replacement of the ultraviolet lighting system for Wastewater Treatment Plant.
- Completion of the Water Treatment Plant system study.
- Ongoing construction of North Street Pump Station improvements (expect project completion in fall of 2024).
- Beginning phase of water meter upgrade to an automated meter reading system.
- Painting of water tower interior (wet interior).
- Replacement of a bucket truck in the electric distribution department.
- Continuation of the efforts to reduce inflow & infiltration, including cured-in-place pipe rehabilitation and open cut replacement of sanitary sewer lines.
- Beginning phase of planning for new administrative building.

Staff continues to work on planning for future improvements and the timing of project completions as it relates to budgeted cash flows. Supply chain issues and third-party delays continue to make this more difficult. Also in need of consideration are the inflationary cost increases we have seen. While material costs have increased across the board, several key supplies have seen dramatic increases. For examples: electric transformer costs have more than doubled, disinfectant and lime used in water treatment have increased 30% and 18% respectively. While hard to predict, these types of increases need to be considered when making long range plans.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the department's finances. If you have questions about this report or need any additional information, contact Marshall Municipal Utilities, Attn: Tony Bersano, Administrative Services Director, at 75 East Morgan, Marshall, MO 65340 or call 660-886-6966.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-Type Activities				Total
	Electric	IT & Broadband	Water	Wastewater	
Assets					
Current Assets					
Operating funds:					
Cash and cash equivalents	\$ 4,039,906	\$ 2,216,594	\$ -	\$ 354,668	\$ 6,611,168
Receivables - net of allowances:					
Consumers	2,166,380	825,377	432,923	400,346	3,825,026
Other	3,624	-	16,215	38,439	58,278
Accrued interest	83,125	-	-	218	83,343
Inventories:					
Fuel	644,934	-	-	-	644,934
Maintenance materials	1,314,524	841,727	226,886	31,016	2,414,153
Current portion of interfund note receivable	1,051,170	-	-	-	1,051,170
Internal balances	1,780,000	(1,780,000)	-	-	-
Prepaid expenses	295,874	34,245	66,618	50,438	447,175
Total Current Assets	11,379,537	2,137,943	742,642	875,125	15,135,247
Segregated Assets					
Cash and cash equivalents	2,494,423	-	2,748,019	3,424,538	8,666,980
U.S. Government Securities, at amortized cost	4,867,292	-	-	245,000	5,112,292
Total Segregated Assets	7,361,715	-	2,748,019	3,669,538	13,779,272
Noncurrent Assets					
Net pension asset	1,498,905	113,838	673,118	371,769	2,657,630
Noncurrent portion of interfund note receivable	12,704,838	-	-	-	12,704,838
Net leased assets	5,837	-	-	-	5,837
Net capital assets	16,491,819	3,855,737	10,865,082	19,067,911	50,280,549
Total Noncurrent Assets	30,701,399	3,969,575	11,538,200	19,439,680	65,648,854
Total Assets	\$ 49,442,651	\$ 6,107,518	\$ 15,028,861	\$ 23,984,343	\$ 94,563,373
Deferred Outflows					
Deferred outflows related to pension	\$ 614,612	\$ 44,908	\$ 239,648	\$ 145,346	\$ 1,044,514
Total Deferred Outflows	\$ 614,612	\$ 44,908	\$ 239,648	\$ 145,346	\$ 1,044,514

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF NET POSITION (CONT'D)
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-Type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Liabilities					
Operating Funds:					
Current Liabilities					
Accounts payable - trade	\$ 1,255,679	\$ 19,300	\$ 174,824	\$ 54,868	\$ 1,504,671
Gross revenue levy payable	466,945	-	56,300	-	523,245
Pooled cash overdraft	-	-	220,897	-	220,897
Accrued benefits payable	327,040	86,590	102,420	90,926	606,976
Current portion of interfund note payable	-	199,648	289,873	344,466	833,987
Current portion of lease payable	1,508	-	-	-	1,508
Accrued payroll	48,326	17,997	23,678	11,106	101,107
Segregated Funds:					
Consumer deposits	678,750	-	-	-	678,750
Total Current Liabilities	<u>2,778,248</u>	<u>323,535</u>	<u>867,992</u>	<u>501,366</u>	<u>4,471,141</u>
Noncurrent Liabilities:					
Noncurrent portion of note payable	-	575,000	-	-	575,000
Noncurrent portion of lease payable	4,045	-	-	-	4,045
Noncurrent portion of interfund note payable	-	2,169,976	481,764	9,013,701	11,665,441
Total Noncurrent Liabilities	<u>4,045</u>	<u>2,744,976</u>	<u>481,764</u>	<u>9,013,701</u>	<u>12,244,486</u>
Total Liabilities	<u>\$ 2,782,293</u>	<u>\$ 3,068,511</u>	<u>\$ 1,349,756</u>	<u>\$ 9,515,067</u>	<u>\$ 16,715,627</u>
Deferred Inflows					
Deferred inflows related to pension	\$ 146,494	-	\$ 164,148	\$ 42,707	\$ 353,349
Total Deferred Inflows	<u>\$ 146,494</u>	<u>\$ -</u>	<u>\$ 164,148</u>	<u>\$ 42,707</u>	<u>\$ 353,349</u>
Net Position					
Net investment in capital assets	\$ 16,491,819	\$ 911,113	\$ 10,093,445	\$ 9,709,744	\$ 37,206,121
Restricted but expendable for:					
Pension	1,967,023	158,746	748,618	474,408	3,348,795
Unrestricted	28,669,634	2,014,056	2,912,542	4,387,763	37,983,995
Total Net Position	<u>\$ 47,128,476</u>	<u>\$ 3,083,915</u>	<u>\$ 13,754,605</u>	<u>\$ 14,571,915</u>	<u>\$ 78,538,911</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Operating Revenues:					
Charges for services	\$ 18,655,087	\$ 1,873,033	\$ 4,410,206	\$ 3,637,835	\$ 28,576,161
Miscellaneous	193,250	38,588	62,918	34,362	329,118
Total Operating Revenues	<u>18,848,337</u>	<u>1,911,621</u>	<u>4,473,124</u>	<u>3,672,197</u>	<u>28,905,279</u>
Operating Expenses:					
Production:					
Fuel and purchased power	11,753,490	-	-	-	11,753,490
Salaries, wages and benefits	1,408,017	-	567,269	471,413	2,446,699
Plant maintenance and other	267,172	375,284	1,063,891	882,308	2,588,655
Transmission and distribution:					
Salaries, wages and benefits	1,926,603	692,732	928,374	-	3,547,709
Distribution maintenance and other	701,647	118,952	285,448	693,448	1,799,495
Depreciation and amortization	1,274,987	438,334	668,340	631,234	3,012,895
General and administrative:					
Salaries, wages and benefits	1,214,666	74,503	396,549	391,462	2,077,180
Contribution to Missouri Local Government Employees Retirement System	65,115	63,236	44,530	34,053	206,934
Insurance	399,081	35,250	88,252	69,775	592,358
Payments and/or services in lieu of taxes	1,575,936	12,222	257,475	11,437	1,857,070
Other general expenses	376,111	33,881	219,531	112,430	741,953
Total Operating Expenses	<u>20,962,825</u>	<u>1,844,394</u>	<u>4,519,659</u>	<u>3,297,560</u>	<u>30,624,438</u>
Operating Income (Loss)	<u>(2,114,488)</u>	<u>67,227</u>	<u>(46,535)</u>	<u>374,637</u>	<u>(1,719,159)</u>
Non-Operating Revenues (Expenses):					
Interest & investment earnings	802,410	67,983	3,587	108,362	982,342
Gain (loss) on sale of equipment	-	-	51,850	19,600	71,450
Interest Expense	-	(91,256)	(39,628)	-	(130,884)
Net Non-Operating Revenues (Expenses)	<u>802,410</u>	<u>(23,273)</u>	<u>15,809</u>	<u>127,962</u>	<u>922,908</u>
Income Before Capital Grants and Contributions	(1,312,078)	43,954	(30,726)	502,599	(796,251)
Capital Grants and Contributions	<u>52,567</u>	<u>652,569</u>	<u>-</u>	<u>162,280</u>	<u>867,416</u>
Net Income (Loss)	(1,259,511)	696,523	(30,726)	664,879	71,165
Net Position, Beginning of Year	<u>48,387,987</u>	<u>2,387,392</u>	<u>13,785,331</u>	<u>13,907,036</u>	<u>78,467,746</u>
Net Position, End of Year	<u>\$ 47,128,476</u>	<u>\$ 3,083,915</u>	<u>\$ 13,754,605</u>	<u>\$ 14,571,915</u>	<u>\$ 78,538,911</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Cash flows from operating activities:					
Cash received from customers	\$ 18,776,370	\$ 1,296,319	\$ 4,506,629	\$ 3,681,793	\$ 28,261,111
Cash paid to suppliers	(14,603,002)	(1,035,079)	(1,556,140)	(1,789,415)	(18,983,636)
Cash paid to employees	(4,595,167)	(700,498)	(1,892,192)	(865,875)	(8,053,732)
Cash paid for services in lieu of taxes	(1,575,936)	(12,222)	(229,100)	(11,437)	(1,828,695)
Net cash provided by operating activities	<u>(1,997,735)</u>	<u>(451,480)</u>	<u>829,197</u>	<u>1,015,066</u>	<u>(604,952)</u>
Cash flows from capital and related financing activities:					
Capital contributions	52,567	652,569	-	162,280	867,416
Proceeds from sale of assets	-	-	51,850	19,600	71,450
Purchases of capital assets	(739,629)	(1,062,634)	(976,161)	(2,891,296)	(5,669,720)
Note proceeds	-	575,000	-	-	575,000
Proceeds from interfund note payable	-	2,500,000	-	2,065,049	4,565,049
Principal paid on lease payable	(1,450)	-	-	-	(1,450)
Principal paid on interfund note payable	-	(250,377)	(279,914)	(332,632)	(862,923)
Interest paid on capital debt	-	(91,256)	(39,628)	-	(130,884)
Net cash (used) for capital and related financing activities	<u>(688,512)</u>	<u>2,323,302</u>	<u>(1,243,853)</u>	<u>(976,999)</u>	<u>(586,062)</u>
Cash flows from investing activities:					
Proceeds from sale of US government securities	89,483	-	-	-	89,483
Principal advances on interfund note receivable	(4,565,049)	-	-	-	(4,565,049)
Principal payments received on interfund note receivable	1,075,873	-	-	-	1,075,873
Interest and dividends	802,410	67,983	3,587	108,362	982,342
Net cash provided (used) by investing activities	<u>(2,597,283)</u>	<u>67,983</u>	<u>3,587</u>	<u>108,362</u>	<u>(2,417,351)</u>
Net increase in cash and cash equivalents	(5,283,530)	1,939,805	(411,069)	146,429	(3,608,365)
Cash and cash equivalents, beginning of year	11,817,859	276,789	2,938,191	3,632,777	18,665,616
Cash and cash equivalents, end of year	<u>\$ 6,534,329</u>	<u>\$ 2,216,594</u>	<u>\$ 2,527,122</u>	<u>\$ 3,779,206</u>	<u>\$ 15,057,251</u>
Reported on the Statement of Net Position as:					
Cash and cash equivalents/(pooled cash overdrafts)	\$ 4,039,906	\$ 2,216,594	\$ (220,897)	\$ 354,668	\$ 6,390,271
Segregated cash and cash equivalents	2,494,423	-	2,748,019	3,424,538	8,666,980
	<u>\$ 6,534,329</u>	<u>\$ 2,216,594</u>	<u>\$ 2,527,122</u>	<u>\$ 3,779,206</u>	<u>\$ 15,057,251</u>
Reconciliation of operating income (loss) to cash flows from operating activities:					
Operating income (loss)	\$ (2,114,488)	\$ 67,227	\$ (46,535)	\$ 374,637	\$ (1,719,159)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation expense	1,273,430	438,334	668,340	631,234	3,011,338
Changes in assets, deferred outflows, liabilities and deferred inflows:					
Receivables - net of allowances	(71,967)	(615,302)	33,505	9,596	(644,168)
Inventory	(411,810)	(419,915)	(12,183)	4,082	(839,826)
Prepaid expenses	20,793	(4,028)	18,639	1,897	37,301
Accounts and other payables	(647,812)	15,467	139,056	(3,380)	(496,669)
Deferred outflows	(198,327)	(33,055)	(80,275)	(61,387)	(373,044)
Deferred inflows	(538,675)	(37,395)	(199,861)	(152,835)	(928,766)
Net pension asset	802,117	133,685	324,666	248,275	1,508,743
Other accrued liabilities	(110,996)	3,502	(16,155)	(37,053)	(160,702)
Net cash provided by operating activities	<u>\$ (1,997,735)</u>	<u>\$ (451,480)</u>	<u>\$ 829,197</u>	<u>\$ 1,015,066</u>	<u>\$ (604,952)</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. ACCOUNTING POLICIES

Nature of Operations

Marshall Municipal Utilities (the “Municipal Utilities”) serves as the operating entity of the City of Marshall, Missouri (the “City”) in furnishing electric, water and wastewater services to the City and surrounding areas. The Municipal Utilities is a component unit of the City. It was originally financed by contributions from the City and subsequently by grants-in-aid from the federal and state governments in addition to operations and long-term debt. In accordance with Missouri law, the Municipal Utilities is operated by the Board of Public Works appointed by the Mayor and approved by the City Council. The financial statements reflect the results of certain transactions between the City and the Municipal Utilities under this arrangement. These transactions are reflected as payments and/or services in lieu of taxes on the statement of revenues, expenses, and changes in net position. Long-term debt must be authorized by ordinance of the City Council and approved by a vote of the citizens.

The Municipal Utilities distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Municipal Utilities’ principal ongoing operations. The principal operating revenues and operating expenses of the Municipal Utilities’ enterprise funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Municipal Utilities first utilizes unrestricted resources to finance qualifying activities. The Municipal Utilities does not allocate indirect costs.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Municipal Utilities’ overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. ACCOUNTING POLICIES (Continued)

Basis of Accounting and Revenue Recognition

Fund Financial Statements:

Fund financial statements of the Municipal Utilities are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses. An emphasis is placed on major funds within the proprietary category. A fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The following funds are classified as major:

- Electric
- IT & Broadband
- Water
- Wastewater

The revenues and expenses of the Municipal Utilities are accounted for on an accrual basis. The Utilities policy is to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The financial statements reflect appropriate recognition of the estimated portion of unbilled revenues as of the end of the fiscal year. All receivables are considered collectible; therefore an allowance for doubtful accounts is not maintained.

Rate Matters

Rates require City Council approval.

Inventories

Fuel and maintenance inventories are stated at average cost.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Municipal Utilities considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Municipal Utilities is not subject to federal or state income tax under Section 115 of the Internal Revenue Code and Section 143.441.2 of the Revised Statutes of Missouri.

Investments

The Municipal Utilities carries short-term U.S. government securities at amortized cost. Any investments in long-term securities are reported at fair market value. See Note III for segregated fund balances which are required to be invested in certain types of investments by ordinances applicable to the related bond issues as authorized by the Board of Public Works.

State statutes authorize the Municipal Utilities to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer Investment Pool.

Grants

Grants received by the Municipal Utilities for the construction of capital assets are recorded as income when received.

Municipal Utilities Plant

The cost of additions and betterments of units of Municipal Utilities plant is capitalized. Costs include material, labor, vehicle and equipment usage, related overhead items, capitalized interest, and general and administrative expenses. The policy is to capitalize assets with a unit cost greater than \$5,000 and an estimated useful life greater than one year. Contributions in aid of construction are recorded as revenue when received.

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

Depreciation

Depreciation is computed by the straight-line method over the estimated useful lives of 2 to 50 years for Electric and Wastewater Funds and 3 to 75 years for the Water Fund. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements	40-50 years
Machinery and Equipment	3-20 years
Municipal Utilities System	25-75 years

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Estimates

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

Leases

Lessee accounting

The Municipal Utilities is a lessee in certain lease agreements. Lease agreements convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction.

Government-Wide Statements

At the commencement of a lease agreement, the Municipal Utilities recognizes a lease liability and a lease asset, unless the lease is a short-term lease or the lease agreement transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term, less any lease incentives. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Subsequently, the lease liability is reduced as payments are made and recognized as an outflow of resources for interest on the liability. The lease asset is amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Short-term leases are defined as leases that, at the commencement of the lease term, have a maximum possible term under the lease contract of 12 months or less. Short-term lease payments are recognized as outflows of resources.

Proprietary Funds

The accounting for proprietary funds is the same in the fund statements as in the government-wide statements.

II. NATURAL GAS DEPARTMENT

On December 15, 2004, the Municipal Utilities received approval from the Board of Public Works to establish a Natural Gas Department to provide natural gas services to residents of the City and beyond. The Electric Fund transferred fixed assets and cash to the Natural Gas Department. For financial statement purposes, the assets and liabilities, and revenues and expenses of the Natural Gas Department have been included with the Electric Fund. As of September 30, 2023, the Natural Gas Department had total assets of \$3,095,280 and total liabilities of \$2,446. For the year ended September 30, 2023, the Natural Gas Department had revenues of \$310,241 and expenses of \$333,215.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

III. SEGREGATED ASSETS

Segregated assets (including restricted funds, board designated funds and excess funds on account) as of September 30, 2023 were designated as follows:

	Designated Balances	Segregated Funds Requirements
Electric Fund:		
Consumers' deposit fund	\$ 830,528	\$ 830,528
Insurance reserve fund	5,288,952	5,000,000
Equipment fund	-	-
	\$ 6,119,480	\$ 5,830,528
Water Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
	\$ 500,000	\$ 500,000
Wastewater Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
Main replacement fund	-	-
	\$ 500,000	\$ 500,000

In accordance with Board of Public Works resolutions, payments to segregated funds and restrictions on their use are as follows:

Electric Consumers' Deposit Fund - Funds are to offset liabilities for consumers' guaranty deposits and are generally intended to match or exceed the liability for outstanding deposits.

Electric, Water and Wastewater Insurance Reserve Funds - A balance of not less than \$5,000,000 must be maintained for the Electric Fund, \$500,000 for the Water Fund and \$500,000 for the Wastewater Fund representing self-insurance reserves for the Municipal Utilities.

Electric, Water and Wastewater Equipment Funds - These funds are to be used for the replacement of property, plant and equipment if no other funds are available. No minimum balance is required for the Electric, Water and Wastewater Equipment Funds.

Water Treatment Improvement Fund - This fund is to be used for major capital improvements at the water treatment plant. No minimum balance is required.

Wastewater Main Replacement Fund - This fund is to be used for the replacement of major sewer lines and the construction of new major sewer lines if no other funds are available. No minimum balance is required.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

IV. CAPITAL ASSETS

The Municipal Utilities plant of the Electric, Water and Wastewater Funds is stated at cost if purchased, or fair market value on the date of contribution (appraised value) if donated, adjusted for the cost of subsequent additions and disposals or retirements. The Municipal Utilities plant activity for the year ended September 30, 2023 was as follows:

Electric

	Balance at September 30, 2022	Additions	Disposals	Balance at September 30, 2023
Capital assets not being depreciated:				
Land	\$ 1,621,462	\$ -	\$ -	\$ 1,621,462
Construction in progress	1,503,693	509,551	(1,885,174)	128,070
	<u>3,125,155</u>	<u>509,551</u>	<u>(1,885,174)</u>	<u>1,749,532</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	16,779,079	56,556	-	16,835,635
Distribution system	26,941,569	1,843,176	-	28,784,745
Street lighting and hydrants	684,285	-	-	684,285
Office structures and improvement and furniture and fixtures	599,593	-	-	599,593
Transportation equipment	2,093,188	215,524	(23,318)	2,285,394
Tools and shop equipment	459,974	-	(6,500)	453,474
Radio equipment	142,447	-	-	142,447
	<u>47,700,135</u>	<u>2,115,256</u>	<u>(29,818)</u>	<u>49,785,573</u>
Total capital assets at historical costs	<u>50,825,290</u>	<u>2,624,807</u>	<u>(1,914,992)</u>	<u>51,535,105</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(14,497,514)	(108,839)	-	(14,606,353)
Distribution system	(16,532,943)	(985,653)	-	(17,518,596)
Street lighting and hydrants	(164,041)	(34,211)	-	(198,252)
Office structures and improvement and furniture and fixtures	(420,929)	(14,270)	-	(435,199)
Transportation equipment	(1,849,309)	(73,526)	23,318	(1,899,517)
Laboratory equipment	-	-	-	-
Tools and shop equipment	(330,617)	(28,159)	6,500	(352,276)
Radio equipment	(4,317)	(28,776)	-	(33,093)
Total accumulated depreciation	<u>(33,799,670)</u>	<u>(1,273,434)</u>	<u>29,818</u>	<u>(35,043,286)</u>
Net capital assets being depreciated	<u>13,900,465</u>	<u>841,822</u>	<u>-</u>	<u>14,742,287</u>
Net capital assets	<u>\$ 17,025,620</u>	<u>\$ 1,351,373</u>	<u>\$ (1,885,174)</u>	<u>\$ 16,491,819</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
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IV. CAPITAL ASSETS (Continued)

IT & Broadband

	Balance at September 30, 2022	Additions	Disposals	Balance at September 30, 2023
Capital assets not being depreciated:				
Construction in progress	\$ 773,688	\$ 986,758	\$ (1,044,444)	\$ 716,002
	<u>773,688</u>	<u>986,758</u>	<u>(1,044,444)</u>	<u>716,002</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	4,701,058	1,120,320	-	5,821,378
Transportation equipment	582,592	-	-	582,592
Tools and shop equipment	32,742	-	-	32,742
Radio equipment	23,187	-	-	23,187
	<u>5,339,579</u>	<u>1,120,320</u>	<u>-</u>	<u>6,459,899</u>
Total capital assets at historical costs	<u>6,113,267</u>	<u>2,107,078</u>	<u>(1,044,444)</u>	<u>7,175,901</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(2,642,779)	(348,638)	-	(2,991,417)
Transportation equipment	(236,235)	(80,380)	-	(316,615)
Tools and shop equipment	(2,431)	(4,678)	-	(7,109)
Radio equipment	(386)	(4,637)	-	(5,023)
Total accumulated depreciation	<u>(2,881,831)</u>	<u>(438,333)</u>	<u>-</u>	<u>(3,320,164)</u>
Net capital assets being depreciated	<u>2,457,748</u>	<u>681,987</u>	<u>-</u>	<u>3,139,735</u>
Net capital assets	<u>\$ 3,231,436</u>	<u>\$ 1,668,745</u>	<u>\$ (1,044,444)</u>	<u>\$ 3,855,737</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

IV. CAPITAL ASSETS (Continued)

Water

	Balance at September 30, 2022	Additions	Disposals	Balance at September 30, 2023
Capital assets not being depreciated:				
Land	\$ 94,398	\$ -	\$ -	\$ 94,398
Construction in progress	405,252	868,859	(196,465)	1,077,646
	<u>499,650</u>	<u>868,859</u>	<u>(196,465)</u>	<u>1,172,044</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	11,655,423	-	-	11,655,423
Distribution system	9,044,433	6,266	80,637	9,131,336
Street lighting and hydrants	381,867	-	-	381,867
Office structures and improvement and furniture and fixtures	5,471	9,989	-	15,460
Transportation equipment	1,042,238	91,046	(91,163)	1,042,121
Laboratory equipment	8,652	-	-	8,652
Tools and shop equipment	56,198	-	-	56,198
Radio equipment	2,625	-	-	2,625
	<u>22,196,907</u>	<u>107,301</u>	<u>(10,526)</u>	<u>22,293,682</u>
Total capital assets at historical costs	<u>22,696,557</u>	<u>976,160</u>	<u>(206,991)</u>	<u>23,465,726</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(5,824,009)	(454,225)	-	(6,278,234)
Distribution system	(5,089,993)	(151,296)	-	(5,241,289)
Street lighting and hydrants	(221,221)	(6,762)	-	(227,983)
Office structures and improvement and furniture and fixtures	(5,442)	(361)	-	(5,803)
Transportation equipment	(968,144)	(46,111)	206,991	(807,264)
Laboratory equipment	(8,177)	(475)	-	(8,652)
Tools and shop equipment	(19,685)	(9,109)	-	(28,794)
Radio equipment	(2,625)	-	-	(2,625)
Total accumulated depreciation	<u>(12,139,296)</u>	<u>(668,339)</u>	<u>206,991</u>	<u>(12,600,644)</u>
Net capital assets being depreciated	<u>10,057,611</u>	<u>(561,038)</u>	<u>196,465</u>	<u>9,693,038</u>
Net capital assets	<u>\$ 10,557,261</u>	<u>\$ 307,821</u>	<u>\$ -</u>	<u>\$ 10,865,082</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

IV. CAPITAL ASSETS (Continued)

Wastewater

	Balance at September 30, 2022	Additions	Disposals	Balance at September 30, 2023
Capital assets not being depreciated:				
Land	\$ 118,398	\$ -	\$ -	\$ 118,398
Construction in progress	6,510,360	2,340,402	(61,464)	8,789,298
	<u>6,628,758</u>	<u>2,340,402</u>	<u>(61,464)</u>	<u>8,907,696</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	23,787,549	264,928	-	24,052,477
Distribution system	9,231,772	74	61,160	9,293,006
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	1,194,030	236,485	(48,860)	1,381,655
Laboratory equipment	4,537	-	-	4,537
Tools and shop equipment	207,399	49,709	-	257,108
Radio equipment	452	-	-	452
	<u>34,425,739</u>	<u>551,196</u>	<u>12,300</u>	<u>34,989,235</u>
Total capital assets at historical costs	<u>41,054,497</u>	<u>2,891,598</u>	<u>(49,164)</u>	<u>43,896,931</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(19,072,186)	(403,109)	-	(19,475,295)
Distribution system	(4,089,875)	(142,490)	-	(4,232,365)
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	(919,152)	(72,733)	48,861	(943,024)
Laboratory equipment	(3,342)	(796)	-	(4,138)
Tools and shop equipment	(161,640)	(12,106)	-	(173,746)
Radio equipment	(452)	-	-	(452)
Total accumulated depreciation	<u>(24,246,647)</u>	<u>(631,234)</u>	<u>48,861</u>	<u>(24,829,020)</u>
Net capital assets being depreciated	<u>10,179,092</u>	<u>(80,038)</u>	<u>61,161</u>	<u>10,160,215</u>
Net capital assets	<u>\$ 16,807,850</u>	<u>\$ 2,260,364</u>	<u>\$ (303)</u>	<u>\$ 19,067,911</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

V. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2023:

	Water	Wastewater	IT & Broadband	City (General Fund)
Balance, September 30, 2022	\$ 1,051,551	\$ 7,625,750	\$ -	\$ 1,469,530
Note issued	-	2,065,049	3,075,000	-
Note retired	(279,914)	(332,632)	(130,376)	(212,949)
Balance, September 30, 2023	<u>\$ 771,637</u>	<u>\$ 9,358,167</u>	<u>\$ 2,944,624</u>	<u>\$ 1,256,581</u>
Current Portion	<u>\$ 289,873</u>	<u>\$ 344,466</u>	<u>\$ 199,648</u>	<u>\$ 217,183</u>

On December 13, 2011, the Board authorized the transfer of funds from the Electric Department to the Wastewater Department on an as needed basis to pay for the costs incurred for the Wastewater disinfection and headworks projects. The interest rate is to be the six-month Treasury Bill rate established by the market on the sale date prior to January 1st and July 1st of each year (currently 5.77%).

Debt repayment requirements are as follows:

Year Ended September 30,	Principal	Interest	Total
2024	\$ 344,466	\$ 18,732	\$ 363,198
2025	358,322	9,894	368,216
2026	214,176	1,563	215,739
	<u>\$ 916,964</u>	<u>\$ 30,189</u>	<u>\$ 947,153</u>

Additionally, the new loan amount of \$8,441,203, does not have a loan document executed as of year-end. The loan document was signed October 12, 2023 and requires 240 monthly payments, beginning October 15, 2023 and ending September 15, 2043. The interest rate is to be the six-month treasury bill rate established by the market on the sale date prior to January 1 and July 1 of each year.

On November 13, 2014, the Board authorized the transfer of funds from the Electric Department to the Water Department on an as needed basis to pay for the costs incurred for the Water FHM/HAA project. The interest rate is to be the six-month Treasury Bill rate established by the market on the sale date prior to January 1st and July 1st of each year (currently 5.77%).

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

V. LONG-TERM DEBT (Continued)

Debt repayment requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 289,873	\$ 15,763	\$ 305,636
2025	301,533	8,326	309,859
2026	180,231	1,315	181,546
	<u>\$ 771,637</u>	<u>\$ 25,404</u>	<u>\$ 797,041</u>

On May 3, 2021, the Board entered into an intergovernmental loan agreement with the City of Marshall (General Fund) to advance funds for the purpose of demolishing certain structures. As of September 30, 2023 the Board had advanced \$1,680,856 and had received principal payments of \$424,275, leaving a balance of \$1,238,581 at September 30, 2023. This amount is currently due.

Debt repayment requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 217,183	\$ 63,344	\$ 280,527
2025	229,366	51,161	280,527
2026	224,232	38,296	262,528
2027	255,819	24,708	280,527
2028	270,169	10,359	280,528
2029	41,812	191	42,003
	<u>\$ 1,238,581</u>	<u>\$ 188,059</u>	<u>\$ 1,426,640</u>

On January 15, 2023, the Board authorized the transfer of funds from the Electric Department to the IT & Broadband Department for \$2,500,000 to pay for projects. The interest rate is to be the six-month treasury bill rate established by the market on the sale date prior to January 1 and July 1 of each year (currently 5.47%).

Debt repayment requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 199,648	\$ 124,662	\$ 324,310
2025	210,846	113,464	324,310
2026	222,673	101,637	324,310
2027	235,164	89,146	324,310
2028	248,355	75,956	324,311
2029-2033	1,252,938	157,796	1,410,734
	<u>\$ 2,369,624</u>	<u>\$ 662,661</u>	<u>\$ 3,032,285</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

V. LONG-TERM DEBT (Continued)

In fiscal year 2023, USDA advanced the Utilities \$575,000. The full principal amount is due on November 30, 2028. The note proceeds were used for broadband expansion. Interest ranges from 3.2986% to 4.4002% and is due at maturity.

VI. LEASES

The Utilities is a lessee for a postage machine. The leased asset activity for fiscal year ended September 30, 2023 is as follows:

	Balance at Sept. 20, 2022	Additions	Balance at Sept. 20, 2023
Leased assets	\$ 7,783	\$ -	\$ 7,783
Less accumulated amortization	(389)	(1,557)	(1,946)
Note retired	-	-	-
Leased assets, net of accumulated amortization	\$ 7,394	\$ (1,557)	\$ 5,837

Principal and interest payments required are as follows:

Year Ended September 30,	Principal	Interest	Total
2024	\$ 1,508	\$ 200	\$ 1,708
2025	1,570	138	1,708
2026	1,634	75	1,709
2027	841	13	854
	\$ 5,553	\$ 426	\$ 5,979

VII. PENSION PLAN

Summary of Significant Accounting Policies

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. Investments are reported at fair value.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VII. PENSION PLAN (Continued)

General Information about the Pension Plan

Plan description. The Municipal Utilities’ defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Municipal Utilities 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 (55 for police and fire) 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 (50 for police and fire) and receive a reduced allowance.

	<u>2023 Valuation</u>
Benefit Multiplier:	1.75% for life
Final Average Salary:	5 years
Member Contributions:	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, 2023 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	167
Inactive employees entitled to but not yet receiving benefits	61
Active employees	167
	395

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
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SEPTEMBER 30, 2023

VII. PENSION PLAN (Continued)

Contributions. The employer 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 employer do not contribute to the pension plan. Employer contribution rates are 12.3% (General), 7.0% (Police) and 10.5% (Fire) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2023.

Actuarial assumptions. The total pension liability in the February 28, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage; 2.25% price
Salary Increase	2.75% to 6.75% including wage inflation (general)
	2.75% to 7.15% including wage inflation (fire)
	2.75% to 6.55% including wage inflation (police)
Investment rate of return	7.00%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of the General Group and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

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 following table:

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
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VII. PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
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%

Discount rate. The discount rate used to measure the total pension liability is 7.00%. 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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) - (b)
Balances at 9/30/22	\$ 54,183,857	\$ 62,439,879	\$ (8,256,022)
Changes for the year:			
Service Cost	908,688	-	908,688
Interest	3,730,790	-	3,730,790
Difference between expected and actual experience	(152,254)	-	(152,254)
Contributions - employer	-	1,122,755	(1,122,755)
Change in Assumptions	-	-	-
Net investment income	-	2,157,492	(2,157,492)
Benefit payments, including refunds	(2,712,922)	(2,712,922)	-
Administrative expense	-	(57,080)	57,080
Other changes	-	(1,113,222)	1,113,222
Net changes	<u>1,774,302</u>	<u>(602,977)</u>	<u>2,377,279</u>
Balances at 9/30/23	<u>\$ 55,958,159</u>	<u>\$ 61,836,902</u>	<u>\$ (5,878,743)</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VII. PENSION PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 63,410,768	\$ 55,958,159	\$ 49,754,170
Plan Fiduciary Net Position	61,836,902	61,836,902	61,836,902
Net Position Liability (Asset)	<u>\$ 1,573,866</u>	<u>\$ (5,878,743)</u>	<u>\$ (12,082,732)</u>

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

For the year ended September 30, 2023 the employer recognized pension expense of \$917,803. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 489,423	\$ 528,564
Differences in assumptions	-	401,681
Excess (deficit) investment returns	903,128	-
Contributions subsequent to the measurement date*	304,835	-
Total	<u>\$ 1,697,386</u>	<u>\$ 930,245</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2023.

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

Year Ended	Net Deferred Outflows of Resources
2024	\$ (331,810)
2025	(920,586)
2026	1,339,671
2027	378,520
2028	(3,942)
Thereafter	453

Payable to the Pension Plan

At September 30, 2023, the Municipal Utilities reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2023.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VIII. DEPOSITS AND INVESTMENT BALANCES

The Municipal Utilities maintains cash deposits and investments which are authorized by Board of Public Works resolutions and City ordinances related to the long-term debt issuances. The Board of Public Works has given the General Manager and Controller the authority to invest idle funds of the Municipal Utilities in low-risk investments such as United States government securities or collateralized certificates of deposit.

Deposits - The Municipal Utilities' bank deposits include checking accounts and time deposits in the operating funds and time deposits in the segregated funds.

To provide an indication of the level of risk assumed by the Municipal Utilities at September 30, 2023, the Municipal Utilities' deposits are categorized as below.

	Carrying Amount
Electric Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	11,151,621
	\$ 11,401,621
IT & Broadband Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	1,966,594
	\$ 2,216,594
Water Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	2,498,019
	\$ 2,748,019
Wastewater Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	3,774,206
	\$ 4,024,206

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

VIII. DEPOSITS AND INVESTMENT BALANCES (Continued)

Investments - The Municipal Utilities' investments at September 30, 2023, and throughout the year consisted of short-term U.S. government securities. At September 30, 2023, the Municipal Utilities had the following investments:

Type	Fair Value	Book Value	Book Value Maturity Less Than One Year
Electric:			
U.S. Treasury Bills	\$ 4,867,292	\$ 4,867,292	\$ 4,867,292
Total	<u>\$ 4,867,292</u>	<u>\$ 4,867,292</u>	<u>\$ 4,867,292</u>
Wastewater:			
Certificate of Deposit	\$ 245,000	\$ 245,000	\$ 245,000
U.S. Treasury Bills	-	-	-
Total	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 245,000</u>

The difference between fair value and book value is reported as accrued interest.

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the Municipal Utilities' investment policy mandates structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity. The investment policy also mandates investing operating funds primarily in U.S. Treasury securities.

Credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the Municipal Utilities' investments are U.S. Treasury securities.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Municipal Utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize custodial credit risk, it is the Municipal Utilities' policy that all securities purchased be perfected in the name of or for the account of the Municipal Utilities and be held by a third-party custodian as evidenced by appropriate safekeeping receipts.

Concentration of credit risk. As a means of limiting its exposure to losses arising from concentration of investments, the Municipal Utilities' investment policy is to invest only in U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. Government.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

IX. FAIR VALUE OF INVESTMENTS

The Utilities categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Utilities has the following recurring fair value measurements as of September 30, 2023 and September 30, 2022:

2023

- U.S. Treasury securities of \$4,867,292 are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- Certificates of deposit \$245,000 are valued at quoted prices in an active market for identical assets (Level 1 inputs).

2022

- U.S. Treasury securities of \$4,972,592 are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- Certificates of deposit \$245,000 are valued at quoted prices in an active market for identical assets (Level 1 inputs).

X. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Receivables detail at September 30, 2023, was as follows:

	Electric	Internet	Water	Wastewater
Accounts receivable	\$ 2,170,004	\$ 825,377	\$ 449,138	\$ 438,785
Allowance for doubtful accounts	-	-	-	-
Net accounts receivable	\$ 2,170,004	\$ 825,377	\$ 449,138	\$ 438,785

XI. ACCOUNTS PAYABLE

Accounts payable are composed of payables to vendors and payables to contractors for construction.

XII. CONCENTRATIONS

The Municipal Utilities has a limited number of large customers in the Marshall area which account for significant revenues in each fund. As a result, the Municipal Utilities has both geographic and customer concentrations. Approximately 14% of electric revenues, 15% of water revenues, and 21% of wastewater revenues are generated from a small number of industrial customers.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

XIII. RISK MANAGEMENT

The Municipal Utilities is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Municipal Utilities carries commercial insurance and maintains insurance reserves.

XIV. COMMITMENTS

MJMEUC Agreement

The Municipal Utilities has entered into an agreement with the Missouri Joint Municipal Electric Utility Commission (MJMEUC) in order to coordinate operation of the existing electrical resources and facilities and the joint acquisition, through contract or direct ownership, of future generating resources, and the acquisition of transmission rights and/or facilities. The agreement will help assure each Pool Member a supply of power and energy to meet its full requirements and make beneficial use of each Pool Member's existing generating facilities where applicable, and any future generating facilities to be developed by individual Pool Members as a part of a coordinated plan approved by the Pool Committee.

The MJMEUC has been established by the Pool Members and other municipalities as a separate governmental entity, pursuant to the Joint Municipal Utility Commission Act (Sections 393.700 - 393.770 and 386.025 RSMo) to serve them through joint action for the benefit of the inhabitants of such municipalities.

XV. PLEDGED REVENUES

The electric fund has pledged future revenues, net of specified operating expenses, to repay a lease that was issued for a postage machine. The lease is payable from electric net revenues and is payable through 2027. Annual principal and interest payments in 2023 required 100% of electric net revenues. The total principal and interest remaining to be paid on the lease is \$5,979. Principal and interest paid on the lease for the current year was \$1,708 and electric net revenues for the current year were \$(37,091).

XVI. CONSIDERATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 7, 2023, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2023

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2014	\$ 651,973.16	\$ 568,148.35	\$ 83,824.81	\$4,656,950.40	12.20%
2015	671,496.11	619,841.75	51,654.36	4,695,774.14	13.20%
2016	592,628.30	592,628.17	0.13	4,818,115.83	12.30%
2017	558,482.58	558,483.05	(0.47)	5,031,375.78	11.10%
2018	551,365.09	551,364.77	0.32	5,012,410.44	11.00%
2019	544,660.42	544,660.42	-	4,820,004.78	11.30%
2020	593,514.52	593,514.45	0.07	4,987,517.21	11.90%
2021	641,528.58	641,527.95	0.63	5,301,887.03	12.10%
2022	688,387.77	688,387.00	0.77	5,378,029.36	12.80%
2023	710,868.14	710,868.14	-	5,779,415.34	12.30%

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2023

Valuation Date:	February 28, 2023
Notes:	The roll-forward of total pension liability from February 28, 2023 to June 30, 2023 reflects expected service cost and interest reduced by actual benefit payments.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining Amortization Period	Multiple bases from 9 to 15 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	2.75% wage inflation; 2.25% price inflation
Salary Increases	2.75% to 6.75% including wage inflation for General Division 2.75% to 7.15% including wage inflation for Fire Division 2.75% to 6.55% including wage inflation for Police Division
Investment Rate of Return	7.00%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups. Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.
Other Information:	None

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year Ending			
	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020
Total Pension Liability				
Service Cost	\$ 908,688	\$ 894,470	\$ 872,592	\$ 840,700
Interest on the Total Pension Liability	3,730,790	3,552,272	3,616,233	3,472,865
Benefit Changes	-	-	-	-
Difference between expected and actual experience	(152,254)	660,230	(269,927)	(30,287)
Assumption Changes	-	-	(970,082)	-
Benefit Payments	(2,712,922)	(2,419,474)	(2,364,385)	(2,280,017)
Refunds	-	-	-	-
Net Change in Total Pension Liability	<u>1,774,302</u>	<u>2,687,498</u>	<u>884,431</u>	<u>2,003,261</u>
Total Pension Liability beginning	<u>54,183,857</u>	<u>51,496,359</u>	<u>50,611,928</u>	<u>48,608,667</u>
Total Pension Liability ending	<u>\$ 55,958,159</u>	<u>\$ 54,183,857</u>	<u>\$ 51,496,359</u>	<u>\$ 50,611,928</u>
Plan Fiduciary Net Position				
Contributions - employer	1,122,755	1,105,606	1,031,084	993,727
Contributions - employee	-	-	-	-
Pension Plan Net Investment Income	2,157,492	49,297	13,696,849	659,159
Benefit Payments	(2,712,922)	(2,419,474)	(2,364,385)	(2,280,017)
Refunds	-	-	-	-
Pension Plan Administrative expense	(57,080)	(41,211)	(37,901)	(49,069)
Other	(1,113,222)	216,943	158,849	(63,344)
Net Change in Plan Fiduciary Net Position	<u>(602,977)</u>	<u>(1,088,839)</u>	<u>12,484,496</u>	<u>(739,544)</u>
Plan Fiduciary Net Position beginning	<u>62,439,879</u>	<u>63,528,718</u>	<u>51,044,222</u>	<u>51,783,766</u>
Plan Fiduciary Net Position ending	<u>\$ 61,836,902</u>	<u>\$ 62,439,879</u>	<u>\$ 63,528,718</u>	<u>\$ 51,044,222</u>
Employer Net Pension Liability (Asset)	<u>\$ (5,878,743)</u>	<u>\$ (8,256,022)</u>	<u>\$(12,032,359)</u>	<u>\$ (432,294)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	110.51%	115.24%	123.37%	100.85%
Covered Employee Payroll	9,326,537	9,110,746	9,000,629	7,759,189
Employer's Net Pension Liability as a percentage of covered employee payroll	(63.03%)	(90.62%)	(133.68%)	(5.57%)

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS) (CONT'D)
YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year Ending				
	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Total Pension Liability					
Service Cost	\$ 832,825	\$ 869,917	\$ 867,546	\$ 837,242	\$ 841,930
Interest on the Total Pension Liability	3,364,340	3,203,039	3,063,529	2,854,937	2,753,072
Benefit Changes	-	-	-	-	-
Difference between expected and actual experience	(387,087)	495,764	6,608	(920,968)	(713,270)
Assumption Changes	-	-	-	1,667,458	-
Benefit Payments	(2,352,801)	(2,299,445)	(1,739,457)	(1,419,028)	(1,527,824)
Refunds	-	-	-	-	-
Net Change in Total Pension Liability	<u>1,457,277</u>	<u>2,269,275</u>	<u>2,198,226</u>	<u>3,019,641</u>	<u>1,353,908</u>
Total Pension Liability beginning	<u>47,151,390</u>	<u>44,882,115</u>	<u>42,683,889</u>	<u>39,664,248</u>	<u>38,310,340</u>
Total Pension Liability ending	<u><u>\$ 48,608,667</u></u>	<u><u>\$ 47,151,390</u></u>	<u><u>\$ 44,882,115</u></u>	<u><u>\$ 42,683,889</u></u>	<u><u>\$ 39,664,248</u></u>
Plan Fiduciary Net Position					
Contributions - employer	928,004	917,939	986,979	996,056	965,537
Contributions - employee	-	-	-	-	-
Pension Plan Net Investment Income	3,296,462	5,659,357	4,981,255	(74,510)	802,763
Benefit Payments	(2,352,801)	(2,299,445)	(1,739,457)	(1,419,028)	(1,527,824)
Refunds	-	-	-	-	(32,062)
Pension Plan Administrative expense	(42,737)	(30,048)	(29,751)	(29,189)	-
Other	29,600	248,991	157,053	728,340	(318,820)
Net Change in Plan Fiduciary Net Position	<u>1,858,528</u>	<u>4,496,794</u>	<u>4,356,079</u>	<u>201,669</u>	<u>(110,406)</u>
Plan Fiduciary Net Position beginning	<u>49,925,238</u>	<u>45,428,444</u>	<u>41,072,365</u>	<u>40,870,696</u>	<u>40,981,102</u>
Plan Fiduciary Net Position ending	<u><u>\$ 51,783,766</u></u>	<u><u>\$ 49,925,238</u></u>	<u><u>\$ 45,428,444</u></u>	<u><u>\$ 41,072,365</u></u>	<u><u>\$ 40,870,696</u></u>
Employer Net Pension Liability (Asset)	<u><u>\$ (3,175,099)</u></u>	<u><u>\$ (2,773,848)</u></u>	<u><u>\$ (546,329)</u></u>	<u><u>\$ 1,611,524</u></u>	<u><u>\$ (1,206,448)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	106.53%	105.88%	101.22%	96.22%	103.04%
Covered Employee Payroll	8,338,239	8,476,983	9,089,752	8,764,539	8,493,841
Employer's Net Pension Liability as a percentage of covered employee payroll	(38.08%)	(32.72%)	(6.01%)	18.39%	(14.20%)

Data prior to 2015 is not available.

COMPLIANCE AND INTERNAL CONTROL



GERDING, KORTE & CHITWOOD CPAS
Professional Corporation
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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The Honorable Members of
The Marshall Municipal Utilities Board
City of Marshall, Missouri

PARTNERS
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Benjamin E. Carrier

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Electric, Water and Wastewater Funds of Marshall Municipal Utilities (the 'Municipal Utilities'), as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements and have issued our report thereon dated December 7, 2023.

PARTNERS EMERITI
Robert A. Gerding
Fred W. Korte, Jr.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 7, 2023

Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri