

**REPORT OF**  
**MARSHALL MUNICIPAL UTILITIES**  
**A COMPONENT UNIT OF THE**  
**CITY OF MARSHALL, MISSOURI**  
**SEPTEMBER 30, 2022**

**MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI**

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MARSHALL, MISSOURI**

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## INDEPENDENT AUDITOR'S REPORT

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, 2022, 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, 2022, 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.

#### *Change in Accounting Principle*

As described in Note I to the financial statements, in 2022, the Municipal Utilities adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***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 40-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipal Utilities' basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 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.

*Gerding, Korte & Chitwood, P.C.*

March 28, 2023

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

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022  
(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, 2022 and 2021.

**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 19-39.

**Nonrecurring Items**

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

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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.

Fiscal Year 2021

Ahrens Contracting completed the decommission of the Power Plant in August 2021 for a total cost of \$3,015,610. MMU management is working with Toth & Associates on Time-of-Use electrical rates for residential and commercial customers and hopes to have these rates in place in FYE 9/30/22. Electric Distribution continues to contract out annual tree trimming and converted overhead lines to underground in the area of Crestwood Drive and Morrow Street and replaced underground at 65 HWY viaduct. MMU's generation units ran for a record time during FYE 9/30/21. During the February winter storm Unit #6 ran from February 13<sup>th</sup> – 20<sup>th</sup> on No.2 fuel rather than natural gas, which resulted in a generation credit of \$2,743,386. During the month of March Unit #6 ran for a record 23 consecutive days generating 6,677,220 kWh.

The IT Broadband Department started work on 50% Loan 50% Grant they received in FYE 9/30/20 and was awarded a second USDA Grant in the amount of \$7.5 million to expand high-speed internet into Saline County. During FYE 9/30/21 the IT Broadband department increased its offered speeds as follows: 25 Mbps to 50 Mbps, 90 Mbps to 150 Mbps, and 200 Mbps to 450 Mbps, at no additional cost to customers.

The Wastewater Plant contracted with Burns & McDonnell to upgrade the aeration basin and final clarifiers at the Wastewater treatment plant. The project is estimated to cost \$9.5 million dollars and is expected to be completed in FYE 9/30/22. On June 25<sup>th</sup> the Wastewater plant received record flooding that caused damage to the plant estimated to be around \$500,000. MMU has qualified for FEMA & SEMA disaster relief and is expected to receive 75% cost reimbursement in FYE 9/30/22. On the collection side Underground Facilities continued to improve the collection system with cured in place pipe (CIPP) method, while replacing 500 feet of 8-inch sewer main from West Porter Street to Ohio



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street. They have also started working with Burns & McDonnell to develop a plan on reducing inflow & infiltration to the sanitary sewer system.

The Water Plant completed setup of the new CO2 tank and installation of the new motor control center. They also purchased rock to stabilize the banks of Lagoons #2 & #3. The installation of the carbon dioxide feed system was completed in FYE 9/30/21, which was a project that was started back in 2019. Underground Facilities completed the East Slater Main project that replaced 1,400 feet of water main from Brunswick Avenue to Lincoln Avenue.

The Administrative Office started the implementation process of new Financial and Utility Billing software, which is expected to be implemented by February 2022. Installed a new drive-thru drawer at the Business Office along with much needed update to the Business office building with new hard board siding, garage doors, and painting of the entire building. In working with the City of Marshall the Administrative office issued an interdepartmental loan to the City of Marshall for up to \$1.7 million to finance the demolishing of the Habilitation Center.

### 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 40-43 of this report.

The following tables provide a summary of Electric Department's operations for years ended September 30, 2022 and 2021.

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

	2022	2021	Change	Percent of Change
Revenues:				
Charges for services	\$ 19,853,676	\$ 21,391,774	\$ (1,538,098)	-7.19%
Capital grants and contributions	156,403	48,409	107,994	223.09%
General Revenues:				
Investment earnings	9,468	23,565	(14,097)	-59.82%
Miscellaneous	174,233	279,979	(105,746)	-37.77%
Total Revenues	<u>20,193,780</u>	<u>21,743,727</u>	<u>(1,549,947)</u>	-7.13%
Expenses:				
Electric	20,345,607	20,050,946	294,661	1.47%
Decommission costs	-	2,274,008	(2,274,008)	-100.00%
Total Expenses	<u>20,345,607</u>	<u>22,324,954</u>	<u>(1,979,347)</u>	-8.87%
Increase (decrease) in net position	(151,827)	(581,227)	429,400	-73.88%
Net Position - beginning of year	<u>48,539,814</u>	<u>51,276,284</u>	<u>(2,736,470)</u>	-5.34%
Net Position - end of year	<u>\$ 48,387,987</u>	<u>\$ 50,695,057</u>	<u>\$ (2,307,070)</u>	-4.55%

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets**

The Electric Department's investment in capital assets for its activities as of September 30, 2022, amounts to \$17,025,620 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and construction in progress.

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

	2022	2021
Property, plant and equipment:		
Land and land rights	\$ 1,621,462	\$ 1,621,462
Plant structures and improvements	6,343,702	4,080,883
Collection	6,801,056	12,101,757
General equipment	755,705	832,428
Construction work in progress	1,503,695	659,630
Net Capital Assets	<u>\$ 17,025,620</u>	<u>\$ 19,296,160</u>

Additional information on the Electric Department's capital assets can be found in Note V on page 25 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 \$48,387,987 (net position). Of this amount,
- \$29,330,229 (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 \$(151,827).

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**

	2022	2021
Current and other assets	\$ 35,173,802	\$ 37,593,273
Capital assets	17,025,620	19,296,160
Total Assets	<u>52,199,422</u>	<u>56,889,433</u>
Deferred outflows	416,285	241,138
Other liabilities	3,542,551	3,615,785
Deferred inflows	<u>685,169</u>	<u>2,819,729</u>
Net Position		
Net investment in capital assets	17,025,620	19,296,262
Restricted	2,032,138	-
Unrestricted	29,330,229	31,398,795
Total Net Position	<u>\$ 48,387,987</u>	<u>\$ 50,695,057</u>

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The following tables provide a summary of Water Department's operations for years ended September 30, 2022 and 2020:

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

	2022	2021	Change	Percent of Change
Revenues:				
Charges for services	\$ 4,327,258	\$ 4,348,532	\$ (21,274)	-0.49%
Capital grants and contributions	650	2,650	(2,000)	-75.47%
General Revenues:				
Investment earnings	4,661	7,570	(2,909)	-38.43%
Miscellaneous	29,793	25,626	4,167	16.26%
Total Revenues	<u>4,362,362</u>	<u>4,384,378</u>	<u>(22,016)</u>	-0.50%
Expenses:				
Interest on long-term debt	8,212	1,611	6,601	409.75%
Water	3,799,363	3,350,834	448,529	13.39%
Total Expenses	<u>3,807,575</u>	<u>3,352,445</u>	<u>455,130</u>	13.58%
Increase (decrease) in net position	554,787	1,031,933	(477,146)	-46.24%
Net Position - beginning of year	13,230,544	12,198,611	1,031,933	8.46%
Net Position - end of year	<u>\$ 13,785,331</u>	<u>\$ 13,230,544</u>	<u>\$ 554,787</u>	4.19%

**Capital Assets**

The Water Department's investment in capital assets for its activities as of September 30, 2022, amounts to \$10,557,261 (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**

	2022	2021
Property, plant and equipment:		
Land and land rights	\$ 94,398	\$ 94,398
Plant structures and improvements	5,831,414	6,288,703
Collection	4,115,086	4,099,960
General equipment	111,111	73,930
Construction work in progress	405,252	113,124
Net Capital Assets	<u>\$ 10,557,261</u>	<u>\$ 10,670,115</u>

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

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 \$13,785,331 (net position). Of this amount, \$3,486,473 (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 \$554,787.

The largest portion of the department's net position (69%) 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**

	2022	2021
Current and other assets	\$ 4,718,578	\$ 5,185,094
Capital assets	10,557,261	10,670,115
	<u>15,275,839</u>	<u>15,855,209</u>
Deferred outflows	159,373	100,935
Long-term liabilities	764,709	1,043,594
Other liabilities	521,163	662,633
	<u>1,285,872</u>	<u>1,706,227</u>
Deferred inflows	364,009	1,019,373
Net Position		
Net investment in capital assets	9,505,710	9,327,229
Restricted	793,148	-
Unrestricted	3,486,473	3,903,315
Total Net Position	<u>\$ 13,785,331</u>	<u>\$ 13,230,544</u>

During the fiscal year, the department's total debt decreased by \$291,337. The decrease was due to debt repayment exceeding debt issued.

**Debt Administration**

**Outstanding Debt at Year End  
Interfund Debt**

	2022	2021	Change	% of Change
Debt	<u>\$ 1,051,551</u>	<u>\$ 1,342,888</u>	<u>\$ (291,337)</u>	<u>-21.69%</u>

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Additional information on Marshall Municipal Utilities Water Department's long-term debt can be found in Note V on pages 29-30 of this report.

The following tables provide a summary of Wastewater Department's operations for years ended September 30, 2022 and 2021:

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

	2022	2021	Change	Percent of Change
Revenues:				
Charges for services	\$ 3,523,279	\$ 2,931,958	\$ 591,321	20.17%
Capital grants and contributions	99,167	1,500	97,667	6511.13%
General Revenues:				
Investment earnings	20,678	12,932	7,746	59.90%
Miscellaneous	23,616	31,205	(7,589)	-24.32%
Total Revenues	<u>3,666,740</u>	<u>2,977,595</u>	<u>689,145</u>	23.14%
Expenses:				
Interest on long-term debt	9,758	1,914	7,844	409.82%
Wastewater	2,580,545	2,464,954	115,591	4.69%
Total Expenses	<u>2,590,303</u>	<u>2,466,868</u>	<u>123,435</u>	5.00%
Increase in net position	1,076,437	510,727	565,710	110.77%
Net Position - beginning of year	12,830,599	12,319,872	510,727	4.15%
Net Position - end of year	<u>\$ 13,907,036</u>	<u>\$ 12,830,599</u>	<u>\$ 1,076,437</u>	8.39%

**Capital Assets**

The Wastewater Department's investment in capital assets for its activities as of September 30, 2022, amounts to \$16,807,849 (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**

	2022	2021
Property, plant and equipment:		
Land and land rights	\$ 118,398	\$ 118,398
Plant structures and improvements	4,715,363	5,084,316
Collection	5,141,897	5,247,987
General equipment	321,832	124,258
Construction work in progress	6,510,359	595,490
Net Capital Assets	<u>\$ 16,807,849</u>	<u>\$ 11,170,449</u>

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Additional information on the Wastewater Department's capital assets can be found in Note V on page 28 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 \$13,907,036 (net position). Of this amount, \$4,216,476 (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 \$1,076,437.

The largest portion of the department's net position (66%) 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**

	2022	2021
Current and other assets	\$ 5,033,853	\$ 4,369,416
Capital assets	16,807,849	11,170,449
	<u>21,841,702</u>	<u>15,539,865</u>
Deferred outflows	83,959	37,210
Long term liabilities	7,284,886	1,240,141
Other liabilities	538,197	786,503
	<u>7,823,083</u>	<u>2,026,644</u>
Deferred inflows	195,542	719,832
Net Position		
Net investment in capital assets	9,182,099	9,574,646
Restricted	508,461	-
Unrestricted	4,216,476	3,255,953
Total Net Position	<u>\$ 13,907,036</u>	<u>\$ 12,830,599</u>

**Debt Administration**

**Outstanding Debt at Year End**

**Interfund Debt**

	2022	2021	Change	% of Change
Debt	<u>\$ 7,625,750</u>	<u>\$ 1,595,802</u>	<u>\$ 6,029,948</u>	<u>377.86%</u>

MARSHALL MUNICIPAL UTILITIES  
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YEAR ENDED SEPTEMBER 30, 2022  
(UNAUDITED)

During the fiscal year, the department's total debt increased by \$6,029,948 or 377.86%. 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 29-30 of this report.

The following tables provide a summary of IT & Broadband Department's operations for years ended September 30, 2022 and 2021:

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

	2022	2021	Change	Percent of Change
Revenues:				
Charges for services	\$ 1,699,445	\$ 1,565,846	\$ 133,599	8.53%
Capital grants and contributions	-	-	-	0.00%
General Revenues:				
Investment earnings	6,134	611	5,523	903.93%
Miscellaneous	48,606	45,536	3,070	6.74%
Total Revenues	<u>1,754,185</u>	<u>1,611,993</u>	<u>142,192</u>	8.82%
Expenses:				
Interest on Long-term debt	-	-	-	0.00%
IT & Broadband	1,522,036	1,191,392	330,644	27.75%
Total Expenses	<u>1,522,036</u>	<u>1,191,392</u>	<u>330,644</u>	27.75%
Increase (decrease) in net position	232,149	420,601	(188,452)	-44.81%
Net Position - beginning of year	2,155,243	1,729,194	426,049	24.64%
Net Position - end of year	<u>\$ 2,387,392</u>	<u>\$ 2,149,795</u>	<u>\$ 237,597</u>	11.05%

**Capital Assets**

The IT & Broadband Department's investment in capital assets for its activities as of September 30, 2022, amounts to \$3,231,436 (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**

	2022	2021
Property, plant and equipment		
Plant structures and improvements	\$ 1,947,450	\$ 2,178,059
General Equipment	510,298	264,311
Construction work in progress	773,688	77,842
Net Capital Assets	<u>\$ 3,231,436</u>	<u>\$ 2,520,212</u>

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022  
(UNAUDITED)

Additional information on the IT & Broadband Department's capital assets can be found in Note V on page 26 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 \$2,387,392 (net position).
- The department's total net position increased by \$232,149

The largest portion of the department's net position (135%) 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**

	2022	2021
Current and other assets	\$ (713,584)	\$ 87,533
Capital assets	3,231,436	2,520,213
Total Assets	<u>2,517,852</u>	<u>2,607,746</u>
Deferred outflows	<u>11,853</u>	<u>(11,522)</u>
Other liabilities	<u>104,918</u>	<u>141,440</u>
Deferred inflows	<u>37,395</u>	<u>299,541</u>
Net Position		
Net investment in capital assets	3,231,436	2,520,213
Restricted	221,981	-
Unrestricted	<u>(1,066,025)</u>	<u>(364,971)</u>
Total Net Position	<u><u>\$ 2,387,392</u></u>	<u><u>\$ 2,155,242</u></u>

**Economic Outlook**

Marshall Municipal Utilities aging infrastructure is the focus over the next year along with electric time-of-use rates.

With infrastructure almost 30 years old at the Wastewater Plant we have begun work on updating the aeration basins and final clarifiers. This \$9.5 million dollar project is expected to be completed by the first quarter of 2023. MMU is financing this project internally through an internal loan with the Electric Department. For 2022 MMU customers saw an average increase to their monthly residential sewer bill of approximately \$5.25 or 14% to pay for these improvements.



MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022  
(UNAUDITED)

In FYE 9/30/2022 MMU started the initiation of a sanitary sewer system flow study to mitigate the negative effects of Inflow and Infiltration (I & I). This has been an ongoing issue and this study will provide the first step to help identify and reduce I & I in our system. MMU spends on average approximately \$250,000 annually to pump and treat rainwater caused by I & I.

In October of 2021 Burns & McDonnell completed phase 3 design for upgrades to the North Street Pump Station. The pump station was constructed in 1945 and has been operating on a daily basis. The last renovations of pumps, motors, air system, and electrical controls was in 1989. The estimated cost of the renovation is \$3.4 million and is expected to start in 2023.

IT Broadband is continuing work on the 50% Loan 50% Reconnect Grant in the amount of \$1,150,000 MMU received in FYE 9/30/20. This is expanding highspeed internet two miles outside the City of Marshall. During FYE 9/30/21 IT Broadband was awarded a second Reconnect Grant in the amount of \$7.5 million to expand highspeed internet to most of Saline County. The first Grant is estimated to be completed by the 2<sup>nd</sup> Quarter of 2023 and the second Grant will start in FYE 9/30/23.

With changes in how MMU purchase wholesale power we are working to allow residential electric customers the option to take advantage of time-of-use rates. MMU is currently working with Toth & Associates to develop on-peak and off-peak rates. These rates will allow customers the ability to save money by taking advantage of the off-peak rates. MMU is working on outreach to educate its customers and is estimating a roll out of these rates in late summer or fall of 2023.

**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, 2022

	<b>Business-Type Activities</b>				
	<b>Electric</b>	<b>IT &amp; Broadband</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>Assets</b>					
Current Assets					
Operating funds:					
Cash and cash equivalents	\$ 10,317,515	\$ 276,789	\$ 669,357	\$ 872,281	\$ 12,135,942
Receivables - net of allowances:					
Consumers	2,149,642	210,075	465,303	410,143	3,235,163
Other	3,125	-	17,340	38,439	58,904
Accrued interest	26,838	-	-	17	26,855
Inventories:					
Fuel	636,571	-	-	-	636,571
Maintenance materials	911,077	421,812	214,703	35,098	1,582,690
Current portion of interfund note receivable	851,557	-	-	-	851,557
Internal balances	1,900,000	(1,900,000)	-	-	-
Prepaid expenses	316,667	30,217	85,257	52,335	484,476
Total Current Assets	17,112,992	(961,107)	1,451,960	1,408,313	19,012,158
Segregated Assets					
Cash and cash equivalents	1,500,344	-	2,268,834	2,760,496	6,529,674
U.S. Government Securities, at amortized cost	4,956,775	-	-	245,000	5,201,775
Total Segregated Assets	6,457,119	-	2,268,834	3,005,496	11,731,449
Noncurrent Assets					
Net pension asset	2,301,022	247,523	997,784	620,044	4,166,373
Noncurrent portion of interfund note receivable	9,295,275	-	-	-	9,295,275
Net leased assets	7,394	-	-	-	7,394
Net capital assets	17,025,620	3,231,436	10,557,261	16,807,849	47,622,166
Total Noncurrent Assets	28,629,311	3,478,959	11,555,045	17,427,893	61,091,208
Total Assets	\$ 52,199,422	\$ 2,517,852	\$ 15,275,839	\$ 21,841,702	\$ 91,834,815
<b>Deferred Outflows</b>					
Deferred outflows related to pension	\$ 416,285	\$ 11,853	\$ 159,373	\$ 83,959	\$ 671,470
Total Deferred Outflows	\$ 416,285	\$ 11,853	\$ 159,373	\$ 83,959	\$ 671,470

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
STATEMENT OF NET POSITION (CONT'D)  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2022

	<b>Business-Type Activities</b>				
	<b>Electric</b>	<b>IT &amp; Broadband</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>Liabilities</b>					
Operating Funds:					
Current Liabilities					
Accounts payable - trade	\$ 1,908,569	\$ 3,833	\$ 33,874	\$ 58,248	\$ 2,004,524
Gross revenue levy payable	481,216	-	58,194	-	539,410
Accrued benefits payable	309,394	75,142	85,778	87,062	557,376
Current portion of interfund note payable	-	-	286,842	340,864	627,706
Current portion of lease payable	1,450	-	-	-	1,450
Accrued payroll	176,968	25,943	56,475	52,023	311,409
Segregated Funds:					
Consumer deposits	659,401	-	-	-	659,401
Total Current Liabilities	<u>3,536,998</u>	<u>104,918</u>	<u>521,163</u>	<u>538,197</u>	<u>4,701,276</u>
Noncurrent Liabilities:					
Net pension liability	-	-	-	-	-
Noncurrent portion of lease payable	5,553	-	-	-	5,553
Noncurrent portion of interfund note payable	-	-	764,709	7,284,886	8,049,595
Total Noncurrent Liabilities	<u>5,553</u>	<u>-</u>	<u>764,709</u>	<u>7,284,886</u>	<u>8,055,148</u>
Total Liabilities	<u>\$ 3,542,551</u>	<u>\$ 104,918</u>	<u>\$ 1,285,872</u>	<u>\$ 7,823,083</u>	<u>\$ 12,756,424</u>
<b>Deferred Inflows</b>					
Deferred inflows related to pension	\$ 685,169	37,395	\$ 364,009	\$ 195,542	\$ 1,282,115
Total Deferred Inflows	<u>\$ 685,169</u>	<u>\$ 37,395</u>	<u>\$ 364,009</u>	<u>\$ 195,542</u>	<u>\$ 1,282,115</u>
<b>Net Position</b>					
Net investment in capital assets	\$ 17,025,620	\$ 3,231,436	\$ 9,505,710	\$ 9,182,099	\$ 38,944,865
Restricted but expendable for:					
Pension	2,032,138	221,981	793,148	508,461	3,555,728
Unrestricted	29,330,229	(1,066,025)	3,486,473	4,216,476	35,967,153
Total Net Position	<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>

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, 2022

	Business-type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Operating Revenues:					
Charges for services	\$ 19,853,676	\$ 1,699,445	\$ 4,327,258	\$ 3,523,279	\$ 29,403,658
Miscellaneous	174,233	48,606	29,793	23,616	276,248
Total Operating Revenues	20,027,909	1,748,051	4,357,051	3,546,895	29,679,906
Operating Expenses:					
Production:					
Fuel and purchased power	12,199,728	-	-	-	12,199,728
Salaries, wages and benefits	1,278,896	-	505,813	480,212	2,264,921
Plant maintenance and other	246,187	358,520	915,854	635,775	2,156,336
Transmission and distribution:					
Salaries, wages and benefits	1,684,322	546,748	708,415	-	2,939,485
Distribution maintenance and other	862,505	119,942	379,756	496,307	1,858,510
Depreciation and amortization	1,215,103	414,305	635,060	602,437	2,866,905
General and administrative:					
Salaries, wages and benefits	1,149,208	88,725	405,940	403,163	2,047,036
Contribution to Missouri Local Government Employees Retirement System	(682,241)	(97,463)	(243,658)	(194,925)	(1,218,287)
Insurance	292,602	31,171	103,911	74,323	502,007
Payments and/or services in lieu of taxes	1,816,251	20,443	280,633	29,157	2,146,484
Other general expenses	283,046	39,645	107,639	54,096	484,426
Total Operating Expenses	20,345,607	1,522,036	3,799,363	2,580,545	28,247,551
Operating Income (Loss)	(317,698)	226,015	557,688	966,350	1,432,355
Non-Operating Revenues (Expenses):					
Interest & investment earnings	9,468	6,134	4,661	20,678	40,941
Interest Expense	-	-	(8,212)	(9,758)	(17,970)
Net Non-Operating Revenues (Expenses)	9,468	6,134	(3,551)	10,920	22,971
Income Before Capital Grants and Contributions	(308,230)	232,149	554,137	977,270	1,455,326
Capital Grants and Contributions	156,403	-	650	99,167	256,220
Net Income (Loss)	(151,827)	232,149	554,787	1,076,437	1,711,546
Net Position, Beginning of Year	48,539,814	2,155,243	13,230,544	12,830,599	76,756,200
Net Position, End of Year	\$ 48,387,987	\$ 2,387,392	\$ 13,785,331	\$ 13,907,036	\$ 78,467,746

See Notes to Financial Statements

**MARSHALL MUNICIPAL UTILITIES**  
**MARSHALL, MISSOURI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2022**

	<b>Business-type Activities</b>				
	<b>Electric</b>	<b>IT &amp; Broadband</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
Cash flows from operating activities:					
Cash received from customers	\$ 20,427,374	\$ 1,719,013	\$ 4,344,223	\$ 3,461,208	\$ 29,951,818
Cash paid to suppliers	(13,851,425)	(640,379)	(1,614,272)	(1,542,916)	(17,648,992)
Cash paid to employees	(4,038,394)	(598,590)	(1,658,444)	(843,426)	(7,138,854)
Cash paid for services in lieu of taxes	(1,816,251)	(20,443)	(280,633)	(29,157)	(2,146,484)
Net cash provided by operating activities	<u>721,304</u>	<u>459,601</u>	<u>790,874</u>	<u>1,045,709</u>	<u>3,017,488</u>
Cash flows from capital and related financing activities:					
Capital contributions	156,403	-	650	99,167	256,220
Proceeds from sale of assets	-	-	-	-	-
Purchases of capital assets	(1,464,385)	(1,125,528)	(522,206)	(6,239,837)	(9,351,956)
Lease proceeds	(391)	-	-	-	(391)
Proceeds from interfund note payable	-	-	-	6,376,155	6,376,155
Principal paid on interfund note payable	-	(120,000)	(291,337)	(346,206)	(757,543)
Interest paid on capital debt	-	-	(8,212)	(9,758)	(17,970)
Net cash (used) for capital and related financing activities	<u>(1,308,373)</u>	<u>(1,245,528)</u>	<u>(821,105)</u>	<u>(120,479)</u>	<u>(3,495,485)</u>
Cash flows from investing activities:					
Proceeds from sale of US government securities	14,996,840	-	-	-	14,996,840
Purchases of US government securities	(4,956,775)	-	-	-	(4,956,775)
Principal advances on interfund note receivable	(6,979,181)	-	-	-	(6,979,181)
Principal payments received on interfund note receivable	968,869	-	-	-	968,869
Interest and dividends	9,468	6,134	4,661	20,678	40,941
Net cash provided (used) by investing activities	<u>4,039,221</u>	<u>6,134</u>	<u>4,661</u>	<u>20,678</u>	<u>4,070,694</u>
Net increase in cash and cash equivalents	3,452,152	(779,793)	(25,570)	945,908	3,592,697
Cash and cash equivalents, beginning of year	<u>8,365,707</u>	<u>1,056,582</u>	<u>2,963,761</u>	<u>2,686,869</u>	<u>15,072,919</u>
Cash and cash equivalents, end of year	<u>\$ 11,817,859</u>	<u>\$ 276,789</u>	<u>\$ 2,938,191</u>	<u>\$ 3,632,777</u>	<u>\$ 18,665,616</u>
Reported on the Statement of Net Position as:					
Cash and cash equivalents	\$ 10,317,515	\$ 276,789	\$ 669,357	\$ 872,281	\$ 12,135,942
Segregated cash and cash equivalents	<u>1,500,344</u>	<u>-</u>	<u>2,268,834</u>	<u>2,760,496</u>	<u>6,529,674</u>
	<u>\$ 11,817,859</u>	<u>\$ 276,789</u>	<u>\$ 2,938,191</u>	<u>\$ 3,632,777</u>	<u>\$ 18,665,616</u>
Reconciliation of operating income (loss) to cash flows from operating activities:					
Operating income (loss)	\$ (317,698)	\$ 226,015	\$ 557,688	\$ 966,350	\$ 1,432,355
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation expense	1,214,714	414,305	635,060	602,437	2,866,516
Changes in assets, deferred outflows, liabilities and deferred inflows:					
Receivables - net of allowances	399,465	(29,038)	(12,828)	(85,687)	271,912
Inventory	51,405	(12,498)	(14,558)	(7,676)	16,673
Prepaid expenses	(5,543)	(5,199)	(1,812)	(1,279)	(13,833)
Accounts and other payables	(13,219)	(73,404)	(90,742)	(273,460)	(450,825)
Deferred outflows	(163,625)	(23,375)	(58,438)	(46,749)	(292,187)
Deferred inflows	(1,835,019)	(262,146)	(655,364)	(524,290)	(3,276,819)
Net pension asset	1,316,402	188,059	470,144	376,113	2,350,718
Other accrued liabilities	74,422	36,882	(38,276)	39,950	112,978
Net cash provided by operating activities	<u>\$ 721,304</u>	<u>\$ 459,601</u>	<u>\$ 790,874</u>	<u>\$ 1,045,709</u>	<u>\$ 3,017,488</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**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, 2022

**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.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**I. ACCOUNTING POLICIES (Continued)**

***Rate Matters***

Rates require City Council approval.

***Inventories***

Fuel and maintenance inventories are stated at average cost.

***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.



MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**I. ACCOUNTING POLICIES (Continued)**

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

***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.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
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**I. ACCOUNTING POLICIES (Continued)**

*Proprietary Funds*

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

*Adoption of GASB 87 – Leases*

The City has adopted Statement No. 87 of the Governmental Accounting Standards Board – Leases (“GASB 87”) as of the beginning of the earliest period presented. The adoption had no effect to beginning net position.

**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, 2022, the Natural Gas Department had total assets of \$3,968,342 and total liabilities of \$2,533. For the year ended September 30, 2022, the Natural Gas Department had revenues of \$299,500 and expenses of \$308,821.

**III. SEGREGATED ASSETS**

Segregated assets (including restricted funds, board designated funds and excess funds on account) as of September 30, 2022 were designated as follows:

	Designated Balances	Segregated Funds Requirements
Electric Fund:		
Consumers' deposit fund	\$ 699,689	\$ 699,689
Insurance reserve fund	5,001,567	5,000,000
Equipment fund	-	-
	\$ 5,701,256	\$ 5,699,689
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

MARSHALL MUNICIPAL UTILITIES  
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**III. SEGREGATED ASSETS (Continued)**

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.

**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, 2022 was as follows:

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

**Electric**

	Balance at September 30, 2021	Additions	Disposals	Balance at September 30, 2022
Capital assets not being depreciated:				
Land	\$ 1,621,462	\$ -	\$ -	\$ 1,621,462
Construction in progress	574,999	1,411,058	(482,364)	1,503,693
	<u>2,196,461</u>	<u>1,411,058</u>	<u>(482,364)</u>	<u>3,125,155</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	16,640,150	138,929	-	16,779,079
Distribution system	26,881,182	60,387	-	26,941,569
Street lighting and hydrants	680,546	3,739	-	684,285
Office structures and improvement and furniture and fixtures	526,012	73,581	-	599,593
Transportation equipment	1,966,470	126,718	-	2,093,188
Laboratory equipment	-	-	-	-
Tools and shop equipment	459,974	-	-	459,974
Radio equipment	3,322	139,125	-	142,447
	<u>47,157,656</u>	<u>542,479</u>	<u>-</u>	<u>47,700,135</u>
Total capital assets at historical costs	<u>49,354,117</u>	<u>1,953,537</u>	<u>(482,364)</u>	<u>50,825,290</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(14,400,718)	(96,796)	-	(14,497,514)
Distribution system	(15,559,200)	(973,743)	-	(16,532,943)
Street lighting and hydrants	(129,896)	(34,145)	-	(164,041)
Office structures and improvement and furniture and fixtures	(408,426)	(12,503)	-	(420,929)
Transportation equipment	(1,802,395)	(46,914)	-	(1,849,309)
Laboratory equipment	-	-	-	-
Tools and shop equipment	(282,651)	(47,966)	-	(330,617)
Radio equipment	(1,671)	(2,646)	-	(4,317)
Total accumulated depreciation	<u>(32,584,957)</u>	<u>(1,214,713)</u>	<u>-</u>	<u>(33,799,670)</u>
Net capital assets being depreciated	<u>14,572,699</u>	<u>(672,234)</u>	<u>-</u>	<u>13,900,465</u>
Net capital assets	<u>\$ 16,769,160</u>	<u>\$ 738,824</u>	<u>\$ (482,364)</u>	<u>\$ 17,025,620</u>

MARSHALL MUNICIPAL UTILITIES  
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**IV. CAPITAL ASSETS (Continued)**

**IT & Broadband**

	Balance at September 30, 2021	Additions	Disposals	Balance at September 30, 2022
Capital assets not being depreciated:				
Construction in progress	\$ 77,842	\$ 720,979	\$ (25,133)	\$ 773,688
	<u>77,842</u>	<u>720,979</u>	<u>(25,133)</u>	<u>773,688</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	4,541,007	160,051	-	4,701,058
Transportation equipment	365,212	217,380	-	582,592
Tools and shop equipment	3,679	29,063	-	32,742
Radio equipment	-	23,187	-	23,187
	<u>4,909,898</u>	<u>429,681</u>	<u>-</u>	<u>5,339,579</u>
Total capital assets at historical costs	<u>4,987,740</u>	<u>1,150,660</u>	<u>(25,133)</u>	<u>6,113,267</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(2,285,851)	(356,928)	-	(2,642,779)
Transportation equipment	(181,633)	(54,602)	-	(236,235)
Tools and shop equipment	(44)	(2,387)	-	(2,431)
Radio equipment	-	(386)	-	(386)
Total accumulated depreciation	<u>(2,467,528)</u>	<u>(414,303)</u>	<u>-</u>	<u>(2,881,831)</u>
Net capital assets being depreciated	<u>2,442,370</u>	<u>15,378</u>	<u>-</u>	<u>2,457,748</u>
Net capital assets	<u>\$ 2,520,212</u>	<u>\$ 736,357</u>	<u>\$ (25,133)</u>	<u>\$ 3,231,436</u>

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
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**IV. CAPITAL ASSETS (Continued)**

**Water**

	Balance at September 30, 2021	Additions	Disposals	Balance at September 30, 2022
Capital assets not being depreciated:				
Land	\$ 94,398	\$ -	\$ -	\$ 94,398
Construction in progress	113,126	463,926	(171,798)	405,254
	<u>207,524</u>	<u>463,926</u>	<u>(171,798)</u>	<u>499,652</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	11,655,423	-	-	11,655,423
Distribution system	8,874,268	170,165	-	9,044,433
Street lighting and hydrants	381,867	-	-	381,867
Office structures and improvement and furniture and fixtures	5,469	-	-	5,469
Transportation equipment	1,044,457	29,640	(31,855)	1,042,242
Laboratory equipment	8,652	-	-	8,652
Tools and shop equipment	21,416	34,781	-	56,197
Radio equipment	2,624	-	-	2,624
	<u>21,994,176</u>	<u>234,586</u>	<u>(31,855)</u>	<u>22,196,907</u>
Total capital assets at historical costs	<u>22,201,700</u>	<u>698,512</u>	<u>(203,653)</u>	<u>22,696,559</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(5,366,719)	(457,289)	-	(5,824,008)
Distribution system	(4,941,718)	(148,277)	-	(5,089,995)
Street lighting and hydrants	(214,458)	(6,762)	-	(221,220)
Office structures and improvement and furniture and fixtures	(5,008)	(433)	-	(5,441)
Transportation equipment	(977,725)	(22,276)	31,855	(968,146)
Laboratory equipment	(7,365)	(813)	-	(8,178)
Tools and shop equipment	(16,132)	(3,554)	-	(19,686)
Radio equipment	(2,460)	(164)	-	(2,624)
Total accumulated depreciation	<u>(11,531,585)</u>	<u>(639,568)</u>	<u>31,855</u>	<u>(12,139,298)</u>
Net capital assets being depreciated	<u>10,462,591</u>	<u>(404,982)</u>	<u>-</u>	<u>10,057,609</u>
Net capital assets	<u>\$ 10,670,115</u>	<u>\$ 58,944</u>	<u>\$ (171,798)</u>	<u>\$ 10,557,261</u>

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

**Wastewater**

	Balance at September 30, 2021	Additions	Disposals	Balance at September 30, 2022
Capital assets not being depreciated:				
Land	\$ 118,398	\$ -	\$ -	\$ 118,398
Construction in progress	595,490	6,154,728	(239,858)	6,510,360
	<u>713,888</u>	<u>6,154,728</u>	<u>(239,858)</u>	<u>6,628,758</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	23,761,956	25,592	-	23,787,548
Distribution system	9,168,456	63,390	(74)	9,231,772
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	1,019,486	174,544	-	1,194,030
Laboratory equipment	4,537	-	-	4,537
Tools and shop equipment	172,617	34,781	-	207,398
Radio equipment	453	-	-	453
	<u>34,127,505</u>	<u>298,307</u>	<u>(74)</u>	<u>34,425,738</u>
Total capital assets at historical costs	<u>34,841,393</u>	<u>6,453,035</u>	<u>(239,932)</u>	<u>41,054,496</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(18,677,641)	(394,545)	-	(19,072,186)
Distribution system	(3,920,467)	(169,406)	-	(4,089,873)
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	(914,117)	(31,696)	26,661	(919,152)
Laboratory equipment	(2,453)	(889)	-	(3,342)
Tools and shop equipment	(155,812)	(5,828)	-	(161,640)
Radio equipment	(454)	-	-	(454)
Total accumulated depreciation	<u>(23,670,944)</u>	<u>(602,364)</u>	<u>26,661</u>	<u>(24,246,647)</u>
Net capital assets being depreciated	<u>10,456,561</u>	<u>(304,057)</u>	<u>26,587</u>	<u>10,179,091</u>
Net capital assets	<u>\$ 11,170,449</u>	<u>\$ 5,850,671</u>	<u>\$ (213,271)</u>	<u>\$ 16,807,849</u>

MARSHALL MUNICIPAL UTILITIES  
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**V. LONG-TERM DEBT**

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2022:

	Water	Wastewater	City (General Fund)
Balance, September 30, 2021	\$ 1,342,888	\$ 1,595,802	\$ 1,077,830
Note issued	-	6,376,154	603,026
Note retired	(291,337)	(346,206)	(211,326)
Balance, September 30, 2022	<u>\$ 1,051,551</u>	<u>\$ 7,625,750</u>	<u>\$ 1,469,530</u>
Current Portion	<u>\$ 286,842</u>	<u>\$ 340,864</u>	<u>\$ 223,851</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 1<sup>st</sup> and July 1<sup>st</sup> of each year (currently 2.5%).

Debt repayment requirements are as follows:

Year Ended September 30,	Principal	Interest	Total
2023	\$ 340,864	\$ 27,352	\$ 368,216
2024	349,484	18,732	368,216
2025	358,322	9,894	368,216
2026	200,926	1,563	202,489
	<u>\$ 1,249,596</u>	<u>\$ 57,541</u>	<u>\$ 1,307,137</u>

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 1<sup>st</sup> and July 1<sup>st</sup> of each year (currently 2.5%).

Additionally, the new loan amount of \$6,376,154, does not have a loan document executed as of the audit report date. The document will be executed when all draws are made and interest will begin to be charged at that time.



MARSHALL MUNICIPAL UTILITIES  
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**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>
2023	\$ 286,842	\$ 23,017	\$ 309,859
2024	294,095	15,763	309,858
2025	301,533	8,326	309,859
2026	169,081	1,315	170,396
	<u>\$ 1,051,551</u>	<u>\$ 48,421</u>	<u>\$ 1,099,972</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, 2022 the Board had advanced \$1,680,856 and had received principal payments of \$211,326, leaving a balance of \$1,469,530 at September 30, 2022. 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>
2023	\$ 223,851	\$ 34,185	\$ 258,036
2024	229,512	28,524	258,036
2025	235,316	22,720	258,036
2026	241,267	16,769	258,036
2027	247,368	10,668	258,036
2028-2029	292,216	4,492	296,708
	<u>\$ 1,469,530</u>	<u>\$ 117,358</u>	<u>\$ 1,586,888</u>

**VI. LEASES**

The Utilities is a lessee for a postage machine. The leased asset activity for fiscal year ended September 30, 2022 is as follows:

	<u>Balance at Sept. 20, 2021</u>	<u>Additions</u>	<u>Balance at Sept. 20, 2022</u>
Leased assets	\$ 7,783	\$ -	\$ 7,783
Less accumulated amortization	-	(389)	(389)
Note retired	-	-	-
Leased assets, net of accumulated amortization	<u>\$ 7,783</u>	<u>\$ (389)</u>	<u>\$ 7,394</u>

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
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**VI. LEASES (Continued)**

Principal and interest payments required are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,450	\$ 258	\$ 1,708
2024	1,508	200	1,708
2025	1,570	138	1,708
2026	1,634	75	1,709
2027	841	13	854
	<u>\$ 7,003</u>	<u>\$ 684</u>	<u>\$ 7,687</u>

**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.

**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](http://www.molagers.org).

MARSHALL MUNICIPAL UTILITIES  
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**VII. PENSION PLAN (Continued)**

**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>2022 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, 2022 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	164
Inactive employees entitled to but not yet receiving benefits	57
Active employees	171
	<u>392</u>

**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 12.8% (General), 7.9% (Police) and 10.3% (Fire) of annual covered payroll.

**Net Pension Liability.** The employer's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2022.

MARSHALL MUNICIPAL UTILITIES  
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**VII. PENSION PLAN (Continued)**

**Actuarial assumptions.** The total pension liability in the February 28, 2022 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:

<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%

MARSHALL MUNICIPAL UTILITIES  
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**VII. PENSION PLAN (Continued)**

**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**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
<b>Balances at 9/30/21</b>	<b>\$ 51,496,359</b>	<b>\$ 63,528,718</b>	<b>\$ (12,032,359)</b>
<b>Changes for the year:</b>			
Service Cost	894,470	-	894,470
Interest	3,552,272	-	3,552,272
Difference between expected and actual experience	660,230	-	660,230
Contributions - employer	-	1,105,606	(1,105,606)
Change in Assumptions	-	-	-
Net investment income	-	49,297	(49,297)
Benefit payments, including refunds	(2,419,474)	(2,419,474)	-
Administrative expense	-	(41,211)	41,211
Other changes	-	216,943	(216,943)
<b>Net changes</b>	<b>2,687,498</b>	<b>(1,088,839)</b>	<b>3,776,337</b>
<b>Balances at 9/30/22</b>	<b>\$ 54,183,857</b>	<b>\$ 62,439,879</b>	<b>\$ (8,256,022)</b>

**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	\$ 61,349,418	\$ 54,183,857	\$ 48,212,806
Plan Fiduciary Net Position	62,439,879	62,439,879	62,439,879
Net Position Liability (Asset)	<u>\$ (1,090,461)</u>	<u>\$ (8,256,022)</u>	<u>\$ (14,227,073)</u>

MARSHALL MUNICIPAL UTILITIES  
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**VII. PENSION PLAN (Continued)**

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

For the year ended September 30, 2022 the employer recognized pension expense of \$(529,856). 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	\$ 734,235	\$ 619,113
Differences in assumptions	12,004	591,148
Excess (deficit) investment returns	-	1,264,230
Contributions subsequent to the measurement date*	310,950	-
Total	<u>\$ 1,057,189</u>	<u>\$ 2,474,491</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, 2022.

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
2023	\$ (615,875)
2024	(723,191)
2025	(1,311,967)
2026	948,290
2027	(21,144)
Thereafter	(4,365)

**Payable to the Pension Plan**

At September 30, 2022, 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, 2022.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**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, 2022, 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	11,567,859
	<u>\$ 11,817,859</u>
Internet Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	26,789
	<u>\$ 276,789</u>
Water Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	2,688,191
	<u>\$ 2,938,191</u>
Wastewater Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	3,382,777
	<u>\$ 3,632,777</u>

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**VIII. DEPOSITS AND INVESTMENT BALANCES (Continued)**

**Investments** - The Municipal Utilities' investments at September 30, 2022, and throughout the year consisted of short-term U.S. government securities. At September 30, 2022, the Municipal Utilities had the following investments:

Type	Fair Value	Book Value	Book Value Maturity Less Than One Year
Electric:			
U.S. Treasury Bills	\$ 4,972,592	\$ 4,956,775	\$ 4,956,775
Total	<u>\$ 4,972,592</u>	<u>\$ 4,956,775</u>	<u>\$ 4,956,775</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, 2022, 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, 2022

**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, 2022 and September 30, 2021:

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).

2021

- U.S. Treasury securities of \$14,998,882 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, 2022, was as follows:

	Electric	Internet	Water	Wastewater
Accounts receivable	\$ 2,152,767	\$ 210,075	\$ 482,643	\$ 448,582
Allowance for doubtful accounts	-	-	-	-
Net accounts receivable	<u>\$ 2,152,767</u>	<u>\$ 210,075</u>	<u>\$ 482,643</u>	<u>\$ 448,582</u>

**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 15% of electric revenues, 16% of water revenues, and 27% of wastewater revenues are generated from a small number of industrial customers.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**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 2022 required less than 1% of electric net revenues. The total principal and interest remaining to be paid on the lease is \$7,687. Principal and interest paid on the lease for the current year was \$854 and electric net revenues for the current year were \$906,873.

**XVI. RELATED PARTY TRANSACTIONS**

The Municipal Utilities paid \$51,152 to a business owned by a board member in fiscal year 2022.

**XVII. CONSIDERATION OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 28, 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**

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS (UNAUDITED)  
(MISSOURI LAGERS)  
YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2013	\$ 660,986.59	\$ 514,100.61	\$ 146,885.98	\$4,590,184.54	11.20%
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%

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS (UNAUDITED)  
(MISSOURI LAGERS)  
YEAR ENDED SEPTEMBER 30, 2022

<b>Valuation Date:</b>	February 28, 2022
<b>Notes:</b>	The roll-forward of total pension liability from February 28, 2022 to June 30, 2022 reflects expected service cost and interest reduced by actual benefit payments.
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
<b>Actuarial Cost Method:</b>	Entry Age Normal and Modified Terminal Funding
<b>Amortization Method:</b>	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.
<b>Remaining Amortization Period:</b>	Multiple bases from 9 to 15 years
<b>Asset Valuation Method:</b>	5-Year smoothed market; 20% corridor
<b>Inflation:</b>	2.75% wage inflation; 2.25% price inflation
<b>Salary Increases:</b>	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
<b>Investment Rate of Return:</b>	7.00%, net of investment expenses
<b>Retirement Age:</b>	Experience-based table of rates that are specific to the type of eligibility condition.
<b>Mortality:</b>	<p>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.</p> <p>Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.</p>
<b>Other Information:</b>	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, 2022

	Fiscal Year Ending		
	September 30, 2022	September 30, 2021	September 30, 2020
<b>Total Pension Liability</b>			
Service Cost	\$ 894,470	\$ 872,592	\$ 840,700
Interest on the Total Pension Liability	3,552,272	3,616,233	3,472,865
Benefit Changes	-	-	-
Difference between expected and actual experience	660,230	(269,927)	(30,287)
Assumption Changes	-	(970,082)	-
Benefit Payments	(2,419,474)	(2,364,385)	(2,280,017)
Refunds	-	-	-
<b>Net Change in Total Pension Liability</b>	2,687,498	884,431	2,003,261
<b>Total Pension Liability beginning</b>	51,496,359	50,611,928	48,608,667
<b>Total Pension Liability ending</b>	<u>\$ 54,183,857</u>	<u>\$ 51,496,359</u>	<u>\$ 50,611,928</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	1,105,606	1,031,084	993,727
Contributions - employee	-	-	-
Pension Plan Net Investment Income	49,297	13,696,849	659,159
Benefit Payments	(2,419,474)	(2,364,385)	(2,280,017)
Refunds	-	-	-
Pension Plan Administrative expense	(41,211)	(37,901)	(49,069)
Other	216,943	158,849	(63,344)
<b>Net Change in Plan Fiduciary Net Position</b>	(1,088,839)	12,484,496	(739,544)
<b>Plan Fiduciary Net Position beginning</b>	63,528,718	51,044,222	51,783,766
<b>Plan Fiduciary Net Position ending</b>	<u>\$ 62,439,879</u>	<u>\$ 63,528,718</u>	<u>\$ 51,044,222</u>
<b>Employer Net Pension Liability (Asset)</b>	<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	 115.24%	 123.37%	 100.85%
 Covered Employee Payroll	 9,110,746	 9,000,629	 7,759,189
 Employer's Net Pension Liability as a percentage of covered employee payroll	 (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) (CONTD)  
YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year Ending				
	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
<b>Total Pension Liability</b>					
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	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<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>
<b>Total Pension Liability beginning</b>	<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>
<b>Total Pension Liability ending</b>	<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>
<b>Plan Fiduciary Net Position</b>					
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	<u>29,600</u>	<u>248,991</u>	<u>157,053</u>	<u>728,340</u>	<u>(318,820)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,858,528</u>	<u>4,496,794</u>	<u>4,356,079</u>	<u>201,669</u>	<u>(110,406)</u>
<b>Plan Fiduciary Net Position beginning</b>	<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>
<b>Plan Fiduciary Net Position ending</b>	<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>
<b>Employer Net Pension Liability (Asset)</b>	<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>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	106.53%	105.88%	101.22%	96.22%	103.04%
<b>Covered Employee Payroll</b>	8,338,239	8,476,983	9,089,752	8,764,539	8,493,841
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	(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

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Certified Public Accountants

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**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**

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, 2022 and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements and have issued our report thereon dated March 28, 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.

A handwritten signature in blue ink that reads "Gerding, Korte & Chitwood, P.C.".

March 28, 2023

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Marshall Municipal Utilities' (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Municipal Utilities' major federal programs for the year ended September 30, 2022. The Municipal Utilities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Municipal Utilities' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipal Utilities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Municipal Utilities' compliance.

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.

### Opinion on Each Major Federal Program

In our opinion, the Municipal Utilities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

### Report on Internal Control Over Compliance

Management of the Municipal Utilities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Municipal Utilities' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipal Utilities' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



March 28, 2023

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

**MARSHALL MUNICIPAL UTILITIES**  
**MARSHALL, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>					
Direct funding	ReConnect pilot program loan	10.752	MO1705-A59	-	\$ 386,845
	ReConnect pilot program grant	10.752	MO1705-A59	-	<u>386,844</u>
			Subtotal ReConnect Pilot Program		<u>\$ 773,689</u>
Total U.S. Department of Transportation					<u>773,689</u>
<b>U.S. Department of Homeland Security</b>					
Passed through Missouri Department of Public Safety	FEMA Disaster grants	97.036	FEMA-4612-DR-MO	-	<u>98,667</u>
Total U.S. Department of Homeland Security					<u>98,667</u>
<b>U.S. General Services Administration</b>					
Passed through the State Agency for Surplus Property	Donation of federal surplus Property	39.003	--	-	<u>113</u>
Total U.S. General Services Administration					<u>113</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 872,469</u></u>

**MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Municipal Utilities under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipal Utilities, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipal Utilities. The Uniform Guidance requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The Schedule includes all federal awards administered by Marshall Municipal Utilities, Missouri.

OMB Compliance Supplement includes these definitions, which govern the contents of the Schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food, commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under-grants or contracts, used to buy goods or services from vendors.

Accordingly, the Schedule includes expenditures of both cash and noncash awards.

**MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS (CONT'D)  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**B. Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which recognizes expenditures in the period the liabilities are incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Municipal Utilities has elected not to use the 10% *de minimis* indirect cost rate as allowed under the uniform guidance.

**2. Subrecipients**

The Municipal Utilities provided no federal awards to subrecipients during the year ended September 30, 2022.

**MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
AND SUMMARY OF AUDITOR'S RESULTS  
SEPTEMBER 30, 2022**

Section I: Summary of Auditor's Results

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Type of auditors' reports issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>
10.752	ReConnect pilot program loan
10.752	ReConnect pilot program grant



