

REPORT OF
MARSHALL MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE
CITY OF MARSHALL, MISSOURI
SEPTEMBER 30, 2024

**MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-15

FINANCIAL STATEMENTS
ELECTRIC, IT & BROADBAND, WATER AND WASTEWATER FUNDS

Statement of Net Position	16-17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Notes to Financial Statements	20-40

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Schedule of Contributions	41
Notes to Schedule of Contributions	42
Schedule of Changes in Net Pension Liability and Related Ratios	43-44

COMPLIANCE AND INTERNAL CONTROL

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 <i>Government Auditing Standards</i>	45-46
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by with the Uniform Guidance	47-49
Schedule of Expenditures of Federal Awards	50
Notes to Schedule of Expenditures of Federal Awards	51-52
Schedule of Findings and Questioned Costs and Summary of Auditor's Results - Federal Requirements	53-54

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Marshall Municipal Utilities (the "Municipal Utilities"), component unit of the Municipal Utilities of Marshall, Missouri, as of and for the year ended September 30, 2024, 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, 2024, 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.

Emphasis of Matter – Prior Period Adjustment

As described in Note 16, the Municipal Utilities recorded a prior period adjustment in the Electric Fund to reflect a correction to cash balances. Our opinion is not modified with respect to this matter.

PARTNERS

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Travis W. Hundley
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Robert A. Gerding
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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 4-15 and 41-44 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's basic financial statements. The 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 June 16, 2025, 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.



June 16, 2025

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

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(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, 2024 and 2023.

Overview of the Financial Statements

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

Enterprise Funds

The departments use enterprise fund accounting for their operations.

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

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

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

Notes to the Financial Statements

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

Nonrecurring Items

Fiscal Year 2024

Work continued on upgrading the North Street Pump Station. MMU is working with MO DNR and plans to use most of the \$3.9 million awarded by the State Infrastructure Grant Program to pay for this project. Any of the excess funds will be allocated to upgrade MMU's water main infrastructure.

MMU started work on the engineering and replacement of the Wastewaters UV system. The current system has been having issues causing the system to be very unstable. MMU is required by DNR to maintain UV disinfection effluent limits for the months of April thru October. This project is expected to start in November of 2024 and be completed before April of 2025 with a total project cost of \$900,000.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

Overhaul of MMU's generating Unit #6 began in 2024. This unit is a Westinghouse dual fuel simple-cycle turbine with a rating of approximately 14 megawatts. The last overhaul on this unit was in 2005-2006. The unit started having issues with vibration and temperature control in 2023. MMU does have an insurance policy on this unit and is working with the provider on reimbursement. Completion of this project is expected to be in early 2025.

Round two of our IT & Broadband grant projects with USDA ReConnect has started. This project will involve contractors installing approximately 450 miles of conduit with pull boxes and pedestals within Saline County. MMU crews will be installing the fiber, splicing, and installing service drops when conduit installation is complete. MMU is anticipating to receive approximately \$8.6 million in grant funds for this project, which is expected to be completed in 2028.

Fiscal Year 2023

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

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

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

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

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 41-44 of this report.

The following tables provide a summary of Electric Department's operations for years ended September 30, 2024 and 2023.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

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

	2024	2023	Change	Percent of Change
Revenues:				
Charges for services	\$ 18,530,388	\$ 18,655,087	\$ (124,699)	-0.67%
Capital grants and contributions	22,214	52,567	(30,353)	-57.74%
General Revenues:				
Investment earnings	1,314,827	802,410	512,417	63.86%
Miscellaneous	248,619	193,250	55,369	28.65%
Total Revenues	<u>20,116,048</u>	<u>19,703,314</u>	<u>412,734</u>	2.09%
Expenses:				
Electric	<u>20,831,710</u>	<u>20,962,825</u>	<u>(131,115)</u>	-0.63%
Total Expenses	<u>20,831,710</u>	<u>20,962,825</u>	<u>(131,115)</u>	-0.63%
Increase (decrease) in net position	<u>(715,662)</u>	<u>(1,259,511)</u>	<u>543,849</u>	-43.18%
Net Position - beginning of year	47,128,476	48,387,987	(1,259,511)	-2.60%
Prior period adjustments	550,890	-	550,890	
Net Position - beginning of year (restated)	<u>47,679,366</u>	<u>48,387,987</u>	<u>(708,621)</u>	
Net Position - end of year	<u>\$ 46,963,704</u>	<u>\$ 47,128,476</u>	<u>\$ (164,772)</u>	-0.35%

Capital Assets

The Electric Department's investment in capital assets for its activities as of September 30, 2024, amounts to \$16,147,432 (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**

	2024	2023
Property, plant and equipment:		
Land and land rights	\$ 1,621,526	\$ 1,621,462
Plant structures and improvements	5,692,046	5,981,346
Collection	7,340,405	7,997,095
General equipment	663,598	763,843
Construction work in progress	829,857	128,073
Net Capital Assets	<u>\$ 16,147,432</u>	<u>\$ 16,491,819</u>

Additional information on the Electric Department's capital assets can be found in Note IV on page 25 of this report.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

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 \$46,963,704 (net position). Of this amount, \$28,826,164 (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 \$164,772.

One of the portions of the department's net position (34%) 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

	2024	2023
Current and other assets	\$ 32,416,023	\$ 32,950,832
Capital assets	16,147,432	16,491,819
Total Assets	<u>48,563,455</u>	<u>49,442,651</u>
Deferred outflows	1,373,290	614,612
Other liabilities	2,937,194	2,782,293
Deferred inflows	<u>35,847</u>	<u>146,494</u>
Net Position		
Net investment in capital assets	16,147,432	16,491,819
Restricted	1,990,108	1,967,023
Unrestricted	28,826,164	28,669,634
Total Net Position	<u><u>\$ 46,963,704</u></u>	<u><u>\$ 47,128,476</u></u>

The following tables provide a summary of Water Department's operations for years ended September 30, 2024 and 2023:

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

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

	2024	2023	Change	Percent of Change
Revenues:				
Charges for services	\$ 4,375,715	\$ 4,410,206	\$ (34,491)	-0.78%
Capital grants and contributions	-	-	-	
General Revenues:				
Gain on sale	13,000	51,850	(38,850)	
Investment earnings	28,217	3,587	24,630	686.65%
Miscellaneous	66,235	62,918	3,317	5.27%
Total Revenues	<u>4,483,167</u>	<u>4,528,561</u>	<u>(45,394)</u>	-1.00%
Expenses:				
Interest on long-term debt	34,134	39,628	(5,494)	-13.86%
Water	4,906,029	4,519,659	386,370	8.55%
Total Expenses	<u>4,940,163</u>	<u>4,559,287</u>	<u>380,876</u>	8.35%
Increase (decrease) in net position	(456,996)	(30,726)	(426,270)	1387.33%
Net Position - beginning of year	13,754,605	13,785,331	(30,726)	-0.22%
Net Position - end of year	<u>\$ 13,297,609</u>	<u>\$ 13,754,605</u>	<u>\$ (456,996)</u>	-3.32%

Capital Assets

The Water Department's investment in capital assets for its activities as of September 30, 2024, amounts to \$13,482,892 (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**

	2024	2023
Property, plant and equipment:		
Land and land rights	\$ 94,398	\$ 94,398
Plant structures and improvements	5,142,170	5,377,189
Collection	4,064,654	4,043,931
General equipment	661,913	271,918
Construction work in progress	3,519,757	1,077,646
Net Capital Assets	<u>\$ 13,482,892</u>	<u>\$ 10,865,082</u>

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

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

Financial Highlights - Water

- The assets and deferred outflows of the Water Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,297,609 (net position). Of this amount, \$(455,586) (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 \$456,996.

The largest portion of the department's net position (98%) 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

	2024	2023
Current and other assets	\$ 1,197,661	\$ 4,163,779
Capital assets	13,482,892	10,865,082
	<u>14,680,553</u>	<u>15,028,861</u>
Deferred outflows	564,796	239,648
Long-term liabilities	175,383	481,764
Other liabilities	1,648,854	867,992
	<u>1,824,237</u>	<u>1,349,756</u>
Deferred inflows	123,503	164,148
Net Position		
Net investment in capital assets	13,001,458	10,093,445
Restricted	751,737	748,618
Unrestricted	(455,586)	2,912,542
Total Net Position	<u>\$ 13,297,609</u>	<u>\$ 13,754,605</u>

During the fiscal year, the department's total debt decreased by \$290,203. The decrease was due to debt repayment exceeding debt issued.

Debt Administration

**Outstanding Debt at Year End
Interfund Debt**

	2024	2023	Change	% of Change
Debt	\$ 481,434	\$ 771,637	\$ (290,203)	-37.61%

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

Additional information on Marshall Municipal Utilities Water Department's long-term debt can be found in Note V on pages 29-31 of this report.

The following tables provide a summary of Wastewater Department's operations for years ended September 30, 2024 and 2023:

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

	2024	2023	Change	Percent of Change
Revenues:				
Charges for services	\$ 3,745,013	\$ 3,637,835	\$ 107,178	2.95%
Capital grants and contributions	28,994	162,280	(133,286)	-82.13%
General Revenues:				
Gain on sale	10,900	19,600	(8,700)	
Investment earnings	115,362	108,362	7,000	6.46%
Miscellaneous	31,116	34,362	(3,246)	-9.45%
Total Revenues	<u>3,931,385</u>	<u>3,962,439</u>	<u>(31,054)</u>	-0.78%
Expenses:				
Interest on long-term debt	499,733	47,091	452,642	961.21%
Wastewater	2,940,156	3,250,469	(310,313)	-9.55%
Total Expenses	<u>3,439,889</u>	<u>3,297,560</u>	<u>142,329</u>	4.32%
Increase in net position	491,496	664,879	(173,383)	-26.08%
Net Position - beginning of year	14,571,915	13,907,036	664,879	4.78%
Net Position - end of year	<u>\$ 15,063,411</u>	<u>\$ 14,571,915</u>	<u>\$ 491,496</u>	3.37%

Capital Assets

The Wastewater Department's investment in capital assets for its activities as of September 30, 2024, amounts to \$20,111,992 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and construction in progress.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

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

	2024	2023
Property, plant and equipment:		
Land and land rights	\$ 118,398	\$ 118,398
Plant structures and improvements	13,670,938	4,577,182
Collection	5,408,078	5,060,641
General equipment	485,053	522,392
Construction work in progress	429,525	8,789,298
Net Capital Assets	<u>\$ 20,111,992</u>	<u>\$ 19,067,911</u>

Additional information on the Wastewater Department's capital assets can be found in Note IV 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 \$15,063,411 (net position). Of this amount, \$4,378,414 (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 \$491,496.

The largest portion of the department's net position (68%) 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

	2024	2023
Current and other assets	\$ 4,682,031	\$ 4,916,432
Capital assets	<u>20,111,992</u>	<u>19,067,911</u>
	<u>24,794,023</u>	<u>23,984,343</u>
Deferred outflows	<u>344,048</u>	<u>145,346</u>
Long term liabilities	9,593,008	9,013,701
Other liabilities	<u>463,784</u>	<u>501,366</u>
	<u>10,056,792</u>	<u>9,515,067</u>
Deferred inflows	<u>17,868</u>	<u>42,707</u>
Net Position		
Net investment in capital assets	10,248,681	9,709,744
Restricted	476,316	474,408
Unrestricted	<u>4,338,414</u>	<u>4,387,763</u>
Total Net Position	<u>\$ 15,063,411</u>	<u>\$ 14,571,915</u>

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

Debt Administration

**Outstanding Debt at Year End
Interfund Debt**

	2024	2023	Change	% of Change
Debt	\$ 9,863,311	\$ 9,358,167	\$ 505,144	5.40%

During the fiscal year, the department's total debt increased by \$505,144 or 5.4%. 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 29-31 of this report.

The following tables provide a summary of IT & Broadband Department's operations for years ended September 30, 2024 and 2023:

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

	2024	2023	Change	Percent of Change
Revenues:				
Charges for services	\$ 2,044,216	\$ 1,873,033	\$ 171,183	9.14%
Capital grants and contributions	215,679	652,569	(436,890)	100.00%
General Revenues:				
Investment earnings	101,289	67,983	33,306	48.99%
Miscellaneous	39,290	38,588	702	1.82%
Total Revenues	<u>2,400,474</u>	<u>2,632,173</u>	<u>(231,699)</u>	-8.80%
Expenses:				
Interest on long-term debt	140,091	91,256	48,835	100.00%
IT & Broadband	1,957,868	1,844,394	113,474	6.15%
Total Expenses	<u>2,097,959</u>	<u>1,935,650</u>	<u>162,309</u>	8.39%
Increase in net position	302,515	696,523	(394,008)	-56.57%
Net Position - beginning of year	3,083,915	2,387,392	696,523	29.18%
Net Position - end of year	<u>\$ 3,386,430</u>	<u>\$ 3,083,915</u>	<u>\$ 302,515</u>	9.81%

Capital Assets

The IT & Broadband Department's investment in capital assets for its activities as of September 30, 2024, amounts to \$5,029,243 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, improvements and construction in progress.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

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

	2024	2023
Property, plant and equipment:		
Plant structures and improvements	\$ 2,587,612	\$ 2,764,322
General equipment	280,983	375,413
Construction work in progress	2,160,648	716,002
Net Capital Assets	<u>\$ 5,029,243</u>	<u>\$ 3,855,737</u>

Additional information on the IT & Broadband Department's capital assets can be found in Note IV 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 \$3,386,430 (net position).
- The department's total net position increased by \$302,515.

The largest portion of the department's net position (70%) 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

	2024	2023
Current and other assets	\$ 967,026	\$ 2,251,781
Capital assets	5,029,243	3,855,737
Total Assets	<u>5,996,269</u>	<u>6,107,518</u>
Deferred outflows	171,354	44,908
Long-term liabilities	2,470,424	2,744,976
Other liabilities	310,769	323,535
Deferred inflows	<u>-</u>	<u>-</u>
Net Position		
Net investment in capital assets	2,374,044	911,113
Restricted	144,152	158,746
Unrestricted	868,234	2,014,056
Total Net Position	<u>\$ 3,386,430</u>	<u>\$ 3,083,915</u>

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

Debt Administration

Outstanding Debt at Year End

During the fiscal year, the department incurred total debt in the amount of \$289,425. The decrease was due to debt repayment exceeding debt issued.

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>% of Change</u>
Debt	<u>\$ 2,655,199</u>	<u>\$ 2,944,624</u>	<u>\$ (289,425)</u>	<u>-9.83%</u>

Economic Outlook

Marshall Municipal Utilities (MMU) remains committed to ensuring long-term economic stability and service reliability through targeted infrastructure investments and strategic planning. Below is an overview of recent accomplishments, ongoing efforts, and future initiatives shaping MMU's economic outlook.

- **North Street Pump Station:** A \$3.5 million renovation that was mostly funded by the State Infrastructure Grant Program. This project included removal of asbestos and lead paint, building repairs, replacement of all motors, pumps, valves and associated piping along with electrical equipment. One of the biggest improvements to the station was the replacement of the back-up diesel pump with an electric pump powered by an electric generator with automatic transfer. The generator that was used was re-purposed from the old Marshall Habilitation Center cutting project costs.
- **Unit #6 Turbine Overhaul:** A critical MMU asset for mitigating summer/winter energy spikes. The unit is capable of running on natural gas or diesel and was critical during Winter Storm Uri, generating approximately \$5 million dollars of market revenue during the event utilizing diesel fuel (natural gas was not available). MMU started having issues with the unit in the summer of 2023 and reached out to the OEM for assistance. After inspection and troubleshooting it was determined that we needed to overhaul the unit. While the total project cost is expected to be \$3.6 million MMU did receive reimbursement from insurance claims in the amount of \$1.2 million with some additional reimbursement expected in 2025.
- **USDA Broadband ReConnect:** MMU's funded broadband project continues to stimulate rural economic growth. With nearly 4,400 customers, MMU is maintaining cost-effective expansion within the City of Marshall and Saline County.

Future Planning and Capacity Expansion:

Looking to the future MMU and MoPEP are anticipating challenges due to the rising capacity requirements and aging infrastructure. With the changing resource mix and capacity crediting, capacity for the MoPEP Pool is forecast to be short beginning in 2026.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024
(UNAUDITED)

- **New Gas-Fired Generation Station Project:** MMU began working with the Missouri Electric Commission (MEC) in April of 2024 to utilize existing MMU infrastructure for the construction of a new gas-fired generating station. The project includes 4 simple cycle turbines and is split into two phases.
 - **Phase 1 (Fall 2026):** Two Solar 22.5-megawatt simple cycle turbines (dual-fuel).
 - **Phase 2 (2028):** Two Solar 35-megawatt simple cycle turbines (dual-fuel).

Capacity from these stations will be used to meet the needs of all three power pools (MoPEP, MMMPEP and SWMPEP) when completed. Capacity for the three pools will be allocated across the units, reducing the impact to any one pool if a unit is down. Upon project completion, MEC will contract with MMU for maintenance, operation and upkeep of these units. MEC is also replacing the two substation transformers in Miami Substation with larger units to match output of phase one. MMU will also receive gas transportation revenue on its gas transmission line from the Panhandle tap in Pettis County to the project site. Total project cost is forecast at approximately \$160 million.

MMU continues to invest in key infrastructure to maintain reliable, cost-effective services for the Marshall community. As regional capacity demands grow and aging infrastructure presents new challenges, MMU is taking proactive steps to provide additional generation, upgrades to its water and wastewater infrastructure and expanding broadband access. These efforts ensure that MMU remains a resilient and forward-thinking utility provider for years to come.

Marshall Municipal Utilities doesn't anticipate any rate increases for the Water, IT & Broadband, Wastewater, and Natural Gas Departments for 2024. We are however, waiting on the completion of a cost-of-service electric rate study including Time-Of-Use (TOU) electric rates for residential customers. This study is expected to be completed in December of 2023. While not reflected in the 2024 budget, changes to the electric rates may be needed depending on the study results.

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, 2024

	Business-Type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Assets					
Current Assets					
Operating funds:					
Cash and cash equivalents	\$ 6,071,840	\$ 1,498,557	\$ -	\$ 262,557	\$ 7,832,954
Receivables - net of allowances:					
Consumers	2,206,554	258,679	488,706	437,828	3,391,767
Other	2,400	-	18,225	36,047	56,672
Accrued interest	49,832	-	-	244	50,076
Inventories:					
Fuel	644,697	-	-	-	644,697
Maintenance materials	1,400,385	828,856	232,128	34,750	2,496,119
Current portion of interfund note receivable	1,017,697	-	-	-	1,017,697
Internal balances	1,660,000	(1,660,000)	-	-	-
Prepaid expenses	331,198	40,934	86,365	60,247	518,744
Total Current Assets	13,384,603	967,026	825,424	831,673	16,008,726
Segregated Assets					
Cash and cash equivalents	2,918,214	-	61,793	3,455,222	6,435,229
U.S. Government Securites, at amortized cost	2,921,816	-	-	245,000	3,166,816
Total Segregated Assets	5,840,030	-	61,793	3,700,222	9,602,045
Noncurrent Assets					
Net pension asset	652,665	-	310,444	150,136	1,113,245
Noncurrent portion of interfund note receivable	12,534,444	-	-	-	12,534,444
Net leased assets	4,281	-	-	-	4,281
Net capital assets	16,147,432	5,029,243	13,482,892	20,111,992	54,771,559
Total Noncurrent Assets	29,338,822	5,029,243	13,793,336	20,262,128	68,423,529
Total Assets	\$ 48,563,455	\$ 5,996,269	\$ 14,680,553	\$ 24,794,023	\$ 94,034,300
Deferred Outflows					
Deferred outflows related to pension	\$ 1,373,290	\$ 171,354	\$ 564,796	\$ 344,048	\$ 2,453,488
Total Deferred Outflows	\$ 1,373,290	\$ 171,354	\$ 564,796	\$ 344,048	\$ 2,453,488

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF NET POSITION (CONTD)
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-Type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Liabilities					
Operating Funds:					
Current Liabilities					
Accounts payable - trade	\$ 1,334,075	\$ 6,417	\$ 590,376	\$ 70,293	\$ 2,001,161
Gross revenue levy payable	472,615	-	57,402	-	530,017
Pooled cash overdraft	-	-	553,546	-	553,546
Accrued benefits payable	326,838	92,179	104,135	93,953	617,105
Current portion of interfund note payable	-	211,977	306,051	270,303	788,331
Current portion of lease payable	1,570	-	-	-	1,570
Accrued payroll	94,095	196	37,344	29,235	160,870
Segregated Funds:					
Consumer deposits	705,526	-	-	-	705,526
Total Current Liabilities	<u>2,934,719</u>	<u>310,769</u>	<u>1,648,854</u>	<u>463,784</u>	<u>5,358,126</u>
Noncurrent Liabilities:					
Noncurrent portion of note payable	-	486,523	-	-	486,523
Noncurrent portion of lease payable	2,475	-	-	-	2,475
Noncurrent portion of interfund note payable	-	1,956,699	175,383	9,593,008	11,725,090
Net pension liability	-	27,202	-	-	27,202
Total Noncurrent Liabilities	<u>2,475</u>	<u>2,470,424</u>	<u>175,383</u>	<u>9,593,008</u>	<u>12,241,290</u>
Total Liabilities	<u>\$ 2,937,194</u>	<u>\$ 2,781,193</u>	<u>\$ 1,824,237</u>	<u>\$ 10,056,792</u>	<u>\$ 17,599,416</u>
Deferred Inflows					
Deferred inflows related to pension	\$ 35,847	-	\$ 123,503	\$ 17,868	\$ 177,218
Total Deferred Inflows	<u>\$ 35,847</u>	<u>\$ -</u>	<u>\$ 123,503</u>	<u>\$ 17,868</u>	<u>\$ 177,218</u>
Net Position					
Net investment in capital assets	\$ 16,147,432	\$ 2,374,044	\$ 13,001,458	\$ 10,248,681	\$ 41,771,615
Restricted but expendable for:					
Pension	1,990,108	144,152	751,737	476,316	3,362,313
Unrestricted	28,826,164	868,234	(455,586)	4,338,414	33,577,226
Total Net Position	<u>\$ 46,963,704</u>	<u>\$ 3,386,430</u>	<u>\$ 13,297,609</u>	<u>\$ 15,063,411</u>	<u>\$ 78,711,154</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, 2024

	Business-type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Operating Revenues:					
Charges for services	\$ 18,530,388	\$ 2,044,216	\$ 4,375,715	\$ 3,745,013	\$ 28,695,332
Miscellaneous	248,619	39,290	66,235	31,116	385,260
Total Operating Revenues	18,779,007	2,083,506	4,441,950	3,776,129	29,080,592
Operating Expenses:					
Production:					
Fuel and purchased power	11,535,049	-	-	-	11,535,049
Salaries, wages and benefits	1,455,521	-	578,688	505,702	2,539,911
Plant maintenance and other	224,336	386,594	1,165,311	570,150	2,346,391
Transmission and distribution:					
Salaries, wages and benefits	2,045,645	772,207	1,162,030	-	3,979,882
Distribution maintenance and other	629,844	124,900	315,610	494,177	1,564,531
Depreciation and amortization	1,348,173	445,407	744,542	716,701	3,254,823
General and administrative:					
Salaries, wages and benefits	1,223,609	105,995	409,050	415,800	2,154,454
Contribution to Missouri Local Government Employees Retirement System	(23,085)	14,594	(3,119)	(1,908)	(13,518)
Insurance	277,980	38,860	89,621	72,843	479,304
Payments and/or services in lieu of taxes	1,706,701	12,295	246,397	15,719	1,981,112
Other general expenses	407,937	57,016	197,899	150,972	813,824
Total Operating Expenses	20,831,710	1,957,868	4,906,029	2,940,156	30,635,763
Operating Income (Loss)	(2,052,703)	125,638	(464,079)	835,973	(1,555,171)
Non-Operating Revenues (Expenses):					
Interest & investment earnings	1,314,827	101,289	28,217	115,362	1,559,695
Gain (loss) on sale of equipment	-	-	13,000	10,900	23,900
Interest Expense	-	(140,091)	(34,134)	(499,733)	(673,958)
Net Non-Operating Revenues (Expenses)	1,314,827	(38,802)	7,083	(373,471)	909,637
Income Before Capital Grants and Contributions	(737,876)	86,836	(456,996)	462,502	(645,534)
Capital Grants and Contributions	22,214	215,679	-	28,994	266,887
Net Income (Loss)	(715,662)	302,515	(456,996)	491,496	(378,647)
Net Position, Beginning of Year	47,128,476	3,083,915	13,754,605	14,571,915	78,538,911
Prior Period Adjustment (Note XVI)	550,890	-	-	-	550,890
Net Position, Beginning of Year, Restated	47,679,366	3,083,915	13,754,605	14,571,915	79,089,801
Net Position, End of Year	\$ 46,963,704	\$ 3,386,430	\$ 13,297,609	\$ 15,063,411	\$ 78,711,154

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Cash flows from operating activities:					
Cash received from customers	\$ 18,773,350	\$ 2,650,204	\$ 4,384,157	\$ 3,741,013	\$ 29,548,724
Cash paid to suppliers	(12,881,787)	(628,665)	(1,376,776)	(1,240,175)	(16,127,403)
Cash paid to employees	(4,882,673)	(875,820)	(2,134,387)	(946,431)	(8,839,311)
Cash paid for services in lieu of taxes	(1,706,701)	(12,295)	(246,397)	(15,719)	(1,981,112)
Net cash provided by operating activities	(697,811)	1,133,424	626,597	1,538,688	2,600,898
Cash flows from capital and related financing activities:					
Capital contributions	22,214	215,679	-	28,994	266,887
Proceeds from sale of assets	-	-	13,000	10,900	23,900
Purchases of capital assets	(1,002,230)	(1,618,915)	(3,362,351)	(1,760,782)	(7,744,278)
Prior period adjustment	550,890	-	-	-	550,890
Proceeds from interfund note payable	-	-	-	803,839	803,839
Principal paid on lease payable	(1,508)	-	-	-	(1,508)
Principal paid on interfund note payable	-	(320,948)	(290,204)	(298,695)	(909,847)
Principal paid on note payable	-	(88,477)	-	-	(88,477)
Interest paid on capital debt	-	(140,091)	(34,134)	(499,733)	(673,958)
Net cash (used) for capital and related financing activities	(430,634)	(1,952,752)	(3,673,689)	(1,715,477)	(7,772,552)
Cash flows from investing activities:					
Proceeds from sale of US government securities	1,945,476	-	-	-	1,945,476
Principal advances on interfund note receivable	(803,839)	-	-	-	(803,839)
Principal payments received on interfund note receivable	1,127,706	-	-	-	1,127,706
Interest and dividends	1,314,827	101,291	28,217	115,362	1,559,697
Net cash provided (used) by investing activities	3,584,170	101,291	28,217	115,362	3,829,040
Net increase in cash and cash equivalents	2,455,725	(718,037)	(3,018,875)	(61,427)	(1,342,614)
Cash and cash equivalents, beginning of year	6,534,329	2,216,594	2,527,122	3,779,206	15,057,251
Cash and cash equivalents, end of year	\$ 8,990,054	\$ 1,498,557	\$ (491,753)	\$ 3,717,779	\$ 13,714,637
Reported on the Statement of Net Position as:					
Cash and cash equivalents/(pooled cash overdrafts)	\$ 6,071,840	\$ 1,498,557	\$ (553,546)	\$ 262,557	\$ 7,279,408
Segregated cash and cash equivalents	2,918,214	-	61,793	3,455,222	6,435,229
	\$ 8,990,054	\$ 1,498,557	\$ (491,753)	\$ 3,717,779	\$ 13,714,637
Reconciliation of operating income (loss) to cash flows from operating activities:					
Operating income (loss)	\$ (2,052,703)	\$ 125,638	\$ (464,079)	\$ 835,973	\$ (1,555,171)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation and amortization expense	1,348,173	445,407	744,542	716,701	3,254,823
Changes in assets, deferred outflows, liabilities and deferred inflows:					
Receivables - net of allowances	(5,657)	566,698	(57,793)	(35,116)	468,132
Inventory	(85,624)	12,871	(5,242)	(3,734)	(81,729)
Prepaid expenses	(35,324)	(6,689)	(19,747)	(9,809)	(71,569)
Accounts and other payables	110,842	(12,883)	416,654	15,425	530,038
Deferred outflows	(758,678)	(126,446)	(325,148)	(198,702)	(1,408,974)
Deferred inflows	(110,647)	-	(40,645)	(24,839)	(176,131)
Net pension asset	846,240	113,838	362,674	221,633	1,544,385
Net pension liability	-	27,202	-	-	27,202
Other accrued liabilities	45,567	(12,212)	15,381	21,156	69,892
Net cash provided by operating activities	\$ (697,811)	\$ 1,133,424	\$ 626,597	\$ 1,538,688	\$ 2,600,898

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

I. ACCOUNTING POLICIES

Nature of Operations

Marshall Municipal Utilities (the “Municipal Utilities”) serves as the operating entity of the Municipal Utilities of Marshall, Missouri (the “City”) in furnishing electric, water and wastewater services to the Municipal Utilities and surrounding areas. The Municipal Utilities is a component unit of the Municipal Utilities. It was originally financed by contributions from the Municipal Utilities 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 Municipal Utilities Council. The financial statements reflect the results of certain transactions between the Municipal Utilities 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 Municipal Utilities 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, 2024

I. ACCOUNTING POLICIES (Continued)

Basis of Accounting and Revenue Recognition

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Proprietary Funds

Enterprise Funds

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

- Electric
- IT & Broadband
- Water
- Wastewater

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

Rate Matters

Rates require City Council approval.

Inventories

Fuel and maintenance inventories are stated at average cost.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

I. ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Income Taxes

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

Investments

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

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

Grants

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

Municipal Utilities Plant

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

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

Depreciation

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

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

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

I. ACCOUNTING POLICIES (Continued)

Estimates

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

Leases

Lessee accounting

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

Government-Wide Statements

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

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

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

Proprietary Funds

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

II. NATURAL GAS DEPARTMENT

On December 15, 2004, the Municipal Utilities received approval from the Board of Public Works to establish a Natural Gas Department to provide natural gas services to residents of the Municipal Utilities 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, 2024, the Natural Gas Department had total assets of \$3,718,560 and total liabilities of \$2,446. For the year ended September 30, 2024, the Natural Gas Department had revenues of \$300,790 and expenses of \$314,630.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

III. SEGREGATED ASSETS

Segregated assets (including restricted funds, board designated funds and excess funds on account) as of September 30, 2024 were designated as follows:

	Designated Balances	Segregated Funds Requirements
Electric Fund:		
Consumers' deposit fund	\$ 705,526	\$ 705,526
Insurance reserve fund	5,000,000	5,000,000
Equipment fund	-	-
	\$ 5,705,526	\$ 5,705,526
Water Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
	\$ 500,000	\$ 500,000
Wastewater Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
Main replacement fund	-	-
	\$ 500,000	\$ 500,000

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

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

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

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

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

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

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024 was as follows:

Electric

	Balance at September 30, 2023	Additions	Disposals	Balance at September 30, 2024
Capital assets not being depreciated:				
Land	\$ 1,621,462	\$ -	\$ -	\$ 1,621,462
Construction in progress	128,070	987,735	(285,948)	829,857
	<u>1,749,532</u>	<u>987,735</u>	<u>(285,948)</u>	<u>2,451,319</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	16,835,635	28,000	-	16,863,635
Distribution system	28,784,745	126,757	-	28,911,502
Street lighting and hydrants	684,285	-	-	684,285
Office structures and improvement and furniture and fixtures	599,593	7,215	-	606,808
Transportation equipment	2,285,394	122,785	(16,344)	2,391,835
Tools and shop equipment	453,474	12,135	-	465,609
Radio equipment	142,447	-	-	142,447
	<u>49,785,573</u>	<u>296,892</u>	<u>(16,344)</u>	<u>50,066,121</u>
Total capital assets at historical costs	<u>51,535,105</u>	<u>1,284,627</u>	<u>(302,292)</u>	<u>52,517,440</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(14,606,353)	(109,264)	-	(14,715,617)
Distribution system	(17,518,596)	(1,026,157)	-	(18,544,753)
Street lighting and hydrants	(198,252)	(34,210)	-	(232,462)
Office structures and improvement and furniture and fixtures	(435,199)	(14,291)	-	(449,490)
Transportation equipment	(1,899,517)	(105,654)	16,344	(1,988,827)
Tools and shop equipment	(352,276)	(25,292)	-	(377,568)
Radio equipment	(33,093)	(28,198)	-	(61,291)
Total accumulated depreciation	<u>(35,043,286)</u>	<u>(1,343,066)</u>	<u>16,344</u>	<u>(36,370,008)</u>
Net capital assets being depreciated	<u>14,742,287</u>	<u>(1,046,174)</u>	<u>-</u>	<u>13,696,113</u>
Net capital assets	<u>\$ 16,491,819</u>	<u>\$ (58,439)</u>	<u>\$ (285,948)</u>	<u>\$ 16,147,432</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

IV. CAPITAL ASSETS (Continued)

IT & Broadband

	Balance at September 30, 2023	Additions	Disposals	Balance at September 30, 2024
Capital assets not being depreciated:				
Construction in progress	\$ 716,002	\$ 1,530,621	\$ (85,975)	\$ 2,160,648
	<u>716,002</u>	<u>1,530,621</u>	<u>(85,975)</u>	<u>2,160,648</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	5,821,378	153,368	-	5,974,746
Transportation equipment	582,592	20,900	-	603,492
Tools and shop equipment	32,742	-	-	32,742
Radio equipment	23,187	-	-	23,187
	<u>6,459,899</u>	<u>174,268</u>	<u>-</u>	<u>6,634,167</u>
Total capital assets at historical costs	<u>7,175,901</u>	<u>1,704,889</u>	<u>(85,975)</u>	<u>8,794,815</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(2,991,417)	(355,687)	-	(3,347,104)
Transportation equipment	(316,615)	(80,407)	-	(397,022)
Tools and shop equipment	(7,109)	(4,677)	-	(11,786)
Radio equipment	(5,023)	(4,637)	-	(9,660)
Total accumulated depreciation	<u>(3,320,164)</u>	<u>(445,408)</u>	<u>-</u>	<u>(3,765,572)</u>
Net capital assets being depreciated	<u>3,139,735</u>	<u>(271,140)</u>	<u>-</u>	<u>2,868,595</u>
Net capital assets	<u>\$ 3,855,737</u>	<u>\$ 1,259,481</u>	<u>\$ (85,975)</u>	<u>\$ 5,029,243</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

IV. CAPITAL ASSETS (Continued)

Water

	Balance at September 30, 2023	Additions	Transfers	Balance at September 30, 2024
Capital assets not being depreciated:				
Land	\$ 94,398	\$ -	\$ -	\$ 94,398
Construction in progress	1,077,646	2,971,004	(528,893)	3,519,757
	<u>1,172,044</u>	<u>2,971,004</u>	<u>(528,893)</u>	<u>3,614,155</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	11,655,423	7,214	215,636	11,878,273
Distribution system	9,131,336	20,465	159,372	9,311,173
Street lighting and hydrants	381,867	-	-	381,867
Office structures and improvement and furniture and fixtures	15,460	-	-	15,460
Transportation equipment	1,042,121	363,669	137,940	1,543,730
Laboratory equipment	8,652	-	-	8,652
Tools and shop equipment	56,198	-	-	56,198
Radio equipment	2,625	-	-	2,625
	<u>22,293,682</u>	<u>391,348</u>	<u>512,948</u>	<u>23,197,978</u>
Total capital assets at historical costs	<u>23,465,726</u>	<u>3,362,352</u>	<u>(15,945)</u>	<u>26,812,133</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(6,278,234)	(457,869)	-	(6,736,103)
Distribution system	(5,241,289)	(152,352)	-	(5,393,641)
Street lighting and hydrants	(227,983)	(6,762)	-	(234,745)
Office structures and improvement and furniture and fixtures	(5,803)	(1,998)	-	(7,801)
Transportation equipment	(807,264)	(118,446)	15,945	(909,765)
Laboratory equipment	(8,652)	-	-	(8,652)
Tools and shop equipment	(28,794)	(7,115)	-	(35,909)
Radio equipment	(2,625)	-	-	(2,625)
Total accumulated depreciation	<u>(12,600,644)</u>	<u>(744,542)</u>	<u>15,945</u>	<u>(13,329,241)</u>
Net capital assets being depreciated	<u>9,693,038</u>	<u>(353,194)</u>	<u>528,893</u>	<u>9,868,737</u>
Net capital assets	<u>\$ 10,865,082</u>	<u>\$ 2,617,810</u>	<u>\$ -</u>	<u>\$ 13,482,892</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

IV. CAPITAL ASSETS (Continued)

Wastewater

	Balance at September 30, 2023	Additions	Disposals	Balance at September 30, 2024
Capital assets not being depreciated:				
Land	\$ 118,398	\$ -	\$ -	\$ 118,398
Construction in progress	8,789,298	1,652,898	(10,021,107)	421,089
	<u>8,907,696</u>	<u>1,652,898</u>	<u>(10,021,107)</u>	<u>539,487</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	24,052,477	9,522,967	-	33,575,444
Distribution system	9,293,006	506,576	-	9,799,582
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	1,381,655	82,868	(35,571)	1,428,952
Laboratory equipment	4,537	-	-	4,537
Tools and shop equipment	257,108	16,580	-	273,688
Radio equipment	452	-	-	452
	<u>34,989,235</u>	<u>10,128,991</u>	<u>(35,571)</u>	<u>45,082,655</u>
Total capital assets at historical costs	<u>43,896,931</u>	<u>11,781,889</u>	<u>(10,056,678)</u>	<u>45,622,142</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(19,475,295)	(429,211)	-	(19,904,506)
Distribution system	(4,232,365)	(150,703)	-	(4,383,068)
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	(943,024)	(118,999)	35,571	(1,026,452)
Laboratory equipment	(4,138)	(399)	-	(4,537)
Tools and shop equipment	(173,746)	(17,389)	-	(191,135)
Radio equipment	(452)	-	-	(452)
Total accumulated depreciation	<u>(24,829,020)</u>	<u>(716,701)</u>	<u>35,571</u>	<u>(25,510,150)</u>
Net capital assets being depreciated	<u>10,160,215</u>	<u>9,412,290</u>	<u>-</u>	<u>19,572,505</u>
Net capital assets	<u>\$ 19,067,911</u>	<u>\$ 11,065,188</u>	<u>\$ (10,021,107)</u>	<u>\$ 20,111,992</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

V. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2024:

	Water	Wastewater	IT & Broadband	City (General Fund)
Balance, September 30, 2023	\$ 771,637	\$ 9,358,167	\$ 2,944,624	\$ 1,256,581
Note issued	-	803,839	-	-
Note retired	(290,203)	(298,695)	(289,425)	(217,861)
Balance, September 30, 2024	<u>\$ 481,434</u>	<u>\$ 9,863,311</u>	<u>\$ 2,655,199</u>	<u>\$ 1,038,720</u>
Current Portion	<u>\$ 306,051</u>	<u>\$ 270,303</u>	<u>\$ 211,977</u>	<u>\$ 229,366</u>

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

Debt repayment requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 358,322	\$ 9,894	\$ 368,216
2026	214,176	1,563	215,739
	<u>\$ 572,498</u>	<u>\$ 11,457</u>	<u>\$ 583,955</u>

Additionally, the new loan amount of \$9,330,174 was signed October 12, 2023 and requires 240 monthly payments, beginning October 15, 2023 and ending September 15, 2043. The interest rate is to be the six-month treasury bill rate established by the market on the sale date prior to January 1 and July 1 of each year.

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

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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>
2025	\$ 301,533	\$ 8,326	\$ 309,859
2026	179,901	1,315	181,216
	<u>\$ 481,434</u>	<u>\$ 9,641</u>	<u>\$ 491,075</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, 2024 the Board had advanced \$1,680,856 and had received principal payments of \$424,275, leaving a balance of \$1,238,581 at September 30, 2024. 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>
2025	\$ 229,366	\$ 51,161	\$ 280,527
2026	224,232	38,296	262,528
2027	255,819	24,708	280,527
2028	270,169	10,359	280,528
2029	59,134	191	59,325
	<u>\$ 1,038,720</u>	<u>\$ 124,715</u>	<u>\$ 1,163,435</u>

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

Debt repayment requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 210,846	\$ 113,464	\$ 324,310
2026	222,673	101,637	324,310
2027	235,164	89,146	324,310
2028	248,355	75,956	324,311
2029	264,958	49,877	314,835
2030-2033	987,980	107,919	1,095,899
	<u>\$ 2,169,976</u>	<u>\$ 537,999</u>	<u>\$ 2,707,975</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

V. LONG-TERM DEBT (Continued)

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

VI. LEASES

The Utilities is a lessee for a postage machine. The leased asset activity for fiscal year ended September 30, 2024 is as follows:

	Balance at Sept. 30, 2023	Additions	Balance at Sept. 30, 2024
Leased assets	\$ 7,783	\$ -	\$ 7,783
Less accumulated amortization	(1,946)	(1,556)	(3,502)
Note retired	-	-	-
Leased assets, net of accumulated amortization	<u>\$ 5,837</u>	<u>\$ (1,556)</u>	<u>\$ 4,281</u>

Principal and interest payments required are as follows:

Year Ended September 30,	Principal	Interest	Total
2025	\$ 1,570	\$ 138	\$ 1,708
2026	1,634	75	1,709
2027	841	13	854
	<u>\$ 4,045</u>	<u>\$ 226</u>	<u>\$ 4,271</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.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

VII. PENSION PLAN (Continued)

General Information about the Pension Plan

Plan description. The Municipal Utilities' defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Municipal Utilities participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2024 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, 2024 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	167
Inactive employees entitled to but not yet receiving benefits	61
Active employees	172
	<u>400</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

VII. PENSION PLAN (Continued)

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 11.8% (General), 6.1% (Police) and 9.0% (Fire) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2024.

Actuarial assumptions. The total pension liability in the February 29, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

VII. PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

Discount rate. The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 9/30/23	\$ 55,958,159	\$ 61,836,902	\$ (5,878,743)
Changes for the year:			
Service Cost	957,185	-	957,185
Interest	3,851,670	-	3,851,670
Difference between expected and actual experience	1,821,848	-	1,821,848
Contributions - employer	-	1,128,646	(1,128,646)
Change in Assumptions	-	-	-
Net investment income	-	3,174,776	(3,174,776)
Benefit payments, including refunds	(2,857,971)	(2,857,971)	-
Administrative expense	-	(51,236)	51,236
Other changes	-	(96,614)	96,614
Net changes	3,772,732	1,297,601	2,475,131
Balances at 9/30/24	\$ 59,730,891	\$ 63,134,503	\$ (3,403,612)

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

VII. PENSION PLAN (Continued)

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

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 67,672,009	\$ 59,730,891	\$ 53,121,152
Plan Fiduciary Net Position	63,134,503	63,134,503	63,134,503
Net Position Liability (Asset)	<u>\$ 4,537,506</u>	<u>\$ (3,403,612)</u>	<u>\$ (10,013,351)</u>

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

For the year ended September 30, 2024 the employer recognized pension expense of \$917,803. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 1,740,178	\$ 299,560
Differences in assumptions	-	212,214
Excess (deficit) investment returns	1,877,919	-
Contributions subsequent to the measurement date*	316,862	-
Total	<u>\$ 3,934,959</u>	<u>\$ 511,774</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, 2024.

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

Year Ended	Outflows of Resources
2025	\$ (321,728)
2026	1,938,529
2027	977,378
2028	481,600
2029	30,514
Thereafter	30

Payable to the Pension Plan

At September 30, 2024, 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, 2024.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024, 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	8,740,054
	<u>\$ 8,990,054</u>
IT & Broadband Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	1,248,557
	<u>\$ 1,498,557</u>
Water Fund:	
Insured (FDIC)	\$ 61,793
Uninsured with collateral held by pledging bank in Utility's name	-
	<u>\$ 61,793</u>
Wastewater Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	3,467,779
	<u>\$ 3,717,779</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

VIII. DEPOSITS AND INVESTMENT BALANCES (Continued)

Investments - The Municipal Utilities' investments at September 30, 2024, and throughout the year consisted of short-term U.S. government securities. At September 30, 2024, the Municipal Utilities had the following investments:

Type	Fair Value	Book Value	Book Value Maturity Less Than One Year
Electric:			
U.S. Treasury Bills	\$ 2,921,816	\$ 2,921,816	\$ 2,921,816
Total	<u>\$ 2,921,816</u>	<u>\$ 2,921,816</u>	<u>\$ 2,921,816</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, 2024, 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, 2024

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, 2024 and September 30, 2023:

2024

- U.S. Treasury securities of \$2,921,816 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).

2023

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

X. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Receivables detail at September 30, 2024, was as follows:

	Electric	Internet	Water	Wastewater
Accounts receivable	\$ 2,208,954	\$ 258,679	\$ 506,931	\$ 473,875
Allowance for doubtful accounts	-	-	-	-
Net accounts receivable	<u>\$ 2,208,954</u>	<u>\$ 258,679</u>	<u>\$ 506,931</u>	<u>\$ 473,875</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 14% of electric revenues, 15% of water revenues, and 21% of wastewater revenues are generated from a small number of industrial customers.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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 2024 required 1% of electric net revenues. The total principal and interest remaining to be paid on the lease is \$4,271. Principal and interest paid on the lease for the current year was \$1,708 and electric net revenues for the current year were \$610,297.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

XVI. PRIOR PERIOD ADJUSTMENT

The Municipal Utilities recorded a prior period adjustment in the Electric Fund to account for a correction to the beginning of the year cash balance.

	<u>Electric Fund</u>
Net position, beginning of year	\$ 47,128,476
Prior period adjustment	<u>550,890</u>
Net position, restated	<u><u>\$ 47,679,366</u></u>

XVII. CONSIDERATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 16, 2025, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2024

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2015	\$ 671,496.11	\$ 619,841.75	\$ 51,654.36	\$4,695,774.14	13.20%
2016	592,628.30	592,628.17	0.13	4,818,115.83	12.30%
2017	558,482.58	558,483.05	(0.47)	5,031,375.78	11.10%
2018	551,365.09	551,364.77	0.32	5,012,410.44	11.00%
2019	544,660.42	544,660.42	-	4,820,004.78	11.30%
2020	593,514.52	593,514.45	0.07	4,987,517.21	11.90%
2021	641,528.58	641,527.95	0.63	5,301,887.03	12.10%
2022	688,387.77	688,387.00	0.77	5,378,029.36	12.80%
2023	710,868.14	710,868.14	-	5,779,415.34	12.30%
2024	737,401.99	737,402.90	(0.91)	6,249,171.85	11.80%

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2024

Valuation Date:	February 29, 2024
Notes:	The roll-forward of total pension liability from February 29, 2024 to June 30, 2024 reflects expected service cost and interest reduced by actual benefit payments.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining Amortization Period	Multiple bases from 7 to 15 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	2.75% wage inflation; 2.25% price inflation
Salary Increases	2.75% to 6.75% including wage inflation for General Division 2.75% to 7.15% including wage inflation for Fire Division 2.75% to 6.55% including wage inflation for Police Division
Investment Rate of Return	7.00%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<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>
Other Information:	None

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2024

	Fiscal Year Ending				
	September 30, 2024	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020
Total Pension Liability					
Service Cost	\$ 957,185	\$ 908,688	\$ 894,470	\$ 872,592	\$ 840,700
Interest on the Total Pension Liability	3,851,670	3,730,790	3,552,272	3,616,233	3,472,865
Benefit Changes	-	-	-	-	-
Difference between expected and actual experience	1,821,848	(152,254)	660,230	(269,927)	(30,287)
Assumption Changes	-	-	-	(970,082)	-
Benefit Payments	(2,857,971)	(2,712,922)	(2,419,474)	(2,364,385)	(2,280,017)
Refunds	-	-	-	-	-
Net Change in Total Pension Liability	3,772,732	1,774,302	2,687,498	884,431	2,003,261
Total Pension Liability beginning	55,958,159	54,183,857	51,496,359	50,611,928	48,608,667
Total Pension Liability ending	\$ 59,730,891	\$ 55,958,159	\$ 54,183,857	\$ 51,496,359	\$ 50,611,928
Plan Fiduciary Net Position					
Contributions - employer	1,128,646	1,122,755	1,105,606	1,031,084	993,727
Contributions - employee	-	-	-	-	-
Pension Plan Net Investment Income	3,174,776	2,157,492	49,297	13,696,849	659,159
Benefit Payments	(2,857,971)	(2,712,922)	(2,419,474)	(2,364,385)	(2,280,017)
Refunds	-	-	-	-	-
Pension Plan Administrative expense	(51,236)	(57,080)	(41,211)	(37,901)	(49,069)
Other	(96,614)	(1,113,222)	216,943	158,849	(63,344)
Net Change in Plan Fiduciary Net Position	1,297,601	(602,977)	(1,088,839)	12,484,496	(739,544)
Plan Fiduciary Net Position beginning	61,836,902	62,439,879	63,528,718	51,044,222	51,783,766
Plan Fiduciary Net Position ending	\$ 63,134,503	\$ 61,836,902	\$ 62,439,879	\$ 63,528,718	\$ 51,044,222
Employer Net Pension Liability (Asset)	\$ (3,403,612)	\$ (5,878,743)	\$ (8,256,022)	\$(12,032,359)	\$ (432,294)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	105.70%	110.51%	115.24%	123.37%	100.85%
Covered Employee Payroll	10,306,281	9,326,537	9,110,746	9,000,629	7,759,189
Employer's Net Pension Liability as a percentage of covered employee payroll	(33.02%)	(63.03%)	(90.62%)	(133.68%)	(5.57%)

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS) (CONTD)
YEAR ENDED SEPTEMBER 30, 2024

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

COMPLIANCE AND INTERNAL CONTROL

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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
Kaitlin M. 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, 2024 and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements and have issued our report thereon dated June 16, 2025.

Report on Internal Control Over Financial Reporting

PARTNERS EMERITI

Robert A. Gerding
Fred W. Korte, Jr.

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.

Report on 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.



June 16, 2025

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



GERDING, KORTE & CHITWOOD CPAS
Professional Corporation
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Marshall Municipal Utilities (the 'Municipal Utilities') compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Municipal Utilities's major federal programs for the year ended September 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipal Utilities and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipal Utilities's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Municipal Utilities's federal programs.

PARTNERS

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Kaitlin M. Carrier

PARTNERS EMERITI

Robert A. Gerding
Fred W. Korte, Jr.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipal Utilities's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipal Utilities's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Municipal Utilities's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Municipal Utilities's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Municipal Utilities's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

June 16, 2025

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, 2024**

<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>
U.S. Department of Agriculture					
Direct funding	ReConnect Pilot Program Loan	10.752	MO1705-A59	-	\$ 124,734
	ReConnect Pilot Program Grant	10.752	MO1705-A59	-	<u>1,767,461</u>
				Subtotal ReConnect Pilot Program	<u>\$ 1,892,195</u>
Total U.S. Department of Transportation					<u>1,892,195</u>
U.S. General Services Administration					
Passed through the State Agency	Donation of Federal				
for Surplus Property	Surplus Property	39.003	--	-	<u>480</u>
Total U.S. General Services Administration					<u>480</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 1,892,675</u></u>

MARSHALL MUNICIPAL UTILITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2024

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, 2024. 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.

B. Basis of Accounting

Expenditures reported on the Schedule are reported on the generally accepted accounting principles, which is described in Note 1 to the Municipal Utilities's basic financial statements.

MARSHALL MUNICIPAL UTILITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
SEPTEMBER 30, 2024

Summary of Significant Accounting Policies (Cont'd)

- C. The Municipal Utilities has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.
- D. Subrecipients - The Municipal Utilities provided no federal awards to subrecipients during the year ended September 30, 2024.

MARSHALL MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITOR'S RESULTS - FEDERAL REQUIREMENTS
SEPTEMBER 30, 2024

Section I: Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: unmodified on the modified cash basis of accounting

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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.752	ReConnect Pilot Program Loan
10.752	ReConnect Pilot Program Grant

MARSHALL MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY OF AUDITOR'S RESULTS - FEDERAL REQUIREMENTS (CONT'D)
SEPTEMBER 30, 2024

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None