

REPORT OF
MARSHALL MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE
CITY OF MARSHALL, MISSOURI
SEPTEMBER 30, 2025

**MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Marshall Municipal Utilities (the "Municipal Utilities"), component unit of the Municipal Utilities of Marshall, Missouri, as of and for the year ended September 30, 2025, 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, 2025, 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 IT/Broadband Fund to reflect a correction to capital asset balances. Our opinion is not modified with respect to this matter.

PARTNERS

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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 43-46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipal Utilities' basic financial statements. The 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 February 16, 2026, on our consideration of the Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipal Utilities' internal control over financial reporting and compliance.

Gerding, Korte & Chitwood, P.C.

February 16, 2026

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

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(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, 2025 and 2024.

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 20-42.

Nonrecurring Items

Fiscal Year 2025

Marshall Municipal Utilities made significant progress on several major infrastructure and service projects. The most notable effort is the Missouri Joint Municipal Electric Utility Commission development of the Marshall Energy Center, a multi-year project that will supply energy and capacity to 52 municipal electric systems. Construction of the first phase began in 2025, including relocation of a natural gas transmission line, installation of foundations and underground infrastructure, and placement of turbines and generators. Building erection is scheduled to begin in early 2026, with the first phase expected to be complete by September 2026 and the second phase by 2028. The project represents an estimated \$190 million investment and is expected to generate additional revenue for MMU through gas transmission, electric service, maintenance contracts, transmission use, and franchise fees benefiting the City of Marshall.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

MMU also completed several major water system improvements. These included replacing approximately 2,600 feet of aging cast-iron water main on W. College Street—much of which dated back to the 1930s—and transferring 31 services, completing tie-ins, and restoring pavement. Another project extended and looped a 12-inch water main on Park Avenue, improving water flow and system reliability in surrounding areas. Materials for these and future water main replacements were funded through State of Missouri grants, allowing continued infrastructure upgrades over the coming years.

The IT and Broadband Department continued expanding high-speed internet service in rural areas of Saline County using funding from the USDA ReConnect Program. Round 1 construction has been completed and is meeting subscriber and revenue targets, with reimbursements received and loan repayment underway. Round 2 construction is progressing, with hundreds of miles of conduit installed and additional miles contracted. Although fiber installation is currently several months behind conduit construction due to contractor pace and equipment downtime, the gap is expected to narrow as contractor activity decreases. Costs, subscriber growth, and revenue projections remain in line with expectations.

In addition, MMU began a comprehensive water system master plan in partnership with Burns & McDonnell to evaluate distribution, pumping, and transmission infrastructure and to guide long-term capital improvements. Work also started on a new IT and Broadband facility to support more than 4,600 internet customers and to house critical IT infrastructure in a hardened environment that supports all utility operations. Together, these projects reflect continued investment in reliability, growth, and long-term planning across MMU's electric, water, and broadband services.

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.

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.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the department's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 43-46 of this report.

The following tables provide a summary of Electric Department's operations for years ended September 30, 2025 and 2024.

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

	2025	2024	Change	Percent of Change
Revenues:				
Charges for services	\$ 20,108,506	\$ 18,530,388	\$ 1,578,118	8.52%
Capital grants and contributions	-	22,214	(22,214)	-100.00%
General Revenues:				
Investment earnings	991,623	1,314,827	(323,204)	-24.58%
Miscellaneous	1,382,825	248,619	1,134,206	456.20%
Total Revenues	<u>22,482,954</u>	<u>20,116,048</u>	<u>2,366,906</u>	11.77%
Expenses:				
Electric	22,776,832	20,831,710	1,945,122	9.34%
Total Expenses	<u>22,776,832</u>	<u>20,831,710</u>	<u>1,945,122</u>	9.34%
Increase (decrease) in net position	<u>(293,878)</u>	<u>(715,662)</u>	<u>421,784</u>	-58.94%
Net Position - beginning of year	46,963,704	47,128,476	(164,772)	-0.35%
Prior period adjustments	-	550,890	550,890	
Net Position - beginning of year (restated)	<u>46,963,704</u>	<u>47,679,366</u>	<u>386,118</u>	
Net Position - end of year	<u>\$ 46,669,826</u>	<u>\$ 46,963,704</u>	<u>\$ 807,902</u>	1.72%

Capital Assets

The Electric Department's investment in capital assets for its activities as of September 30, 2025, amounts to \$18,956,838 (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**

	2025	2024
Property, plant and equipment:		
Land and land rights	\$ 1,595,493	\$ 1,621,526
Plant structures and improvements	5,675,096	5,692,046
Collection	6,842,996	7,340,405
General equipment	4,532,407	663,598
Construction work in progress	310,846	829,857
Net Capital Assets	<u>\$ 18,956,838</u>	<u>\$ 16,147,432</u>

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

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

Financial Highlights - Electric

- The assets and deferred outflows of the Electric Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$46,669,826 (net position). Of this amount, \$25,727,478 (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 \$293,878.

One of the portions of the department's net position (41%) 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

	2025	2024
Current and other assets	\$ 29,116,726	\$ 32,416,023
Capital assets	18,956,838	16,147,432
Total Assets	<u>48,073,564</u>	<u>48,563,455</u>
Deferred outflows	<u>1,645,766</u>	<u>1,373,290</u>
Other liabilities	<u>3,049,504</u>	<u>2,937,194</u>
Deferred inflows	<u>-</u>	<u>35,847</u>
Net Position		
Net investment in capital assets	18,956,838	16,147,432
Restricted	1,985,510	1,990,108
Unrestricted	<u>25,727,478</u>	<u>28,826,164</u>
Total Net Position	<u>\$ 46,669,826</u>	<u>\$ 46,963,704</u>

The following tables provide a summary of Water Department's operations for years ended September 30, 2025 and 2024:

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

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

	2025	2024	Change	Percent of Change
Revenues:				
Charges for services	\$ 4,570,772	\$ 4,375,715	\$ 195,057	4.46%
Capital grants and contributions	3,540,284	-	3,540,284	
General Revenues:				
Gain on sale	-	13,000	(13,000)	
Investment earnings	105,843	28,217	77,626	275.10%
Miscellaneous	90,108	66,235	23,873	36.04%
Total Revenues	<u>8,307,007</u>	<u>4,483,167</u>	<u>3,823,840</u>	85.29%
Expenses:				
Interest on long-term debt	15,821	34,134	(18,313)	-53.65%
Water	5,315,328	4,906,029	409,299	8.34%
Total Expenses	<u>5,331,149</u>	<u>4,940,163</u>	<u>390,986</u>	7.91%
Increase (decrease) in net position	2,975,858	(456,996)	3,432,854	-751.18%
Net Position - beginning of year	13,297,609	13,754,605	(456,996)	-3.32%
Net Position - end of year	<u>\$ 16,273,467</u>	<u>\$ 13,297,609</u>	<u>\$ 2,975,858</u>	22.38%

Capital Assets

The Water Department's investment in capital assets for its activities as of September 30, 2025, amounts to \$13,551,795 (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**

	2025	2024
Property, plant and equipment:		
Land and land rights	\$ 94,398	\$ 94,398
Plant structures and improvements	4,843,592	5,142,170
Collection	4,113,349	4,064,654
General equipment	775,567	661,913
Construction work in progress	3,724,889	3,519,757
Net Capital Assets	<u>\$ 13,551,795</u>	<u>\$ 13,482,892</u>

Additional information on the Water Department's capital assets can be found in Note IV on page 29 of this report.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(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 \$16,273,467 (net position). Of this amount, \$2,053,113 (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 \$2,975,858.

The largest portion of the department's net position (82%) 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

	2025	2024
Current and other assets	\$ 2,879,416	\$ 1,197,661
Capital assets	13,551,795	13,482,892
	16,431,211	14,680,553
Deferred outflows	681,572	564,796
Long-term liabilities	-	175,383
Other liabilities	824,677	1,648,854
	824,677	1,824,237
Deferred inflows	14,639	123,503
Net Position		
Net investment in capital assets	13,377,086	13,001,458
Restricted	843,268	751,737
Unrestricted	2,053,113	(455,586)
Total Net Position	\$ 16,273,467	\$ 13,297,609

During the fiscal year, the department's total debt decreased by \$306,725. The decrease was due to debt repayment exceeding debt issued.

**Debt Administration
Outstanding Debt at Year End
Interfund Debt**

	2025	2024	Change	% of Change
Debt	\$ 174,709	\$ 481,434	\$ (306,725)	-63.71%

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

Additional information on Marshall Municipal Utilities Water Department's long-term debt can be found in Note V on pages 31-32 of this report.

The following tables provide a summary of Wastewater Department's operations for years ended September 30, 2025 and 2024:

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

	2025	2024	Change	Percent of Change
Revenues:				
Charges for services	\$ 3,882,926	\$ 3,745,013	\$ 137,913	3.68%
Capital grants and contributions	750	28,994	(28,244)	-97.41%
General Revenues:				
Gain on sale	14,500	10,900	3,600	
Investment earnings	137,596	115,362	22,234	19.27%
Miscellaneous	21,073	31,116	(10,043)	-32.28%
Total Revenues	<u>4,056,845</u>	<u>3,931,385</u>	<u>125,460</u>	3.19%
Expenses:				
Interest on long-term debt	440,856	499,733	(58,877)	-11.78%
Wastewater	3,483,817	2,940,156	543,661	18.49%
Total Expenses	<u>3,924,673</u>	<u>3,439,889</u>	<u>484,784</u>	14.09%
Increase in net position	132,172	491,496	(359,324)	-73.11%
Net Position - beginning of year	15,063,411	14,571,915	491,496	3.37%
Net Position - end of year	<u>\$ 15,195,583</u>	<u>\$ 15,063,411</u>	<u>\$ 132,172</u>	0.88%

Capital Assets

The Wastewater Department's investment in capital assets for its activities as of September 30, 2025, amounts to \$19,836,142 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and construction in progress.

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

	2025	2024
Property, plant and equipment:		
Land and land rights	\$ 118,398	\$ 118,398
Plant structures and improvements	13,662,923	13,670,938
Collection	5,496,391	5,408,078
General equipment	438,122	485,053
Construction work in progress	120,308	429,525
Net Capital Assets	<u>\$ 19,836,142</u>	<u>\$ 20,111,992</u>

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

Additional information on the Wastewater Department's capital assets can be found in Note IV on page 30 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 \$15,195,583 (net position). Of this amount, \$4,402,775 (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 \$132,172.

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

	2025	2024
Current and other assets	\$ 4,802,256	\$ 4,682,031
Capital assets	19,836,142	20,111,992
	24,638,398	24,794,023
Deferred outflows	415,410	344,048
Long term liabilities	9,165,589	9,593,008
Other liabilities	692,636	463,784
	9,858,225	10,056,792
Deferred inflows	-	17,868
Net Position		
Net investment in capital assets	10,309,218	10,248,681
Restricted	483,590	476,316
Unrestricted	4,402,775	4,338,414
Total Net Position	\$ 15,195,583	\$ 15,063,411

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

Debt Administration
Outstanding Debt at Year End
Interfund Debt

	2025	2024	Change	% of Change
Debt	\$ 9,526,924	\$ 9,863,311	\$ (336,387)	-3.41%

During the fiscal year, the department's total debt decreased by \$336,387 or -3.41%. The decrease was due to debt payments.

Additional information on Marshall Municipal Utilities Wastewater Department's long-term debt can be found in Note V on pages 31-32 of this report.

The following tables provide a summary of IT & Broadband Department's operations for years ended September 30, 2025 and 2024:

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

	2025	2024	Change	Percent of Change
Revenues:				
Charges for services	\$ 2,168,185	\$ 2,044,216	\$ 123,969	6.06%
Capital grants and contributions	1,385,890	215,679	1,170,211	100.00%
General Revenues:				
Investment earnings	34,161	101,289	(67,128)	-66.27%
Miscellaneous	40,606	39,290	1,316	3.35%
Total Revenues	3,628,842	2,400,474	1,228,368	51.17%
Expenses:				
Interest on long-term debt	109,805	140,091	(30,286)	100.00%
IT & Broadband	1,794,356	1,957,868	(163,512)	-8.35%
Total Expenses	1,904,161	2,097,959	(193,798)	-9.24%
Increase in net position	1,724,681	302,515	1,422,166	470.11%
Net Position - beginning of year	3,386,430	3,083,915	302,515	9.81%
Prior period adjustments	463,055	-	463,055	
Net Position - beginning of year (restated)	3,849,485	3,083,915	765,570	
Net Position - end of year	\$ 5,574,166	\$ 3,386,430	\$ 2,187,736	64.60%

Capital Assets

The IT & Broadband Department's investment in capital assets for its activities as of September 30, 2025, amounts to \$7,907,116 (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, 2025
(UNAUDITED)

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

	2025	2024
Property, plant and equipment:		
Plant structures and improvements	\$ 2,556,055	\$ 2,587,612
General equipment	270,953	280,983
Construction work in progress	5,080,108	2,160,648
Net Capital Assets	\$ 7,907,116	\$ 5,029,243

Additional information on the IT & Broadband Department's capital assets can be found in Note IV on page 28 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 \$5,574,166 (net position).
- The department's total net position increased by \$1,724,681.

The largest portion of the department's net position (100%) 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

	2025	2024
Current and other assets	\$ 156,961	\$ 967,026
Capital assets	7,907,116	5,029,243
Total Assets	8,064,077	5,996,269
Deferred outflows	216,767	171,354
Long-term liabilities	2,059,593	2,470,424
Other liabilities	647,085	310,769
Deferred inflows	-	-
Net Position		
Net investment in capital assets	5,581,350	2,374,044
Restricted	137,412	144,152
Unrestricted	(144,596)	868,234
Total Net Position	\$ 5,574,166	\$ 3,386,430

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

Debt Administration
Outstanding Debt at Year End

During the fiscal year, the department’s total debt decreased by \$329,433. The decrease was due to debt repayment exceeding debt issued.

	2025	2024	Change	% of Change
Debt	\$ 2,325,766	\$ 2,655,199	\$ (329,433)	-12.41%

Economic Outlook

Marshall Municipal Utilities (MMU) indicates continued cost pressures and capital investment needs across both the electric and water systems. Wholesale energy costs averaged \$76.84/MWh in fiscal year 2025, an increase of \$6.92/MWh from the prior year, driven primarily by higher net energy costs as market prices rose, particularly due to elevated natural gas prices. Because Missouri Public Energy Pool (MoPEP) is generally a net purchaser of energy, higher market prices directly increased overall costs, and although additional generation was achieved during the year, it was not sufficient to fully offset those increases. Transmission expenses also contributed to the upward trend. After accounting for generation credits, MMU’s all-in power supply cost was \$73.20/MWh, and while costs are projected to rise by approximately 5% in 2026, higher anticipated capacity credits are expected to more than offset the increase, helping moderate the net financial impact.

At the same time, MMU faces significant capital needs related to aging water infrastructure, particularly at the water treatment plant and key transmission lines, with planning underway to begin major improvements in late 2026 and early 2027. In coordination with Burns & McDonnell, the water distribution master plan is expected to be completed in March 2026 and will help guide long-term investment priorities. To finance these improvements, MMU is evaluating several funding options, and with the last water rate increase occurring in 2019, rate adjustments are anticipated in 2026 and possibly 2027 to support debt service and infrastructure modernization while maintaining system reliability and financial stability.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2025
(UNAUDITED)

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, 2025

	Business-Type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Assets					
Current Assets					
Operating funds:					
Cash and cash equivalents	\$ 4,251,467	\$ 693,430	\$ -	\$ -	\$ 4,944,897
Receivables - net of allowances:					
Consumers	2,456,625	275,800	434,847	313,517	3,480,789
Other	4,673	-	14,894	31,264	50,831
Accrued interest	-	-	-	219	219
Inventories:					
Fuel	638,906	-	-	-	638,906
Maintenance materials	1,307,460	680,887	699,179	29,123	2,716,649
Current portion of interfund note receivable	1,009,151	-	-	-	1,009,151
Internal balances	1,540,000	(1,540,000)	-	-	-
Prepaid expenses	346,513	46,844	88,094	62,587	544,038
Total Current Assets	11,554,795	156,961	1,237,014	436,710	13,385,480
Segregated Assets					
Cash and cash equivalents	5,771,029	-	1,466,067	4,052,366	11,289,462
U.S. Government Securities, at amortized cost	-	-	-	245,000	245,000
Total Segregated Assets	5,771,029	-	1,466,067	4,297,366	11,534,462
Noncurrent Assets					
Net pension asset	339,744	-	176,335	68,180	584,259
Noncurrent portion of interfund note receivable	11,448,434	-	-	-	11,448,434
Net leased assets	2,724	-	-	-	2,724
Net capital assets	18,956,838	7,907,116	13,551,795	19,836,142	60,251,891
Total Noncurrent Assets	30,747,740	7,907,116	13,728,130	19,904,322	72,287,308
Total Assets	\$ 48,073,564	\$ 8,064,077	\$ 16,431,211	\$ 24,638,398	\$ 97,207,250
Deferred Outflows					
Deferred outflows related to pension	\$ 1,645,766	\$ 216,767	\$ 681,572	\$ 415,410	\$ 2,959,515
Total Deferred Outflows	\$ 1,645,766	\$ 216,767	\$ 681,572	\$ 415,410	\$ 2,959,515

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF NET POSITION (CONT'D)
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Liabilities					
Operating Funds:					
Current Liabilities					
Accounts payable - trade	\$ 1,360,349	\$ 183,447	\$ 30,022	\$ 7,554	\$ 1,581,372
Gross revenue levy payable	510,127	-	56,081	-	566,208
Pooled cash overdraft	-	-	402,876	193,904	596,780
Accrued benefits payable	349,368	100,158	114,371	103,319	667,216
Current portion of interfund note payable	-	230,875	174,709	361,335	766,919
Current portion of note payable	-	114,653	-	-	114,653
Accrued payroll	98,634	17,952	46,618	26,524	189,728
Segregated Funds:					
Consumer deposits	728,551	-	-	-	728,551
Total Current Liabilities	3,047,029	647,085	824,677	692,636	5,211,427
Noncurrent Liabilities:					
Noncurrent portion of note payable	-	261,114	-	-	261,114
Noncurrent portion of lease payable	2,475	-	-	-	2,475
Noncurrent portion of interfund note payable	-	1,719,124	-	9,165,589	10,884,713
Net pension liability	-	79,355	-	-	79,355
Total Noncurrent Liabilities	2,475	2,059,593	-	9,165,589	11,227,657
Total Liabilities	\$ 3,049,504	\$ 2,706,678	\$ 824,677	\$ 9,858,225	\$ 16,439,084
Deferred Inflows					
Deferred inflows related to pension	\$ -	-	\$ 14,639	\$ -	\$ 14,639
Total Deferred Inflows	\$ -	\$ -	\$ 14,639	\$ -	\$ 14,639
Net Position					
Net investment in capital assets	\$ 18,956,838	\$ 5,581,350	\$ 13,377,086	\$ 10,309,218	\$ 48,224,492
Restricted but expendable for:					
Pension	1,985,510	137,412	843,268	483,590	3,449,780
Unrestricted	25,727,478	(144,596)	2,053,113	4,402,775	32,038,770
Total Net Position	\$ 46,669,826	\$ 5,574,166	\$ 16,273,467	\$ 15,195,583	\$ 83,713,042

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, 2025

	Business-type Activities				Total
	Electric	IT & Broadband	Water	Wastewater	
Operating Revenues:					
Charges for services	\$ 20,108,506	\$ 2,168,185	\$ 4,570,772	\$ 3,882,926	\$ 30,730,389
Miscellaneous	1,382,825	40,606	90,108	21,073	1,534,612
Total Operating Revenues	<u>21,491,331</u>	<u>2,208,791</u>	<u>4,660,880</u>	<u>3,903,999</u>	<u>32,265,001</u>
Operating Expenses:					
Production:					
Fuel and purchased power	12,890,969	-	-	-	12,890,969
Salaries, wages and benefits	1,572,429	-	566,074	540,458	2,678,961
Plant maintenance and other	222,847	447,982	1,433,404	611,837	2,716,070
Transmission and distribution:					
Salaries, wages and benefits	2,057,368	582,991	1,281,660	-	3,922,019
Distribution maintenance and other	647,205	141,684	313,029	440,068	1,541,986
Depreciation and amortization	1,482,839	432,930	823,182	1,225,870	3,964,821
General and administrative:					
Salaries, wages and benefits	1,361,530	117,443	458,780	452,668	2,390,421
Contribution to Missouri Local Government Employees Retirement System	4,598	6,740	(91,531)	(7,274)	(87,467)
Insurance	281,674	2,003	87,999	74,484	446,160
Payments and/or services in lieu of taxes	1,852,294	12,877	213,505	18,262	2,096,938
Other general expenses	403,079	49,706	229,226	127,444	809,455
Total Operating Expenses	<u>22,776,832</u>	<u>1,794,356</u>	<u>5,315,328</u>	<u>3,483,817</u>	<u>33,370,333</u>
Operating Income (Loss)	<u>(1,285,501)</u>	<u>414,435</u>	<u>(654,448)</u>	<u>420,182</u>	<u>(1,105,332)</u>
Non-Operating Revenues (Expenses):					
Interest & investment earnings	991,623	34,161	105,843	137,596	1,269,223
Gain (loss) on sale of equipment	-	-	-	14,500	14,500
Interest Expense	-	(109,805)	(15,821)	(440,856)	(566,482)
Net Non-Operating Revenues (Expenses)	<u>991,623</u>	<u>(75,644)</u>	<u>90,022</u>	<u>(288,760)</u>	<u>717,241</u>
Income Before Capital Grants and Contributions	<u>(293,878)</u>	<u>338,791</u>	<u>(564,426)</u>	<u>131,422</u>	<u>(388,091)</u>
Capital Grants and Contributions	<u>-</u>	<u>1,385,890</u>	<u>3,540,284</u>	<u>750</u>	<u>4,926,924</u>
Net Income (Loss)	<u>(293,878)</u>	<u>1,724,681</u>	<u>2,975,858</u>	<u>132,172</u>	<u>4,538,833</u>
Net Position, Beginning of Year	46,963,704	3,386,430	13,297,609	15,063,411	78,711,154
Prior Period Adjustment (Note XVI)	-	463,055	-	-	463,055
Net Position, Beginning of Year, Restated	<u>46,963,704</u>	<u>3,849,485</u>	<u>13,297,609</u>	<u>15,063,411</u>	<u>79,174,209</u>
Net Position, End of Year	<u>\$ 46,669,826</u>	<u>\$ 5,574,166</u>	<u>\$ 16,273,467</u>	<u>\$ 15,195,583</u>	<u>\$ 83,713,042</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-type Activities				
	Electric	IT & Broadband	Water	Wastewater	Total
Cash flows from operating activities:					
Cash received from customers	\$ 21,288,819	\$ 2,191,670	\$ 4,718,070	\$ 4,033,118	\$ 32,231,677
Cash paid to suppliers	(14,298,587)	(322,286)	(3,074,603)	(1,306,630)	(19,002,106)
Cash paid to employees	(4,941,243)	(674,699)	(2,306,514)	(993,126)	(8,915,582)
Cash paid for services in lieu of taxes	(1,852,284)	(12,877)	(213,505)	(18,262)	(2,096,928)
Net cash provided by operating activities	<u>196,705</u>	<u>1,181,808</u>	<u>(876,552)</u>	<u>1,715,100</u>	<u>2,217,061</u>
Cash flows from capital and related financing activities:					
Capital grants and contributions	-	1,385,890	3,540,284	750	4,926,924
Proceeds from sale of assets	-	-	-	14,500	14,500
Purchases of capital assets	(4,290,688)	(2,384,693)	(892,085)	(950,020)	(8,517,486)
Prior period adjustment	-	(463,055)	-	-	(463,055)
Proceeds from interfund note payable	-	-	-	-	-
Principal paid on lease payable	(1,570)	-	-	-	(1,570)
Principal paid on interfund note payable	-	(338,677)	(306,725)	(336,387)	(981,789)
Principal paid on note payable	-	(110,756)	-	-	(110,756)
Interest paid on capital debt	-	(109,805)	(15,821)	(440,856)	(566,482)
Net cash (used) for capital and related financing activities	<u>(4,292,258)</u>	<u>(2,021,096)</u>	<u>2,325,653</u>	<u>(1,712,013)</u>	<u>(5,699,714)</u>
Cash flows from investing activities:					
Proceeds from sale of US government securities	2,921,816	-	-	-	2,921,816
Principal payments received on interfund note receivable	1,214,556	-	-	-	1,214,556
Interest and dividends	991,623	34,161	105,843	137,596	1,269,223
Net cash provided (used) by investing activities	<u>5,127,995</u>	<u>34,161</u>	<u>105,843</u>	<u>137,596</u>	<u>5,405,595</u>
Net increase in cash and cash equivalents	1,032,442	(805,127)	1,554,944	140,683	1,922,942
Cash and cash equivalents, beginning of year	<u>8,990,054</u>	<u>1,498,557</u>	<u>(491,753)</u>	<u>3,717,779</u>	<u>13,714,637</u>
Cash and cash equivalents, end of year	<u>\$ 10,022,496</u>	<u>\$ 693,430</u>	<u>\$ 1,063,191</u>	<u>\$ 3,858,462</u>	<u>\$ 15,637,579</u>
Reported on the Statement of Net Position as:					
Cash and cash equivalents/(pooled cash overdrafts)	\$ 4,251,467	\$ 693,430	\$ (402,876)	\$ (193,904)	\$ 4,348,117
Segregated cash and cash equivalents	5,771,029	-	1,466,067	4,052,366	11,289,462
	<u>\$ 10,022,496</u>	<u>\$ 693,430</u>	<u>\$ 1,063,191</u>	<u>\$ 3,858,462</u>	<u>\$ 15,637,579</u>
Reconciliation of operating income (loss) to cash flows from operating activities:					
Operating income (loss)	\$ (1,285,501)	\$ 414,435	\$ (654,448)	\$ 420,182	\$ (1,105,332)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation and amortization expense	1,482,839	432,930	823,182	1,225,870	3,964,821
Changes in assets, deferred outflows, liabilities and deferred inflows:					
Receivables - net of allowances	(202,512)	(17,121)	57,190	129,119	(33,324)
Inventory	98,716	147,969	(467,051)	5,627	(214,739)
Prepaid expenses	(15,315)	(5,910)	(1,729)	(2,340)	(25,294)
Accounts and other payables	63,786	177,030	(561,675)	(62,739)	(383,598)
Deferred outflows	(272,476)	(45,413)	(116,776)	(71,362)	(506,027)
Deferred inflows	(35,847)	-	(108,864)	(17,868)	(162,579)
Net pension asset	312,921	-	134,109	81,956	528,986
Net pension liability	-	52,153	-	-	52,153
Other accrued liabilities	50,094	25,735	19,510	6,655	101,994
Net cash provided by operating activities	<u>\$ 196,705</u>	<u>\$ 1,181,808</u>	<u>\$ (876,552)</u>	<u>\$ 1,715,100</u>	<u>\$ 2,217,061</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025

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, 2025

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, 2025

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.

Compensated Absences

Vacation - The maximum number of hours an employee may have banked at any given time is set at 260 hours. Once an employee obtains 260 hours of vacation time, no more vacation time shall be earned until some is used. No vacation time will be accrued by temporary or part-time employees. Employees whose employment is terminated, who retire, or who resign with proper notice will receive vacation pay for any unused vacation accrued at the time of termination. If an employee dies, pay for accrued and unused vacation will be paid in a lump sum to the employee's estate.

Holidays - Employees will be given a day off with straight time pay for each holiday observed. If for any reason, an employee is not able to observe the holiday on the designated holiday, the employee may elect to either: a) have the holiday credited to his/her floating holiday account so the holiday can be used by the employee as any other floating holiday, or b) earn comp time for the work performed on the designated holiday. Due to the great number of holidays during the last couple of months each year, the cutoff for using floating holidays shall be the end of the last full pay period in May. Recognizing there are three floating holidays between January and the end of May, up to 24 hours of floating holiday time may be carried beyond the last pay period in May. Temporary and part-time employees are not eligible to receive holiday pay.

Personal - The day after the last full pay period of each November, each full-time employee who has completed 6 months of service will be credited with 40 hours of Personal Time. These are paid hours off which may be used for sick leave, personal time off, or any other reason when the employee wants or needs to be off of work. Personal Time may be used by non-exempt employees in ¼-hour increments and by exempt employees in increments of not less than 8 hours. The employee will not need to explain the reason for the absence to his/her supervisor, but he/she must obtain the supervisor's approval prior to taking off and, if possible, he/she should request use of Personal Time from the supervisor at least one day in advance. As with other types of absences, the supervisor may deny a request.

Personal Time cannot be carried over beyond the last full pay period of November. Any hours left in the employee's account as of the end of that pay period will be "bought back" by MMU at the current pay rate of the employee.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

I. ACCOUNTING POLICIES (Continued)

Full-time employees will be credited with Personal Time on the first full pay period after they have completed their first six months with MMU. The number of hours credited will be prorated based on the date of completion of the six months. Calculations will be based on pay periods remaining until the last full pay period in November divided by 26 (26 pay periods per year) times 40 and rounded up to the next quarter hour. Example: Completed six months employment during the first pay period (following the last full pay period in November), 25 pay periods remaining, $25/26 \times 40 = 38.46$ hours, rounded to 38.5 hours.

Compensatory - Except as explained below, employees will receive, in lieu of overtime compensation, compensatory time at a rate of one and one-half hours for each hour of overtime worked. Such compensatory time may be taken off at a time requested by the employee and approved by the Department Director. The employee will be permitted to use such time within a reasonable period after making request if the use of the compensatory time does not unduly disrupt the operations and does not create overtime. Compensatory time may be converted to wages upon request in any subsequent pay period. Compensatory time may be accumulated up to 100 hours. Any compensatory time in excess of 100 hours shall be converted to wages. Comp time shall be used/paid on a first hour earned, first hour used basis.

Compensatory time is not applicable when an individual is assigned to provide mutual aid away from the City of Marshall.

Accrued compensated absences for the Utilities increased to \$667,216 at September 30, 2025, from \$617,105 at September 30, 2024, which is an increase of \$50,111.

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.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

I. ACCOUNTING POLICIES (Continued)

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, 2025, the Natural Gas Department had total assets of \$2,490,966 and total liabilities of \$48. For the year ended September 30, 2025, the Natural Gas Department had revenues of \$292,922 and expenses of \$280,998.

III. SEGREGATED ASSETS

Segregated assets (including restricted funds, board designated funds and excess funds on account) as of September 30, 2025 were designated as follows:

	Designated Balances	Segregated Funds Requirements
Electric Fund:		
Consumers' deposit fund	\$ 728,551	\$ 728,551
Insurance reserve fund	5,000,000	5,000,000
Equipment fund	-	-
	\$ 5,728,551	\$ 5,728,551
Water Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
	\$ 500,000	\$ 500,000
Wastewater Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
Main replacement fund	-	-
	\$ 500,000	\$ 500,000

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

III. SEGREGATED ASSETS (Continued)

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

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

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

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

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

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

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025 was as follows:

Electric

	Balance at September 30, 2024	Additions	Disposals	Balance at September 30, 2025
Capital assets not being depreciated:				
Land	\$ 1,621,462	\$ -	\$ (25,969)	\$ 1,595,493
Construction in progress	829,861	3,917,866	(4,436,882)	310,845
	<u>2,451,323</u>	<u>3,917,866</u>	<u>(4,462,851)</u>	<u>1,906,338</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	16,863,635	4,205,656	-	21,069,291
Distribution system	28,911,503	228,921	-	29,140,424
Street lighting and hydrants	684,285	-	-	684,285
Office structures and improvement and furniture and fixtures	606,807	-	-	606,807
Transportation equipment	2,391,772	83,600	(42,208)	2,433,164
Tools and shop equipment	465,609	302,404	-	768,013
Radio equipment	142,447	15,150	-	157,597
	<u>50,066,058</u>	<u>4,835,731</u>	<u>(42,208)</u>	<u>54,859,581</u>
Total capital assets at historical costs	<u>52,517,381</u>	<u>8,753,597</u>	<u>(4,505,059)</u>	<u>56,765,919</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(14,715,617)	(276,887)	-	(14,992,504)
Distribution system	(18,544,751)	(983,602)	-	(19,528,353)
Street lighting and hydrants	(232,462)	(34,211)	-	(266,673)
Office structures and improvement and furniture and fixtures	(449,491)	(11,829)	-	(461,320)
Transportation equipment	(1,988,827)	(105,083)	42,208	(2,051,702)
Tools and shop equipment	(377,568)	(39,826)	-	(417,394)
Radio equipment	(61,291)	(29,844)	-	(91,135)
Total accumulated depreciation	<u>(36,370,007)</u>	<u>(1,481,282)</u>	<u>42,208</u>	<u>(37,809,081)</u>
Net capital assets being depreciated	<u>13,696,051</u>	<u>3,354,449</u>	<u>-</u>	<u>17,050,500</u>
Net capital assets	<u>\$ 16,147,374</u>	<u>\$ 7,272,315</u>	<u>\$ (4,462,851)</u>	<u>\$ 18,956,838</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

IV. CAPITAL ASSETS (Continued)

IT & Broadband

	Balance at September 30, 2024	Additions	Disposals	Balance at September 30, 2025
Capital assets not being depreciated:				
Construction in progress	\$ 2,160,648	\$ 2,919,460	\$ -	\$ 5,080,108
	<u>2,160,648</u>	<u>2,919,460</u>	<u>-</u>	<u>5,080,108</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	5,974,747	310,511	-	6,285,258
Transportation equipment	603,492	75,782	-	679,274
Tools and shop equipment	32,742	-	-	32,742
Radio equipment	23,187	5,050	-	28,237
	<u>6,634,168</u>	<u>391,343</u>	<u>-</u>	<u>7,025,511</u>
Total capital assets at historical costs	<u>8,794,816</u>	<u>3,310,803</u>	<u>-</u>	<u>12,105,619</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(3,347,104)	(350,127)	-	(3,697,231)
Transportation equipment	(397,022)	(72,814)	-	(469,836)
Tools and shop equipment	(11,786)	(4,678)	-	(16,464)
Radio equipment	(9,661)	(5,311)	-	(14,972)
Total accumulated depreciation	<u>(3,765,573)</u>	<u>(432,930)</u>	<u>-</u>	<u>(4,198,503)</u>
Net capital assets being depreciated	<u>2,868,595</u>	<u>(41,587)</u>	<u>-</u>	<u>2,827,008</u>
Net capital assets	<u>\$ 5,029,243</u>	<u>\$ 2,877,873</u>	<u>\$ -</u>	<u>\$ 7,907,116</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

IV. CAPITAL ASSETS (Continued)

Water

	Balance at September 30, 2024	Additions	Transfers	Balance at September 30, 2025
Capital assets not being depreciated:				
Land	\$ 94,398	\$ -	\$ -	\$ 94,398
Construction in progress	3,519,756	765,741	(560,609)	3,724,888
	<u>3,614,154</u>	<u>765,741</u>	<u>(560,609)</u>	<u>3,819,286</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	11,878,273	167,839	-	12,046,112
Distribution system	9,311,174	209,827	-	9,521,001
Street lighting and hydrants	381,866	-	-	381,866
Office structures and improvement and furniture and fixtures	15,460	-	-	15,460
Transportation equipment	1,543,730	309,288	-	1,853,018
Laboratory equipment	8,652	-	-	8,652
Tools and shop equipment	56,198	-	-	56,198
Radio equipment	2,625	-	-	2,625
	<u>23,197,978</u>	<u>686,954</u>	<u>-</u>	<u>23,884,932</u>
Total capital assets at historical costs	<u>26,812,132</u>	<u>1,452,695</u>	<u>(560,609)</u>	<u>27,704,218</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(6,736,103)	(466,417)	-	(7,202,520)
Distribution system	(5,393,641)	(154,369)	-	(5,548,010)
Street lighting and hydrants	(234,745)	(6,762)	-	(241,507)
Office structures and improvement and furniture and fixtures	(7,801)	(1,998)	-	(9,799)
Transportation equipment	(909,765)	(186,680)	-	(1,096,445)
Laboratory equipment	(8,652)	-	-	(8,652)
Tools and shop equipment	(35,909)	(6,956)	-	(42,865)
Radio equipment	(2,625)	-	-	(2,625)
Total accumulated depreciation	<u>(13,329,241)</u>	<u>(823,182)</u>	<u>-</u>	<u>(14,152,423)</u>
Net capital assets being depreciated	<u>9,868,737</u>	<u>(136,228)</u>	<u>-</u>	<u>9,732,509</u>
Net capital assets	<u>\$ 13,482,891</u>	<u>\$ 629,513</u>	<u>\$ (560,609)</u>	<u>\$ 13,551,795</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

IV. CAPITAL ASSETS (Continued)

Wastewater

	Balance at September 30, 2024	Additions	Disposals	Balance at September 30, 2025
Capital assets not being depreciated:				
Land	\$ 118,398	\$ -	\$ -	\$ 118,398
Construction in progress	429,524	950,022	(1,259,337)	120,209
	<u>547,922</u>	<u>950,022</u>	<u>(1,259,337)</u>	<u>238,607</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	33,575,444	923,018	-	34,498,462
Distribution system	9,791,146	243,536	-	10,034,682
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	1,428,952	92,782	(47,420)	1,474,314
Laboratory equipment	4,537	-	-	4,537
Tools and shop equipment	273,688	-	-	273,688
Radio equipment	452	-	-	452
	<u>45,074,219</u>	<u>1,259,336</u>	<u>(47,420)</u>	<u>46,286,135</u>
Total capital assets at historical costs	<u>45,622,141</u>	<u>2,209,358</u>	<u>(1,306,757)</u>	<u>46,524,742</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(19,904,506)	(930,933)	-	(20,835,439)
Distribution system	(4,383,068)	(155,223)	-	(4,538,291)
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	(1,026,452)	(120,928)	47,420	(1,099,960)
Laboratory equipment	(4,537)	-	-	(4,537)
Tools and shop equipment	(191,135)	(18,786)	-	(209,921)
Radio equipment	(452)	-	-	(452)
Total accumulated depreciation	<u>(25,510,150)</u>	<u>(1,225,870)</u>	<u>47,420</u>	<u>(26,688,600)</u>
Net capital assets being depreciated	<u>19,564,069</u>	<u>33,466</u>	<u>-</u>	<u>19,597,535</u>
Net capital assets	<u>\$ 20,111,991</u>	<u>\$ 983,488</u>	<u>\$ (1,259,337)</u>	<u>\$ 19,836,142</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

V. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2025:

	<u>Water</u>	<u>Wastewater</u>	<u>IT & Broadband</u>	<u>City (General Fund)</u>
Balance, September 30, 2024	\$ 481,434	\$ 9,863,311	\$ 2,655,199	\$ 1,038,720
Note issued	-	-	-	-
Note retired	(306,725)	(336,387)	(329,433)	(232,768)
Balance, September 30, 2025	<u>\$ 174,709</u>	<u>\$ 9,526,924</u>	<u>\$ 2,325,766</u>	<u>\$ 805,952</u>
Current Portion	<u>\$ 174,709</u>	<u>\$ 361,335</u>	<u>\$ 345,528</u>	<u>\$ 242,232</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>
2026	<u>\$ 214,176</u>	<u>\$ 1,563</u>	<u>\$ 215,739</u>
	<u>\$ 214,176</u>	<u>\$ 1,563</u>	<u>\$ 215,739</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, 2025

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>
2026	\$ 174,709	\$ 1,315	\$ 176,024
	<u>\$ 174,709</u>	<u>\$ 1,315</u>	<u>\$ 176,024</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, 2025 the Board had advanced \$1,680,856 and had received principal payments of \$874,904, leaving a balance of \$805,952 at September 30, 2025. 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>
2026	\$ 224,232	\$ 38,296	\$ 262,528
2027	255,819	24,708	280,527
2028	270,169	10,359	280,528
2029	55,732	191	55,923
	<u>\$ 805,952</u>	<u>\$ 73,554</u>	<u>\$ 879,506</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>
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	287,977	40,246	328,223
2031-2033	690,872	67,673	758,545
	<u>\$ 1,949,999</u>	<u>\$ 424,535</u>	<u>\$ 2,374,534</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

V. LONG-TERM DEBT (Continued)

In fiscal year 2023, USDA advanced the Utilities \$575,000. The note proceeds were used for broadband expansion. Interest ranges from 3.2986% to 4.4002% and is due at maturity. The Utilities paid \$110,756 principal in fiscal year 2025.

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 114,653	\$ 11,228	\$ 125,881
2027	118,678	7,203	125,881
2028	122,842	3,040	125,882
2029	19,593	1,355	20,948
	<u>\$ 375,766</u>	<u>\$ 22,826</u>	<u>\$ 398,592</u>

VI. LEASES

The Utilities is a lessee for a postage machine. The leased asset activity for fiscal year ended September 30, 2025 is as follows:

	<u>Balance at Sept. 30, 2024</u>	<u>Additions</u>	<u>Balance at Sept. 30, 2025</u>
Leased assets	\$ 7,783	\$ -	\$ 7,783
Less accumulated amortization	(3,502)	(1,556)	(5,058)
Note retired	-	-	-
Leased assets, net of accumulated amortization	<u>\$ 4,281</u>	<u>\$ (1,556)</u>	<u>\$ 2,725</u>

Principal and interest payments required are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,634	\$ 75	\$ 1,709
2027	841	13	854
	<u>\$ 2,475</u>	<u>\$ 88</u>	<u>\$ 2,563</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

VII. PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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>2025 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.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

VII. PENSION PLAN (Continued)

Employees covered by benefit terms. At June 30, 2025 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	59
Active employees	176
	402
	402

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 12.2% (General), 7.1% (Police) and 8.3% (Fire) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2025.

Actuarial assumptions. The total pension liability in the February 28, 2025 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.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

VII. PENSION PLAN (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Alpha	5.00%	1.76%
Equity	39.00%	3.39%
Fixed Income	23.00%	3.54%
Real Assets	33.00%	2.68%
Strategic Assets	7.00%	2.83%
Cash/Leverage	-7.00%	-0.86%

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 9/30/24	\$ 59,730,891	\$ 63,134,503	\$ (3,403,612)
Changes for the year:			
Service Cost	1,052,690	-	1,052,690
Interest	4,120,370	-	4,120,370
Difference between expected and actual experience	1,200,309	-	1,200,309
Contributions - employer	-	1,227,587	(1,227,587)
Change in Assumptions	-	-	-
Net investment income	-	3,795,549	(3,795,549)
Benefit payments, including refunds	(2,819,520)	(2,819,520)	-
Administrative expense	-	(47,184)	47,184
Other changes	-	(184,222)	184,222
Net changes	<u>3,553,849</u>	<u>1,972,210</u>	<u>1,581,639</u>
Balances at 9/30/25	<u>\$ 63,284,740</u>	<u>\$ 65,106,713</u>	<u>\$ (1,821,973)</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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	\$ 71,670,529	\$ 63,284,740	\$ 56,304,263
Plan Fiduciary Net Position	65,106,713	65,106,713	65,106,713
Net Position Liability (Asset)	<u>\$ 6,563,816</u>	<u>\$ (1,821,973)</u>	<u>\$ (8,802,450)</u>

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

For the year ended September 30, 2025 the employer recognized pension expense of \$716,571. 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	\$ 2,163,009	\$ 111,032
Differences in assumptions	-	36,458
Excess (deficit) investment returns	2,821,470	-
Contributions subsequent to the measurement date*	339,294	-
Total	<u>\$ 5,323,773</u>	<u>\$ 147,490</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, 2025.

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

Year Ended	Net Deferred Outflows of Resources
2026	\$ 2,291,028
2027	1,329,877
2028	834,099
2029	331,545
2030	50,440

Payable to the Pension Plan

At September 30, 2025, 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, 2025.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025, 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	9,772,496
	\$ 10,022,496
IT & Broadband Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	443,430
	\$ 693,430
Water Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	1,216,067
	\$ 1,466,067
Wastewater Fund:	
Insured (FDIC)	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	3,802,366
	\$ 4,052,366

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

VIII. DEPOSITS AND INVESTMENT BALANCES (Continued)

Investments - The Municipal Utilities' investments at September 30, 2025, and throughout the year consisted of short-term U.S. government securities. At September 30, 2025, the Municipal Utilities had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value Maturity Less Than One Year</u>
Wastewater:			
Certificate of Deposit	\$ 245,000	\$ 245,000	\$ 245,000
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, 2025, 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, 2025

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, 2025 and September 30, 2024:

2025

- Certificates of deposit \$245,000 are valued at quoted prices in an active market for identical assets (Level 1 inputs).

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).

X. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Receivables detail at September 30, 2025, was as follows:

	Electric	Internet	Water	Wastewater
Accounts receivable	\$ 2,461,298	\$ 275,800	\$ 449,741	\$ 344,781
Allowance for doubtful accounts	-	-	-	-
Net accounts receivable	\$ 2,461,298	\$ 275,800	\$ 449,741	\$ 344,781

XI. ACCOUNTS PAYABLE

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

XII. CONCENTRATIONS

The Municipal Utilities has a limited number of large customers in the Marshall area which account for significant revenues in each fund. As a result, the Municipal Utilities has both geographic and customer concentrations. Approximately 15% of electric revenues, 16% of water revenues, and 28% of wastewater revenues are generated from a small number of industrial customers.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 IT & Broadband fund has pledged future revenues, net of specified operating expenses, to repay a note that was issued for improvements. The note is payable from IT and Broadband net revenues and is payable through 2029. Annual principal and interest payments in 2025 required 14% of IT & Broadband net revenues. The total principal and interest remaining to be paid on the note is \$398,592. Principal and interest paid on the note for the current year was \$125,881 and IT and Broadband net revenues for the current year were \$881,526.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

XVI. PRIOR PERIOD ADJUSTMENT

The Municipal Utilities recorded a prior period adjustment in the IT & Broadband Fund to account for a correction to the beginning of the year capital assets balance (to capitalize prior year labor):

Net position, beginning of year	\$	3,386,430
Prior period adjustment		<u>463,055</u>
Net position, restated	\$	<u><u>3,849,485</u></u>

XVII. CONSIDERATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 16, 2026, 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, 2025

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
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%
2025	804,038.30	804,038.60	(0.30)	6,590,477.65	12.20%

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2025

Valuation Date:	February 28, 2025
Notes:	The roll-forward of total pension liability from February 28, 2025 to June 30, 2025 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 6 to 15 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	2.75% wage inflation; 2.25% price inflation
Salary Increases	2.75% to 6.75% including wage inflation for General Division 2.75% to 7.15% including wage inflation for Fire Division 2.75% to 6.55% including wage inflation for Police Division
Investment Rate of Return	7.00%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups. Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.
Other Information:	None

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2025

	Fiscal Year Ending			
	September 30, 2025	September 30, 2024	September 30, 2023	September 30, 2022
Total Pension Liability				
Service Cost	\$ 1,052,690	\$ 957,185	\$ 908,688	\$ 894,000
Interest on the Total Pension Liability	4,120,370	3,851,670	3,730,790	3,552,000
Benefit Changes	-	-	-	-
Difference between expected and actual experience	1,200,309	1,821,848	(152,254)	660,000
Assumption Changes	-	-	-	-
Benefit Payments	(2,819,520)	(2,857,971)	(2,712,922)	(2,419,000)
Refunds	-	-	-	-
Net Change in Total Pension Liability	<u>3,553,849</u>	<u>3,772,732</u>	<u>1,774,302</u>	<u>2,687,000</u>
Total Pension Liability beginning	<u>59,730,891</u>	<u>55,958,159</u>	<u>54,183,857</u>	<u>51,496,000</u>
Total Pension Liability ending	<u><u>\$ 63,284,740</u></u>	<u><u>\$ 59,730,891</u></u>	<u><u>\$ 55,958,159</u></u>	<u><u>\$ 54,183,857</u></u>
Plan Fiduciary Net Position				
Contributions - employer	1,227,587	1,128,646	1,122,755	1,105,000
Contributions - employee	-	-	-	-
Pension Plan Net Investment Income	3,795,549	3,174,776	2,157,492	490,000
Benefit Payments	(2,819,520)	(2,857,971)	(2,712,922)	(2,419,000)
Refunds	-	-	-	-
Pension Plan Administrative expense	(47,184)	(51,236)	(57,080)	(41,000)
Other	(184,222)	(96,614)	(1,113,222)	216,000
Net Change in Plan Fiduciary Net Position	<u>1,972,210</u>	<u>1,297,601</u>	<u>(602,977)</u>	<u>(1,088,000)</u>
Plan Fiduciary Net Position beginning	<u>63,134,503</u>	<u>61,836,902</u>	<u>62,439,879</u>	<u>63,528,000</u>
Plan Fiduciary Net Position ending	<u><u>\$ 65,106,713</u></u>	<u><u>\$ 63,134,503</u></u>	<u><u>\$ 61,836,902</u></u>	<u><u>\$ 62,439,879</u></u>
Employer Net Pension Liability (Asset)	<u><u>\$ (1,821,973)</u></u>	<u><u>\$ (3,403,612)</u></u>	<u><u>\$ (5,878,743)</u></u>	<u><u>\$ (8,256,000)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	102.88%	105.70%	110.51%	115.00%
Covered Employee Payroll	11,085,828	10,306,281	9,326,537	9,110,000
Employer's Net Pension Liability as a percentage of covered employee payroll	(16.44%)	(33.02%)	(63.03%)	(90.62%)

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS) (CONT'D)
YEAR ENDED SEPTEMBER 30, 2025

	Fiscal Year Ending			
	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017
Total Pension Liability				
Service Cost	\$ 840,700	\$ 832,825	\$ 869,917	\$ 867,546
Interest on the Total Pension Liability	3,472,865	3,364,340	3,203,039	3,063,529
Benefit Changes	-	-	-	-
Difference between expected and actual experience	(30,287)	(387,087)	495,764	6,608
Assumption Changes	-	-	-	-
Benefit Payments	(2,280,017)	(2,352,801)	(2,299,445)	(1,739,457)
Refunds	-	-	-	-
Net Change in Total Pension Liability	<u>2,003,261</u>	<u>1,457,277</u>	<u>2,269,275</u>	<u>2,198,226</u>
Total Pension Liability beginning	<u>48,608,667</u>	<u>47,151,390</u>	<u>44,882,115</u>	<u>42,683,889</u>
Total Pension Liability ending	<u><u>\$ 50,611,928</u></u>	<u><u>\$ 48,608,667</u></u>	<u><u>\$ 47,151,390</u></u>	<u><u>\$ 44,882,115</u></u>
Plan Fiduciary Net Position				
Contributions - employer	993,727	928,004	917,939	986,979
Contributions - employee	-	-	-	-
Pension Plan Net Investment Income	659,159	3,296,462	5,659,357	4,981,255
Benefit Payments	(2,280,017)	(2,352,801)	(2,299,445)	(1,739,457)
Refunds	-	-	-	-
Pension Plan Administrative expense	(49,069)	(42,737)	(30,048)	(29,751)
Other	(63,344)	29,600	248,991	157,053
Net Change in Plan Fiduciary Net Position	<u>(739,544)</u>	<u>1,858,528</u>	<u>4,496,794</u>	<u>4,356,079</u>
Plan Fiduciary Net Position beginning	<u>51,783,766</u>	<u>49,925,238</u>	<u>45,428,444</u>	<u>41,072,365</u>
Plan Fiduciary Net Position ending	<u><u>\$ 51,044,222</u></u>	<u><u>\$ 51,783,766</u></u>	<u><u>\$ 49,925,238</u></u>	<u><u>\$ 45,428,444</u></u>
Employer Net Pension Liability (Asset)	<u><u>\$ (432,294)</u></u>	<u><u>\$ (3,175,099)</u></u>	<u><u>\$ (2,773,848)</u></u>	<u><u>\$ (546,329)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	100.85%	106.53%	105.88%	101.22%
Covered Employee Payroll	7,759,189	8,338,239	8,476,983	9,089,752
Employer's Net Pension Liability as a percentage of covered employee payroll	(5.57%)	(38.08%)	(32.72%)	(6.01%)

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
GOVERNMENT AUDITING STANDARDS**

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

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, 2025 and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements and have issued our report thereon dated February 16, 2026.

PARTNERS

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

Report on Internal Control Over Financial Reporting

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

PARTNERS EMERITI

Robert A. Gerding
Fred W. Korte, Jr.

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.



February 16, 2026

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

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

723 Main St.
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The Honorable Members of
The Marshall Municipal Utilities Board
City of Marshall, Missouri

Report on Compliance for Each Major Federal Program

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' major federal programs for the year ended September 30, 2025. 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, 2025.

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' 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' federal programs.

PARTNERS

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Municipal Utilities' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Municipal Utilities' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Municipal Utilities' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Municipal Utilities' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



February 16, 2026

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, 2025**

<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 Grant	10.752	MO1705-A59	-	\$ 2,014,715
Total U.S. Department of Transportation					<u>2,014,715</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 2,014,715</u></u>

MARSHALL MUNICIPAL UTILITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2025

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, 2025. 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' basic financial statements.

MARSHALL MUNICIPAL UTILITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
SEPTEMBER 30, 2025

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, 2025.

MARSHALL MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITOR'S RESULTS - FEDERAL REQUIREMENTS
SEPTEMBER 30, 2025

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? X Yes 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)? X Yes No

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee? Yes X No

Section II: Financial Statement Findings

None

MARSHALL MUNICIPAL UTILITIES
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
 SUMMARY OF AUDITOR’S RESULTS - FEDERAL REQUIREMENTS (CONT’D)
 SEPTEMBER 30, 2025

Section III: Federal Award Findings and Questioned Costs

2025-001 Uniform Guidance Audit Submission

CFDA Number and Name: Not applicable

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, §.512, requires the Municipal Utilities to submit its single audit reporting package to the federal audit clearinghouse no later than 9 months after fiscal year-end.

Condition and Context: The federal reporting deadline for the Municipal Utilities’ single audit reporting package was June 30, 2025; however, the Municipal Utilities did not submit the audit reporting package within that time frame.

Effect: The late submission affects all federal programs the Municipal Utilities administered; however, this finding does not result in noncompliance for the individual federal programs, as this was not caused by the programs’ administration. Cognizant and oversight agencies could not review the audit in a timely fashion.

Cause: Oversight by the Municipal Utilities’ personnel.

Repeat Finding: No

Questioned Costs: Unknown

Prevalence: Isolated instance

Recommendation: The Municipal Utilities should submit its single audit reporting package to the federal audit clearinghouse no later than 9 months after fiscal year-end.

View of Responsible Officials & Planned Corrective Action: Marshall Municipal Utilities will implement procedures to ensure timely submission of the Single Audit reporting package. MMU will work with auditors to track all federal reporting deadlines, and responsibility for monitoring and submitting the report is assigned to the Controller. Management will monitor the audit timeline to ensure submission occurs within the required nine-month deadline.



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CORRECTIVE ACTION PLAN

February 16, 2026

Marshall Municipal Utilities, Marshall, Missouri respectfully submits the following Corrective Action Plan for the year ended September 30, 2025.

Contact information for the individual responsible for the corrective action:

Tony Bersano, Controller
Marshall Municipal Utilities

Independent Public Accounting Firm: Gerding, Korte & Chitwood, P.C., 723 Main Street, Boonville, MO 65233

Audit Period: Year ended September 30, 2025

The findings from the September 30, 2025, Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Significant Deficiency

2025-001 *Uniform Guidance Audit Submission*

Recommendation: The Municipal Utilities should submit its single audit reporting package to the federal audit clearinghouse no later than 9 months after fiscal year-end.

Action Taken: Marshall Municipal Utilities will implement procedures to ensure timely submission of the Single Audit reporting package. MMU will work with auditors to track all federal reporting deadlines, and responsibility for monitoring and submitting the report is assigned to the Controller. Management will monitor the audit timeline to ensure submission occurs within the required nine-month deadline.

Completion Date: September 30, 2026

Sincerely,

Tony Bersano, Controller
Marshall Municipal Utilities