

**REPORT OF**  
**MARSHALL MUNICIPAL UTILITIES**  
**A COMPONENT UNIT OF THE**  
**CITY OF MARSHALL, MISSOURI**  
**SEPTEMBER 30, 2021**

**MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI**

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GERDING, KORTE & CHITWOOD CPAS  
Professional Corporation  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

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### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Marshall Municipal Utilities (the 'Municipal Utilities'), component unit of the City of Marshall, Missouri, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements as listed on the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### PARTNERS

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

#### PARTNERS EMERITI

*Robert A. Gerding*  
*Fred W. Korte, Jr.*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

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 Marshall Municipal Utilities as of September 30, 2021, 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Contributions, Notes to Schedule of Contributions, and Schedule of Changes in Net Pension Liability and Related Ratios on pages 3 through 12 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, 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 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 the Municipal Utilities' internal control over financial reporting and compliance.



November 18, 2021

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

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(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, 2021 and 2020.

**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 17-35.

**Nonrecurring Items**

Fiscal Year 2020

Ahrens Contracting was hired by MMU to start decommission and demo of the Power Plant in March of 2020. This project involves removal of all asbestos and hazardous materials from Units #1, #2, #3, #4, and #5 boiler, turbine generators, auxiliary equipment, and the building housing the steam units. All of the equipment associated with these units will be removed and the Power Plant will be demolished. The estimated completion date of this project is August 2021, with \$796,800 of cost incurred in fiscal year ending 9/30/20, and the remaining \$1,980,200 in fiscal year ending 9/30/21.

After completion of an electric cost of service rate study, the City Council approved a 7.5% discount to all electric charges effective June 1<sup>st</sup> 2020. This decision was due to several factors, which included a savings in Power Plant decommission cost, lowering MoPep costs beginning in 2021-2022, and a goal of maintaining a minimum cash reserves of \$15 million.

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

In October, the Internet Department was awarded a 50% Loan 50% Grant with USDA totaling \$1,150,000 to extend broadband services outside the City of Marshall. With a second round available, MMU has applied for a 100% USDA Grant totaling \$10 million. MMU would be responsible for 25% of the total, which would amount to \$2.5 million. This will allow MMU to provide broadband services to most of Saline County. The award winners are expected to be announced in October 2020.

The Water Treatment Plant installed a new CO<sub>2</sub> tank in September of 2020. The old tank, which was due to be replaced would only hold 28,000 pounds and was replaced with a new 60,000-pound tank. This will allow for full loads of CO<sub>2</sub> to be delivered at a time.

Fiscal Year 2021

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

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

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

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

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the department’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 36-39 of this report.

The following tables provide a summary of Electric Department’s operations for years ended September 30, 2021 and 2020.

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

	2021	2020	Change	Percent of Change
Revenues:				
Charges for services	\$ 21,391,774	\$ 21,070,533	\$ 321,241	1.52%
Capital grants and contributions	48,409	14,210	34,199	240.67%
General Revenues:				
Investment earnings	23,565	351,719	(328,154)	-93.30%
Miscellaneous	279,979	212,774	67,205	31.59%
Total Revenues	<u>21,743,727</u>	<u>21,649,236</u>	<u>94,491</u>	0.44%
Expenses:				
Electric	20,050,946	21,192,025	(1,141,079)	-5.38%
Decommission costs	<u>2,274,008</u>	<u>926,215</u>	<u>1,347,793</u>	145.52%
Total Expenses	<u>22,324,954</u>	<u>22,118,240</u>	<u>206,714</u>	0.93%
Increase (decrease) in net position	(581,227)	(469,004)	(112,223)	23.93%
Net Position - beginning of year	<u>51,276,284</u>	<u>51,745,288</u>	<u>(469,004)</u>	-0.91%
Net Position - end of year	<u>\$ 50,695,057</u>	<u>\$ 51,276,284</u>	<u>\$ (581,227)</u>	-1.13%

**Capital Assets**

The Electric Department’s investment in capital assets for its activities as of September 30, 2021, amounts to \$19,296,160 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and construction in progress.

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

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

	2021	2020
Property, plant and equipment:		
Land and land rights	\$ 1,621,462	\$ 1,621,462
Plant structures and improvements	4,080,883	4,254,207
Collection	12,101,757	12,612,026
General equipment	832,428	564,893
Construction work in progress	659,630	649,283
Net Capital Assets	\$ 19,296,160	\$ 19,701,871

Additional information on the Electric Department's capital assets can be found in Note V on page 22 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 \$50,695,057 (net position). Of this amount, \$31,398,795 (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 \$(581,227).

One of the portions of the department's net position (38%) 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**

	2021	2020
Current and other assets	\$ 37,593,273	\$ 34,733,067
Capital assets	19,296,160	19,701,871
Total Assets	56,889,433	54,434,938
Deferred outflows	241,138	792,713
Other liabilities	3,615,785	3,932,707
Deferred inflows	2,819,729	18,660
Net Position		
Net investment in capital assets	19,296,262	19,701,871
Restricted	-	-
Unrestricted	31,398,795	31,574,413
Total Net Position	\$ 50,695,057	\$ 51,276,284



MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

The following tables provide a summary of Water Department's operations for years ended September 30, 2021 and 2020:

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

	2021	2020	Change	Percent of Change
Revenues:				
Charges for services	\$ 4,348,532	\$ 4,233,852	\$ 114,680	2.71%
Capital grants and contributions	2,650	5,448	(2,798)	-51.36%
General Revenues:				
Investment earnings	7,570	7,085	485	6.85%
Miscellaneous	25,626	38,037	(12,411)	-32.63%
Total Revenues	<u>4,384,378</u>	<u>4,284,422</u>	<u>99,956</u>	2.33%
Expenses:				
Interest on long-term debt	1,611	25,089	(23,478)	-93.58%
Water	3,350,834	3,605,969	(255,135)	-7.08%
Total Expenses	<u>3,352,445</u>	<u>3,631,058</u>	<u>(278,613)</u>	-7.67%
Increase (decrease) in net position	1,031,933	653,364	378,569	57.94%
Net Position - beginning of year	12,198,611	11,545,247	653,364	5.66%
Net Position - end of year	<u>\$ 13,230,544</u>	<u>\$ 12,198,611</u>	<u>\$ 1,031,933</u>	8.46%

**Capital Assets**

The Water Department's investment in capital assets for its activities as of September 30, 2021, amounts to \$10,670,115 (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**

	2021	2020
Property, plant and equipment:		
Land and land rights	\$ 94,398	\$ 94,398
Plant structures and improvements	6,288,703	6,745,993
Collection	4,099,960	3,865,146
General equipment	73,930	101,789
Construction work in progress	113,124	241,325
Net Capital Assets	<u>\$ 10,670,115</u>	<u>\$ 11,048,651</u>

Additional information on the Water Department's capital assets can be found in Note V on page 23 of this report.

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

**Financial Highlights - Water**

- The assets and deferred outflows of the Water Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,270,544 (net position). Of this amount, \$3,903,315 (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors of the department.
- The department’s total net position increased by \$1,031,933.

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

	2021	2020
Current and other assets	\$ 5,185,094	\$ 3,007,727
Capital assets	10,670,115	11,048,651
	15,855,209	14,056,378
Deferred outflows	100,935	300,441
Long-term liabilities	1,043,594	1,338,578
Other liabilities	662,633	813,410
	1,706,227	2,151,988
Deferred inflows	1,019,373	6,220
Net Position		
Net investment in capital assets	9,327,229	9,410,779
Restricted	-	-
Unrestricted	3,903,315	2,787,832
Total Net Position	\$ 13,230,544	\$ 12,198,611

During the fiscal year, the department’s total debt decreased by \$294,984. The decrease was due to debt repayment exceeding debt issued.

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

**Debt Administration**

**Outstanding Debt at Year End  
Interfund Debt**

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent of Change</u>
Debt	\$ 1,342,888	\$ 1,637,872	\$ (294,984)	-18.01%

Additional information on Marshall Municipal Utilities Water Department's long-term debt can be found in Note VI on pages 25-26 of this report.

The following tables provide a summary of Wastewater Department's operations for years ended September 30, 2021 and 2020:

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent of Change</u>
<b>Revenues:</b>				
Charges for services	\$ 2,931,958	\$ 2,887,260	\$ 44,698	1.55%
Capital grants and contributions	1,500	2,500	(1,000)	-40.00%
<b>General Revenues:</b>				
Investment earnings	12,932	29,934	(17,002)	-56.80%
Miscellaneous	31,205	18,565	12,640	68.09%
<b>Total Revenues</b>	<u>2,977,595</u>	<u>2,938,259</u>	<u>39,336</u>	1.34%
<b>Expenses:</b>				
Interest on long-term debt	1,914	29,815	(27,901)	-93.58%
Wastewater	2,464,954	2,557,699	(92,745)	-3.63%
<b>Total Expenses</b>	<u>2,466,868</u>	<u>2,587,514</u>	<u>(120,646)</u>	-4.66%
<b>Increase in net position</b>	510,727	350,745	159,982	45.61%
<b>Net Position - beginning of year</b>	<u>12,319,872</u>	<u>11,969,127</u>	<u>350,745</u>	2.93%
<b>Net Position - end of year</b>	<u>\$ 12,830,599</u>	<u>\$ 12,319,872</u>	<u>\$ 510,727</u>	4.15%

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

**Capital Assets**

The Wastewater Department's investment in capital assets for its activities as of September 30, 2021, amounts to \$11,170,449 (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**

	2021	2020
Property, plant and equipment:		
Land and land rights	\$ 118,398	\$ 118,398
Plant structures and improvements	5,084,316	5,478,647
Collection	5,247,987	5,027,486
General equipment	124,258	182,658
Construction work in progress	595,490	96,806
Net Capital Assets	\$ 11,170,449	\$ 10,903,995

Additional information on the Wastewater Department's capital assets can be found in Note V on page 24 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 \$12,830,599 (net position). Of this amount, \$3,255,953 (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 \$510,727.

The largest portion of the department's net position (75%) 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.

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

**Wastewater Department's Net Position**

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 4,369,416	\$ 3,518,324
Capital assets	<u>11,170,449</u>	<u>10,903,995</u>
	<u>15,539,865</u>	<u>14,422,319</u>
Deferred outflows	<u>37,210</u>	<u>178,039</u>
Long term liabilities	1,240,141	1,590,681
Other liabilities	<u>786,503</u>	<u>685,140</u>
	<u>2,026,644</u>	<u>2,275,821</u>
Deferred inflows	<u>719,832</u>	<u>4,665</u>
Net Position		
Net investment in capital assets	9,574,646	8,954,653
Restricted	-	-
Unrestricted	<u>3,255,953</u>	<u>3,365,219</u>
Total Net Position	<u>\$ 12,830,599</u>	<u>\$ 12,319,872</u>

**Debt Administration**

**Outstanding Debt at Year End  
Interfund Debt**

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent of Change</u>
Debt	<u>\$ 1,595,802</u>	<u>\$ 1,946,342</u>	<u>\$ (350,540)</u>	<u>-18.01%</u>

During the fiscal year, the department's total debt decreased by \$350,540 or 18%. The decrease was due to debt repayment exceeding debt issued.

Additional information on Marshall Municipal Utilities Wastewater Department's long-term debt can be found in Note VI on pages 25-26 of this report.

MARSHALL MUNICIPAL UTILITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021  
(UNAUDITED)

**Economic Outlook**

Marshall Municipal Utilities history of providing reliable service was tested during fiscal year 2021. While Covid-19 continued to provide challenges for MMU management and staff. The extreme weather, aging infrastructure, and rural broadband seemed to be the biggest challenges facing Marshall Municipal Utilities during fiscal year 2021.

During mid-February Marshall along with most of the United States felt the impact of Winter Storm Uri. Extreme cold temperatures caused demand for electric and natural gas to exceed supply causing steep increases in electric and natural gas prices. From February 13<sup>th</sup>-20<sup>th</sup> electric prices went from \$20/MWh to over \$4,000/MWh. With constraints on natural gas, Marshall's genset unit #6 was able to run on diesel fuel for the full seven days resulting in a generation credit of \$2,743,386 from MPUA. During the month of March unit #6 ran for a consecutive 23 days generating 6,677,220 kWh. This is the longest this genset unit has ran since its installation in 1973. With higher gas prices expected in 2022 we could see less natural gas available to generate electricity since it is also used for heating, therefore we could see another record year for MMU genset units.

On June 25<sup>th</sup> Marshall experienced record rainfall causing Salt Fork Creek to reach flood levels never seen before at our Wastewater Treatment Plant. With damages estimated to be in excess of \$500,000 MMU qualified for FEMA/SEMA disaster relief and is expected to receive 75% cost reimbursement during FYE 9/30/22. MMU has also started working with Burns & McDonnell to develop a plan on reducing the Inflow & Infiltration to the sanitary sewer system.

With infrastructure almost 30 years old at the Wastewater Plant we have begun work on updating the aeration basins and final clarifiers. This \$9.5 million dollar project is expected to be completed by the first quarter of 2023. MMU is looking at financing a portion of this project internally through an internal loan with the Electric Department and an external loan through MPUA. We have also requested \$6 million in ARPA funding to help offset some of the cost. For 2022 MMU customers can expect to see a sewer rate increase to cover a portion of the cost and depending on ARPA funding there could be a second rate increase by 2023.

IT Broadband started work on the 50% Loan 50% Reconnect Grant in the amount of \$1,150,000 MMU received in FYE 9/30/20. This will expand highspeed internet two miles outside the City of Marshall. During FYE 9/30/21 IT Broadband was awarded a second Reconnect Grant in the amount of \$7.5 million to expand highspeed internet to most of Saline County. The first Grant is estimated to be completed by the 2<sup>nd</sup> Quarter of 2023 and the second Grant will be completed by the end of 2025.

**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, 2021

	<b>Business-Type Activities</b>			<b>Total</b>
	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	
<b>Assets</b>				
Current Assets				
Operating funds:				
Cash and cash equivalents	\$ 8,145,016	\$ 1,126,496	\$ 432,134	\$ 9,703,646
Receivables - net of allowances:				
Consumers	2,617,386	447,840	319,396	3,384,622
Other	140,887	21,975	43,499	206,361
Accrued interest	1,833	-	17	1,850
Inventories:				
Fuel	627,729	-	-	627,729
Maintenance materials	1,380,638	200,145	27,422	1,608,205
Current portion of interfund note receivable	1,732,785	-	-	1,732,785
Prepaid expenses	336,145	83,445	51,056	470,646
<b>Total Current Assets</b>	<b>14,982,419</b>	<b>1,879,901</b>	<b>873,524</b>	<b>17,735,844</b>
Segregated Assets				
Cash and cash equivalents	1,277,273	1,837,265	2,254,735	5,369,273
U.S. Government Securities, at amortized cost	14,996,840	-	245,000	15,241,840
<b>Total Segregated Assets</b>	<b>16,274,113</b>	<b>1,837,265</b>	<b>2,499,735</b>	<b>20,611,113</b>
Noncurrent Assets				
Net pension asset	4,053,006	1,467,928	996,157	6,517,091
Noncurrent portion of interfund note receivable	2,283,735	-	-	2,283,735
Net capital assets	19,296,160	10,670,115	11,170,449	41,136,724
<b>Total Noncurrent Assets</b>	<b>25,632,901</b>	<b>12,138,043</b>	<b>12,166,606</b>	<b>49,937,550</b>
<b>Total Assets</b>	<b>\$ 56,889,433</b>	<b>\$ 15,855,209</b>	<b>\$ 15,539,865</b>	<b>\$ 88,284,507</b>
<b>Deferred Outflows</b>				
Deferred outflows related to pension	\$ 241,138	\$ 100,935	\$ 37,210	\$ 379,283
<b>Total Deferred Outflows</b>	<b>\$ 241,138</b>	<b>\$ 100,935</b>	<b>\$ 37,210</b>	<b>\$ 379,283</b>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
STATEMENT OF NET POSITION (CONT'D)  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2021

	<b>Business-Type Activities</b>			
	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>Liabilities</b>				
Operating Funds:				
Current Liabilities				
Accounts payable - trade	\$ 1,975,479	\$ 126,985	\$ 331,707	\$ 2,434,171
Gross revenue levy payable	504,762	55,825	-	560,587
Accrued benefits payable	325,598	121,555	57,196	504,349
Current portion of interfund note payable	-	299,294	355,661	654,955
Accrued payroll	185,675	58,974	41,939	286,588
Segregated Funds:				
Consumer deposits	624,271	-	-	624,271
Total Current Liabilities	<u>3,615,785</u>	<u>662,633</u>	<u>786,503</u>	<u>5,064,921</u>
Noncurrent Liabilities:				
Net pension liability	-	-	-	-
Noncurrent portion of interfund note payable	-	1,043,594	1,240,141	2,283,735
Total Noncurrent Liabilities	<u>-</u>	<u>1,043,594</u>	<u>1,240,141</u>	<u>2,283,735</u>
 Total Liabilities	 <u>\$ 3,615,785</u>	 <u>\$ 1,706,227</u>	 <u>\$ 2,026,644</u>	 <u>\$ 7,348,656</u>
 <b>Deferred Inflows</b>				
Deferred inflows related to pension	<u>\$ 2,819,729</u>	<u>\$ 1,019,373</u>	<u>\$ 719,832</u>	<u>\$ 4,558,934</u>
Total Deferred Inflows	<u>\$ 2,819,729</u>	<u>\$ 1,019,373</u>	<u>\$ 719,832</u>	<u>\$ 4,558,934</u>
 <b>Net Position</b>				
Net investment in capital assets	\$ 19,296,262	\$ 9,327,229	\$ 9,574,646	\$ 38,198,137
Restricted but expendable for:				
Pension	-	-	-	-
Unrestricted	<u>31,398,795</u>	<u>3,903,315</u>	<u>3,255,953</u>	<u>38,558,063</u>
Total Net Position	<u>\$ 50,695,057</u>	<u>\$ 13,230,544</u>	<u>\$ 12,830,599</u>	<u>\$ 76,756,200</u>

See Notes to Financial Statements



MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<b>Business-type Activities</b>			
	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
Operating Revenues:				
Charges for services	\$ 21,391,774	\$ 4,348,532	\$ 2,931,958	\$ 28,672,264
Miscellaneous	279,979	25,626	31,205	336,810
Total Operating Revenues	<u>21,671,753</u>	<u>4,374,158</u>	<u>2,963,163</u>	<u>29,009,074</u>
Operating Expenses:				
Production:				
Fuel and purchased power	11,940,587	-	-	11,940,587
Salaries and wages	220,861	253,978	137,966	612,805
Plant maintenance and other	715,762	1,072,425	947,426	2,735,613
Transmission and distribution:				
General transmission	46,081	7,996	-	54,077
Distribution salaries and wages	536,671	97,608	-	634,279
Distribution maintenance and other	1,513,108	530,017	312,280	2,355,405
Depreciation and amortization	1,594,029	633,271	644,133	2,871,433
General and administrative:				
Salaries and wages	875,709	286,197	259,786	1,421,692
Contribution to Missouri Local Government Employees Retirement System	(20,749)	(9,531)	1,538	(28,742)
Insurance	392,690	148,401	92,688	633,779
Payments and/or services in lieu of taxes	1,638,445	205,313	-	1,843,758
Other general expenses	597,752	125,159	69,137	792,048
Total Operating Expenses	<u>20,050,946</u>	<u>3,350,834</u>	<u>2,464,954</u>	<u>25,866,734</u>
Operating Income (Loss)	<u>1,620,807</u>	<u>1,023,324</u>	<u>498,209</u>	<u>3,142,340</u>
Non-Operating Revenues (Expenses):				
Interest & investment earnings	23,565	7,570	12,932	44,067
Gain (loss) on sale of equipment	-	-	-	-
Decommission costs	(2,274,008)	-	-	(2,274,008)
Interest Expense	-	(1,611)	(1,914)	(3,525)
Net Non-Operating Revenues (Expenses)	<u>(2,250,443)</u>	<u>5,959</u>	<u>11,018</u>	<u>(2,233,466)</u>
Income Before Capital Grants and Contributions	(629,636)	1,029,283	509,227	908,874
Capital Grants and Contributions	<u>48,409</u>	<u>2,650</u>	<u>1,500</u>	<u>52,559</u>
Net Income (Loss)	(581,227)	1,031,933	510,727	961,433
Net Position, Beginning of Year	<u>51,276,284</u>	<u>12,198,611</u>	<u>12,319,872</u>	<u>75,794,767</u>
Net Position, End of Year	<u>\$ 50,695,057</u>	<u>\$ 13,230,544</u>	<u>\$ 12,830,599</u>	<u>\$ 76,756,200</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2021

	<b>Business-type Activities</b>			<b>Total</b>
	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	
Cash flows from operating activities:				
Cash received from customers	\$ 21,125,209	\$ 4,368,137	\$ 2,967,966	\$ 28,461,312
Cash paid to suppliers	(15,342,922)	(1,792,664)	(1,140,457)	(18,276,043)
Cash paid to employees	(2,932,645)	(1,126,401)	(732,141)	(4,791,187)
Cash paid for services in lieu of taxes	(1,622,640)	(206,238)	-	(1,828,878)
Net cash provided by operating activities	<u>1,227,002</u>	<u>1,242,834</u>	<u>1,095,368</u>	<u>3,565,204</u>
Cash flows from capital and related financing activities:				
Capital contributions	48,409	2,650	1,500	52,559
Proceeds from sale of assets	-	-	-	-
Purchases of capital assets	(1,188,318)	(254,735)	(910,587)	(2,353,640)
Decommissioning costs	(2,274,008)	-	-	(2,274,008)
Principal paid on interfund note payable	-	(294,984)	(350,540)	(645,524)
Interest paid on capital debt	-	(1,611)	(1,914)	(3,525)
Net cash (used) for capital and related financing activities	<u>(3,413,917)</u>	<u>(548,680)</u>	<u>(1,261,541)</u>	<u>(5,224,138)</u>
Cash flows from investing activities:				
Proceeds from sale of US government securities	31,981,472	-	1,999,296	33,980,768
Purchases of US government securities	(29,490,850)	-	(999,695)	(30,490,545)
Principal advances on interfund note receivable	(1,077,830)	-	-	(1,077,830)
Principal payments on interfund note receivable	645,524	-	-	645,524
Interest and dividends	28,746	7,570	13,125	49,441
Net cash provided (used) by investing activities	<u>2,087,062</u>	<u>7,570</u>	<u>1,012,726</u>	<u>3,107,358</u>
Net increase in cash and cash equivalents	(99,853)	701,724	846,553	1,448,424
Cash and cash equivalents, beginning of year	<u>9,522,142</u>	<u>2,262,037</u>	<u>1,840,316</u>	<u>13,624,495</u>
Cash and cash equivalents, end of year	<u>\$ 9,422,289</u>	<u>\$ 2,963,761</u>	<u>\$ 2,686,869</u>	<u>\$ 15,072,919</u>
Reported on the Statement of Net Position as:				
Cash and cash equivalents	\$ 8,145,016	\$ 1,126,496	\$ 432,134	\$ 9,703,646
Segregated cash and cash equivalents	<u>1,277,273</u>	<u>1,837,265</u>	<u>2,254,735</u>	<u>5,369,273</u>
	<u>\$ 9,422,289</u>	<u>\$ 2,963,761</u>	<u>\$ 2,686,869</u>	<u>\$ 15,072,919</u>
Reconciliation of operating income (loss) to cash flows from operating activities:				
Operating income (loss)	\$ 1,620,807	\$ 1,023,324	\$ 498,209	\$ 3,142,340
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation expense	1,594,029	633,271	644,133	2,871,433
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Receivables - net of allowances	(546,544)	(6,021)	4,803	(547,762)
Inventory	(412,685)	(9,979)	(8,380)	(431,044)
Prepaid expenses	(11,321)	8,285	(4,599)	(7,635)
Accounts and other payables	(143,221)	(55,373)	201,365	2,771
Deferred outflows	551,575	199,506	140,829	891,910
Deferred inflows	2,801,069	1,013,153	715,167	4,529,389
Net pension asset	(4,053,006)	(1,467,928)	(996,157)	(6,517,091)
Net pension liability	(269,889)	(95,672)	(107,561)	(473,122)
Other accrued liabilities	96,188	268	7,559	104,015
Net cash provided by operating activities	<u>\$ 1,227,002</u>	<u>\$ 1,242,834</u>	<u>\$ 1,095,368</u>	<u>\$ 3,565,204</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. ACCOUNTING POLICIES**

*Nature of Operations*

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

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

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

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

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

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**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
- Water
- Wastewater

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

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. ACCOUNTING POLICIES (Continued)**

***Rate Matters***

Rates require City Council approval.

***Inventories***

Fuel and maintenance inventories are stated at average cost.

***Cash and Cash Equivalents***

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

***Income Taxes***

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

***Investments***

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

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

***Grants***

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

***Municipal Utilities Plant***

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

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**I. ACCOUNTING POLICIES (Continued)**

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

***Depreciation***

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

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

***Estimates***

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

**II. INTERNET DEPARTMENT**

On January 2, 2002, the Municipal Utilities received approval from the Board of Public Works to establish an Internet Department to provide various internet-type services to residents of the City and beyond. The Electric Fund transferred fixed assets and cash to the Internet Department. For financial statement purposes, the assets and liabilities, and revenues and expenses of the Internet Department have been included with the Electric Fund. As of September 30, 2021, the Internet Department had total assets of \$4,627,747 and total liabilities of \$141,440. For the year ended September 30, 2021, the Internet Department had revenues of \$1,611,994 and expenses of \$1,088,174.

**III. NATURAL GAS DEPARTMENT**

On December 15, 2004, the Municipal Utilities received approval from the Board of Public Works to establish a Natural Gas Department to provide natural gas services to residents of the City and beyond. The Electric Fund transferred fixed assets and cash to the Natural Gas Department. For financial statement purposes, the assets and liabilities, and revenues and expenses of the Natural Gas Department have been included with the Electric Fund. As of September 30, 2021, the Natural Gas Department had total assets of \$6,636,383 and total liabilities of \$11,253. For the year ended September 30, 2021, the Natural Gas Department had revenues of \$191,425 and expenses of \$333,657.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**IV. SEGREGATED ASSETS**

Segregated assets (including restricted funds, board designated funds and excess funds on account) as of September 30, 2021 were designated as follows:

	Designated Balances	Segregated Funds Requirements
Electric Fund:		
Consumers' deposit fund	\$ 632,257	\$ 632,257
Insurance reserve fund	5,001,567	5,000,000
Equipment fund	9,997,851	-
	\$ 15,631,675	\$ 5,632,257
Water Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
	\$ 500,000	\$ 500,000
Wastewater Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
Main replacement fund	-	-
	\$ 500,000	\$ 500,000

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

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

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

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

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

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

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**V. 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, 2021 was as follows:

**Electric**

	Balance at September 30, 2020	Additions	Disposals	Balance at September 30, 2021
Capital assets not being depreciated:				
Land	\$ 1,621,462	\$ -	\$ -	\$ 1,621,462
Construction in progress	649,283	665,091	(227)	1,314,147
	<u>2,270,745</u>	<u>665,091</u>	<u>(227)</u>	<u>2,935,609</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	20,493,371	330,282	-	20,823,653
Distribution system	26,614,797	96,818	-	26,711,615
Street lighting and hydrants	675,102	5,444	-	680,546
Office structures and improvement and furniture and fixtures	506,897	19,115	-	526,012
Transportation equipment	2,192,619	53,123	(41,507)	2,204,235
Laboratory equipment	-	-	-	-
Tools and shop equipment	446,661	16,992	-	463,653
Radio equipment	1,642	1,680	-	3,322
	<u>50,931,089</u>	<u>523,454</u>	<u>(41,507)</u>	<u>51,413,036</u>
Total capital assets at historical costs	<u>53,201,834</u>	<u>1,188,545</u>	<u>(41,734)</u>	<u>54,348,645</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(16,239,164)	(447,409)	-	(16,686,573)
Distribution system	(14,581,894)	(977,306)	-	(15,559,200)
Street lighting and hydrants	(95,979)	(33,917)	-	(129,896)
Office structures and improvement and furniture and fixtures	(395,714)	(12,712)	-	(408,426)
Transportation equipment	(1,960,792)	(64,741)	41,507	(1,984,026)
Laboratory equipment	-	-	-	-
Tools and shop equipment	(225,211)	(57,482)	-	(282,693)
Radio equipment	(1,209)	(462)	-	(1,671)
Total accumulated depreciation	<u>(33,499,963)</u>	<u>(1,594,029)</u>	<u>41,507</u>	<u>(35,052,485)</u>
Net capital assets being depreciated	<u>17,431,126</u>	<u>(1,070,575)</u>	<u>-</u>	<u>16,360,551</u>
Net capital assets	<u>\$ 19,701,871</u>	<u>\$ (405,484)</u>	<u>\$ (227)</u>	<u>\$ 19,296,160</u>



MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

V. CAPITAL ASSETS (Continued)

**Water**

	Balance at September 30, 2020	Additions	Disposals	Transfers	Balance at September 30, 2021
Capital assets not being depreciated:					
Land	\$ 94,398	\$ -	\$ -	\$ -	\$ 94,398
Construction in progress	241,325	243,962	-	(372,161)	113,126
	<u>335,723</u>	<u>243,962</u>	<u>-</u>	<u>(372,161)</u>	<u>207,524</u>
Capital assets being depreciated:					
Structures, improvements and plant equipment	11,655,423	-	-	-	11,655,423
Distribution system	8,494,534	7,573	-	372,161	8,874,268
Street lighting and hydrants	381,867	-	-	-	381,867
Office structures and improvement and furniture and fixtures	5,469	-	-	-	5,469
Transportation equipment	1,041,257	3,200	-	-	1,044,457
Laboratory equipment	8,652	-	-	-	8,652
Tools and shop equipment	21,416	-	-	-	21,416
Radio equipment	2,624	-	-	-	2,624
	<u>21,611,242</u>	<u>10,773</u>	<u>-</u>	<u>372,161</u>	<u>21,994,176</u>
Total capital assets at historical costs	<u>21,946,965</u>	<u>254,735</u>	<u>-</u>	<u>-</u>	<u>22,201,700</u>
Less accumulated depreciation:					
Structures, improvements and plant equipment	(4,909,430)	(457,289)	-	-	(5,366,719)
Distribution system	(4,803,559)	(138,159)	-	-	(4,941,718)
Street lighting and hydrants	(207,696)	(6,762)	-	-	(214,458)
Office structures and improvement and furniture and fixtures	(3,648)	(1,360)	-	-	(5,008)
Transportation equipment	(955,801)	(21,924)	-	-	(977,725)
Laboratory equipment	(5,150)	(2,215)	-	-	(7,365)
Tools and shop equipment	(11,261)	(4,871)	-	-	(16,132)
Radio equipment	(1,769)	(691)	-	-	(2,460)
Total accumulated depreciation	<u>(10,898,314)</u>	<u>(633,271)</u>	<u>-</u>	<u>-</u>	<u>(11,531,585)</u>
Net capital assets being depreciated	<u>10,712,928</u>	<u>(622,498)</u>	<u>-</u>	<u>372,161</u>	<u>10,462,591</u>
Net capital assets	<u>\$ 11,048,651</u>	<u>\$ (378,536)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,670,115</u>

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

V. **CAPITAL ASSETS (Continued)**

**Wastewater**

	Balance at September 30, 2020	Additions	Disposals	Balance at September 30, 2021
Capital assets not being depreciated:				
Land	\$ 118,398	\$ -	\$ -	\$ 118,398
Construction in progress	96,806	907,819	(409,135)	595,490
	<u>215,204</u>	<u>907,819</u>	<u>(409,135)</u>	<u>713,888</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	23,761,956	-	-	23,761,956
Distribution system	8,756,553	2,768	409,135	9,168,456
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	1,019,486	-	-	1,019,486
Laboratory equipment	4,537	-	-	4,537
Tools and shop equipment	172,617	-	-	172,617
Radio equipment	453	-	-	453
	<u>33,715,602</u>	<u>2,768</u>	<u>409,135</u>	<u>34,127,505</u>
Total capital assets at historical costs	<u>33,930,806</u>	<u>910,587</u>	<u>-</u>	<u>34,841,393</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(18,283,309)	(394,332)	-	(18,677,641)
Distribution system	(3,729,067)	(191,400)	-	(3,920,467)
Office structures and improvement and furniture and fixtures	-	-	-	-
Transportation equipment	(874,374)	(39,743)	-	(914,117)
Laboratory equipment	(1,546)	(907)	-	(2,453)
Tools and shop equipment	(138,091)	(17,721)	-	(155,812)
Radio equipment	(424)	(30)	-	(454)
Total accumulated depreciation	<u>(23,026,811)</u>	<u>(644,133)</u>	<u>-</u>	<u>(23,670,944)</u>
Net capital assets being depreciated	<u>10,688,791</u>	<u>(641,365)</u>	<u>409,135</u>	<u>10,456,561</u>
Net capital assets	<u>\$ 10,903,995</u>	<u>\$ 266,454</u>	<u>\$ -</u>	<u>\$ 11,170,449</u>

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
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SEPTEMBER 30, 2021

**VI. LONG-TERM DEBT**

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2021:

	Electric	Water	Wastewater	City (General Fund)
Balance, September 30, 2020	\$ -	\$ 1,637,872	\$ 1,946,342	\$ -
Note issued	-	-	-	1,077,830
Note retired	-	(294,984)	(350,540)	-
Balance, September 30, 2021	<u>\$ -</u>	<u>\$ 1,342,888</u>	<u>\$ 1,595,802</u>	<u>\$ 1,077,830</u>
Current Portion	<u>\$ -</u>	<u>\$ 299,294</u>	<u>\$ 355,661</u>	<u>\$ 1,077,830</u>

On December 13, 2011, the Board authorized the transfer of funds from the Electric Department to the Wastewater Department on an as needed basis to pay for the costs incurred for the Wastewater disinfection and headworks projects. The interest rate is to be the six-month Treasury Bill rate established by the market on the sale date prior to January 1<sup>st</sup> and July 1<sup>st</sup> of each year (currently .0600 percent). Monthly payments of \$29,268 are currently being paid.

Debt repayment requirements are as follows:

Year Ended September 30,	Principal	Interest	Total
2022	\$ 350,352	\$ 861	\$ 351,213
2023	350,563	651	351,214
2024	350,773	440	351,213
2025	350,984	230	351,214
2026	193,130	37	193,167
	<u>\$ 1,595,802</u>	<u>\$ 2,219</u>	<u>\$ 1,598,021</u>

On November 13, 2014, the Board authorized the transfer of funds from the Electric Department to the Water Department on an as needed basis to pay for the costs incurred for the Water FHM/HAA project. The interest rate is to be the six-month Treasury Bill rate established by the market on the sale date prior to January 1<sup>st</sup> and July 1<sup>st</sup> of each year (currently .0600 percent). Monthly payments of \$24,629 are currently being paid.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**VI. 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>
2022	\$ 294,826	\$ 725	\$ 295,551
2023	295,003	548	295,551
2024	295,180	371	295,551
2025	295,357	194	295,551
2026	162,522	31	162,553
	<u>\$ 1,342,888</u>	<u>\$ 1,869</u>	<u>\$ 1,344,757</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, 2021 the Board had advanced \$1,077,830. This amount is currently due.

**VII. PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
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SEPTEMBER 30, 2021

**VII. PENSION PLAN (Continued)**

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

	<u>2021 Valuation</u>
Benefit Multiplier:	1.75% for life
Final Average Salary:	5 years
Member Contributions:	0%

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

**Employees covered by benefit terms.** At June 30, 2021 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	154	
Inactive employees entitled to but not yet receiving benefits	55	
Active employees	175	
	384	

**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 12.1% (General), 8.1% (Police) and 10.3% (Fire) of annual covered payroll.

**Net Pension Liability.** The employer's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2021.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**VII. PENSION PLAN (Continued)**

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

Inflation	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.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2021 valuation were based on the results of an actuarial experience study for the period March 1, 2011 through February 29, 2016.

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

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

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

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
<b>Balances at 9/30/20</b>	\$ 50,611,928	\$ 51,044,222	\$ (432,294)
<b>Changes for the year:</b>			
Service Cost	872,592	-	872,592
Interest	3,616,233	-	3,616,233
Difference between expected and actual experience	(269,927)	-	(269,927)
Contributions - employer	-	1,031,084	(1,031,084)
Change in Assumptions	(970,082)	-	(970,082)
Net investment income	-	13,696,849	(13,696,849)
Benefit payments, including refunds	(2,364,385)	(2,364,385)	-
Administrative expense	-	(37,901)	37,901
Other changes	-	158,849	(158,849)
<b>Net changes</b>	<u>884,431</u>	<u>12,484,496</u>	<u>(11,600,065)</u>
<b>Balances at 9/30/21</b>	<u>\$ 51,496,359</u>	<u>\$ 63,528,718</u>	<u>\$ (12,032,359)</u>

**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.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**VII. PENSION PLAN (Continued)**

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 58,397,831	\$ 51,496,359	\$ 45,751,480
Plan Fiduciary Net Position	63,528,718	63,528,718	63,528,718
Net Position Liability (Asset)	<u>\$ (5,130,887)</u>	<u>\$ (12,032,359)</u>	<u>\$(17,777,238)</u>

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

For the year ended September 30, 2021 the employer recognized pension expense of \$(1,030,605). 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	\$ 377,672	\$ 816,013
Differences in assumptions	-	780,615
Excess (deficit) investment returns	-	6,576,925
Contributions subsequent to the measurement date*	264,215	-
Total	<u>\$ 641,887</u>	<u>\$ 8,173,553</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2022.

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

Year Ended	Net Deferred Outflows of Resources
2022	\$ (2,030,957)
2023	(1,623,821)
2024	(12,731,137)
2025	(2,319,913)
2026	(45,167)
Thereafter	(19,050)

**Payable to the Pension Plan**

At September 30, 2021, 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, 2021.



MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**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, 2021, the Municipal Utilities' deposits are categorized as below. Differences between the carrying amount and deposit amount are due to timing of transactions.

	Carrying Amount	Deposit Amount
Electric Fund:		
Insured (FDIC)	\$ 250,000	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	9,172,289	8,988,138
	\$ 9,422,289	\$ 9,238,138
Water Fund:		
Insured (FDIC)	\$ 250,000	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	2,713,761	2,723,404
	\$ 2,963,761	\$ 2,973,404
Wastewater Fund:		
Insured (FDIC)	\$ 250,000	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	2,436,869	2,733,253
	\$ 2,686,869	\$ 2,983,253

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

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

**Investments** - The Municipal Utilities' investments at September 30, 2021, and throughout the year consisted of short-term U.S. government securities. At September 30, 2021, the Municipal Utilities had the following investments:

Type	Fair Value	Book Value	Book Value Maturity Less Than One Year
Electric:			
U.S. Treasury Bills	\$ 14,998,882	\$ 14,996,840	\$ 14,996,840
Total	<u>\$ 14,998,882</u>	<u>\$ 14,996,840</u>	<u>\$ 14,996,840</u>
Wastewater:			
Certificate of Deposit	\$ 245,000	\$ 245,000	\$ 245,000
U.S. Treasury Bills	-	-	-
Total	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 245,000</u>

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

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

**Credit risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2021, 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, 2021

**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, 2021 and September 30, 2020:

2021

- U.S. Treasury securities of \$14,998,882 are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- Certificates of deposit \$245,000 are valued at quoted prices in an active market for identical assets (Level 1 inputs).

2020

- U.S. Treasury securities of \$18,487,063 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, 2021, was as follows:

	Electric	Water	Wastewater
Accounts receivable	\$ 2,617,386	\$ 447,840	\$ 319,396
Allowance for doubtful accounts	-	-	-
Net accounts receivable	\$ 2,617,386	\$ 447,840	\$ 319,396

**XI. ACCOUNTS PAYABLE**

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

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**XII. ENVIRONMENTAL MATTERS**

**Power Plant Decommissioning:**

The Marshall Municipal Utility Power Plant has not generated electric power or housed any generating units for several years. With the building mostly vacant and at the end of its useful life the Board of Public Works accepted a bid from Ahrens Contracting on March 12, 2020 to decommission and demo the Power Plant. This project involved removal of all asbestos and hazardous materials from Units #1, #2, #3, #4, and #5 boilers, turbine generators, auxiliary equipment, and the building housing the steam units. All of the equipment associated with these units was removed and the Power Plant was demolished. The Utilities incurred costs of \$796,800 in fiscal year 2020 and \$2,274,008 in fiscal year 2021.

**XIII. 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 16% of electric revenues, 17% of water revenues, and 16% of wastewater revenues are generated from a small number of industrial customers.

**XIV. 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.

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

**XV. 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.

**XVI. CONSIDERATION OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 18, 2021, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.

**REQUIRED SUPPLEMENTARY INFORMATION**

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS (UNAUDITED)  
(MISSOURI LAGERS)  
YEAR ENDED SEPTEMBER 30, 2021

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2012	\$ 613,171.52	\$ 470,251.53	\$ 142,919.99	\$4,610,311.78	10.20%
2013	660,986.59	514,100.61	146,885.98	4,590,184.54	11.20%
2014	651,973.16	568,148.35	83,824.81	4,656,950.40	12.20%
2015	671,496.11	619,841.75	51,654.36	4,695,774.14	13.20%
2016	592,628.30	592,628.17	0.13	4,818,115.83	12.30%
2017	558,482.58	558,483.05	(0.47)	5,031,375.78	11.10%
2018	551,365.09	551,364.77	0.32	5,012,410.44	11.00%
2019	544,660.42	544,660.42	-	4,820,004.78	11.30%
2020	593,514.52	593,514.45	0.07	4,987,517.21	11.90%
2021	641,528.58	641,527.95	0.63	5,301,887.03	12.10%

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS (UNAUDITED)  
(MISSOURI LAGERS)  
YEAR ENDED SEPTEMBER 30, 2021

<b>Valuation Date:</b>	February 28, 2021
<b>Notes:</b>	The roll-forward of total pension liability from February 28, 2021 to June 30, 2021 reflects expected service cost and interest reduced by actual benefit payments.
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
<b>Actuarial Cost Method</b>	Entry Age Normal and Modified Terminal Funding
<b>Amortization Method</b>	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
<b>Remaining Amortization Period</b>	Multiple bases from 10 to 15 years
<b>Asset Valuation Method</b>	5-Year smoothed market; 20% corridor
<b>Inflation</b>	2.75% wage inflation; 2.25% price inflation
<b>Salary Increases</b>	2.75% to 6.75% including wage inflation for General Division 2.75% to 7.15% including wage inflation for Fire Division 2.75% to 6.55% including wage inflation for Police Division
<b>Investment Rate of Return</b>	7.00%, net of investment expenses
<b>Retirement Age</b>	Experience-based table of rates that are specific to the type of eligibility condition.
<b>Mortality</b>	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.
<b>Other Information:</b>	None



MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS (UNAUDITED)  
(MISSOURI LAGERS)  
YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year Ending	
	September 30, 2021	September 30, 2020
<b>Total Pension Liability</b>		
Service Cost	\$ 872,592	\$ 840,700
Interest on the Total Pension Liability	3,616,233	3,472,865
Benefit Changes	-	-
Difference between expected and actual experience	(269,927)	(30,287)
Assumption Changes	(970,082)	-
Benefit Payments	(2,364,385)	(2,280,017)
Refunds	-	-
<b>Net Change in Total Pension Liability</b>	<u>884,431</u>	<u>2,003,261</u>
<b>Total Pension Liability beginning</b>	<u>50,611,928</u>	<u>48,608,667</u>
<b>Total Pension Liability ending</b>	<u><u>\$ 51,496,359</u></u>	<u><u>\$ 50,611,928</u></u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	1,031,084	993,727
Contributions - employee	-	-
Pension Plan Net Investment Income	13,696,849	659,159
Benefit Payments	(2,364,385)	(2,280,017)
Refunds	-	-
Pension Plan Administrative expense	(37,901)	(49,069)
Other	158,849	(63,344)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>12,484,496</u>	<u>(739,544)</u>
<b>Plan Fiduciary Net Position beginning</b>	<u>51,044,222</u>	<u>51,783,766</u>
<b>Plan Fiduciary Net Position ending</b>	<u><u>\$ 63,528,718</u></u>	<u><u>\$ 51,044,222</u></u>
 Employer Net Pension Liability (Asset)	 <u><u>\$(12,032,359)</u></u>	 <u><u>\$ (432,294)</u></u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	 123.37%	 100.85%
 Covered Employee Payroll	 9,000,629	 7,759,189
 Employer's Net Pension Liability as a percentage of covered employee payroll	 (133.68%)	 (5.57%)

MARSHALL MUNICIPAL UTILITIES  
MARSHALL, MISSOURI  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS (UNAUDITED)  
(MISSOURI LAGERS) (CONT'D)  
YEAR ENDED SEPTEMBER 30, 2021

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

Data prior to 2015 is not available.

## **COMPLIANCE AND INTERNAL CONTROL**

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

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

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

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, 2021 and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements and have issued our report thereon dated November 18, 2021.

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

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



November 18, 2021

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