

REPORT OF
MARSHALL MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE
CITY OF MARSHALL, MISSOURI
SEPTEMBER 30, 2019

**MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI**

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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, 2019, 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

Fred W. Korte, Jr.
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Heidi N. Ross

PARTNER EMERITUS

Robert A. Gerding

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, 2019, 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 January 6, 2020, 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 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.



January 6, 2020

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

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019
(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, 2019 and 2018.

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 2018

Approval by the Marshall City council of a rate increase of approximately 10% was requested for the Water Department in September 2018. That request was rejected by the Council. It is still anticipated that water rates will need to be increased by at least 10% at some time in the next year.

The Water Department is currently finalizing improvements to address the THMM issue that is a concern of the Missouri Department of Natural Resources. Work on the project will cost over \$6,000,000.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

The Electric Department has completed the construction of a new warehouse at a cost of \$1,900,000. The distribution system has contracted for a second 161 kva connection with Central Missouri Coop. Cost of this project is estimated at \$2,000,000 and should be completed by May 2018. A project to add a 20 kva transformer to the Southeast substation has been started. Lead time for the transformer is two years. Design work is in process with a completion date estimated in 2020 at a cost of \$2,500,000. All electric meters in the system are being replaced at a cost of \$1,100,000. Completion of this project is scheduled for November of 2018.

Fiscal Year 2019

In April, the Marshall City Council approved a 10% increase in the rates for water volume for all customers. This increase will pay for the mandated improvements made at the water treatment plant and help fund future capital projects and improvements to MMU's aging infrastructure.

A cost of service rate study for the Water Department and Electric Department is being performed during the 2019 year. With the changes that have taken place for the purchase of wholesale power and the addition of AMI metering, along with improvements made to the water treatment plant. MMU felt that now was a good time to re-evaluate our rate structures and associated costs. The cost of service rate study is expected to be completed and presented to MMU in February of 2020.

The Electric Department has completed the second 161kV connection with Central Missouri Coop, with a total cost of \$2,100,000. The AMI metering system was also completed, with a final cost of \$1,100,000.

The Internet Department filed for a 50% Loan 50% Grant with USDA totaling \$1,150,000 to extend broadband serviced outside the City of Marshall. MMU expects to receive notice of acceptance from USDA in November of 2019.

The Wastewater Department continues to improve the collection system with the cured in place pipe (CIPP) method. This type of rehab will improve a main that is structurally sound with cracks, leaking joints, roots and small holes up to a main that is in excellent condition. The estimated cost of this annual project is \$300,000.

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.

**MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)**

The following tables provide a summary of Electric Department's operations for years ended September 30, 2019 and 2018.

Changes in Net Position				
	2019	2018	Change	Percent of Change
Revenues:				
Charges for services	\$ 22,083,747	\$ 22,245,138	\$ (161,391)	-0.73%
Capital grants and contributions	30,436	348,351	(317,915)	-91.26%
General Revenues:				
Investment earnings	693,712	446,270	247,442	55.45%
Miscellaneous	249,630	241,997	7,633	3.15%
Total Revenues	23,057,525	23,281,756	(224,231)	-0.96%
Expenses:				
Electric	20,853,865	20,889,628	(35,763)	-0.17%
Total Expenses	20,853,865	20,889,628	(35,763)	-0.17%
Increase (decrease) in net position	2,203,660	2,392,128	(188,468)	-7.88%
Net Position - beginning of year	49,541,628	47,149,500	2,392,128	5.07%
Net Position - end of year	\$ 51,745,288	\$ 49,541,628	\$ 2,203,660	4.45%

Capital Assets

The Electric Department's investment in capital assets for its activities as of September 30, 2019, amounts to \$19,977,597 (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**

	2019	2018
Property, plant and equipment:		
Land and land rights	\$ 1,621,462	\$ 1,621,462
Plant structures and improvements	2,239,731	2,469,234
Collection	13,313,791	13,749,747
General equipment	458,615	429,390
Construction work in progress	2,343,998	536,974
Net Capital Assets	\$ 19,977,597	\$ 18,806,807

Additional information on the Electric Department's capital assets can be found in Note V on page 22 of this report.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Financial Highlights - Electric

- The assets and deferred outflows of the Electric Department exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$51,745,288 (net position). Of this amount, \$30,910,271 (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 \$2,203,660.

One of the portions of the department’s net position (39%) 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

	2019	2018
Current and other assets	\$ 35,210,878	\$ 33,904,165
Capital assets	19,977,597	18,806,807
Total Assets	55,188,475	52,710,972
Deferred outflows	471,491	579,490
Other liabilities	3,226,756	2,925,693
Deferred inflows	687,922	823,141
Net Position		
Net investment in capital assets	19,977,597	18,806,807
Restricted	857,420	546,622
Unrestricted	30,910,271	30,188,199
Total Net Position	\$ 51,745,288	\$ 49,541,628

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

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

	2019	2018	Change	Percent of Change
Revenues:				
Charges for services	\$ 4,036,959	\$ 3,993,676	\$ 43,283	1.08%
Capital grants and contributions	5,435	10,125	(4,690)	-46.32%
General Revenues:				
Investment earnings	6,225	6,587	(362)	-5.50%
Miscellaneous	66,390	50,287	16,103	32.02%
Total Revenues	<u>4,115,009</u>	<u>4,060,675</u>	<u>54,334</u>	1.34%
Expenses:				
Interest on long-term debt	48,111	12,547	35,564	283.45%
Water	3,554,730	3,331,802	222,928	6.69%
Total Expenses	<u>3,602,841</u>	<u>3,344,349</u>	<u>258,492</u>	7.73%
Increase (decrease) in net position	512,168	716,326	(204,158)	-28.50%
Net Position - beginning of year	11,033,079	10,316,753	716,326	6.94%
Net Position - end of year	<u>\$ 11,545,247</u>	<u>\$ 11,033,079</u>	<u>\$ 512,168</u>	4.64%

Capital Assets

The Water Department's investment in capital assets for its activities as of September 30, 2019, amounts to \$11,279,305 (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**

	2019	2018
Property, plant and equipment:		
Land and land rights	\$ 94,398	\$ 94,398
Plant structures and improvements	6,923,295	7,224,125
Collection	4,125,350	4,074,573
General equipment	136,262	98,954
Construction work in progress	-	93,103
Net Capital Assets	<u>\$ 11,279,305</u>	<u>\$ 11,585,153</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, 2019
(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 \$11,545,247 (net position). Of this amount, \$1,908,543 (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 \$512,168.

The largest portion of the department's net position (81%) 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

	2019	2018
Current and other assets	\$ 2,524,075	\$ 2,478,774
Capital assets	11,279,305	11,585,153
	13,803,380	14,063,927
Deferred outflows	193,367	232,431
Long-term liabilities	1,643,694	1,475,411
Other liabilities	567,537	1,498,689
	2,211,231	2,974,100
Deferred inflows	240,269	289,179
Net Position		
Net investment in capital assets	9,356,607	9,749,741
Restricted	280,097	288,237
Unrestricted	1,908,543	995,101
Total Net Position	\$ 11,545,247	\$ 11,033,079

During the fiscal year, the department's total debt increased by \$87,287. The increase was due to debt borrowed from the Electric Department to fund improvements.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Debt Administration

**Outstanding Debt at Year End
Interfund Debt**

	2019	2018	Change	Percent of Change
Debt	\$ 1,922,698	\$ 1,835,411	\$ 87,287	4.76%

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.

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

	2019	2018	Change	Percent of Change
Revenues:				
Charges for services	\$ 2,815,209	\$ 2,812,755	\$ 2,454	0.09%
Capital grants and contributions	3,600	1,500	2,100	140.00%
General Revenues:				
Investment earnings	33,457	22,624	10,833	47.88%
Miscellaneous	26,579	20,259	6,320	31.20%
Total Revenues	<u>2,878,845</u>	<u>2,857,138</u>	<u>21,707</u>	0.76%
Expenses:				
Interest on long-term debt	58,197	46,164	12,033	26.07%
Wastewater	2,402,055	2,194,212	207,843	9.47%
Total Expenses	<u>2,460,252</u>	<u>2,240,376</u>	<u>219,876</u>	9.81%
Increase in net position	418,593	616,762	(198,169)	-32.13%
Net Position - beginning of year	11,550,534	10,933,772	616,762	5.64%
Net Position - end of year	<u>\$ 11,969,127</u>	<u>\$ 11,550,534</u>	<u>\$ 418,593</u>	3.62%

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Capital Assets

The Wastewater Department's investment in capital assets for its activities as of September 30, 2019, amounts to \$11,113,164 (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**

	2019	2018
Property, plant and equipment:		
Land and land rights	\$ 118,398	\$ 118,398
Plant structures and improvements	5,873,421	6,184,496
Collection	4,877,355	4,649,482
General equipment	228,492	238,283
Construction work in progress	15,498	66,677
Net Capital Assets	\$ 11,113,164	\$ 11,257,336

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 \$11,969,127 (net position). Of this amount, \$2,966,509 (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 \$418,593.

The largest portion of the department's net position (74%) 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, 2019
(UNAUDITED)

Wastewater Department's Net Position

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 3,403,203	\$ 3,209,754
Capital assets	<u>11,113,164</u>	<u>11,257,336</u>
	<u>14,516,367</u>	<u>14,467,090</u>
Deferred outflows	<u>97,733</u>	<u>123,011</u>
Long term liabilities	1,953,260	2,206,638
Other liabilities	<u>554,752</u>	<u>664,319</u>
	<u>2,508,012</u>	<u>2,870,957</u>
Deferred inflows	<u>136,961</u>	<u>168,610</u>
Net Position		
Net investment in capital assets	8,828,352	8,570,698
Restricted	174,266	179,532
Unrestricted	<u>2,966,509</u>	<u>2,800,304</u>
Total Net Position	<u>\$ 11,969,127</u>	<u>\$ 11,550,534</u>

Debt Administration

**Outstanding Debt at Year End
Interfund Debt**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percent of Change</u>
Debt	<u>\$ 2,284,811</u>	<u>\$ 2,686,638</u>	<u>\$ (401,827)</u>	<u>-14.96%</u>

During the fiscal year, the department's total debt decreased by \$401,827 or 15%. 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, 2019
(UNAUDITED)

Economic Outlook

Marshall Municipal Utilities had many accomplishments and improvements throughout the fiscal year ending September 30, 2019. Many of the improvements completed during this fiscal year were not only important in providing reliable service to the Marshall community, but necessary for our City to develop and grow.

One of these accomplishments is the completion of a second 161kV tie (emergency tie), on Marshall's transmission system. This project began in 2017 and was triggered by the retirement of MMU's coal fired generation plant. The project involved constructing approximately 4,500 feet of new 161kV transmission line and removal of 21,000 feet of old transmission line. With completion of this second tie, MMU now has connections to Central Electric Power Coop and Energy (formerly KCPL). This greatly improves the reliability of electric service to Marshall and its customers well into the future.

Another accomplishment during fiscal year 2019 was the dispatching/operation of MMU's gas turbine, Unit #6. This unit is a resource for the Southwest Power Pool (SPP) and is dispatched by SPP for both reliability and economic issues. MMU set its all-time consecutive record for Unit #6 with run hours of 103, total annual run hours of 454, and kilowatt hours generated of 6,082,920.

Wholesale energy during fiscal year 2019 averaged approximately \$68/mw. This is up approximately \$2.25/mw from prior year. The increase was due to lower consumption by our customers due to the cooler weather. Forecasts energy prices by MoPEP management for fiscal year 2020 are estimated to be between \$68 - \$69/mw.

The Information Technology and Broadband department continues to grow and thrive. Approved by the BPW in 2002, services have grown to over 2,900 customers in fiscal year 2019. MMU has filed for a USDA Grant that if accepted would expand broadband services outside the City of Marshall.

With completion of the Water Treatment Plant updates to address the mandated THHM issue required by the Missouri Department of Natural Resources. The Marshall City Council approved a much needed 10% increase in the rates for water volume in April of 2019. This increase will allow MMU to recoup construction cost and fund future projects that will need to be made to the Water Treatment Plant.

Inflow and infiltration issues and an aging Wastewater Treatment Plant is an area of concern going into fiscal year 2020. While the Water Treatment Plant produced on average 2.31 million gallons per day, the Wastewater Treatment Plant treated 2.75 million gallons per day. This is a 32% increase over prior year. While MMU is currently looking at programs and projects to reduce I&I, we are also needing to address a budgeted forecast of 5 million in improvements to the Wastewater Treatment Plant over the next 5 years.

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, 2019

	Business-Type Activities			
	Electric	Water	Wastewater	Total
Assets				
Current Assets				
Operating funds:				
Cash and cash equivalents	\$ 7,579,602	\$ 589,384	\$ 491,645	\$ 8,660,631
Receivables - net of allowances:				
Consumers	2,315,870	435,251	305,221	3,056,342
Other	152,400	4,684	45,940	203,024
Accrued interest	106,586	-	3,890	110,476
Inventories:				
Fuel	129,279	-	-	129,279
Maintenance materials	1,143,231	197,795	19,243	1,360,269
Current portion of interfund note receivable	610,555	-	-	610,555
Prepaid expenses	368,192	104,327	45,140	517,659
Total Current Assets	12,405,715	1,331,441	911,079	14,648,235
Segregated Assets				
Cash and cash equivalents	1,039,740	912,537	1,082,317	3,034,594
U.S. Government Securities, at amortized cost	17,311,049	-	1,235,541	18,546,590
Total Segregated Assets	18,350,789	912,537	2,317,858	21,581,184
Noncurrent Assets				
Net pension asset	857,420	280,097	174,266	1,311,783
Noncurrent portion of interfund note receivable	3,596,954	-	-	3,596,954
Net capital assets	19,977,597	11,279,305	11,113,164	42,370,066
Total Noncurrent Assets	24,431,971	11,559,402	11,287,430	47,278,803
Total Assets	\$ 55,188,475	\$ 13,803,380	\$ 14,516,367	\$ 83,508,222
Deferred Outflows				
Deferred outflows related to pension	\$ 471,491	\$ 193,367	\$ 97,733	\$ 762,591
Total Deferred Outflows	\$ 471,491	\$ 193,367	\$ 97,733	\$ 762,591

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF NET POSITION (CONT'D)
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities			
	Electric	Water	Wastewater	Total
Liabilities				
Operating Funds:				
Current Liabilities				
Accounts payable - trade	\$ 1,717,390	\$ 84,579	\$ 121,207	\$ 1,923,176
Gross revenue levy payable	533,819	55,459	-	589,278
Accrued benefits payable	287,204	107,398	51,247	445,849
Current portion of interfund note payable	-	279,004	331,551	610,555
Accrued payroll	147,472	41,097	50,747	239,316
Segregated Funds:				
Consumer deposits	540,871	-	-	540,871
Total Current Liabilities	3,226,756	567,537	554,752	4,349,045
Noncurrent Liabilities:				
Net pension liability	-	-	-	-
Noncurrent portion of interfund note payable	-	1,643,694	1,953,260	3,596,954
Total Noncurrent Liabilities	-	1,643,694	1,953,260	3,596,954
Total Liabilities	\$ 3,226,756	\$ 2,211,231	\$ 2,508,012	\$ 7,945,999
Deferred Inflows				
Deferred inflows related to pension	\$ 687,922	\$ 240,269	\$ 136,961	\$ 1,065,152
Total Deferred Inflows	\$ 687,922	\$ 240,269	\$ 136,961	\$ 1,065,152
Net Position				
Net investment in capital assets	\$ 19,977,597	\$ 9,356,607	\$ 8,828,352	\$ 38,162,556
Restricted but expendable for:				
Pension	857,420	280,097	174,266	1,311,783
Unrestricted	30,910,271	1,908,543	2,966,509	35,785,323
Total Net Position	\$ 51,745,288	\$ 11,545,247	\$ 11,969,127	\$ 75,259,662

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, 2019

	Business-type Activities			
	Electric	Water	Wastewater	Total
Operating Revenues:				
Charges for services	\$ 22,083,747	\$ 4,036,959	\$ 2,815,209	\$ 28,935,915
Miscellaneous	245,742	42,814	26,579	315,135
Total Operating Revenues	<u>22,329,489</u>	<u>4,079,773</u>	<u>2,841,788</u>	<u>29,251,050</u>
Operating Expenses:				
Production:				
Fuel and purchased power	12,006,675	-	-	12,006,675
Salaries and wages	312,921	222,401	84,516	619,838
Plant maintenance and other	878,697	982,492	793,667	2,654,856
Transmission and distribution:				
General transmission	59,288	8,953	-	68,241
Distribution salaries and wages	479,083	98,341	-	577,424
Distribution maintenance and other	1,248,577	537,646	368,693	2,154,916
Depreciation and amortization	1,608,218	620,611	652,449	2,881,278
General and administrative:				
Salaries and wages	745,425	335,332	176,513	1,257,270
Contribution to Missouri Local Government Employees Retirement System	771,629	299,946	205,780	1,277,355
Insurance	390,265	137,713	57,879	585,857
Payments and/or services in lieu of taxes	1,786,332	190,473	-	1,976,805
Other general expenses	566,755	120,822	62,558	750,135
Total Operating Expenses	<u>20,853,865</u>	<u>3,554,730</u>	<u>2,402,055</u>	<u>26,810,650</u>
Operating Income (Loss)	<u>1,475,624</u>	<u>525,043</u>	<u>439,733</u>	<u>2,440,400</u>
Non-Operating Revenues (Expenses):				
Interest & investment earnings	693,712	6,225	33,457	733,394
Gain (loss) on sale of equipment	3,888	23,576	-	27,464
Interest Expense	-	(48,111)	(58,197)	(106,308)
Net Non-Operating Revenues (Expenses)	<u>697,600</u>	<u>(18,310)</u>	<u>(24,740)</u>	<u>654,550</u>
Income Before Capital Grants and Contributions	2,173,224	506,733	414,993	3,094,950
Capital Grants and Contributions	<u>30,436</u>	<u>5,435</u>	<u>3,600</u>	<u>39,471</u>
Net Income (Loss)	2,203,660	512,168	418,593	3,134,421
Net Position, Beginning of Year	<u>49,541,628</u>	<u>11,033,079</u>	<u>11,550,534</u>	<u>72,125,241</u>
Net Position, End of Year	<u>\$ 51,745,288</u>	<u>\$ 11,545,247</u>	<u>\$ 11,969,127</u>	<u>\$ 75,259,662</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-type Activities			Total
	Electric	Water	Wastewater	
Cash flows from operating activities:				
Cash received from customers	\$ 22,398,374	\$ 4,055,097	\$ 2,864,063	\$ 29,317,534
Cash paid to suppliers	(14,888,898)	(2,640,250)	(1,291,477)	(18,820,625)
Cash paid to employees	(2,299,591)	(975,195)	(435,348)	(3,710,134)
Cash paid for services in lieu of taxes	(1,805,144)	(186,067)	-	(1,991,211)
Net cash provided by operating activities	<u>3,404,741</u>	<u>253,585</u>	<u>1,137,238</u>	<u>4,795,564</u>
Cash flows from capital and related financing activities:				
Capital contributions	30,436	5,435	3,600	39,471
Proceeds from sale of assets	3,888	23,576	-	27,464
Purchases of capital assets	(2,779,008)	(314,763)	(508,277)	(3,602,048)
Principal advances on interfund note receivable	-	403,466	-	403,466
Principal paid on interfund note payable	-	(316,179)	(401,827)	(718,006)
Interest paid on capital debt	-	(48,111)	(58,197)	(106,308)
Net cash (used) for capital and related financing activities	<u>(2,744,684)</u>	<u>(246,576)</u>	<u>(964,701)</u>	<u>(3,955,961)</u>
Cash flows from investing activities:				
Proceeds from sale of US government securities	34,598,108	-	2,468,256	37,066,364
Purchases of US government securities	(34,593,824)	-	(2,468,959)	(37,062,783)
Principal advances on interfund note receivable	(403,466)	-	-	(403,466)
Principal payments on interfund note receivable	718,006	-	-	718,006
Interest and dividends	685,680	6,225	33,686	725,591
Net cash provided (used) by investing activities	<u>1,004,504</u>	<u>6,225</u>	<u>32,983</u>	<u>1,043,712</u>
Net increase in cash and cash equivalents	1,664,561	13,234	205,520	1,883,315
Cash and cash equivalents, beginning of year	<u>6,954,781</u>	<u>1,488,687</u>	<u>1,368,442</u>	<u>9,811,910</u>
Cash and cash equivalents, end of year	<u>\$ 8,619,342</u>	<u>\$ 1,501,921</u>	<u>\$ 1,573,962</u>	<u>\$ 11,695,225</u>
Reported on the Statement of Net Position as:				
Cash and cash equivalents	\$ 7,579,602	\$ 589,384	\$ 491,645	\$ 8,660,631
Segregated cash and cash equivalents	<u>1,039,740</u>	<u>912,537</u>	<u>1,082,317</u>	<u>3,034,594</u>
	<u>\$ 8,619,342</u>	<u>\$ 1,501,921</u>	<u>\$ 1,573,962</u>	<u>\$ 11,695,225</u>
Reconciliation of operating income (loss) to cash flows from operating activities:				
Operating income (loss)	\$ 1,475,624	\$ 525,043	\$ 439,733	\$ 2,440,400
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation expense	1,608,218	620,611	652,449	2,881,278
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Receivables - net of allowances	68,885	(24,676)	22,275	66,484
Inventory	9,518	(1,257)	394	8,655
Prepaid expenses	(53,849)	(14,274)	(15,390)	(83,513)
Accounts and other payables	271,201	(837,093)	6,316	(559,576)
Deferred outflows	107,999	39,064	25,278	172,341
Deferred inflows	(135,219)	(48,910)	(31,649)	(215,778)
Net pension liability	22,502	8,140	5,266	35,908
Other accrued liabilities	29,862	(13,063)	32,566	49,365
Net cash provided by operating activities	<u>\$ 3,404,741</u>	<u>\$ 253,585</u>	<u>\$ 1,137,238</u>	<u>\$ 4,795,564</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2019

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 \$500 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, 2019

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, 2019, the Internet Department had total assets of \$3,594,603 and total liabilities of \$66,664. For the year ended September 30, 2019, the Internet Department had revenues of \$1,290,054 and expenses of \$870,728.

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, 2019, the Natural Gas Department had total assets of \$6,870,798 and total liabilities of \$13,391. For the year ended September 30, 2019, the Natural Gas Department had revenues of \$257,935 and expenses of \$326,440.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

IV. SEGREGATED ASSETS

Segregated assets (including restricted funds, board designated funds and excess funds on account) as of September 30, 2019 were designated as follows:

	<u>Designated Balances</u>	<u>Segregated Funds Requirements</u>
Electric Fund:		
Consumers' deposit fund	\$ 546,565	\$ 503,901
Insurance reserve fund	5,001,567	5,000,000
Equipment fund	10,273,175	-
	<u>\$ 15,821,307</u>	<u>\$ 5,503,901</u>
Water Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Wastewater Fund:		
Insurance reserve fund	500,000	500,000
Equipment fund	-	-
Main replacement fund	611,673	-
	<u>\$ 1,111,673</u>	<u>\$ 500,000</u>

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, 2019

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, 2019 was as follows:

Electric

	Balance at September 30, 2018	Additions	Disposals	Balance at September 30, 2019
Capital assets not being depreciated:				
Land	\$ 1,621,462	\$ -	\$ -	\$ 1,621,462
Construction in progress	536,974	1,863,161	(56,137)	2,343,998
	<u>2,158,436</u>	<u>1,863,161</u>	<u>(56,137)</u>	<u>3,965,460</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	32,032,430	335,438	56,137	32,424,005
Distribution system	30,615,207	316,693	-	30,931,900
Street lighting and hydrants	769,246	99,336	-	868,582
Office structures and improvement and furniture and fixtures	849,316	5,473	-	854,789
Transportation equipment	2,102,351	37,210	(14,684)	2,124,877
Laboratory equipment	4,755	-	-	4,755
Tools and shop equipment	907,484	121,697	-	1,029,181
Radio equipment	457,363	-	-	457,363
	<u>67,738,152</u>	<u>915,847</u>	<u>41,453</u>	<u>68,695,452</u>
Total capital assets at historical costs	<u>69,896,588</u>	<u>2,779,008</u>	<u>(14,684)</u>	<u>72,660,912</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(27,637,615)	(528,122)	-	(28,165,737)
Distribution system	(19,253,914)	(910,171)	-	(20,164,085)
Street lighting and hydrants	(306,375)	(34,771)	-	(341,146)
Office structures and improvement and furniture and fixtures	(830,153)	(10,423)	-	(840,576)
Transportation equipment	(1,861,798)	(77,173)	14,684	(1,924,287)
Laboratory equipment	(4,756)	-	-	(4,756)
Tools and shop equipment	(739,127)	(47,115)	-	(786,242)
Radio equipment	(456,043)	(443)	-	(456,486)
Total accumulated depreciation	<u>(51,089,781)</u>	<u>(1,608,218)</u>	<u>14,684</u>	<u>(52,683,315)</u>
Net capital assets being depreciated	<u>16,648,371</u>	<u>(692,371)</u>	<u>56,137</u>	<u>16,012,137</u>
Net capital assets	<u>\$ 18,806,807</u>	<u>\$ 1,170,790</u>	<u>\$ -</u>	<u>\$ 19,977,597</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

V. CAPITAL ASSETS (Continued)

Water

	Balance at September 30, 2018	Additions	Disposals	Transfers	Balance at September 30, 2019
Capital assets not being depreciated:					
Land	\$ 94,398	\$ -	\$ -	\$ -	\$ 94,398
Construction in progress	93,103	-	(93,103)	-	-
	<u>187,501</u>	<u>-</u>	<u>(93,103)</u>	<u>-</u>	<u>94,398</u>
Capital assets being depreciated:					
Structures, improvements and plant equipment	11,770,388	1,985	-	147,110	11,919,483
Distribution system	9,707,273	51,137	-	131,801	9,890,211
Street lighting and hydrants	377,828	3,485	-	-	381,313
Office structures and improvement and furniture and fixtures	29,952	3,312	-	-	33,264
Transportation equipment	1,159,214	53,424	-	(72,942)	1,139,696
Laboratory equipment	8,652	-	-	-	8,652
Tools and shop equipment	150,829	13,647	-	-	164,476
Radio equipment	19,263	1,965	-	-	21,228
	<u>23,223,399</u>	<u>128,955</u>	<u>-</u>	<u>205,969</u>	<u>23,558,323</u>
Total capital assets at historical costs	<u>23,410,900</u>	<u>128,955</u>	<u>(93,103)</u>	<u>205,969</u>	<u>23,652,721</u>
Less accumulated depreciation:					
Structures, improvements and plant equipment	(4,328,167)	(451,501)	-	-	(4,779,668)
Distribution system	(6,034,371)	(127,347)	-	-	(6,161,718)
Street lighting and hydrants	(194,252)	(6,724)	-	-	(200,976)
Office structures and improvement and furniture and fixtures	(28,202)	(1,506)	-	-	(29,708)
Transportation equipment	(1,082,079)	(22,476)	-	72,942	(1,031,613)
Laboratory equipment	(466)	(2,342)	-	-	(2,808)
Tools and shop equipment	(139,423)	(8,004)	-	-	(147,427)
Radio equipment	(18,787)	(711)	-	-	(19,498)
Total accumulated depreciation	<u>(11,825,747)</u>	<u>(620,611)</u>	<u>-</u>	<u>72,942</u>	<u>(12,373,416)</u>
Net capital assets being depreciated	<u>11,397,652</u>	<u>(491,656)</u>	<u>-</u>	<u>278,911</u>	<u>11,184,907</u>
Net capital assets	<u>\$ 11,585,153</u>	<u>\$ (491,656)</u>	<u>\$ (93,103)</u>	<u>\$ 278,911</u>	<u>\$ 11,279,305</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

V. CAPITAL ASSETS (Continued)

Wastewater

	Balance at September 30, 2018	Additions	Disposals	Balance at September 30, 2019
Capital assets not being depreciated:				
Land	\$ 118,398	\$ -	\$ -	\$ 118,398
Construction in progress	66,677	35,565	(86,744)	15,498
	<u>185,075</u>	<u>35,565</u>	<u>(86,744)</u>	<u>133,896</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	26,361,897	-	86,744	26,448,641
Distribution system	8,005,501	412,421	-	8,417,922
Office structures and improvement and furniture and fixtures	6,391	-	-	6,391
Transportation equipment	1,014,193	53,424	-	1,067,617
Laboratory equipment	555	3,982	-	4,537
Tools and shop equipment	269,811	2,885	(10,560)	262,136
Radio equipment	4,975	-	-	4,975
	<u>35,663,323</u>	<u>472,712</u>	<u>76,184</u>	<u>36,212,219</u>
Total capital assets at historical costs	<u>35,848,398</u>	<u>508,277</u>	<u>(10,560)</u>	<u>36,346,115</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(20,177,401)	(397,819)	-	(20,575,220)
Distribution system	(3,356,018)	(184,548)	-	(3,540,566)
Office structures and improvement and furniture and fixtures	(6,250)	(141)	-	(6,391)
Transportation equipment	(827,092)	(51,609)	-	(878,701)
Laboratory equipment	(130)	(509)	-	(639)
Tools and shop equipment	(219,407)	(17,732)	10,560	(226,579)
Radio equipment	(4,764)	(91)	-	(4,855)
Total accumulated depreciation	<u>(24,591,062)</u>	<u>(652,449)</u>	<u>10,560</u>	<u>(25,232,951)</u>
Net capital assets being depreciated	<u>11,072,261</u>	<u>(179,737)</u>	<u>86,744</u>	<u>10,979,268</u>
Net capital assets	<u>\$ 11,257,336</u>	<u>\$ (144,172)</u>	<u>\$ -</u>	<u>\$ 11,113,164</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

VI. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2019:

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>
Balance, September 30, 2018	\$ -	\$ 1,835,411	\$ 2,686,638
Note issued	-	403,466	-
Note retired	-	(316,179)	(401,827)
Balance, September 30, 2019	<u>\$ -</u>	<u>\$ 1,922,698</u>	<u>\$ 2,284,811</u>
Current Portion	<u>\$ -</u>	<u>\$ 279,004</u>	<u>\$ 331,551</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 2.100 percent). Monthly payments of \$31,363 are currently being paid.

Debt repayment requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 331,551	\$ 44,802	\$ 376,353
2021	338,581	37,772	376,353
2022	345,760	30,593	376,353
2023	353,091	23,262	376,353
2024	360,578	15,775	376,353
2025	368,223	8,130	376,353
2026	187,027	1,149	188,176
	<u>\$ 2,284,811</u>	<u>\$ 161,483</u>	<u>\$ 2,446,294</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 1st and July 1st of each year (currently 2.136 percent). Monthly payments of \$26,392 are currently being paid.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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>
2020	\$ 279,004	\$ 37,702	\$ 316,706
2021	284,920	31,786	316,706
2022	290,961	25,745	316,706
2023	297,131	19,575	316,706
2024	303,431	13,275	316,706
2025	309,864	6,842	316,706
2026	157,387	966	158,353
	<u>\$ 1,922,698</u>	<u>\$ 135,891</u>	<u>\$ 2,058,589</u>

VII. PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

	2019 Valuation
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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	148
Inactive employees entitled to but not yet receiving benefits	50
Active employees	169
	367

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 11.3% (General), 9.3% (Police) and 9.9% (Fire) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

VII. PENSION PLAN (Continued)

Actuarial assumptions. The total pension liability in the February 28, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage; 2.50% price
Salary Increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

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, 2019 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	10.00%	0.00%
Leverage	-35.00%	-0.51%

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

VII. PENSION PLAN (Continued)

Discount rate. The discount rate used to measure the total pension liability is 7.25%. 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 9/30/18	\$ 47,151,390	\$ 49,925,238	\$ (2,773,848)
Changes for the year:			
Service Cost	832,825	-	832,825
Interest	3,364,340	-	3,364,340
Difference between expected and actual experience	(387,087)	-	(387,087)
Contributions - employer	-	928,004	(928,004)
Change in Assumptions	-	-	-
Net investment income	-	3,296,462	(3,296,462)
Benefit payments, including refunds	(2,352,801)	(2,352,801)	-
Administrative expense	-	(42,737)	42,737
Other changes	-	29,600	(29,600)
Net changes	<u>1,457,277</u>	<u>1,858,528</u>	<u>(401,251)</u>
Balances at 9/30/19	<u>\$ 48,608,667</u>	<u>\$ 51,783,766</u>	<u>\$ (3,175,099)</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 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

VII. PENSION PLAN (Continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 55,326,400	\$ 48,608,667	\$ 43,050,234
Plan Fiduciary Net Position	51,783,766	51,783,766	51,783,766
Net Position Liability (Asset)	<u>\$ 3,542,634</u>	<u>\$ (3,175,099)</u>	<u>\$ (8,733,532)</u>

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

For the year ended September 30, 2019 the employer recognized pension expense of \$378,711. 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	\$ 561,434	\$ 945,520
Differences in assumptions	436,570	-
Excess (deficit) investment returns	-	1,427,610
Contributions subsequent to the measurement date*	214,997	-
Total	<u>\$ 1,213,001</u>	<u>\$ 2,373,130</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, 2019.

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
2020	\$ (100,275)
2021	(743,045)
2022	(391,635)
2023	15,501
2024	(87,839)
Thereafter	(67,836)

Payable to the Pension Plan

At September 30, 2019, 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, 2019.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, 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	8,369,342	8,057,119
	\$ 8,619,342	\$ 8,307,119
Water Fund:		
Insured (FDIC)	\$ 250,000	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	1,251,921	1,270,862
	\$ 1,501,921	\$ 1,520,862
Wastewater Fund:		
Insured (FDIC)	\$ 495,000	\$ 495,000
Uninsured with collateral held by pledging bank in Utility's name	1,078,962	1,315,204
	\$ 1,573,962	\$ 1,810,204

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

VIII. DEPOSITS AND INVESTMENT BALANCES (Continued)

Investments - The Municipal Utilities' investments at September 30, 2019, and throughout the year consisted of short-term U.S. government securities. At September 30, 2019, the Municipal Utilities had the following investments:

Type	Fair Value	Book Value	Book Value Maturity Less Than One Year
Electric:			
U.S. Treasury Bills	\$ 17,429,318	\$ 17,311,049	\$ 17,311,049
Total	\$ 17,429,318	\$ 17,311,049	\$ 17,311,049
Wastewater:			
Certificate of Deposit	\$ 245,000	\$ 245,000	\$ 245,000
U.S. Treasury Bills	994,682	990,541	990,541
Total	\$ 1,239,682	\$ 1,235,541	\$ 1,235,541

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, 2019, 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, 2019

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 measurement as of September 30, 2019:

- U.S. Treasury securities of \$18,424,000 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, 2019, was as follows:

	Electric	Water	Wastewater
Accounts receivable	\$ 2,315,870	\$ 435,251	\$ 305,221
Allowance for doubtful accounts	-	-	-
Net accounts receivable	\$ 2,315,870	\$ 435,251	\$ 305,221

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, 2019

XII. ENVIRONMENTAL MATTERS

Hazardous Wastes:

From 1993 to 2000, Municipal Utilities utilized the services of AMERECO Environmental Services (aka Essex Waste Management/West Star Environmental [West Star]), Kingsville, Missouri, for disposal of certain hazardous wastes. Municipal Utilities was notified in July 2002 by the Missouri Department of Natural Resources (DNR) that it had issued an Order to Close West Star. Municipal Utilities made arrangements to have three drums of waste that were still at West Star removed and properly disposed. However, DNR's July 2002 letter stated the following:

“Please understand that your decision to arrange for the proper disposal of the hazardous wastes stored on the site, for which you are listed as the generator, will not and does not relieve you from any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), 42 U.S.C. 9601, *et seq.*, for any additional costs that might be incurred at this site by either the state or federal government. The fact that the state is willing to allow you to remove the hazardous wastes you sent to the site is not and shall not be construed as a release of any rights the state or the United States may have against you for any additional costs incurred by the government to clean up this facility.”

From DNR's FY 15 Missouri Registry Annual Report, as of June 30, 2015:

In 2006, DNR's Site Assessment Unit (SAU) conducted environmental sampling activities as part of the Preliminary Assessment/Site Inspection/Removal Assessment (PA/SI/RA) investigation of the property.

The PA/SI/RA concluded that based on the current site conditions and available information the site did not warrant further CERCLA (Superfund) action. The department's Resource Conservation and Recovery Act (RCRA) section is currently working with the site owner to complete final closure.

This is the exact same wording that has been in DNR's reports for several years.

If any cleanup costs are allocated based upon percentage of the total volume handled at the facility over its lifetime, Municipal Utilities would have a relatively very small percentage of that total volume.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 15% of electric revenues, 15% of water revenues, and 15% 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.

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 January 6, 2020, 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, 2019

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2010	\$ 376,239.10	\$ 376,238.79	\$ 0.31	\$4,588,281.29	8.20%
2011	598,650.98	417,240.89	181,410.09	4,535,233.95	9.20%
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%

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2019

Valuation Date:	February 28, 2019
Notes:	The roll-forward of total pension liability from February 28, 2019 to June 30, 2019 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 12 to 16 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% to 6.55% including wage inflation for General and Police Divisions 3.25% to 7.15% including wage inflation for Fire Division
Investment Rate of Return	7.25%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<p>The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.</p> <p>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.</p>
Other Information:	None

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2019

	Fiscal Year Ending	
	September 30, 2019	September 30, 2018
Total Pension Liability		
Service Cost	\$ 832,825	\$ 869,917
Interest on the Total Pension Liability	3,364,340	3,203,039
Benefit Changes	-	-
Difference between expected and actual experience	(387,087)	495,764
Assumption Changes	-	-
Benefit Payments	(2,352,801)	(2,299,445)
Refunds	-	-
Net Change in Total Pension Liability	<u>1,457,277</u>	<u>2,269,275</u>
Total Pension Liability beginning	<u>47,151,390</u>	<u>44,882,115</u>
Total Pension Liability ending	<u><u>\$ 48,608,667</u></u>	<u><u>\$ 47,151,390</u></u>
Plan Fiduciary Net Position		
Contributions - employer	928,004	917,939
Contributions - employee	-	-
Pension Plan Net Investment Income	3,296,462	5,659,357
Benefit Payments	(2,352,801)	(2,299,445)
Refunds	-	-
Pension Plan Administrative expense	(42,737)	(30,048)
Other	29,600	248,991
Net Change in Plan Fiduciary Net Position	<u>1,858,528</u>	<u>4,496,794</u>
Plan Fiduciary Net Position beginning	<u>49,925,238</u>	<u>45,428,444</u>
Plan Fiduciary Net Position ending	<u><u>\$ 51,783,766</u></u>	<u><u>\$ 49,925,238</u></u>
Employer Net Pension Liability (Asset)	<u><u>\$ (3,175,099)</u></u>	<u><u>\$ (2,773,848)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	106.53%	105.88%
Covered Employee Payroll	8,338,239	8,476,983
Employer's Net Pension Liability as a percentage of covered employee payroll	(38.08%)	(32.72%)

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, 2019

	Fiscal Year Ending		
	September 30, 2017	September 30, 2016	September 30, 2015
Total Pension Liability			
Service Cost	\$ 867,546	\$ 837,242	\$ 841,930
Interest on the Total Pension Liability	3,063,529	2,854,937	2,753,072
Benefit Changes	-	-	-
Difference between expected and actual experience	6,608	(920,968)	(713,270)
Assumption Changes	-	1,667,458	-
Benefit Payments	(1,739,457)	(1,419,028)	(1,527,824)
Refunds	-	-	-
Net Change in Total Pension Liability	<u>2,198,226</u>	<u>3,019,641</u>	<u>1,353,908</u>
Total Pension Liability beginning	<u>42,683,889</u>	<u>39,664,248</u>	<u>38,310,340</u>
Total Pension Liability ending	<u>\$ 44,882,115</u>	<u>\$ 42,683,889</u>	<u>\$ 39,664,248</u>
Plan Fiduciary Net Position			
Contributions - employer	986,979	996,056	965,537
Contributions - employee	-	-	-
Pension Plan Net Investment Income	4,981,255	(74,510)	802,763
Benefit Payments	(1,739,457)	(1,419,028)	(1,527,824)
Refunds	-	-	(32,062)
Pension Plan Administrative expense	(29,751)	(29,189)	-
Other	157,053	728,340	(318,820)
Net Change in Plan Fiduciary Net Position	<u>4,356,079</u>	<u>201,669</u>	<u>(110,406)</u>
Plan Fiduciary Net Position beginning	<u>41,072,365</u>	<u>40,870,696</u>	<u>40,981,102</u>
Plan Fiduciary Net Position ending	<u>\$ 45,428,444</u>	<u>\$ 41,072,365</u>	<u>\$ 40,870,696</u>
Employer Net Pension Liability (Asset)	<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	101.22%	96.22%	103.04%
Covered Employee Payroll	9,089,752	8,764,539	8,493,841
Employer's Net Pension Liability as a percentage of covered employee payroll	(6.01%)	18.39%	(14.20%)

Data prior to 2015 is not available.

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

PARTNERS

Fred W. Korte, Jr.
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Heidi N. Ross

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, 2019 and the related notes to the financial statements, which collectively comprise the Municipal Utilities' basic financial statements and have issued our report thereon dated January 6, 2020.

Internal Control Over Financial Reporting

PARTNER EMERITUS

Robert A. Gerding

In planning and performing our audit of the financial statements, we considered the Municipal Utilities' internal control over financial reporting (internal control) to determine the 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 determination of financial statement amounts. 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.



January 6, 2020

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