

REPORT OF
MARSHALL MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE
CITY OF MARSHALL, MISSOURI
SEPTEMBER 30, 2020

**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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Boonville, MO 65233

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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, 2020, 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

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, 2020, 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 37 through 40 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 23, 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.



November 23, 2020

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

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020
(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, 2020 and 2019.

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 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.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)

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.

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 1st 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.

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 CO₂ 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 CO₂ to be delivered at a time.

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, 2020
(UNAUDITED)**

The following tables provide a summary of Electric Department's operations for years ended September 30, 2020 and 2019.

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

	2020	2019	Change	Percent of Change
Revenues:				
Charges for services	\$ 21,070,533	\$ 22,083,747	\$ (1,013,214)	-4.59%
Capital grants and contributions	14,210	30,436	(16,226)	-53.31%
General Revenues:				
Investment earnings	351,719	693,712	(341,993)	-49.30%
Miscellaneous	212,774	249,630	(36,856)	-14.76%
Total Revenues	<u>21,649,236</u>	<u>23,057,525</u>	<u>(1,408,289)</u>	-6.11%
Expenses:				
Electric	21,192,025	20,853,865	338,160	1.62%
Decommission costs	926,215	-	926,215	
Total Expenses	<u>22,118,240</u>	<u>20,853,865</u>	<u>926,215</u>	4.44%
Increase (decrease) in net position	(469,004)	2,203,660	(2,334,504)	-105.94%
Net Position - beginning of year	51,745,288	49,541,628	2,203,660	4.45%
Net Position - end of year	<u>\$ 51,276,284</u>	<u>\$ 51,745,288</u>	<u>\$ (130,844)</u>	-0.25%

Capital Assets

The Electric Department's investment in capital assets for its activities as of September 30, 2020, amounts to \$19,701,871 (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**

	2020	2019
Property, plant and equipment:		
Land and land rights	\$ 1,621,462	\$ 1,621,462
Plant structures and improvements	4,254,207	2,239,731
Collection	12,612,026	13,313,791
General equipment	564,893	458,615
Construction work in progress	649,283	2,343,998
Net Capital Assets	<u>\$ 19,701,871</u>	<u>\$ 19,977,597</u>

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, 2020
(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 \$51,276,284 (net position). Of this amount, \$31,574,413 (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 \$(469,004).

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

	2020	2019
Current and other assets	\$ 34,733,067	\$ 35,210,878
Capital assets	19,701,871	19,977,597
Total Assets	54,434,938	55,188,475
Deferred outflows	792,713	471,491
Other liabilities	3,932,707	3,226,756
Deferred inflows	18,660	687,922
Net Position		
Net investment in capital assets	19,701,871	19,977,597
Restricted	-	857,420
Unrestricted	31,574,413	30,910,271
Total Net Position	\$ 51,276,284	\$ 51,745,288

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)

The following tables provide a summary of Water Department's operations for years ended September 30, 2020 and 2019:

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

	2020	2019	Change	Percent of Change
Revenues:				
Charges for services	\$ 4,233,852	\$ 4,036,959	\$ 196,893	4.88%
Capital grants and contributions	5,448	5,435	13	0.24%
General Revenues:				
Investment earnings	7,085	6,225	860	13.82%
Miscellaneous	38,037	66,390	(28,353)	-42.71%
Total Revenues	<u>4,284,422</u>	<u>4,115,009</u>	<u>169,413</u>	4.12%
Expenses:				
Interest on long-term debt	25,089	48,111	(23,022)	-47.85%
Water	3,605,969	3,554,730	51,239	1.44%
Total Expenses	<u>3,631,058</u>	<u>3,602,841</u>	<u>28,217</u>	0.78%
Increase (decrease) in net position	653,364	512,168	141,196	27.57%
Net Position - beginning of year	11,545,247	11,033,079	512,168	4.64%
Net Position - end of year	<u>\$ 12,198,611</u>	<u>\$ 11,545,247</u>	<u>\$ 653,364</u>	5.66%

Capital Assets

The Water Department's investment in capital assets for its activities as of September 30, 2020, amounts to \$11,048,651 (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**

	2020	2019
Property, plant and equipment:		
Land and land rights	\$ 94,398	\$ 94,398
Plant structures and improvements	6,745,993	6,923,295
Collection	3,865,146	4,125,350
General equipment	101,789	136,262
Construction work in progress	241,325	-
Net Capital Assets	<u>\$ 11,048,651</u>	<u>\$ 11,279,305</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, 2020
(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 \$12,198,611 (net position). Of this amount, \$2,787,832 (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 \$653,364.

The largest portion of the department’s net position (77%) 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

	2020	2019
Current and other assets	\$ 3,007,727	\$ 2,524,075
Capital assets	11,048,651	11,279,305
	14,056,378	13,803,380
Deferred outflows	300,441	193,367
Long-term liabilities	1,338,578	1,643,694
Other liabilities	813,410	567,537
	2,151,988	2,211,231
Deferred inflows	6,220	240,269
Net Position		
Net investment in capital assets	9,410,779	9,356,607
Restricted	-	280,097
Unrestricted	2,787,832	1,908,543
Total Net Position	\$ 12,198,611	\$ 11,545,247

During the fiscal year, the department’s total debt decreased by \$284,826. The decrease was due to debt repayment exceeding debt issued.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)

Debt Administration

**Outstanding Debt at Year End
Interfund Debt**

	2020	2019	Change	Percent of Change
Debt	\$ 1,637,872	\$ 1,922,698	\$ (284,826)	-14.81%

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, 2020 and 2019:

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

	2020	2019	Change	Percent of Change
Revenues:				
Charges for services	\$ 2,887,260	\$ 2,815,209	\$ 72,051	2.56%
Capital grants and contributions	2,500	3,600	(1,100)	-30.56%
General Revenues:				
Investment earnings	29,934	33,457	(3,523)	-10.53%
Miscellaneous	18,565	26,579	(8,014)	-30.15%
Total Revenues	2,938,259	2,878,845	59,414	2.06%
Expenses:				
Interest on long-term debt	29,815	58,197	(28,382)	-48.77%
Wastewater	2,557,699	2,402,055	155,644	6.48%
Total Expenses	2,587,514	2,460,252	127,262	5.17%
Increase in net position	350,745	418,593	(67,848)	-16.21%
Net Position - beginning of year	11,969,127	11,550,534	418,593	3.62%
Net Position - end of year	\$ 12,319,872	\$ 11,969,127	\$ 350,745	2.93%

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)

Capital Assets

The Wastewater Department's investment in capital assets for its activities as of September 30, 2020, amounts to \$10,903,995 (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**

	2020	2019
Property, plant and equipment:		
Land and land rights	\$ 118,398	\$ 118,398
Plant structures and improvements	5,478,647	5,873,421
Collection	5,027,486	4,877,355
General equipment	182,658	228,492
Construction work in progress	96,806	15,498
Net Capital Assets	\$ 10,903,995	\$ 11,113,164

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 \$12,319,872 (net position). Of this amount, \$3,365,219 (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 \$350,745.

The largest portion of the department's net position (73%) 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, 2020
(UNAUDITED)

Wastewater Department's Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 3,518,324	\$ 3,403,203
Capital assets	<u>10,903,995</u>	<u>11,113,164</u>
	<u>14,422,319</u>	<u>14,516,367</u>
Deferred outflows	<u>178,039</u>	<u>97,733</u>
Long term liabilities	1,590,681	1,953,260
Other liabilities	<u>685,140</u>	<u>554,752</u>
	<u>2,275,821</u>	<u>2,508,012</u>
Deferred inflows	<u>4,665</u>	<u>136,961</u>
Net Position		
Net investment in capital assets	8,954,653	8,828,352
Restricted	-	174,266
Unrestricted	<u>3,365,219</u>	<u>2,966,509</u>
Total Net Position	<u>\$ 12,319,872</u>	<u>\$ 11,969,127</u>

Debt Administration

**Outstanding Debt at Year End
Interfund Debt**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percent of Change</u>
Debt	<u>\$ 1,946,342</u>	<u>\$ 2,284,811</u>	<u>\$ (338,469)</u>	<u>-14.81%</u>

During the fiscal year, the department's total debt decreased by \$338,469 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.

Economic Outlook

Marshall Municipal Utilities has always prided itself for providing reliable service to the Marshall citizens and surrounding communities. Fiscal year 2020 provided a new reality in that how we provide the same service during a pandemic. Coronavirus provided many challenges for MMU during this fiscal year. The biggest being how to continue to provide reliable service while protecting our employees and customers from the spread of Covid-19.

MARSHALL MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)

In March MMU closed the Business Office to the public due to the pandemic. The drive-thru window remained open to allow for customers to conduct business and pay bills. During this time MMU was able to waive all convenience charges for online payments indefinitely and suspended all late fees and disconnects for delinquent accounts until July 2020.

While Covid-19 seem to be the main topic during 2020, Marshall Municipal Utilities was still able to have many accomplishments and make great improvements to maintain that reliable service at the lowest possible rate.

The Information Technology and Broadband department was awarded a 50% Loan 50% Grant with USDA totaling \$1,150,000 to extend broadband services outside the City of Marshall. This will allow for families that live outside the city limits that do not have access to highspeed internet that option.

In March of 2020 the decommission and demo of the Power Plant began. With an estimated cost of \$2.7 million This project will involve 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 many families and businesses facing financial challenges in 2020, the Board of Public Works along with the City Council approved a 7.5% discount to all electric charges starting in June of 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.

Areas of focus for Marshall Municipal Utilities in 2021 will be the implementation of a new Integrated Utility Billing Financial and Personnel System Software. This upgrade will allow for our staff to service our customers more effectively while working more efficiently. In June of 2021, MoPep will be changing our wholesale rates. This along with our new software will allow us to look at providing our customers with a time-of-use rate, which will hopefully provide additional savings for MMU and its customers. We will continue to expand our IT & Broadband out into Saline County with additional USDA Grants, while continuing to grow our customer base here in Marshall. However, the biggest challenge in 2021 will be the upgrade to the Aeration Basins, Clarifiers, and overall improvements to the Wastewater Treatment Plant. With equipment reaching almost 30-year-old, this will be a be a big focus for the next few 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, 2020

	Business-Type Activities			
	Electric	Water	Wastewater	Total
Assets				
Current Assets				
Operating funds:				
Cash and cash equivalents	\$ 8,600,907	\$ 893,777	\$ 696,852	\$ 10,191,536
Receivables - net of allowances:				
Consumers	2,081,642	441,331	321,707	2,844,680
Other	130,087	22,463	45,991	198,541
Accrued interest	7,014	-	210	7,224
Inventories:				
Fuel	507,176	-	-	507,176
Maintenance materials	1,088,506	190,166	19,042	1,297,714
Current portion of interfund note receivable	654,955	-	-	654,955
Prepaid expenses	324,824	91,730	46,457	463,011
Total Current Assets	13,395,111	1,639,467	1,130,259	16,164,837
Segregated Assets				
Cash and cash equivalents	921,235	1,368,260	1,143,464	3,432,959
U.S. Government Securities, at amortized cost	17,487,462	-	1,244,601	18,732,063
Total Segregated Assets	18,408,697	1,368,260	2,388,065	22,165,022
Noncurrent Assets				
Net pension asset	-	-	-	-
Noncurrent portion of interfund note receivable	2,929,259	-	-	2,929,259
Net capital assets	19,701,871	11,048,651	10,903,995	41,654,517
Total Noncurrent Assets	22,631,130	11,048,651	10,903,995	44,583,776
Total Assets	\$ 54,434,938	\$ 14,056,378	\$ 14,422,319	\$ 82,913,635
Deferred Outflows				
Deferred outflows related to pension	\$ 792,713	\$ 300,441	\$ 178,039	\$ 1,271,193
Total Deferred Outflows	\$ 792,713	\$ 300,441	\$ 178,039	\$ 1,271,193

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF NET POSITION (CONT'D)
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities			
	Electric	Water	Wastewater	Total
Liabilities				
Operating Funds:				
Current Liabilities				
Accounts payable - trade	\$ 2,118,700	\$ 182,358	\$ 130,342	\$ 2,431,400
Gross revenue levy payable	488,957	56,750	-	545,707
Accrued benefits payable	305,522	123,676	53,389	482,587
Current portion of interfund note payable	-	299,294	355,661	654,955
Accrued payroll	162,963	55,660	38,187	256,810
Segregated Funds:				
Consumer deposits	586,676	-	-	586,676
Total Current Liabilities	3,662,818	717,738	577,579	4,958,135
Noncurrent Liabilities:				
Net pension liability	269,889	95,672	107,561	473,122
Noncurrent portion of interfund note payable	-	1,338,578	1,590,681	2,929,259
Total Noncurrent Liabilities	269,889	1,434,250	1,698,242	3,402,381
Total Liabilities	\$ 3,932,707	\$ 2,151,988	\$ 2,275,821	\$ 8,360,516
Deferred Inflows				
Deferred inflows related to pension	\$ 18,660	\$ 6,220	\$ 4,665	\$ 29,545
Total Deferred Inflows	\$ 18,660	\$ 6,220	\$ 4,665	\$ 29,545
Net Position				
Net investment in capital assets	\$ 19,701,871	\$ 9,410,779	\$ 8,954,653	\$ 38,067,303
Restricted but expendable for:				
Pension	-	-	-	-
Unrestricted	31,574,413	2,787,832	3,365,219	37,727,464
Total Net Position	\$ 51,276,284	\$ 12,198,611	\$ 12,319,872	\$ 75,794,767

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, 2020

	Business-type Activities			Total
	Electric	Water	Wastewater	
Operating Revenues:				
Charges for services	\$ 21,070,533	\$ 4,233,852	\$ 2,887,260	\$ 28,191,645
Miscellaneous	223,072	38,037	18,565	279,674
Total Operating Revenues	<u>21,293,605</u>	<u>4,271,889</u>	<u>2,905,825</u>	<u>28,471,319</u>
Operating Expenses:				
Production:				
Fuel and purchased power	11,862,907	-	-	11,862,907
Salaries and wages	175,095	229,685	94,030	498,810
Plant maintenance and other	980,688	1,003,367	872,478	2,856,533
Transmission and distribution:				
General transmission	56,620	12,482	-	69,102
Distribution salaries and wages	484,793	104,244	-	589,037
Distribution maintenance and other	1,647,149	558,505	274,026	2,479,680
Depreciation and amortization	1,527,589	620,070	645,624	2,793,283
General and administrative:				
Salaries and wages	789,909	267,011	245,631	1,302,551
Contribution to Missouri Local Government Employees Retirement System	991,641	355,476	293,613	1,640,730
Insurance	398,708	141,965	69,151	609,824
Payments and/or services in lieu of taxes	1,713,374	199,623	-	1,912,997
Other general expenses	563,552	113,541	63,146	740,239
Total Operating Expenses	<u>21,192,025</u>	<u>3,605,969</u>	<u>2,557,699</u>	<u>27,355,693</u>
Operating Income (Loss)	<u>101,580</u>	<u>665,920</u>	<u>348,126</u>	<u>1,115,626</u>
Non-Operating Revenues (Expenses):				
Interest & investment earnings	351,719	7,085	29,934	388,738
Gain (loss) on sale of equipment	(10,298)	-	-	(10,298)
Decommission costs	(926,215)	-	-	(926,215)
Interest Expense	-	(25,089)	(29,815)	(54,904)
Net Non-Operating Revenues (Expenses)	<u>(584,794)</u>	<u>(18,004)</u>	<u>119</u>	<u>(602,679)</u>
Income Before Capital Grants and Contributions	(483,214)	647,916	348,245	512,947
Capital Grants and Contributions	<u>14,210</u>	<u>5,448</u>	<u>2,500</u>	<u>22,158</u>
Net Income (Loss)	(469,004)	653,364	350,745	535,105
Net Position, Beginning of Year	<u>51,745,288</u>	<u>11,545,247</u>	<u>11,969,127</u>	<u>75,259,662</u>
Net Position, End of Year	<u>\$ 51,276,284</u>	<u>\$ 12,198,611</u>	<u>\$ 12,319,872</u>	<u>\$ 75,794,767</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-type Activities			Total
	Electric	Water	Wastewater	
Cash flows from operating activities:				
Cash received from customers	\$ 21,550,146	\$ 4,248,030	\$ 2,889,288	\$ 28,687,464
Cash paid to suppliers	(15,342,313)	(1,711,855)	(1,270,782)	(18,324,950)
Cash paid to employees	(2,270,804)	(890,929)	(574,467)	(3,736,200)
Cash paid for services in lieu of taxes	(1,758,236)	(198,332)	-	(1,956,568)
Net cash provided by operating activities	<u>2,178,793</u>	<u>1,446,914</u>	<u>1,044,039</u>	<u>4,669,746</u>
Cash flows from capital and related financing activities:				
Capital contributions	14,210	5,448	2,500	22,158
Proceeds from sale of assets	(10,293)	-	2,901	(7,392)
Purchases of capital assets	(1,251,868)	(389,416)	(439,356)	(2,080,640)
Decommissioning costs	(926,215)	-	-	(926,215)
Principal paid on interfund note payable	-	(284,826)	(338,469)	(623,295)
Interest paid on capital debt	-	(25,089)	(29,815)	(54,904)
Net cash (used) for capital and related financing activities	<u>(2,174,166)</u>	<u>(693,883)</u>	<u>(802,239)</u>	<u>(3,670,288)</u>
Cash flows from investing activities:				
Proceeds from sale of US government securities	34,676,015	-	2,228,478	36,904,493
Purchases of US government securities	(34,852,428)	-	(2,237,538)	(37,089,966)
Principal advances on interfund note receivable	-	-	-	-
Principal payments on interfund note receivable	623,295	-	-	623,295
Interest and dividends	451,291	7,085	33,614	491,990
Net cash provided (used) by investing activities	<u>898,173</u>	<u>7,085</u>	<u>24,554</u>	<u>929,812</u>
Net increase in cash and cash equivalents	902,800	760,116	266,354	1,929,270
Cash and cash equivalents, beginning of year	<u>8,619,342</u>	<u>1,501,921</u>	<u>1,573,962</u>	<u>11,695,225</u>
Cash and cash equivalents, end of year	<u>\$ 9,522,142</u>	<u>\$ 2,262,037</u>	<u>\$ 1,840,316</u>	<u>\$ 13,624,495</u>
Reported on the Statement of Net Position as:				
Cash and cash equivalents	\$ 8,600,907	\$ 893,777	\$ 696,852	\$ 10,191,536
Segregated cash and cash equivalents	921,235	1,368,260	1,143,464	3,432,959
	<u>\$ 9,522,142</u>	<u>\$ 2,262,037</u>	<u>\$ 1,840,316</u>	<u>\$ 13,624,495</u>
Reconciliation of operating income (loss) to cash flows from operating activities:				
Operating income (loss)	\$ 101,580	\$ 665,920	\$ 348,126	\$ 1,115,626
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation expense	1,527,589	620,070	645,624	2,793,283
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Receivables - net of allowances	256,541	(23,859)	(16,537)	216,145
Inventory	(323,172)	7,629	201	(315,342)
Prepaid expenses	43,368	12,597	(1,317)	54,648
Accounts and other payables	401,310	97,779	9,135	508,224
Deferred outflows	(321,222)	(107,074)	(80,306)	(508,602)
Deferred inflows	(669,262)	(234,049)	(132,296)	(1,035,607)
Net pension asset	857,420	280,097	174,266	1,311,783
Net pension liability	269,889	95,672	107,561	473,122
Other accrued liabilities	34,752	32,132	(10,418)	56,466
Net cash provided by operating activities	<u>\$ 2,178,793</u>	<u>\$ 1,446,914</u>	<u>\$ 1,044,039</u>	<u>\$ 4,669,746</u>

See Notes to Financial Statements

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020, the Internet Department had total assets of \$3,832,078 and total liabilities of \$106,256. For the year ended September 30, 2020, the Internet Department had revenues of \$1,454,464 and expenses of \$1,062,914.

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, 2020, the Natural Gas Department had total assets of \$6,771,967 and total liabilities of \$4,605. For the year ended September 30, 2020, the Natural Gas Department had revenues of \$230,548 and expenses of \$320,592.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

IV. SEGREGATED ASSETS

Segregated assets (including restricted funds, board designated funds and excess funds on account) as of September 30, 2020 were designated as follows:

	Designated Balances	Segregated Funds Requirements
Electric Fund:		
Consumers' deposit fund	\$ 595,270	\$ 586,676
Insurance reserve fund	5,001,567	5,000,000
Equipment fund	10,273,175	-
	\$ 15,870,012	\$ 5,586,676
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	690,548	-
	\$ 1,190,548	\$ 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, 2020

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, 2020 was as follows:

Electric

	Balance at September 30, 2019	Additions	Disposals	Balance at September 30, 2020
Capital assets not being depreciated:				
Land	\$ 1,621,462	\$ -	\$ -	\$ 1,621,462
Construction in progress	2,343,998	669,151	(2,363,866)	649,283
	<u>3,965,460</u>	<u>669,151</u>	<u>(2,363,866)</u>	<u>2,270,745</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	32,424,005	284,699	(12,215,333)	20,493,371
Distribution system	30,931,900	46,578	(4,363,681)	26,614,797
Street lighting and hydrants	868,582	84,214	(277,694)	675,102
Office structures and improvement and furniture and fixtures	854,789	19,275	(367,167)	506,897
Transportation equipment	2,124,877	110,484	(42,742)	2,192,619
Laboratory equipment	4,755	-	(4,755)	-
Tools and shop equipment	1,029,181	37,025	(619,545)	446,661
Radio equipment	457,363	442	(456,163)	1,642
	<u>68,695,452</u>	<u>582,717</u>	<u>(18,347,080)</u>	<u>50,931,089</u>
Total capital assets at historical costs	<u>72,660,912</u>	<u>1,251,868</u>	<u>(20,710,946)</u>	<u>53,201,834</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(28,165,737)	(405,393)	12,331,966	(16,239,164)
Distribution system	(20,164,085)	(940,219)	6,522,410	(14,581,894)
Street lighting and hydrants	(341,146)	(32,526)	277,693	(95,979)
Office structures and improvement and furniture and fixtures	(840,576)	(10,805)	455,667	(395,714)
Transportation equipment	(1,924,287)	(79,247)	42,742	(1,960,792)
Laboratory equipment	(4,756)	-	4,756	-
Tools and shop equipment	(786,242)	(58,514)	619,545	(225,211)
Radio equipment	(456,486)	(885)	456,162	(1,209)
Total accumulated depreciation	<u>(52,683,315)</u>	<u>(1,527,589)</u>	<u>20,710,941</u>	<u>(33,499,963)</u>
Net capital assets being depreciated	<u>16,012,137</u>	<u>(944,872)</u>	<u>2,363,861</u>	<u>17,431,126</u>
Net capital assets	<u>\$ 19,977,597</u>	<u>\$ (275,721)</u>	<u>\$ (5)</u>	<u>\$ 19,701,871</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

V. CAPITAL ASSETS (Continued)

Water

	Balance at September 30, 2019	Additions	Disposals	Transfers	Balance at September 30, 2020
Capital assets not being depreciated:					
Land	\$ 94,398	\$ -	\$ -	\$ -	\$ 94,398
Construction in progress	-	241,325	-	-	241,325
	<u>94,398</u>	<u>241,325</u>	<u>-</u>	<u>-</u>	<u>335,723</u>
Capital assets being depreciated:					
Structures, improvements and plant equipment	11,919,483	61,601	(325,661)	-	11,655,423
Distribution system	9,890,211	85,896	(1,481,573)	-	8,494,534
Street lighting and hydrants	381,313	594	(40)	-	381,867
Office structures and improvement and furniture and fixtures	33,264	-	(27,795)	-	5,469
Transportation equipment	1,139,696	-	(98,439)	-	1,041,257
Laboratory equipment	8,652	-	-	-	8,652
Tools and shop equipment	164,476	-	(143,060)	-	21,416
Radio equipment	21,228	-	(18,604)	-	2,624
	<u>23,558,323</u>	<u>148,091</u>	<u>(2,095,172)</u>	<u>-</u>	<u>21,611,242</u>
Total capital assets at historical costs	<u>23,652,721</u>	<u>389,416</u>	<u>(2,095,172)</u>	<u>-</u>	<u>21,946,965</u>
Less accumulated depreciation:					
Structures, improvements and plant equipment	(4,779,668)	(455,423)	325,661	-	(4,909,430)
Distribution system	(6,161,718)	(123,414)	1,481,573	-	(4,803,559)
Street lighting and hydrants	(200,976)	(6,760)	40	-	(207,696)
Office structures and improvement and furniture and fixtures	(29,708)	(1,735)	27,795	-	(3,648)
Transportation equipment	(1,031,613)	(22,627)	98,439	-	(955,801)
Laboratory equipment	(2,808)	(2,342)	-	-	(5,150)
Tools and shop equipment	(147,427)	(6,894)	143,060	-	(11,261)
Radio equipment	(19,498)	(875)	18,604	-	(1,769)
Total accumulated depreciation	<u>(12,373,416)</u>	<u>(620,070)</u>	<u>2,095,172</u>	<u>-</u>	<u>(10,898,314)</u>
Net capital assets being depreciated	<u>11,184,907</u>	<u>(471,979)</u>	<u>-</u>	<u>-</u>	<u>10,712,928</u>
Net capital assets	<u>\$ 11,279,305</u>	<u>\$ (230,654)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,048,651</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

V. CAPITAL ASSETS (Continued)

Wastewater

	Balance at September 30, 2019	Additions	Disposals	Balance at September 30, 2020
Capital assets not being depreciated:				
Land	\$ 118,398	\$ -	\$ -	\$ 118,398
Construction in progress	15,498	81,308	-	96,806
	<u>133,896</u>	<u>81,308</u>	<u>-</u>	<u>215,204</u>
Capital assets being depreciated:				
Structures, improvements and plant equipment	26,448,641	-	(2,686,685)	23,761,956
Distribution system	8,417,922	341,532	(2,901)	8,756,553
Office structures and improvement and furniture and fixtures	6,391	-	(6,391)	-
Transportation equipment	1,067,617	-	(48,131)	1,019,486
Laboratory equipment	4,537	-	-	4,537
Tools and shop equipment	262,136	16,516	(106,035)	172,617
Radio equipment	4,975	-	(4,522)	453
	<u>36,212,219</u>	<u>358,048</u>	<u>(2,854,665)</u>	<u>33,715,602</u>
Total capital assets at historical costs	<u>36,346,115</u>	<u>439,356</u>	<u>(2,854,665)</u>	<u>33,930,806</u>
Less accumulated depreciation:				
Structures, improvements and plant equipment	(20,575,220)	(394,774)	2,686,685	(18,283,309)
Distribution system	(3,540,566)	(188,501)	-	(3,729,067)
Office structures and improvement and furniture and fixtures	(6,391)	-	6,391	-
Transportation equipment	(878,701)	(43,804)	48,131	(874,374)
Laboratory equipment	(639)	(907)	-	(1,546)
Tools and shop equipment	(226,579)	(17,547)	106,035	(138,091)
Radio equipment	(4,855)	(91)	4,522	(424)
Total accumulated depreciation	<u>(25,232,951)</u>	<u>(645,624)</u>	<u>2,851,764</u>	<u>(23,026,811)</u>
Net capital assets being depreciated	<u>10,979,268</u>	<u>(287,576)</u>	<u>(2,901)</u>	<u>10,688,791</u>
Net capital assets	<u>\$ 11,113,164</u>	<u>\$ (206,268)</u>	<u>\$ (2,901)</u>	<u>\$ 10,903,995</u>

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

VI. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2020:

	Electric	Water	Wastewater
Balance, September 30, 2019	\$ -	\$ 1,922,698	\$ 2,284,811
Note issued	-	-	-
Note retired	-	(284,826)	(338,469)
Balance, September 30, 2020	<u>\$ -</u>	<u>\$ 1,637,872</u>	<u>\$ 1,946,342</u>
Current Portion	<u>\$ -</u>	<u>\$ 299,294</u>	<u>\$ 355,661</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 .18 percent). Monthly payments of \$29,395 are currently being paid.

Debt repayment requirements are as follows:

<u>Year Ended September 30,</u>	Principal	Interest	Total
2021	\$ 352,449	\$ 3,212	\$ 355,661
2022	353,084	2,578	355,662
2023	353,720	1,942	355,662
2024	354,356	1,304	355,660
2025	354,995	666	355,661
2026	177,738	94	177,832
	<u>\$ 1,946,342</u>	<u>\$ 9,796</u>	<u>\$ 1,956,138</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 .18 percent). Monthly payments of \$24,941 are currently being paid.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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>
2021	\$ 296,590	\$ 2,704	\$ 299,294
2022	297,124	2,169	299,293
2023	297,660	1,634	299,294
2024	298,196	1,097	299,293
2025	298,733	561	299,294
2026	149,569	78	149,647
	<u>\$ 1,637,872</u>	<u>\$ 8,243</u>	<u>\$ 1,646,115</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, 2020

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>2020 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	153
Inactive employees entitled to but not yet receiving benefits	52
Active employees	173
	378

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 11.9% (General), 8.9% (Police) and 10.9% (Fire) of annual covered payroll.

Net Pension Liability. The employer’s net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2020.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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	3.25% wage; 2.50% price
Salary Increase	3.25% to 6.55% including wage inflation (general) 3.25% to 7.15% including wage inflation (fire)
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 29, 2020 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
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 9/30/19	\$ 48,608,667	\$ 51,783,766	\$ (3,175,099)
Changes for the year:			
Service Cost	840,700	-	840,700
Interest	3,472,865	-	3,472,865
Difference between expected and actual experience	(30,287)	-	(30,287)
Contributions - employer	-	993,727	(993,727)
Change in Assumptions	-	-	-
Net investment income	-	659,159	(659,159)
Benefit payments, including refunds	(2,280,017)	(2,280,017)	-
Administrative expense	-	(49,069)	49,069
Other changes	-	(63,344)	63,344
Net changes	2,003,261	(739,544)	2,742,805
Balances at 9/30/20	<u>\$ 50,611,928</u>	<u>\$ 51,044,222</u>	<u>\$ (432,294)</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, 2020

VII. PENSION PLAN (Continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 57,562,288	\$ 50,611,928	\$ 44,858,084
Plan Fiduciary Net Position	51,044,222	51,044,222	51,044,222
Net Position Liability (Asset)	<u>\$ 6,518,066</u>	<u>\$ (432,294)</u>	<u>\$ (6,186,138)</u>

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

For the year ended September 30, 2020 the employer recognized pension expense of \$834,212. 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	\$ 528,706	\$ 762,027
Differences in assumptions	128,848	-
Excess (deficit) investment returns	1,231,392	-
Contributions subsequent to the measurement date*	241,754	-
Total	<u>\$ 2,130,700</u>	<u>\$ 762,027</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, 2020.

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
2021	\$ (129,754)
2022	221,656
2023	628,792
2024	521,476
2025	(84,672)
Thereafter	(30,579)

Payable to the Pension Plan

At September 30, 2020, 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, 2020.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, 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	9,272,142	8,970,241
	\$ 9,522,142	\$ 9,220,241
Water Fund:		
Insured (FDIC)	\$ 250,000	\$ 250,000
Uninsured with collateral held by pledging bank in Utility's name	2,012,037	1,992,122
	\$ 2,262,037	\$ 2,242,122
Wastewater Fund:		
Insured (FDIC)	\$ 495,000	\$ 495,000
Uninsured with collateral held by pledging bank in Utility's name	1,345,316	1,322,181
	\$ 1,840,316	\$ 1,817,181

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

VIII. DEPOSITS AND INVESTMENT BALANCES (Continued)

Investments - The Municipal Utilities' investments at September 30, 2020, and throughout the year consisted of short-term U.S. government securities. At September 30, 2020, the Municipal Utilities had the following investments:

Type	Fair Value	Book Value	Book Value Maturity Less Than One Year
Electric:			
U.S. Treasury Bills	\$ 17,496,123	\$ 17,487,462	\$ 17,487,462
Total	<u>\$ 17,496,123</u>	<u>\$ 17,487,462</u>	<u>\$ 17,487,462</u>
Wastewater:			
Certificate of Deposit	\$ 245,000	\$ 245,000	\$ 245,000
U.S. Treasury Bills	999,705	999,601	999,601
Total	<u>\$ 1,244,705</u>	<u>\$ 1,244,601</u>	<u>\$ 1,244,601</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, 2020, 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, 2020

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, 2020 and September 30, 2019:

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).

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, 2020, was as follows:

	Electric	Water	Wastewater
Accounts receivable	\$ 2,081,642	\$ 441,331	\$ 321,707
Allowance for doubtful accounts	-	-	-
Net accounts receivable	\$ 2,081,642	\$ 441,331	\$ 321,707

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, 2020

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 in the amount of \$2,777,000. This project involves 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 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 September 30, 2020 and the remaining \$1,980,200 in fiscal year ending September 30, 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 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.

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 23, 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, 2020

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
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%
2020	593,514.52	593,514.45	0.07	4,987,517.21	11.90%

MARSHALL MUNICIPAL UTILITIES
MARSHALL, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED SEPTEMBER 30, 2020

Valuation Date: February 29, 2020

Notes: The roll-forward of total pension liability from February 29, 2020 to June 30, 2020 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 11 to 15 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 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.

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, 2020

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

	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



GERDING, KORTE & CHITWOOD CPAS
Professional Corporation
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Electric, Water and Wastewater Funds of Marshall Municipal Utilities (the 'Municipal Utilities'), as of and for the year ended September 30, 2020 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 23, 2020.

PARTNERS

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

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 23, 2020



Gerding, Korte & Chitwood, P.C.
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Boonville, Missouri