

**CITY OF MARSHALL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

As management of the City of Marshall, Missouri (the "City"), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. As discussed in footnote I.A, Statement 34 allows for certain transition treatments in regards to infrastructure. The City elected to capitalize its infrastructure utilizing the transition treatments of Statement 34.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$92,233,204 (net position). Of this amount, \$34,785,262 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$28,713. Capital grants and contributions from developers amounted to \$268,549.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,694,624. Over 10.40% of this total amount or \$280,401 is unassigned and available for use within the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,398,271 or 25.33% of the total general fund expenditures.
- The City's special assessment debt decreased \$158,000 due to scheduled payments.
- The City's capital lease debt decreased \$172,193 due to scheduled payments. New leases in the amount of \$67,831 were issued.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with the broad overview of the City's finances, in a manner similar to private-sector business.

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The Statement of Net Position presents information on all of the City'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 as to whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, transportation, cultural, parks and recreation and community development. The business-type activities of the City include electric, water, wastewater and sanitation operations. The government-wide financial statements can be found on pages 12-15 of this report.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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The City maintains 10 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Street and Park Funds, which are considered to be major funds. Data from the other 7 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 16-22.

**Proprietary Funds** - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater and sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and wastewater funds since they are considered to be major funds of the City. Because the Sanitation Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Government Accounting Standards Board (GASB) Statement No 34. The basic proprietary fund financial statements can be found on pages 23-27 of this report.

**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 28-69.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 70-71 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 72-87 of this report.

**Governmental-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Marshall, assets exceeded liabilities by \$92,233,204 as of September 30, 2015.

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The largest portion of the City's net position (58.65%) reflects its net investment in capital assets (e.g., land, building, equipment, improvements and construction in progress). The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's net investment 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 since the capital assets themselves cannot be used to liquidate these liabilities.

**NET POSITION**

The following table provides a summary of the City's net position at September 30, 2015, with comparative figures for September 30, 2014:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 3,673,529	\$ 4,646,955	\$ 12,912,656	\$ 9,890,226	\$ 16,586,185	\$ 14,537,181
Restricted assets		-	19,304,044	18,703,889	19,304,044	18,703,889
Other assets	845,708	-	360,741	472,351	1,206,449	472,351
Capital assets	23,789,720	24,784,014	35,245,034	36,418,891	59,034,754	61,202,905
Total Assets	<u>28,308,957</u>	<u>29,430,969</u>	<u>67,822,475</u>	<u>65,485,357</u>	<u>96,131,432</u>	<u>94,916,326</u>
Deferred outflows	750,570	-	1,224,595	-	1,975,165	-
Current liabilities	1,040,110	1,185,508	3,683,357	3,700,666	4,723,467	4,886,174
Long-term liabilities	536,652	737,498	25,035	48,880	561,687	786,378
Total Liabilities	<u>1,576,762</u>	<u>1,923,006</u>	<u>3,708,392</u>	<u>3,749,546</u>	<u>5,285,154</u>	<u>5,672,552</u>
Deferred inflows	198,802	-	389,437	-	588,239	-
Net position						
Net investment in capital assets	23,021,259	23,775,903	31,069,515	31,740,660	54,090,774	55,516,563
Restricted	2,996,427	2,234,485	360,741	-	3,357,168	2,234,485
Unrestricted	1,266,277	1,497,575	33,518,985	29,995,151	34,785,262	31,492,726
Total Net Position	<u>\$ 27,283,963</u>	<u>\$ 27,507,963</u>	<u>\$ 64,949,241</u>	<u>\$ 61,735,811</u>	<u>\$ 92,233,204</u>	<u>\$ 89,243,774</u>

As of September 30, 2015 and September 30, 2014, the City is able to report positive balances in all three categories of net position for the government as a whole.

**Analysis of the City's Operations** - Overall the City had an increase in net position of \$28,713.

Governmental Activities: Governmental activities decreased the net position by \$1,819,689.

Business-Type Activities: Net Position from business-type activities increased by \$1,848,402 or .52051% from \$61,735,811 to \$64,949,241. This increase was primarily due to an increase in net operating income.

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**CHANGES IN NET POSITION**

The following table provides a summary of the City's operations for the year ended September 30, 2015, with comparative figures for the year ended September 30, 2014:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Fees, fines and charges for services	\$ 951,670	\$ 948,852	\$ 28,644,687	\$ 27,828,349	\$ 29,596,357	\$ 28,777,201
Operating grants and contributions	53,545	45,394	-	-	53,545	45,394
Capital grants and contributions	135,845	178,087	132,704	19,135	268,549	197,222
<b>General Revenues:</b>						
Property taxes	1,843,313	1,815,405	-	-	1,843,313	1,815,405
Franchise taxes	2,431,349	2,716,892	-	-	2,431,349	2,716,892
Sales and use taxes	2,696,783	2,637,433	-	-	2,696,783	2,637,433
Motor vehicle and fuel taxes	514,847	512,537	-	-	514,847	512,537
Other taxes	153,857	157,106	-	-	153,857	157,106
Interest investment earnings	10,477	10,865	25,592	22,831	36,069	33,696
Other	124,581	110,529	-	-	124,581	110,529
Extraordinary gain (loss)	(114,564)	(1,197)	13,500	3,505	(101,064)	2,308
Interfund transfer	-	(8,400)	-	8,400	-	-
<b>Total Revenues</b>	<u>8,801,703</u>	<u>9,123,503</u>	<u>28,816,483</u>	<u>27,882,220</u>	<u>37,618,186</u>	<u>37,005,723</u>
<b>Expenses:</b>						
General government	1,129,764	1,009,602	-	-	1,129,764	1,009,602
Public safety	4,520,483	4,024,983	-	-	4,520,483	4,024,983
Transportation	2,773,715	2,709,003	-	-	2,773,715	2,709,003
Parks and recreation	1,912,321	1,907,955	-	-	1,912,321	1,907,955
Community/economic development	245,247	207,592	-	-	245,247	207,592
Debt service	39,862	55,244	-	-	39,862	55,244
Electric	-	-	20,182,992	21,097,810	20,182,992	21,097,810
Water	-	-	3,051,764	3,721,320	3,051,764	3,721,320
Wastewater	-	-	2,306,273	2,798,082	2,306,273	2,798,082
Sanitation	-	-	1,427,052	1,391,566	1,427,052	1,391,566
<b>Total Expenses</b>	<u>10,621,392</u>	<u>9,914,379</u>	<u>26,968,081</u>	<u>29,008,778</u>	<u>37,589,473</u>	<u>38,923,157</u>
<b>Increase (decrease) in net position</b>	<u>(1,819,689)</u>	<u>(790,876)</u>	<u>1,848,402</u>	<u>(1,126,558)</u>	<u>28,713</u>	<u>(1,917,434)</u>
<b>Net Position - Beginning of Year</b>	<u>27,507,963</u>	<u>28,334,201</u>	<u>61,735,811</u>	<u>62,862,369</u>	<u>89,243,774</u>	<u>91,196,570</u>
<b>Prior period adjustment</b>	<u>1,595,689</u>	<u>(35,362)</u>	<u>1,365,028</u>	<u>-</u>	<u>2,960,717</u>	<u>(35,362)</u>
<b>Net Position - Beginning of Year, restated</b>	<u>29,103,652</u>	<u>28,298,839</u>	<u>63,100,839</u>	<u>62,862,369</u>	<u>92,204,491</u>	<u>91,161,208</u>
<b>Net Position - End of Year</b>	<u>\$ 27,283,963</u>	<u>\$ 27,507,963</u>	<u>\$ 64,949,241</u>	<u>\$ 61,735,811</u>	<u>\$ 92,233,204</u>	<u>\$ 89,243,774</u>

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**Financial Analysis of the Government's Funds**

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirement. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,694,624. Approximately 10.41% of this total amount \$280,401 constitutes unassigned fund balance. The remainder of the fund balance is nonspendable or assigned.

In the General Fund, the City budgeted for a decrease in the fund balance of \$975,022, which was primarily resulting from less revenues. Due to actual revenues being less than budgeted, the actual fund balance decrease for fiscal year 2015 was \$980,547. Debt service fund balance decreased in 2015 by \$4,654.

**Proprietary Fund** - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective proprietary funds are Electric - \$26,032,150, Water - \$2,379,127, Wastewater - \$3,350,818, Sanitation - \$1,756,890. All funds had a net position increase in 2015.

**General Fund Budgetary Highlights** - The City made revisions to the original appropriations approved by the City Council. In the General Fund these changes resulted in an increase in budgeted expenditures from the original budget of \$514,663.

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**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to \$59,034,754 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress. The following table provides a summary of the City's capital assets at September 30, 2015, with comparative figures for September 30, 2014:

**CAPITAL ASSETS AT YEAR-END  
NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment:						
Land	\$ 1,987,743	\$ 1,987,743	\$ 1,992,258	\$ 1,992,258	\$ 3,980,001	\$ 3,980,001
Structures, improvements and plant equipment	4,234,429	4,331,068	11,000,413	10,350,285	15,234,842	14,681,353
Improvements	5,411,357	5,563,581	-	-	5,411,357	5,563,581
Distribution system	-	-	20,766,264	21,338,951	20,766,264	21,338,951
Street lighting and hydrants	-	-	293,830	305,245	293,830	305,245
Office structures and improvement and furniture and fixtures	-	-	18,585	28,573	18,585	28,573
Machinery and equipment	1,416,771	1,524,509	1,097,570	1,396,284	2,514,341	2,920,793
Construction in progress	226,831	156,682	76,114	1,007,295	302,945	1,163,977
Infrastructure	10,512,589	11,220,431	-	-	10,512,589	11,220,431
Net Capital Assets	<u>\$ 23,789,720</u>	<u>\$ 24,784,014</u>	<u>\$ 35,245,034</u>	<u>\$ 36,418,891</u>	<u>\$ 59,034,754</u>	<u>\$ 61,202,905</u>

Additional information on the City's capital assets can be found in Note III-F and III-G on pages 46-51 of this report.

**Debt Administration**

At the end of the current fiscal year, the City of Marshall had a total bonded debt, special assessment debt and capital lease payable of \$817,342. Of this amount, \$327,000 comprises bonded debt backed by the full faith and credit of the government; and \$490,342 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment.

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**Outstanding Debt at Year End  
Revenue Bonds, Special Assessment Debt and Capital Lease**

The following table provides a summary of the City's outstanding debt at September 30, 2015, with comparative figures for September 30, 2014:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessment debt	327,000	485,000	-	-	327,000	485,000
Capital leases	441,461	523,111	48,881	71,593	490,342	594,704
<b>Total</b>	<b>\$ 768,461</b>	<b>\$ 1,008,111</b>	<b>\$ 48,881</b>	<b>\$ 71,593</b>	<b>\$ 817,342</b>	<b>\$ 1,079,704</b>

During the fiscal year, the City's total debt decreased by \$330,193. The decrease was due to scheduled payments of bonds and leases, and debt did increase because there was a new capital lease issued in the amount of \$67,831. Additional information on the City's long-term debt can be found in footnote III-H on pages 52-58 of this report.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Marshall, Missouri, Attn: Debbie Trimble, Finance Director, at 214 N. Lafayette, Marshall, Missouri 65340, or call (660) 886-2226.