

**REPORT OF**  
**MUNICIPAL GAS COMMISSION**  
**OF MISSOURI**  
**DECEMBER 31, 2008 AND 2007**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Municipal Gas Commission of Missouri

We have audited the accompanying balance sheets of the Municipal Gas Commission of Missouri ("MGCM"), as of December 31, 2008 and 2007, and the related statements of revenue, expenses and changes in fund equity; and cash flows for the years then ended. These financial statements are the responsibility of MGCM's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Gas Commission of Missouri as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Williams-Keepers LLC*

June 9, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report provides an overview and analysis of the financial activities of the Municipal Gas Commission of Missouri ("MGCM") for the years ended December 31, 2008 and 2007. We encourage you to consider the information presented here in conjunction with additional information presented in the basic financial statements which follow this section.

MGCM's purpose is to provide for financing, acquisition and operation of natural gas production, transmission and distribution facilities and resources and for the joint purchase of natural gas to meet the requirements of its member municipalities. MGCM was established in 1988, under the Missouri Joint Municipal Utility Commission Act.

### Overview of the Financial Statements

The basic financial statements are prepared using proprietary or enterprise fund accounting. Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting.

The basic financial statements, in addition to Management's Discussion and Analysis, are comprised of the Balance Sheet; the Statement of Revenue, Expenses and Changes in Fund Equity; the Statement of Cash Flows; and the Notes to Financial Statements. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

The Balance Sheet presents MGCM's financial position as of the end of the year. Information is displayed on assets and liabilities, with the difference between the two reported as fund equity. The fund equity of MGCM reflects the resources available as of the end of the year to support member activities. Over time, increases and decreases in fund equity measure whether MGCM's financial position is improving or deteriorating.

The Statements of Revenue, Expenses and Changes in Fund Equity presents information detailing the revenues and expenses that resulted in the change in fund equity that occurred during the current year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods. For example, gas purchases that occurred during the year will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year.

The Statements of Cash Flows presents the cash inflows and outflows of MGCM categorized by operating, noncapital financing, and investing activities. It reconciles the beginning and end-of-year cash balances contained in the Balance Sheet. The effects of accrual accounting are adjusted out and noncash activities, such as depreciation, are removed to supplement the presentation in the Statement of Revenue, Expenses and Changes in Fund Equity.

The Notes to Financial Statements follow the above basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Financial Analysis

The following tables present summarized financial position and results for the years ended December 31, 2008 and 2007. Additional details are available in the accompanying basic financial statements.

### Balance Sheet Analysis for 2008

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>ASSETS</b>				
Cash and cash investments	\$ 1,628,754	\$ 151,196	1,477,558	977.2%
Accounts receivable	3,057,489	3,056,407	1,082	0.0%
Gas in storage	590,067	889,157	(299,090)	-33.6%
Total current assets	<u>\$ 5,276,310</u>	<u>\$ 4,096,760</u>	<u>\$ 1,179,550</u>	<u>28.8%</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,566,251	\$ 2,706,174	\$ 860,077	31.8%
Other current liabilities	852,758	530,606	322,152	60.7%
Total current liabilities	4,419,009	3,236,780	1,182,229	36.5%
Advances from members	98,968	98,968	-	0.0%
Total liabilities	4,517,977	3,335,748	1,182,229	35.4%
<b>UNRESTRICTED FUND EQUITY</b>	758,333	761,012	(2,679)	-0.4%
Total liabilities and fund equity	<u>\$ 5,276,310</u>	<u>\$ 4,096,760</u>	<u>\$ 1,179,550</u>	<u>28.8%</u>

At the end of a fiscal year the level of accounts receivable from member municipalities as well as the level of cash and cash investments is generally largely a function of the timing of member payments, with the general level of gas prices also having some influence. Cash and cash investments at December 31, 2008 increased from \$151,196 to \$1,628,754, or by 977%, from the amount at December 31, 2007. Less gas was purchased for storage in 2008 as unstable falling gas prices resulted from the recent economic downturn. Primarily because of this, gas in storage, which is included in other current assets in the above table, decreased by \$299,090 from December 31, 2007 to December 31, 2008. Although for 2008 there was an intentional decrease in the level of gas in storage because of the market, changes in total storage gas volumes can typically also result because of normal operational issues such as weather and unanticipated gas sales volumes. The unit value of gas in storage is influenced by gas market prices and the timing of purchases. The combination of all of these factors can cause significant changes in the total dollar value of gas in storage from year to year.

Other current liabilities include funds held for members totaling \$816,081 as of December 31, 2008. Funds held for members represents collections from three member cities related to a tariff case filed with the Missouri Public Service Commission. MGCM is disputing certain billings for natural gas transportation service for the cities, pursuant to Public Service Commission Rule 13.045. This liability consists of billings to members for the amounts MGCM considered to be overcharges on transportation costs. MGCM incurred legal costs on behalf of MGCM members in a successful effort to have the Missouri Public Service Commission set aside these overcharges. Further information is provided in Note 6 to the financial statements.

The change in fund equity from 2008 is explained after the table summarizing the Statement of Revenue, Expenses, and Change in Fund Equity.

**Balance Sheet Analysis for 2007**

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>ASSETS</b>				
Accounts receivable	\$ 3,056,407	\$ 2,880,957	\$ 175,450	6.1%
Other current assets	1,040,353	1,408,281	(367,928)	-26.1%
Total current assets	<u>\$ 4,096,760</u>	<u>4,289,238</u>	<u>\$ (192,478)</u>	<u>-4.5%</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,706,174	\$ 3,621,334	\$ (915,160)	-25.3%
Other current liabilities	530,606	36,677	493,929	1346.7%
Total current liabilities	3,236,780	3,658,011	(421,231)	-11.5%
Advances from members	98,968	98,968	-	0.0%
Total liabilities	3,335,748	3,756,979	(421,231)	-11.2%
<b>UNRESTRICTED FUND EQUITY</b>	<u>761,012</u>	<u>532,259</u>	<u>228,753</u>	<u>43.0%</u>
Total liabilities and fund equity	<u>\$ 4,096,760</u>	<u>\$ 4,289,238</u>	<u>\$ (192,478)</u>	<u>-4.5%</u>

At the end of a fiscal year the level of accounts receivable from member municipalities as well as the level of cash and cash investments is generally largely a function of the timing of member payments, with the general level of gas prices also having some influence. Cash and cash investments at December 31, 2007 decreased by 82% from the amount at December 31, 2006, from \$860,766 to \$151,196. For 2007, more gas in storage was purchased to try to mitigate the rising costs of gas. Although \$200,000 was borrowed on MGCM's line of credit to help finance these purchases, they also drew down cash balances. Primarily because of this, gas in storage, which is included in other current assets in the above table, increased by \$348,442 from December 31, 2006 to December 31, 2007. Although for 2007 there was an intentional increase in the level of gas in storage because of the market, changes in total storage gas volumes can typically also result because of normal operational issues such as weather and unanticipated gas sales volumes. The unit value of gas in storage is influenced by gas market prices and the timing of purchases. The combination of all of these factors can cause significant changes in the total dollar value of gas in storage from year to year.

In addition to the borrowing on the line of credit for \$200,000, other current liabilities include funds held for members totaling \$293,929 as of December 31, 2007. Funds held for members represents collections from three member cities related to a tariff case filed with the Missouri Public Service Commission. MGCM is disputing certain billings for natural gas transportation service for the cities, pursuant to Public Service Commission Rule 13.045. This liability consists of billings to members for the amounts MGCM considered to be overcharges on transportation costs. MGCM incurred legal costs on behalf of MGCM members in a successful effort to have the Missouri Public Service Commission set aside these overcharges. Further information is provided in Note 6 to the financial statements.

The change in fund equity from 2007 is explained after the table summarizing the Statement of Revenue, Expenses, and Change in Fund Equity.

**Statement of Revenue, Expenses, and Change in Fund Equity Analysis for 2008**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>OPERATING REVENUES</b>				
Gas sales	\$ 13,773,580	\$ 13,015,965	\$ 757,615	5.8%
Management fee	74,651	71,429	3,222	4.5%
From members for legal fees	34,057	62,060	(28,003)	-45.1%
Total operating revenues	<u>13,882,288</u>	<u>13,149,454</u>	<u>732,834</u>	<u>5.6%</u>
<b>OPERATING EXPENSES</b>				
Gas purchases and related costs	13,745,173	12,789,066	956,107	7.5%
Management fee	90,000	84,000	6,000	7.1%
Other expense	65,274	75,667	(10,393)	-13.7%
Total operating expenses	<u>13,900,447</u>	<u>12,948,733</u>	<u>951,714</u>	<u>7.3%</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	21,241	28,529	(7,288)	-25.5%
Interest expense	(5,761)	(497)	5,264	1059.2%
Total nonoperating income	<u>15,480</u>	<u>28,032</u>	<u>(12,552)</u>	<u>-44.8%</u>
Increase (decrease) in fund equity	(2,679)	228,753	(231,432)	-101.2%
Fund equity, beginning of the year	<u>761,012</u>	<u>532,259</u>	<u>228,753</u>	<u>43.0%</u>
Fund equity, end of the year	<u>\$ 758,333</u>	<u>\$ 761,012</u>	<u>\$ (2,679)</u>	<u>-0.4%</u>

Revenues from 2008 total gas sales were approximately 5.8% greater than comparable revenues for 2007. Overall volumes of natural gas consumption for fiscal year 2008 of 1,493,019 MMBtu surpassed 2007 sale volumes by approximately 4.8% as a result of demand and 548 more heating degree days during the 2008 fiscal year. For much of 2008, Management continued to utilize purchasing strategies involving gas storage capacities during times of lesser demand as a hedge to anticipated higher winter natural gas prices. The unexpected downturn of the national economy significantly impacted natural gas prices in the third and fourth quarters of 2008, and this second-half year affect helped soften the average all-in cost. Additionally, much of the storage gas purchased throughout the 2008 year was consumed to provide capacity for future potentially lower cost purchases of storage gas in 2009. Overall, as a result of higher spring and summer gas prices, members realized an all-in delivered commodity price of \$9.31 MMBtu, approximately \$0.24 higher than the 2007 all-in delivered price.

Legal fees for 2008 and 2007 are from collections from members to pay legal costs associated with the tariff dispute previously discussed. A corresponding amount of legal expense was incurred.

Natural gas sales during 2008 followed proportionately with operating expenses for natural gas purchases. MGCM delivered 1.450 Bcf of gas requirements to its members in 2008 compared to 2007 gas requirements of 1.383 Bcf. Although members' natural gas consumption increased 4.8% from fiscal year 2007 to 2008, total expenses for natural gas purchases exceed comparable 2007 amounts by approximately 7%. MGCM members saw an average cost per MMBtu of \$7.73 for 2008 compared to \$7.59 for 2007 fiscal year.

Management believes short-term supply and demand price volatility for natural gas is likely to continue into 2009, but the average cost of natural gas during the 2009/2010 heating season is projected to be less than during the 2008/2009 heating season due primarily to economic conditions softening demand; ample national gas storage volumes and overall gas supply. Management expects to continue to utilize natural gas storage hedging practices again in 2009, while exploring other industry hedging strategies.

**Statement of Revenue, Expenses, and Change in Fund Equity Analysis for 2007**

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>OPERATING REVENUES</b>				
Gas sales	\$ 13,015,965	\$ 12,783,653	\$ 232,312	1.8%
Management fee	71,429	65,616	5,813	8.9%
From members for legal fees	62,060	25,076	36,984	N/A
Total operating revenues	<u>13,149,454</u>	<u>12,874,345</u>	<u>275,109</u>	<u>2.1%</u>
<b>OPERATING EXPENSES</b>				
Gas purchases and related costs	12,789,066	12,680,217	108,849	0.9%
Management fee	84,000	82,742	1,258	1.5%
Miscellaneous expense	75,667	57,026	18,641	32.7%
Total operating expenses	<u>12,948,733</u>	<u>12,819,985</u>	<u>128,748</u>	<u>1.0%</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	28,529	25,422	3,107	12.2%
Interest expense	(497)	(18)	479	-2661.1%
Total nonoperating income	<u>28,032</u>	<u>25,404</u>	<u>2,628</u>	<u>10.3%</u>
Increase in fund equity	228,753	79,764	148,989	186.8%
Fund equity, beginning of the year	<u>532,259</u>	<u>452,495</u>	<u>79,764</u>	<u>17.6%</u>
Fund equity, end of the year	<u>\$ 761,012</u>	<u>\$ 532,259</u>	<u>\$ 228,753</u>	<u>43.0%</u>

Revenues from 2007 total gas sales were approximately 3.5% greater than comparable revenues for 2006. Overall volumes of natural gas consumption for fiscal year 2007 of 1,424,763 MMBtu surpassed 2006 sale volumes by approximately 8.5% as a result of demand and 476 more heating degree days during the 2007 fiscal year. In 2007, Management purchasing strategies utilized more of available gas storage capacities during times of lesser demand and falling natural gas prices in order to subsidize higher winter natural gas prices. As a result of management purchase strategies and timeliness of cheaper natural gas market prices, members realized an all-in delivered commodity price of \$9.07 MMBtu, approximately \$0.66 cheaper than the 2006 all-in delivered price.

Legal fees for 2007 and 2006 are from collections from members to pay legal costs associated with the tariff dispute previously discussed. A corresponding amount of legal expense was incurred.

Natural gas sales during 2007 followed proportionately with operating expenses for natural gas purchases. MGCM delivered 1.383 Bcf of gas requirements to its members in 2007 compared to 2006 gas requirements of 1.274 Bcf. Although members' natural gas consumption increased 8.5% from fiscal year 2006 to 2007, total expenses for natural gas purchases exceed comparable 2006 amounts by less than 1%. MGCM members saw an average cost per MMBtu of \$7.59 for 2007 compared to \$7.97 for 2006 fiscal year.

## **Request for Information**

This financial report is designed to provide the reader a general overview and analysis of the financial activities of MGCM. Questions or requests for more information should be directed to Duncan Kincheloe, General Manager, Municipal Gas Commission of Missouri, 1808 I-70 Drive SW, Columbia, MO 65203 (573-445-3279).



**MUNICIPAL GAS COMMISSION OF MISSOURI**

**BALANCE SHEETS**  
**December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash investments	\$ 1,628,754	\$ 151,196
Accounts receivable	3,057,489	3,056,407
Gas in storage	590,067	889,157
Total current assets	<u>\$ 5,276,310</u>	<u>\$ 4,096,760</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,566,251	\$ 2,706,174
Note payable under credit line	-	200,000
Funds held for members	816,081	293,929
Imbalance	36,677	36,677
Total current liabilities	<u>4,419,009</u>	<u>3,236,780</u>
ADVANCES FROM MEMBERS	<u>98,968</u>	<u>98,968</u>
Total liabilities	4,517,977	3,335,748
FUND EQUITY - UNRESTRICTED	<u>758,333</u>	<u>761,012</u>
Total liabilities and fund equity	<u>\$ 5,276,310</u>	<u>\$ 4,096,760</u>

The notes to financial statements are an integral part of these statements

**MUNICIPAL GAS COMMISSION OF MISSOURI**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY**

**For the Years Ended December 31, 2008 and 2007**

	2008	2007
<b>OPERATING REVENUES</b>		
Gas sales	\$ 13,773,580	\$ 13,015,965
Management fee	74,651	71,429
From members for legal fees	34,057	62,060
Total operating revenue	13,882,288	13,149,454
<b>OPERATING EXPENSES</b>		
Gas purchases and related costs	13,745,173	12,789,066
Management fee	90,000	84,000
Tax on storage gas	1,565	713
Legal	34,057	60,654
Miscellaneous	29,652	14,300
Total operating expenses	13,900,447	12,948,733
Operating income (loss)	(18,159)	200,721
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	21,241	28,529
Interest expense	(5,761)	(497)
Total nonoperating income	15,480	28,032
Increase (decrease) in fund equity	(2,679)	228,753
Fund equity, beginning of year	761,012	532,259
Fund equity, end of year	\$ 758,333	\$ 761,012

The notes to financial statements are an integral part of these statements

**MUNICIPAL GAS COMMISSION OF MISSOURI**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2008 and 2007**

	2008	2007
<b>OPERATING ACTIVITIES</b>		
Receipts from sales to members	\$ 14,294,650	\$ 13,134,444
Receipts from management fee	74,651	71,429
Receipts from members for legal fee reimbursements	34,057	62,060
Payments to suppliers for goods and services	(12,651,280)	(14,121,535)
Payments to MAMU	(90,000)	(84,000)
Net cash provided (used) by operating activities	1,662,078	(937,602)
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Net borrowings on line of credit	(200,000)	200,000
Interest paid on line of credit borrowings	(5,761)	(497)
Net cash provided (used) by operating activities	(205,761)	199,503
<b>INVESTING ACTIVITIES</b>		
Interest income	21,241	28,529
Net cash provided by investing activities	21,241	28,529
Net increase (decrease) in cash and cash equivalents	1,477,558	(709,570)
Cash and cash equivalents at beginning of year	151,196	860,766
Cash and cash equivalents at end of year	\$ 1,628,754	\$ 151,196
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (18,159)	\$ 200,721
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Adjustments for (increases) decreases in current assets and increases (decreases) in current liabilities:		
Accounts receivable	(1,082)	(175,450)
Prepaid expenses	-	6,800
Gas in storage	299,090	(348,442)
Accounts payable	860,077	(915,160)
Funds held for members	522,152	293,929
Net cash provided (used) by operating activities	\$ 1,662,078	\$ (937,602)

The notes to financial statements are an integral part of these statements

# MUNICIPAL GAS COMMISSION OF MISSOURI

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organizational structure:* The Municipal Gas Commission of Missouri (“MGCM”) was formed in 1988, under the Joint Municipal Utility Commission Act, Revised Statutes of Missouri, to provide for financing, acquisition and operation of natural gas production, transmission and distribution facilities and resources and for the joint purchase of natural gas to meet the requirements of its member municipalities.

*Method of accounting:* MGCM prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting, in conformity with these standards.

*Gas in storage:* Natural gas in storage is recorded at cost determined on an average cost basis. When current market price is lower than cost, adjustments to decrease inventory carrying cost to market are not made because current contracts with members allow inventory to be priced at cost.

*Imbalance:* Imbalance is the difference between the amount of gas actually used by members and what was scheduled to be delivered from the supplier. The current carrying amount consists of the existing imbalances of two municipalities at the time they became members in 2001 and 2002, which were transferred to MGCM.

*Operating and nonoperating revenues:* All revenues, except for interest income, are classified as operating revenues. Interest expense is classified as nonoperating.

*FASB Pronouncements:* MGCM applies the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989 that do not conflict with GASB pronouncements.

*Accounts receivable:* Accounts receivable consists of receivables due from member municipal utilities. MGCM considers all accounts receivable balances to be fully collectible; therefore, an allowance for uncollectible accounts has not been reported in the financial statements.

### 2. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, MGCM considers all highly liquid debt instruments purchased with a maturity of three months or less, to be cash equivalents.

Custodial risk for deposits is the risk that, in the event of a financial institution failure, MGCM’s deposits may not be returned. MGCM’s policy is to utilize a bank depository that poses little or no risk of loss of principal balance and requires MGCM’s bank deposits to be fully insured or collateralized with securities. Bank cash deposits had a bank balance of \$1,628,754 and \$114,488 and a carrying amount of \$1,628,754 and \$151,196 at December 31, 2008 and 2007, respectively. All cash deposits are either insured or collateralized with securities held by the pledging financial institution’s trust department or agent in MGCM’s name.

### **3. LINE OF CREDIT**

MGCM maintains a \$500,000 bank line of credit to cover temporary cash shortages if they arise. The line of credit had a \$0 and a \$200,000 outstanding balance at December 31, 2008 and 2007, respectively. The interest rate is equal to the New York Prime Rate as published by the Wall Street Journal plus one percent, which was 4.25% at December 31, 2008. MGCM's gas storage inventory and accounts receivable serve as collateral.

### **4. ADVANCES FROM MEMBERS**

The total for "advances from members" consists of the remaining portion of approximately \$800,000 collected from member municipalities for a contingency reserve at the inception of MGCM. Advances have been returned to municipalities who have withdrawn from membership over the years. The remaining amounts are from eight current members who were members at the time the advances were collected.

### **5. RELATED ORGANIZATIONS**

MGCM is a party to a Joint Operating Agreement with the Missouri Association of Municipal Utilities ("MAMU") and the Missouri Joint Municipal Electric Utility Commission ("MJMEUC") for the purpose of coordinating resources to improve efficiency and reduce costs. The resulting alliance, known as the Missouri Public Utility Alliance (MPUA) is managed by a Joint Operating Committee, comprised of three representatives from the governing boards of each member. This committee reviews and recommends annual budgets for each member, determines the allocation of expenses on a cost reimbursement basis to members, consults on employee issues, and recommends contractual arrangements with joint consultants to each member. Inter-organization transactions are as shown in the financial statements and are described in the following paragraph.

MGCM has an agreement with MAMU for use of office space and telephone, postage, management, accounting, and other services as needed by MGCM. Management fees paid to MAMU totaled \$90,000 and \$80,000 for 2008 and 2007, respectively. In addition, MGCM paid management fees of \$0 and \$4,000 to MJMEUC for 2008 and 2007, respectively.

### **6. FUNDS HELD FOR MEMBERS**

MGCM acted as an agent for three cities in a Missouri Public Service Commission proceeding which alleged tariff violations were committed by a pipeline company that provides natural gas transportation to them. The Missouri Public Service Commission ruled in favor of the cities. However, the pipeline company is continuing to dispute the ruling.

MGCM has collected from the cities the total amount the pipeline company claims is due. MGCM has remitted to the pipeline company the amounts that are not disputed by the cities and has retained the remaining balance less \$58,000 that has been placed in escrow pending outcome of this matter. As of December 31, 2008, MGCM is holding funds totaling \$816,081 pending final resolution of the dispute, at which time the funds will be paid to the parties as instructed. Since MGCM is only acting as an agent in the dispute, it is not expected that the final resolution of the situation will affect net revenues or fund equity of MGCM.

## **7. FUTURE PURCHASE COMMITMENTS**

MGCM entered into various purchase commitments for natural gas as a means to bring stability to their costs during a time in which market prices have been unstable. The total purchase commitments as of December 31, 2008 were approximately \$6.8 million, with commitment dates ranging from January 2009 to March 2010.