

REPORT OF
MUNICIPAL GAS COMMISSION
OF MISSOURI
DECEMBER 31, 2012 AND 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Municipal Gas Commission of Missouri

We have audited the accompanying statements of net position of the Municipal Gas Commission of Missouri ("MGCM"), as of December 31, 2012 and 2011, and the related statements of revenue, expenses and changes in net position; 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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. 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 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.

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

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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matter

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 8 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 U.S. generally accepted auditing standards, 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.

Williams-Keppert LLC

May 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Municipal Gas Commission of Missouri ("MGCM") offers all persons interested in the financial position and results of MGCM this narrative overview and analysis of MGCM's financial activities for the years ending December 31, 2012 and 2011. Please read this narrative in conjunction with the basic financial statements and the accompanying notes which follow this section.

Overview of the Financial Statements

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

This report consists of two parts, Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; the Statements of Cash Flows; and the Notes to 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 financial statements are prepared in accordance with U.S. generally accepted accounting principles.

The Statements of Net Position 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 net position. The net position of MGCM reflects the resources available as of the end of the year to support member activities. Over time, increases and decreases in net position measure whether MGCM's financial position is improving or deteriorating.

The Statements of Revenue, Expenses and Changes in Net Position presents information detailing the revenues and expenses that resulted in the change in net position for the current and prior 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 and investing activities. It reconciles the beginning and end-of-year cash balances contained in the Statement of Net Position. 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 Net Position.

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

An analysis of MGCM's financial position begins with a review of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. The following tables present summarized financial position and results of operations for the years ended December 31, 2012 and 2011. Additional details are available in the accompanying basic financial statements.

Condensed Statements of Net Position as of December 31 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
ASSETS				
Cash and cash investments	\$ 203,582	\$ 209,650	\$ (6,068)	-2.9%
Accounts receivable	973,938	1,065,420	(91,482)	-8.6%
Prepaid expenses	4,425	4,175	250	6.0%
Gas in storage	309,017	552,724	(243,707)	-44.1%
Total current assets	<u>\$ 1,490,962</u>	<u>\$ 1,831,969</u>	<u>\$ (341,007)</u>	<u>-18.6%</u>
LIABILITIES				
Accounts payable	\$ 746,854	\$ 930,357	\$ (183,503)	-19.7%
Total current liabilities	746,854	930,357	(183,503)	-19.7%
Advances from members	60,719	88,215	(27,496)	-31.2%
Total liabilities	807,573	1,018,572	(210,999)	-20.7%
UNRESTRICTED NET POSITION	<u>683,389</u>	<u>813,397</u>	<u>(130,008)</u>	<u>-16.0%</u>
Total liabilities and net position	<u>\$ 1,490,962</u>	<u>\$ 1,831,969</u>	<u>\$ (341,007)</u>	<u>-18.6%</u>

Financial Position Analysis – 2012

- Cash and cash investments represents 13.7% of 2012 fiscal year-end total assets, which is a small increase over 2011. Actual 2012 cash dollar amounts remained relatively stable to 2011 balances, decreasing slightly by 3% as a result of timing of member payments.
- Accounts receivable reflects an 8.6% decrease to 2011 comparable figures as result of lower commodity costs and sales volumes.
- Most of the decrease in total assets is attributable to a \$243,707, or 44.1%, decrease in gas in storage. Actual 2012 year end volumes of gas in storage were 81,658 MMBtu, or 36.4% less than 2011. Low and stable natural gas prices and terminated gas supply agreements have moderated MGCM's overall volume needs of gas in storage.
- Accounts payable was \$183,503 lower at the end of 2012 as compared to 2011 due to lower gas commodity prices and lower volumes purchased in December 2012.

Condensed Statements of Net Position as of December 31 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
ASSETS				
Cash and cash investments	\$ 209,650	\$ 286,383	\$ (76,733)	-26.8%
Accounts receivable	1,065,420	1,309,288	(243,868)	-18.6%
Prepaid expenses	4,175	-	4,175	100.0%
Other current assets	552,724	592,732	(40,008)	-6.7%
Total current assets	<u>\$ 1,831,969</u>	<u>2,188,403</u>	<u>\$ (356,434)</u>	<u>-16.3%</u>
LIABILITIES				
Accounts payable	\$ 930,357	\$ 1,195,011	\$ (264,654)	-22.1%
Other current liabilities	-	36,677	(36,677)	-100.0%
Total current liabilities	930,357	1,231,688	(301,331)	-24.5%
Advances from members	88,215	98,968	(10,753)	-10.9%
Total liabilities	1,018,572	1,330,656	(312,084)	-23.5%
UNRESTRICTED NET POSITION	813,397	857,747	(44,350)	-5.2%
Total liabilities and net position	<u>\$ 1,831,969</u>	<u>\$ 2,188,403</u>	<u>\$ (356,434)</u>	<u>-16.3%</u>

Financial Position Analysis – 2011

- Cash and cash investments represents 11.4% of 2011 fiscal year total current assets and include deposits and current investments held in operating funds. A 26.8% decline from 2010 fiscal year balance of \$286,383 to a 2011 balance of \$209,650 is a result of timing of member payments.
- Fiscal year levels of account receivables are largely attributed to timing of member payments and lower natural gas prices.
- MGCM's 2011 year-end gas in storage value was 6.7% below comparable 2010 figures and actual quantities of gas in storage at December 31, 2011 were also slightly below similar 2010 levels by approximately 1.2%. Historically low and relatively stable commodity prices have tempered injection of gas in storage. Timing of sales and purchases and their correlation to weather conditions can also affect the unit value of gas in storage.
- Accounts Payable decreased by \$264,654 from 2010 to 2011 as a result of lower commodity prices and decreased accrual of natural gas.

Condensed Statements of Revenues, Expenses, and Changes in Net Position for 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
OPERATING REVENUES				
Gas sales	\$ 4,665,444	\$ 6,422,766	\$ (1,757,322)	-27.4%
Management fee	148,950	193,495	(44,545)	-23.0%
From members for legal fees	6,977	9,390	(2,413)	-25.7%
Training revenue	900	525	375	N/A
Total operating revenues	<u>4,822,271</u>	<u>6,626,176</u>	<u>(1,803,905)</u>	<u>-27.2%</u>
OPERATING EXPENSES				
Gas purchases and related costs	4,723,133	6,462,813	(1,739,680)	-26.9%
Employee expenses	133,035	116,799	16,236	13.9%
Consulting services	26,881	28,011	(1,130)	-4.0%
Other expense	70,388	63,002	7,386	11.7%
Total operating expenses	<u>4,953,437</u>	<u>6,670,625</u>	<u>(1,717,188)</u>	<u>-25.7%</u>
NONOPERATING REVENUES				
Interest income	1,158	99	1,059	1069.7%
Increase (decrease) in net position	(130,008)	(44,350)	(85,658)	193.1%
Net position, beginning of the year	813,397	857,747	(44,350)	-5.2%
Net position, end of the year	<u>\$ 683,389</u>	<u>\$ 813,397</u>	<u>\$ (130,008)</u>	<u>-16.0%</u>

Operating Results Analysis – 2012

- Gas sales of \$4,665,444 fell approximately 27% from 2011 fiscal year levels. Fiscal year 2011 ended with wholesale (spot) natural gas prices on a declining trend that continued through mid-2012, bottoming near \$2 per MMBtu. Lower and relatively stable commodity prices throughout 2012 and reduced consumption from MGCM members resulted in declining gas sales.
- Lower consumption also has a negative impact on management fee revenues. General and administrative costs are recovered through management fees which are based upon a cost per Dth charge.
- An ongoing tariff dispute attributed to continued revenues consisting of collections from members in 2012 to pay legal costs associated with this dispute.
- Gas purchases and related costs consist of gas supply, transportation, and storage costs and represents 95.4% of total operating expenditures. Members' natural gas consumption decreased 23% from fiscal year 2012 to 2011, and natural gas purchases were below comparable 2011 amounts by approximately 26.9%. However, 13% of the decrease in consumption is attributable to five gas supply agreements being terminated in first quarter 2012. MGCM members saw an average commodity cost per MMBtu of \$3.66 for 2012 compared to \$4.24 for the 2011 fiscal year. Members realized an all-in delivered commodity price of \$5.79 MMBtu, which was approximately \$0.37 lower than the 2011 all-in delivered price.
- General and administrative costs are represented in management fees and totaled approximately 4.4% of total operating expenses.

Condensed Statements of Revenues, Expenses, and Changes in Net Position for 2012 and 2011

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
OPERATING REVENUES				
Gas sales	\$ 6,422,766	\$ 8,387,851	\$ (1,965,085)	-23.4%
Management fee	193,495	245,555	(52,060)	-21.2%
From members for legal fees	9,390	47,586	(38,196)	-80.3%
Training revenue	525	-	525	N/A
Total operating revenues	<u>6,626,176</u>	<u>8,680,992</u>	<u>(2,055,341)</u>	<u>-23.7%</u>
OPERATING EXPENSES				
Gas purchases and related costs	6,462,813	8,414,833	(1,952,020)	-23.2%
Employee expenses	116,799	140,890	(24,091)	-20.6%
Consulting services	28,011	24,750	3,261	11.6%
Miscellaneous expense	63,002	102,495	(39,493)	-38.5%
Total operating expenses	<u>6,670,625</u>	<u>8,682,968</u>	<u>(2,012,343)</u>	<u>-23.2%</u>
NONOPERATING REVENUES				
Interest income	99	430	(331)	-77.0%
Total nonoperating income	<u>99</u>	<u>430</u>	<u>(331)</u>	<u>-77.0%</u>
Increase (decrease) in net position	(44,350)	(1,546)	(42,804)	2768.7%
Net position, beginning of the year	857,747	859,293	(1,546)	-0.2%
Net position, end of the year	<u>\$ 813,397</u>	<u>\$ 857,747</u>	<u>\$ (44,350)</u>	<u>-5.2%</u>

Operating Results Analysis – 2011

- Wholesale natural gas prices held relatively steady for the first half of 2011 before declining throughout the remainder of the year. Abundant commodity supply levels kept prices remaining at historically lower levels in 2011 and reduction in membership consumption both resulted in gas sales of \$6,422,766 falling approximately 23% from 2010 year-end levels. Lower consumption also impacted management fee revenues.
- General and administrative costs are recovered through management fees which are based upon a cost per unit charge that was reduced in 2011, and totaled approximately 2.9% of total operating expenses. An ongoing tariff dispute attributed to revenues consisting of collections from members in 2011 to pay legal costs associated with this dispute.
- Gas purchases and related costs consist of gas supply, transportation, and storage costs and represents 96.9% of total operating expenditures. MGCM's gas demands were influenced by mild weather conditions that resulted in 234 fewer heating degree days in 2011 than the previous year. At December 31, 2011, overall gas storage levels of 128,323 MMBtu decreased by approximately 1.2% from 2010 levels of 129,923 MMBtu. Members' natural gas consumption decreased 10% from fiscal year 2011 to 2010, and natural gas purchases were below comparable 2010 amounts by approximately 23.2%. MGCM members saw an average commodity cost per MMBtu of \$4.24 for 2011 compared to \$4.99 for the 2010 fiscal year. Members realized an all-in delivered commodity price of \$6.15 MMBtu, which was approximately \$1.16 lower than the 2010 all-in delivered price.

Financial Outlook

MGCM continues to maintain a relatively stable market outlook on commodity prices through 2013-2014. The United States economy gives little indication it will drive natural gas prices significantly higher in the near term, and mild weather conditions would only add to suppressing any residential or commercial demand for natural gas consumption. Situations that could increase natural gas demand and commodity prices are unexpected weather conditions, an upsurge in natural gas demand from the power generation industry and infrastructure congestions, but again, supply and high storage levels are expected to moderate spikes in market price.

MGCM is dedicated to providing reliable and economical natural gas supplies and related services to its members, as well as continuing support to its members in areas of training and natural gas pipeline developments.

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

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash investments	\$ 203,582	\$ 209,650
Accounts receivable	973,938	1,065,420
Prepaid expenses	4,425	4,175
Gas in storage	309,017	552,724
Total current assets	\$ 1,490,962	\$ 1,831,969
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 746,854	\$ 930,357
Total current liabilities	746,854	930,357
ADVANCES FROM MEMBERS	60,719	88,215
Total liabilities	807,573	1,018,572
NET POSITION - UNRESTRICTED	683,389	813,397
Total liabilities and net position	\$ 1,490,962	\$ 1,831,969

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

MUNICIPAL GAS COMMISSION OF MISSOURI

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Gas sales	\$ 4,665,444	\$ 6,422,766
Management fee	148,950	193,495
From members for legal fees	6,977	9,390
Training	900	525
Total operating revenue	4,822,271	6,626,176
OPERATING EXPENSES		
Gas purchases and related costs	4,723,133	6,462,813
Employee expenses	133,035	116,799
Transfer to MJMEUC Alliance Fund	31,837	23,576
Consulting services	26,881	28,011
Other	25,418	26,725
Legal	9,581	9,526
Training	3,177	2,899
Tax on storage gas	375	276
Total operating expenses	4,953,437	6,670,625
Operating income (loss)	(131,166)	(44,449)
NONOPERATING REVENUES		
Interest income	1,158	99
Decrease in net position	(130,008)	(44,350)
Net position, beginning of year	813,397	857,747
Net position, end of year	\$ 683,389	\$ 813,397

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, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES		
Receipts from sales to members	\$ 4,757,826	\$ 6,667,159
Receipts from management fee	148,950	193,495
Receipts from members for legal fee reimbursements	6,977	9,390
Payments to suppliers for goods and services	(4,728,611)	(6,795,748)
Payments to MJMEUC for employee services	(133,035)	(116,799)
Payments to MJMEUC Alliance Fund	(31,837)	(23,576)
Refunds of advances to former member	(27,496)	(10,753)
Net cash (used) by operating activities	(7,226)	(76,832)
 INVESTING ACTIVITIES		
Interest income	1,158	99
Net cash provided by investing activities	1,158	99
Net (decrease) in cash and cash equivalents	(6,068)	(76,733)
Cash and cash equivalents at beginning of year	209,650	286,383
Cash and cash equivalents at end of year	\$ 203,582	\$ 209,650
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (131,166)	\$ (44,449)
Adjustments for (increases) decreases in current assets and increases (decreases) in current liabilities:		
Accounts receivable	91,482	243,868
Prepaid expenses	(250)	(4,175)
Gas in storage	243,707	40,008
Accounts payable	(183,503)	(264,654)
Advances from members	(27,496)	(10,753)
Imbalance	-	(36,677)
Net cash used by operating activities	\$ (7,226)	\$ (76,832)

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 that own natural gas distribution systems. Members sign a Joint Agreement that covers terms and obligations of membership and MGCM's services. Municipalities can withdraw from membership upon two years notice. As of December 31, 2012, MGCM had eleven members in Missouri and two members in an adjoining state.

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 following the economic measurement focus and using the accrual basis of accounting, in conformity with these standards.

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

Gas in storage: MGCM contracts for storing natural gas. 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.

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

GASB Pronouncements: During 2012, MGCM adopted Governmental Accounting Standards Board Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of GASB 62 is to incorporate into the GASB's authoritative literature accounting and financial reporting guidance that is included in certain pronouncements of the Financial Accounting Standards Board that were issued on or before November 30, 1989, which does not conflict with GASB pronouncements. Adoption of GASB 62 did not have an impact on MGCM's financial statements. The objective of GASB 63 is to identify net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements of GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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. The bank cash account had a bank balance of \$203,582 and \$210,220 and a carrying amount of \$203,582 and \$209,650 at December 31, 2012 and 2011, respectively. The bank 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 zero outstanding balance at December 31, 2012 and 2011. The interest rate is equal to the New York Prime Rate as published by the Wall Street Journal plus one percent, which was 3.25% at December 31, 2012, but no lower than the floor of 4.00%. The note matures on June 10, 2013. MGCM's gas storage inventory and accounts receivable serve as collateral.

4. ADVANCES FROM MEMBERS

The total for "advances from members" consists of collections from member municipalities for a contingency reserve at the inception of MGCM, less refunds made to these original members who have since withdrawn from membership.

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. The Alliance is accounted for as a separate cost center of MJMEUC. A majority of telephone, utility, postage and other miscellaneous office expenses not directly attributable to a specific program or member are charged to the Alliance cost center. A portion of MGCM's income is transferred to MJMEUC to pay for Alliance expenses. MGCM transferred to MJMEUC \$31,837 and \$23,576 for 2012 and 2011, respectively, to pay its allocated share of Alliance expenses. MGCM owed MJMEUC \$1,888 at December 31, 2012 for Alliance expenses, and MGCM had a \$929 over payment of Alliance expenses at December 31, 2011.

All MPUA staff are employees of MJMEUC. MGCM reimburses MJMEUC for time spent by MJMEUC employees on MGCM matters. Salary and employee benefits reimbursements paid to MJMEUC totaled \$133,035 and \$116,799 in 2012 and 2011 respectively.

6. 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, 2012 were approximately \$720,000, with commitment dates ranging from January 2013 to December 2013.