

REPORT OF
MISSOURI ASSOCIATION OF
MUNICIPAL UTILITIES
DECEMBER 31, 2009 AND 2008



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Missouri Association of Municipal Utilities

We have audited the accompanying statements of financial position of Missouri Association of Municipal Utilities ("MAMU"), as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of MAMU'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 Missouri Association of Municipal Utilities as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Williams Keepers LLC

June 7, 2010

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 582,341	\$ 671,228
Accounts receivable	72,828	78,841
Prepaid expenses	2,863	-
Total current assets	<u>658,032</u>	<u>750,069</u>
PROPERTY AND EQUIPMENT, NET	<u>8,792</u>	<u>11,304</u>
Total assets	<u><u>\$ 666,824</u></u>	<u><u>\$ 761,373</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,386	\$ 24,002
Unearned revenue	374,312	462,488
Total current liabilities	<u>396,698</u>	<u>486,490</u>
NET ASSETS		
Unrestricted	<u>270,126</u>	<u>274,883</u>
Total liabilities and net assets	<u><u>\$ 666,824</u></u>	<u><u>\$ 761,373</u></u>

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

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF ACTIVITIES Years Ended December 31, 2009 and 2008

	2009	2008
REVENUES		
Membership dues	\$ 491,924	\$ 480,526
Associate membership dues	39,000	34,688
Total membership dues	530,924	515,214
Finance program income	221,832	274,293
Management fee - MGCM	125,000	90,000
Management fee - MoPEP	9,900	9,900
Training	64,687	60,400
Interest	1,125	6,563
Infrared services	-	1,933
Other revenue	615	3,307
Total revenues	954,083	961,610
EXPENSES		
Payroll, payroll taxes and employee benefits	432,281	336,674
Transfer to MJMEUC Alliance Fund	180,868	215,935
Training	59,650	59,479
Training materials	19,999	-
Water Council	25,745	26,553
Legislative expenses	34,994	29,614
Legislative consultant	41,757	38,521
Other consulting services	42,830	45,186
Finance program	73,354	55,585
Travel	28,463	19,566
Membership dues	1,418	2,089
Infrared services	-	1,813
Depreciation	2,512	1,256
Insurance	14,277	15,300
Meeting expense	135	16
Other expenses	557	737
Total expenses	958,840	848,324
Increase (decrease) in unrestricted net assets	(4,757)	113,286
Unrestricted net assets, beginning of year	274,883	161,597
Unrestricted net assets, end of year	\$ 270,126	\$ 274,883

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

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (4,757)	\$ 113,286
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	2,512	1,256
Adjustments for (increases) decreases in current assets and increases (decreases) in current liabilities:		
Accounts receivable	6,013	85,304
Prepaid expenses	(2,863)	1,200
Accounts payable and other accruals	(1,616)	(4,542)
Unearned revenue	(88,176)	145,341
Net cash provided (used) by operating activities	(88,887)	341,845
INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(12,560)
Net cash used by investing activities	-	(12,560)
Net increase (decrease) in cash and cash equivalents	(88,887)	329,285
Cash and cash equivalents, beginning of year	671,228	341,943
Cash and cash equivalents, end of year	\$ 582,341	\$ 671,228

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

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational structure: The Missouri Association of Municipal Utilities (“MAMU”) is a state-wide organization open for membership to any municipality owning and operating its own utility, including water, electric, gas or wastewater. Its primary mission is to monitor legislation, keep its membership informed as to how proposed and existing legislation affects them, and to efficiently represent the interests of the membership before the Missouri Legislature. In addition, MAMU provides communication, education, training and other self-help activities on a cooperative basis.

Method of accounting: The financial statements are prepared on the accrual basis of accounting.

Cash and cash equivalents: For the purpose of the statement of cash flows, MAMU considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Periodically, MAMU temporarily has cash on deposit at financial institutions in excess of amounts insured by the U.S. Federal Deposit Insurance Corporation.

Membership dues recognition: Membership dues are recognized as revenue in the calendar year to which they pertain. Payments received for dues, the apprentice program and other member services in advance of the year to which they pertain are deferred and reported as unearned revenue.

Accounts receivable: MAMU considers all accounts receivable balances to be fully collectable; therefore, an allowance for doubtful accounts has not been recorded.

Property and equipment: Property and equipment are carried at cost if purchased or fair value if received by contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Income taxes: MAMU is generally exempt from income tax under Section 501(c)(6) of the Internal Revenue Code; however, federal income taxes are payable on lobbying activities at statutory tax rates applied to the lower of such expenses or investment income. Open tax years subject to IRS examination as of December 31, 2009 are 2006-2009.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Net Assets: Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon donor imposed restrictions that limit the use of the assets received. All of MAMU’s revenues and net assets are unrestricted.

Subsequent events: Events that have occurred subsequent to December 31, 2009, have been evaluated through June 7, 2010, which represents the date MAMU’s financial statements were approved by management and therefore were available to be issued.

2. CASH AND CASH EQUIVALENTS

The carrying amount of MAMU's deposits with financial institutions was \$582,341 and \$671,228 at December 31, 2009 and 2008, respectively. The bank balances are categorized as follows:

	2009	2008
Amount insured by FDIC	\$ 250,000	\$ 250,000
Excess over FDIC coverage	362,142	429,476
Total bank balances	<u>\$ 612,142</u>	<u>\$ 679,476</u>

3. PROPERTY AND EQUIPMENT

At December 31, 2009 and 2008, the carrying values of major categories of property and equipment were as follows:

	2009	2008
Furniture and equipment	\$ 12,560	\$ 12,560
Less accumulated depreciation	(3,768)	(1,256)
Property and equipment, net	<u>\$ 8,792</u>	<u>\$ 11,304</u>

Depreciation expense was \$2,512 and \$1,256 for 2009 and 2008, respectively.

4. RELATED ORGANIZATIONS

MAMU is a party to a Joint Operating Agreement with the Missouri Joint Municipal Electric Utility Commission ("MJMEUC") and the Municipal Gas Commission of Missouri (MGCM) 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 MAMU's income is transferred to MJMEUC to pay for Alliance expenses.

Effective January 1, 1988 MAMU entered into an agreement with MGCM to provide MGCM with office space, telephone, postage, management, and accounting and other services as needed by MGCM. Management fees received from MGCM totaled \$125,000 and \$90,000 in 2009 and 2008, respectively. MAMU received management fees from the Missouri Joint Municipal Electric Utility Commission ("MJMEUC") totaling \$9,900 in 2009 and 2008 for services provided to MJMEUC's Missouri Public Energy Pool #1 (MoPEP).

All MPUA staff are employees of MJMEUC. MAMU reimburses MJMEUC for time spent by MJMEUC employees on MAMU matters. Salary and employee benefits reimbursements paid to MJMEUC totaled \$432,281 and \$336,674 in 2009 and 2008, respectively.

MAMU transferred \$180,868 and \$215,935 for 2009 and 2008, respectively, to MJMEUC to pay its allocated share of Alliance expenses. MJMEUC owed MAMU \$56,272 and \$63,572 at December 31, 2009 and 2008, respectively, for Alliance expenses.

5. MUNICIPAL FINANCE PROGRAM

Since 1999, MAMU has served as administrator for certain municipal finance programs of the Missouri Development Finance Board ("MDFB"), a component unit of the State of Missouri. Under these programs, MDFB acts as a conduit issuer of tax-exempt bonds or lease revenue notes ("notes") to provide a pool of funds available to Missouri municipalities for long-term financing of capital improvements to their public utilities systems. Repayment of the principal and interest is the obligation of the municipalities who have borrowed under the program. MAMU has no liability for repayment of the debt.

As of December 31, 2009 and 2008, MAMU is the administrator for five series issued by MDFB, one each in 1999, 2003, 2005, 2006 and 2008. MAMU has certain administrative duties under the program at the time of bond or notes issuance and during the term of the outstanding debt. MAMU receives fees at the time of issuance and on a quarterly basis thereafter during the term of the outstanding debt. Fees are typically based on a percentage of the outstanding principal of the underlying debt of the municipalities. Fees received at the time of issuance are recognized in MAMU's financial statements when received and quarterly fees are recognized in the quarter to which they pertain. For 2009 and 2008, total fees earned were \$221,832 and \$274,293, respectively.

MAMU contracts out the servicing of the municipalities' notes and leases. Fees for these services are typically based on the outstanding principal of the debt. These fees are due quarterly and are paid from the administrative fees received by MAMU. There is a separate outsourcing agreement for each debt series. Most of the agreements include a minimum and maximum amount allowed to be paid during the year. Fees are only paid to the extent that MAMU receives administrative fees. Direct expenses for these fees and other expenses of the program were \$73,354 and \$55,585 for 2009 and 2008, respectively.