

**REPORT OF**  
**MISSOURI ASSOCIATION OF**  
**MUNICIPAL UTILITIES**  
**DECEMBER 31, 2012 AND 2011**



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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, 2012 and 2011, 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.

### 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 Missouri Association of Municipal Utilities as of December 31, 2012 and 2011, 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-Keppel LLC*

May 31, 2013

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 618,443	\$ 742,651
Accounts receivable	50,777	71,359
Prepaid expenses	1,306	1,040
Total current assets	<u>670,526</u>	<u>815,050</u>
PROPERTY AND EQUIPMENT, NET	1,256	3,768
Total assets	<u><u>\$ 671,782</u></u>	<u><u>\$ 818,818</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,826	\$ 19,016
Unearned revenue	377,834	512,921
Total current liabilities	<u>387,660</u>	<u>531,937</u>
<b>NET ASSETS</b>		
Unrestricted	<u>284,122</u>	<u>286,881</u>
Total liabilities and net assets	<u><u>\$ 671,782</u></u>	<u><u>\$ 818,818</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, 2012 and 2011**

	2012	2011
<b>REVENUES</b>		
Membership dues	\$ 541,737	\$ 505,549
Associate membership dues	43,125	40,125
Total membership dues	584,862	545,674
Finance program income	178,003	173,245
Training	66,874	78,035
Residential energy audit program	37,367	-
Interest	140	122
Other revenue	2,353	797
Total revenues	869,599	797,873
<b>EXPENSES</b>		
Payroll, payroll taxes and employee benefits	434,835	406,685
Transfer to MJMEUC Alliance Fund	98,312	115,725
Finance program	75,052	74,625
Training	61,225	68,311
Residential energy audit program	36,750	-
Travel	36,093	28,451
Legislative consultant	33,158	32,918
Other consulting services	27,272	13,650
Water Council	25,399	22,136
Legislative expenses	25,796	6,276
Insurance	9,866	9,579
Depreciation	2,512	2,512
Membership dues	1,919	2,223
Meeting expense	1,460	103
Other expenses	2,709	657
Total expenses	872,358	783,851
(Decrease) increase in unrestricted net assets	(2,759)	14,022
Unrestricted net assets, beginning of year	286,881	272,859
Unrestricted net assets, end of year	\$ 284,122	\$ 286,881

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, 2012 and 2011**

	2012	2011
<b>OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets	\$ (2,759)	\$ 14,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	2,512	2,512
Adjustments for (increases) decreases in current assets and increases (decreases) in current liabilities:		
Accounts receivable	20,582	(28,922)
Prepaid expenses	(266)	2,346
Accounts payable and other accruals	(9,190)	6,617
Unearned revenue	(135,087)	127,647
Net cash (used) provided by operating activities	(124,208)	124,222
Net (decrease) increase in cash and cash equivalents	(124,208)	124,222
Cash and cash equivalents, beginning of year	742,651	618,429
Cash and cash equivalents, end of year	\$ 618,443	\$ 742,651

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 members informed about how proposed and existing legislation affects them, and to efficiently represent the interests of the members 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 may temporarily have 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, 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, 2012 are 2009-2012. Penalties and interest, if any, are included with “Other expenses” in the Statement of Activities.

*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:* For not-for-profit organization financial statements, 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, 2012, have been evaluated through May 31, 2013, 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 \$618,443 and \$742,651 at December 31, 2012 and 2011, respectively. The bank balances are categorized as follows:

	2012	2011
Amount insured by FDIC	\$ 250,000	\$ 250,000
Excess over FDIC coverage	378,427	511,885
Total bank balances	<u>\$ 628,427</u>	<u>\$ 761,885</u>

## 3. PROPERTY AND EQUIPMENT

At December 31, 2012 and 2011, the carrying values of major categories of property and equipment were as follows:

	2012	2011
Furniture and equipment	\$ 12,560	\$ 12,560
Less accumulated depreciation	(11,304)	(8,792)
Property and equipment, net	<u>\$ 1,256</u>	<u>\$ 3,768</u>

Depreciation expense was \$2,512 for both 2012 and 2011.

## 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. MAMU incurred costs payable to MJMEUC of \$98,312 and \$115,725 for 2012 and 2011, respectively, for its allocated share of Alliance expenses.

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 \$434,835 and \$406,685 in 2012 and 2011, respectively.

MAMU owed MJMEUC \$2,198 at December 31, 2012 for underpayment by MAMU to MJMEUC of Alliance expenses. MJMEUC owed MAMU a net of \$370 at December 31, 2011 resulting from an overpayment of Alliance expenses of \$1,633 and \$1,263 owed to MJMEUC from a MJMEUC member fee remitted to MAMU by common members along with their MAMU dues payment.



## 5. MUNICIPAL FINANCE PROGRAMS

*Missouri Development Finance Board Programs:* 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. Financing is available to Missouri municipalities for public utility capital projects. Repayment of the principal and interest is the obligation of the municipalities who have borrowed under the programs. MAMU has no liability for repayment of the debt. As of December 31, 2012 and 2011, MAMU is the administrator for five long-term debt series issued by MDFB, one each in 1999, 2003, 2005, 2006 and 2008.

*Greyhawk Financial Services Program:* In 2011, MAMU started a new finance program with Greyhawk Financial Services (“Greyhawk”). Financing is available to any MPUA member for utility and other tax-exempt municipal projects. Under the program, Greyhawk issues capital leases to municipalities for long-term financing for any tax exempt purpose and MAMU provides certain administrative services. Repayment of the capital leases is the obligation of the municipalities who have borrowed under the program. MAMU has no liability for repayment of the capital leases. In 2012, eight capital leases were issued and in 2011, three capital leases were issued.

For both of the above programs, MAMU has certain administrative duties at the time the debt instruments are issued 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 2012 and 2011, total fees earned were \$178,003 and \$173,245, respectively.

MAMU contracts out the servicing of the municipalities’ debt, for which it pays fees 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 \$75,052 and \$74,625 for 2012 and 2011, respectively.