

REPORT OF
MISSOURI ASSOCIATION OF
MUNICIPAL UTILITIES
DECEMBER 31, 2014 and 2013



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 financial statements of Missouri Association of Municipal Utilities ("MAMU"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in cursive script that reads "William Keepers LLC".

May 27, 2015

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 154,044 | \$ 231,283 |
| Accounts Receivable | 48,253 | 15,844 |
| Prepaid Expenses | 9,439 | 9,674 |
| Total Current Assets | <u>211,736</u> | <u>256,801</u> |
| Total Assets | <u>\$ 211,736</u> | <u>\$ 256,801</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 15,377 | \$ 9,589 |
| Unearned Revenue | 3,000 | 8,272 |
| Total Current Liabilities | <u>18,377</u> | <u>17,861</u> |
| NET ASSETS | | |
| Unrestricted | <u>193,359</u> | <u>238,940</u> |
| Total Liabilities and Net Assets | <u>\$ 211,736</u> | <u>\$ 256,801</u> |

See accompanying notes to financial statements

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

| | 2014 | 2013 |
|--|------------|------------|
| REVENUES | | |
| Membership Dues | \$ 553,332 | \$ 547,334 |
| Associate Membership Dues | 45,375 | 46,125 |
| Total Membership Dues | 598,707 | 593,459 |
| Finance Program Income | 142,659 | 159,126 |
| Member Training | 53,991 | 70,356 |
| Residential Energy Audit Program | 20,213 | 20,213 |
| Interest | 44 | 78 |
| Other Revenue | 881 | 622 |
| Total Revenues | 816,495 | 843,854 |
| EXPENSES | | |
| Payroll, Payroll Taxes and Employee Benefits | 494,301 | 506,338 |
| Transfer to MJMEUC Alliance Fund | 86,264 | 93,881 |
| Finance Program | 50,222 | 56,774 |
| Member Training | 49,758 | 58,864 |
| Residential Energy Audit Program | 19,250 | 19,250 |
| Travel | 36,671 | 39,814 |
| Legislative Consultant | 33,670 | 33,293 |
| Other Consulting Services | 6,150 | 8,895 |
| Water Council | 22,978 | 23,798 |
| Legislative Expenses | 6,903 | 26,361 |
| Insurance | 11,751 | 12,058 |
| Depreciation | - | 1,256 |
| Membership Dues | 2,283 | 2,449 |
| Meeting Expense | 463 | 399 |
| Other Expenses | 41,412 | 5,606 |
| Total Expenses | 862,076 | 889,036 |
| (Decrease) in Unrestricted Net Assets | (45,581) | (45,182) |
| Unrestricted Net Assets, Beginning of Year | 238,940 | 284,122 |
| Unrestricted Net Assets, End of Year | \$ 193,359 | \$ 238,940 |

See accompanying notes to financial statements

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

| | 2014 | 2013 |
|---|-------------|-------------|
| OPERATING ACTIVITIES | | |
| (Decrease) in Net Assets | \$ (45,581) | \$ (45,182) |
| Adjustments to Reconcile Change in Net Assets to | | |
| Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | - | 1,256 |
| Adjustments for (Increases) Decreases in Current Assets and | | |
| Increases (Decreases) in Current Liabilities: | | |
| Accounts Receivable | (32,409) | 34,933 |
| Prepaid Expenses | 235 | (8,368) |
| Accounts Payable and Other Accruals | 5,788 | (237) |
| Unearned Revenue | (5,272) | (369,562) |
| Net Cash (Used) by Operating Activities | (77,239) | (387,160) |
| Net (Decrease) in Cash and Cash Equivalents | (77,239) | (387,160) |
| Cash and Cash Equivalents, Beginning of Year | 231,283 | 618,443 |
| Cash and Cash Equivalents, End of Year | \$ 154,044 | \$ 231,283 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Taxes Paid | \$ - | \$ 14 |

See accompanying notes to financial statements

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

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, natural gas or wastewater. MAMU’s 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 that individual members would not normally do themselves in order to help the membership increase their effectiveness as individual operating utilities.

Method of Accounting

MAMU prepares its financial statements in conformity with generally accepted accounting principles following the accounting standards set by the Financial Accounting Standards Board.

Cash and Cash Equivalents

For the purpose of the Statements 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 in excess of \$100. Penalties and interest, if any, are included with “Other Expenses” in the Statements of Activities. MAMU did not incur an income tax liability or incur any penalties and interest for the years ending December 31, 2014 and 2013.

Net Assets

For not-for-profit organization financial statements, revenues and 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Subsequent Events

Events that have occurred subsequent to December 31, 2014, have been evaluated through May 27, 2015, 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 \$154,044 and \$231,283 at December 31, 2014 and 2013, respectively. The bank balances are categorized as follows:

| | <u>2014</u> | <u>2013</u> |
|---------------------------|-------------------|-------------------|
| Amount Insured by FDIC | \$ 159,491 | \$ 250,000 |
| Excess Over FDIC Coverage | - | 4,124 |
| Total Bank Balances | <u>\$ 159,491</u> | <u>\$ 254,124</u> |

3. PROPERTY AND EQUIPMENT

At December 31, 2014 and 2013, the carrying values of major categories of property and equipment were as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-----------------|-----------------|
| Furniture and Equipment | \$ 12,560 | \$ 12,560 |
| Less Accumulated Depreciation | <u>(12,560)</u> | <u>(12,560)</u> |
| Property and Equipment, Net | <u>\$ -</u> | <u>\$ -</u> |

Depreciation expense was \$0 and \$1,256 for 2014 and 2013, 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. MAMU incurred costs payable to MJMEUC of \$86,264 and \$93,881 for 2014 and 2013, 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 \$494,301 and \$506,338 in 2014 and 2013, respectively.

MAMU owed MJMEUC \$1,430 at December 31, 2014 for an underpayment of Alliance expenses by MAMU. MJMEUC owed MAMU \$4,198 at December 31, 2013 resulting from an overpayment of Alliance expenses by MAMU.

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, 2014 and 2013, MAMU is the administrator for four long-term debt series issued by MDFB, one each in 2003, 2005, 2006 and 2008. The 1999 debt series issued by MDFB was retired during 2013.

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 2014, one capital lease was issued and in 2013, four 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 monthly or 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 monthly or quarterly fees are recognized in the period to which they pertain. For 2014 and 2013, total fees earned were \$142,659 and \$159,126, 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 \$50,222 and \$56,774 for 2014 and 2013, respectively.