

REPORT OF
MISSOURI ASSOCIATION OF
MUNICIPAL UTILITIES
DECEMBER 31, 2010 AND 2009

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, 2010 and 2009, 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, 2010 and 2009, 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 3, 2011

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 618,429	\$ 582,341
Accounts receivable	42,437	72,828
Prepaid expenses	3,385	2,863
Total current assets	<u>664,251</u>	<u>658,032</u>
PROPERTY AND EQUIPMENT, NET	<u>6,280</u>	<u>8,792</u>
Total assets	<u><u>\$ 670,531</u></u>	<u><u>\$ 666,824</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,399	\$ 22,386
Unearned revenue	385,274	374,312
Total current liabilities	<u>397,673</u>	<u>396,698</u>
NET ASSETS		
Unrestricted	<u>272,858</u>	<u>270,126</u>
Total liabilities and net assets	<u><u>\$ 670,531</u></u>	<u><u>\$ 666,824</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, 2010 and 2009

	2010	2009
REVENUES		
Membership dues	\$ 502,002	\$ 491,924
Associate membership dues	40,975	39,000
Total membership dues	542,977	530,924
Finance program income	187,447	221,832
Management fee - MGCM	-	125,000
Management fee - MoPEP	-	9,900
Training	60,230	64,687
Interest	147	1,125
Other revenue	4,064	615
Total revenues	794,865	954,083
EXPENSES		
Payroll, payroll taxes and employee benefits	393,690	432,281
Transfer to MJMEUC Alliance Fund	124,500	180,868
Training	57,072	59,650
Training materials	-	19,999
Water Council	23,043	25,745
Legislative expenses	31,993	34,994
Legislative consultant	47,636	41,757
Other consulting services	7,418	42,830
Finance program	61,533	73,354
Travel	23,551	28,463
Membership dues	2,160	1,418
Depreciation	2,512	2,512
Insurance	15,323	14,277
Meeting expense	182	135
Other expenses	1,520	557
Total expenses	792,133	958,840
Increase (decrease) in unrestricted net assets	2,732	(4,757)
Unrestricted net assets, beginning of year	270,126	274,883
Unrestricted net assets, end of year	\$ 272,858	\$ 270,126

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 2,732	\$ (4,757)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	2,512	2,512
Adjustments for (increases) decreases in current assets and increases (decreases) in current liabilities:		
Accounts receivable	30,391	6,013
Prepaid expenses	(522)	(2,863)
Accounts payable and other accruals	(9,987)	(1,616)
Unearned revenue	10,962	(88,176)
Net cash provided (used) by operating activities	<u>36,088</u>	<u>(88,887)</u>
Net increase (decrease) in cash and cash equivalents	36,088	(88,887)
Cash and cash equivalents, beginning of year	<u>582,341</u>	<u>671,228</u>
Cash and cash equivalents, end of year	<u>\$ 618,429</u>	<u>\$ 582,341</u>

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, 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, 2010 are 2007-2010. Penalties and interest, if any, are reported as an expense 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: 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, 2010, have been evaluated through June 3, 2011, 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 \$618,429 and \$582,341 at December 31, 2010 and 2009, respectively. The bank balances are categorized as follows:

	2010	2009
Amount insured by FDIC	\$ 250,000	\$ 250,000
Excess over FDIC coverage	378,879	362,142
Total bank balances	<u>\$ 628,879</u>	<u>\$ 612,142</u>

3. PROPERTY AND EQUIPMENT

At December 31, 2010 and 2009, the carrying values of major categories of property and equipment were as follows:

	2010	2009
Furniture and equipment	\$ 12,560	\$ 12,560
Less accumulated depreciation	(6,280)	(3,768)
Property and equipment, net	<u>\$ 6,280</u>	<u>\$ 8,792</u>

Depreciation expense was \$2,512 for both 2010 and 2009.

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 \$124,500 and \$180,868 for 2010 and 2009, respectively, for its allocated share of 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 in 2009. Effective January 1, 2010, MAMU no longer provides these services to MGCM. MAMU received management fees from the Missouri Joint Municipal Electric Utility Commission ("MJMEUC") totaling \$9,900 in 2009 for services provided to MJMEUC's Missouri Public Energy Pool #1 (MoPEP). Effective January 1, 2010, MAMU no longer provides these services to MJMEUC.

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 \$393,690 and \$432,281 in 2010 and 2009, respectively.

MJMEUC owed MAMU \$26,398 and \$56,272 at December 31, 2010 and 2009, respectively, for overpayment by MAMU to MJMEUC of 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, 2010 and 2009, MAMU is the administrator for five long-term debt 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 2010 and 2009, total fees earned were \$187,447 and \$221,832, 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 \$61,533 and \$73,354 for 2010 and 2009, respectively.