

REPORT OF
MISSOURI ASSOCIATION OF
MUNICIPAL UTILITIES
DECEMBER 31, 2011 AND 2010



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, 2011 and 2010, 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, 2011 and 2010, 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 1, 2012

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 742,651	\$ 618,429
Accounts receivable	71,359	42,437
Prepaid expenses	1,040	3,385
Total current assets	815,050	664,251
PROPERTY AND EQUIPMENT, NET	3,768	6,280
Total assets	<u>\$ 818,818</u>	<u>\$ 670,531</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,016	\$ 12,399
Unearned revenue	512,922	385,274
Total current liabilities	531,938	397,673
NET ASSETS		
Unrestricted	286,880	272,858
Total liabilities and net assets	<u>\$ 818,818</u>	<u>\$ 670,531</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, 2011 and 2010

	2011	2010
REVENUES		
Membership dues	\$ 505,549	\$ 502,002
Associate membership dues	40,125	40,975
Total membership dues	545,674	542,977
Finance program income	173,245	187,447
Training	78,035	60,230
Interest	122	147
Other revenue	797	4,064
Total revenues	<u>797,873</u>	<u>794,865</u>
EXPENSES		
Payroll, payroll taxes and employee benefits	406,685	393,690
Transfer to MJMEUC Alliance Fund	115,725	124,500
Training	68,311	57,072
Water Council	22,136	23,043
Legislative expenses	6,276	31,993
Legislative consultant	32,918	47,636
Other consulting services	13,650	7,418
Finance program	74,625	61,533
Travel	28,451	23,551
Membership dues	2,223	2,160
Depreciation	2,512	2,512
Insurance	9,579	15,323
Meeting expense	103	182
Other expenses	657	1,520
Total expenses	<u>783,851</u>	<u>792,133</u>
Increase in unrestricted net assets	14,022	2,732
Unrestricted net assets, beginning of year	<u>272,858</u>	<u>270,126</u>
Unrestricted net assets, end of year	<u>\$ 286,880</u>	<u>\$ 272,858</u>

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, 2011 and 2010

	2011	2010
OPERATING ACTIVITIES		
Increase in net assets	\$ 14,022	\$ 2,732
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	(28,922)	30,391
Prepaid expenses	2,345	(522)
Accounts payable and other accruals	6,617	(9,987)
Unearned revenue	127,648	10,962
Net cash provided by operating activities	124,222	36,088
Net increase in cash and cash equivalents	124,222	36,088
Cash and cash equivalents, beginning of year	618,429	582,341
Cash and cash equivalents, end of year	\$ 742,651	\$ 618,429

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, 2011 are 2008-2011. Penalties and interest, if any, are reported as other 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, 2011, have been evaluated through June 1, 2012, 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 \$742,651 and \$618,429 at December 31, 2011 and 2010, respectively. The bank balances are categorized as follows:

	2011	2010
Amount insured by FDIC	\$ 250,000	\$ 250,000
Excess over FDIC coverage	511,885	378,879
Total bank balances	<u>\$ 761,885</u>	<u>\$ 628,879</u>

3. PROPERTY AND EQUIPMENT

At December 31, 2011 and 2010, the carrying values of major categories of property and equipment were as follows:

	2011	2010
Furniture and equipment	\$ 12,560	\$ 12,560
Less accumulated depreciation	(8,792)	(6,280)
Property and equipment, net	<u>\$ 3,768</u>	<u>\$ 6,280</u>

Depreciation expense was \$2,512 for both 2011 and 2010.

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 \$115,725 and \$124,500 for 2011 and 2010, 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 \$406,685 and \$393,690 in 2011 and 2010, respectively.

MJMEUC owed MAMU \$370 and \$26,398 at December 31, 2011 and 2010, respectively, for overpayment by MAMU to MJMEUC of Alliance expenses.

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, 2011 and 2010, 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 in conjunction with Greyhawk Financial Services ("Greyhawk"). Financing is available to any MPOA 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. As of December 31, 2011, three capital leases have been 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 2011 and 2010, total fees earned were \$173,245 and \$187,447, 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 \$74,625 and \$61,533 for 2011 and 2010, respectively.