

**REPORT OF**  
**MISSOURI ASSOCIATION OF**  
**MUNICIPAL UTILITIES**  
**DECEMBER 31, 2016 AND 2015**

## 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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Williams Keepers LLC*

May 30, 2017

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 146,505	\$ 199,033
Accounts Receivable	83,956	64,374
Prepaid Expenses	8,279	10,746
Total Current Assets	<u>238,740</u>	<u>274,153</u>
Total Assets	<u>\$ 238,740</u>	<u>\$ 274,153</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts Payable	\$ 32,725	\$ 12,024
Unearned Revenue	2,625	2,579
Total Current Liabilities	<u>35,350</u>	<u>14,603</u>
NET ASSETS		
Unrestricted	<u>203,390</u>	<u>259,550</u>
Total Liabilities and Net Assets	<u>\$ 238,740</u>	<u>\$ 274,153</u>

See accompanying notes to financial statements

**MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES**

**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b>REVENUES</b>		
Membership Dues	\$ 575,153	\$ 558,084
Associate Membership Dues	41,875	45,625
Total Membership Dues	617,028	603,709
Finance Program Income	151,659	191,381
Member Training	81,616	61,999
Residential Energy Audit Program	19,157	20,213
Membership Directory Advertising	9,800	-
Water Council Revenue	-	15,809
Interest	463	81
Other Revenue	15,020	4,937
Total Revenues	894,743	898,129
<b>EXPENSES</b>		
Payroll, Payroll Taxes and Employee Benefits	502,097	483,732
Transfer to MJMEUC Alliance Fund	84,734	79,464
Finance Program	62,111	48,122
Member Training	79,778	60,752
Residential Energy Audit Program	18,250	19,250
Travel	42,090	40,859
Legislative Expenses	95,165	56,055
Other Consulting Services	21,084	5,685
Water Council	24,661	21,779
Member Directory Expenses	4,827	-
Insurance	12,204	11,678
Other Expenses	3,902	4,562
Total Expenses	950,903	831,938
Increase (Decrease) in Unrestricted Net Assets	(56,160)	66,191
Unrestricted Net Assets, Beginning of Year	259,550	193,359
Unrestricted Net Assets, End of Year	\$ 203,390	\$ 259,550

See accompanying notes to financial statements

**MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (56,160)	\$ 66,191
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Adjustments for (Increases) Decreases in Current Assets and Increases (Decreases) in Current Liabilities:		
Accounts Receivable	(19,582)	(16,121)
Prepaid Expenses	2,467	(1,307)
Accounts Payable	20,701	(3,353)
Unearned Revenue	46	(421)
Net Cash Provided (Used) by Operating Activities	(52,528)	44,989
Net Increase (Decrease) in Cash and Cash Equivalents	(52,528)	44,989
Cash and Cash Equivalents, Beginning of Year	199,033	154,044
Cash and Cash Equivalents, End of Year	\$ 146,505	\$ 199,033

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, to 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 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. At December 31, 2016 and 2015, MAMU has furniture and equipment with an original cost of \$12,560 that is fully depreciated.

#### *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 Statement of Activities. MAMU incurred a \$127 income tax liability for the year ended December 31, 2016, but did not incur an income tax liability for the year ended December 31, 2015. MAMU did not incur any penalties or interest for the years ending December 31, 2016 and 2015.

### *Net Assets*

For not-for-profit organization financial statements, revenue 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, 2016, have been evaluated through May 30, 2017, 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 \$146,505 and \$199,033 at December 31, 2016 and 2015, respectively. The bank balances of \$167,556 and \$211,213 at December 31, 2016 and 2015, respectively, were fully covered by FDIC insurance.

## **3. 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 \$84,734 and \$79,464 for 2016 and 2015, 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 \$502,097 and \$483,732 in 2016 and 2015, respectively.

MJMEUC owed MAMU \$3,496 at December 31, 2016, for overpayment of Alliance expenses by MAMU, and MAMU owed MJMEUC \$1,411 at December 31, 2015, for underpayment of Alliance expenses by MAMU.

#### 4. 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 was 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, 2016 and 2015, 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”). Under this program, financing was available to any MPUA member for utility and other tax-exempt municipal projects. Greyhawk issued 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.

##### *Direct Lending Finance Program*

In 2016, MAMU started its own direct lending program and instead of working with an intermediary, MAMU works directly with the municipalities and the lending institutions, thus eliminating the middle man and allowing MAMU to offer more attractive interest rates to its members. Financing is available to any MPUA member for utility and other tax-exempt municipal projects. Under the program, the financial institutions issue 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.

##### *Administrative Services Provided by MAMU*

For each 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 2016 and 2015, total fees earned were \$151,659 and \$191,381, respectively. In 2015, \$60,000 of the fees earned was from services provided by MAMU in restructuring the debt backing the MDFB programs. None of the leases were affected by this restructuring.

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 \$62,111 and \$48,122 for 2016 and 2015, respectively.