

**REPORT OF**  
**MISSOURI ASSOCIATION OF**  
**MUNICIPAL UTILITIES**  
**DECEMBER 31, 2013 AND 2012**



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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, 2013 and 2012, 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 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 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, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

June 2, 2014

American Institute of Certified Public Accountants  
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MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 231,283	\$ 618,443
Accounts Receivable	15,844	50,777
Prepaid Expenses	9,674	1,306
Total Current Assets	<u>256,801</u>	<u>670,526</u>
PROPERTY AND EQUIPMENT, NET	-	1,256
Total Assets	<u><u>\$ 256,801</u></u>	<u><u>\$ 671,782</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts Payable	\$ 9,589	\$ 9,826
Unearned Revenue	8,272	377,834
Total Current Liabilities	<u>17,861</u>	<u>387,660</u>
NET ASSETS		
Unrestricted	<u>238,940</u>	<u>284,122</u>
Total Liabilities and Net Assets	<u><u>\$ 256,801</u></u>	<u><u>\$ 671,782</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, 2013 and 2012**

	2013	2012
<b>REVENUES</b>		
Membership Dues	\$ 547,334	\$ 541,737
Associate Membership Dues	46,125	43,125
Total Membership Dues	593,459	584,862
Finance Program Income	159,126	178,003
Member Training	70,356	66,874
Residential Energy Audit Program	20,213	37,367
Interest	78	140
Other Revenue	622	2,353
Total Revenues	843,854	869,599
<b>EXPENSES</b>		
Payroll, Payroll Taxes and Employee Benefits	506,338	434,835
Transfer to MJMEUC Alliance Fund	93,881	98,312
Finance Program	56,774	75,052
Member Training	58,864	61,225
Residential Energy Audit Program	19,250	36,750
Travel	39,814	36,093
Legislative Consultant	33,293	33,158
Other Consulting Services	8,895	27,272
Water Council	23,798	25,399
Legislative Expenses	26,361	25,796
Insurance	12,058	9,866
Depreciation	1,256	2,512
Membership Dues	2,449	1,919
Meeting Expense	399	1,460
Other Expenses	5,606	2,709
Total Expenses	889,036	872,358
(Decrease) Increase in Unrestricted Net Assets	(45,182)	(2,759)
Unrestricted Net Assets, Beginning of Year	284,122	286,881
Unrestricted Net Assets, End of Year	\$ 238,940	\$ 284,122

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, 2013 and 2012**

	2013	2012
<b>OPERATING ACTIVITIES</b>		
(Decrease) Increase in Net Assets	\$ (45,182)	\$ (2,759)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,256	2,512
Adjustments for (Increases) Decreases in Current Assets and Increases (Decreases) in Current Liabilities:		
Accounts Receivable	34,933	20,582
Prepaid Expenses	(8,368)	(266)
Accounts Payable and Other Accruals	(237)	(9,190)
Unearned Revenue	(369,562)	(135,087)
Net Cash (Used) by Operating Activities	(387,160)	(124,208)
Net (Decrease) in Cash and Cash Equivalents	(387,160)	(124,208)
Cash and Cash Equivalents, Beginning of Year	618,443	742,651
Cash and Cash Equivalents, End of Year	\$ 231,283	\$ 618,443
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Taxes Paid	\$ 14	\$ -

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

#### *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 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 in excess of \$100. Open tax years subject to IRS examination as of December 31, 2013 are 2010-2013. Penalties and interest, if any, are included with “Other Expenses” in the Statement of Activities.

## *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, 2013, have been evaluated through June 2, 2014, 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 \$231,283 and \$618,443 at December 31, 2013 and 2012, respectively. The bank balances are categorized as follows:

	<u>2013</u>	<u>2012</u>
Amount Insured by FDIC	\$ 250,000	\$ 250,000
Excess Over FDIC Coverage	4,124	378,427
Total Bank Balances	<u>\$ 254,124</u>	<u>\$ 628,427</u>

## **3. PROPERTY AND EQUIPMENT**

At December 31, 2013 and 2012, the carrying values of major categories of property and equipment were as follows:

	<u>2013</u>	<u>2012</u>
Furniture and Equipment	\$ 12,560	\$ 12,560
Less Accumulated Depreciation	(12,560)	(11,304)
Property and Equipment, Net	<u>\$ -</u>	<u>\$ 1,256</u>

Depreciation expense was \$1,256 and \$2,512 for 2013 and 2012, 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 \$93,881 and \$98,312 for 2013 and 2012, 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 \$506,338 and \$434,835 in 2013 and 2012, respectively.

MJMEUC owed MAMU \$4,198 at December 31, 2013 resulting from an overpayment of Alliance expenses by MAMU. MAMU owed MJMEUC \$2,198 at December 31, 2012 for an underpayment by MAMU to MJMEUC for 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, 2013 and 2012, 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 2013, four capital leases were issued and in 2012, eight 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 2013 and 2012, total fees earned were \$159,126 and \$178,003, 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 \$56,774 and \$75,052 for 2013 and 2012, respectively.