

REPORT OF
MISSOURI ASSOCIATION OF
MUNICIPAL UTILITIES
DECEMBER 31, 2015 and 2014

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, 2015 and 2014, 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

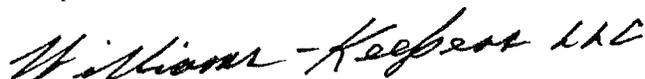
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial 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, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



May 23, 2016

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 199,033	\$ 154,044
Accounts Receivable	64,374	48,253
Prepaid Expenses	10,746	9,439
Total Current Assets	<u>274,153</u>	<u>211,736</u>
Total Assets	<u>\$ 274,153</u>	<u>\$ 211,736</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,024	\$ 15,377
Unearned Revenue	2,579	3,000
Total Current Liabilities	<u>14,603</u>	<u>18,377</u>
NET ASSETS		
Unrestricted	<u>259,550</u>	<u>193,359</u>
Total Liabilities and Net Assets	<u>\$ 274,153</u>	<u>\$ 211,736</u>

See accompanying notes to financial statements

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015	2014
REVENUES		
Membership Dues	\$ 558,084	\$ 553,332
Associate Membership Dues	45,625	45,375
Total Membership Dues	603,709	598,707
Finance Program Income	191,381	142,659
Member Training	61,999	53,991
Residential Energy Audit Program	20,213	20,213
Water Council Revenue	15,809	-
Interest	81	44
Other Revenue	4,937	881
Total Revenues	898,129	816,495
EXPENSES		
Payroll, Payroll Taxes and Employee Benefits	483,732	494,301
Transfer to MJMEUC Alliance Fund	79,464	86,264
Finance Program	48,122	50,222
Member Training	60,752	49,758
Residential Energy Audit Program	19,250	19,250
Travel	40,859	36,671
Legislative Consultant	34,497	33,670
Other Consulting Services	5,685	6,150
Water Council	21,779	22,978
Legislative Expenses	21,558	6,903
Insurance	11,678	11,751
Membership Dues	2,465	2,283
Meeting Expense	1,242	463
Other Expenses	855	41,412
Total Expenses	831,938	862,076
Increase (Decrease) in Unrestricted Net Assets	66,191	(45,581)
Unrestricted Net Assets, Beginning of Year	193,359	238,940
Unrestricted Net Assets, End of Year	\$ 259,550	\$ 193,359

See accompanying notes to financial statements

MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 66,191	\$ (45,581)
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	(16,121)	(32,409)
Prepaid Expenses	(1,307)	235
Accounts Payable	(3,353)	5,788
Unearned Revenue	(421)	(5,272)
Net Cash Provided (Used) by Operating Activities	44,989	(77,239)
Net Increase (Decrease) in Cash and Cash Equivalents	44,989	(77,239)
Cash and Cash Equivalents, Beginning of Year	154,044	231,283
Cash and Cash Equivalents, End of Year	\$ 199,033	\$ 154,044

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 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. At December 31, 2015 and 2014, 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 did not incur an income tax liability or incur any penalties or interest for the years ending December 31, 2015 and 2014.

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, 2015, have been evaluated through May 23, 2016, 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 \$199,033 and \$154,044 at December 31, 2015 and 2014, respectively. The bank balances of \$211,213 and \$159,491 at December 31, 2015 and 2014, 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 Fund 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 Fund cost center. MAMU incurred costs payable to MJMEUC of \$79,464 and \$86,264 for 2015 and 2014, 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 \$483,732 and \$494,301 in 2015 and 2014, respectively.

MAMU owed MJMEUC \$1,411 and \$1,430 at December 31, 2015 and 2014, respectively, 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 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. MAMU is the administrator for four long-term debt series issued by MDFB, one each in 2003, 2005, 2006 and 2008, that are outstanding as of December 31, 2015 and 2014.

Direct Lending Finance 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 has issued capital leases to municipalities for long-term financing for any tax exempt purpose and MAMU has been providing 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 2015 and 2014, one capital lease was issued in each year; in all fourteen leases have been issued since inception.

To date, Greyhawk has served as the primary issuer of capital leases for the direct lending program. The program, however, allows MAMU and its members the flexibility to utilize multiple qualified financial institutions to enhance lending options and services. MAMU is currently exploring those options and anticipates being able to offer expanded services to members in 2016.

Administrative Services Provided by MAMU

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 2015 and 2014, total fees earned were \$191,381 and \$142,659, respectively. In 2015, \$60,000 of the fees earned were 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 \$48,122 and \$50,222 for 2015 and 2014, respectively.