

# **Board of Municipal Utilities Sikeston, Missouri**

**Independent Auditor's Report and Financial Statements**

**May 31, 2015 and 2014**

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**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**May 31, 2015 and 2014**

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## Independent Auditor's Report

To the Directors of the  
Board of Municipal Utilities  
Sikeston, Missouri

We have audited the accompanying basic financial statements, which are comprised of the balance sheets as of May 31, 2015 and 2014, and statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the basic financial statements, as listed in the table of contents, of the Board of Municipal Utilities of Sikeston, Missouri.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the Board of Municipal Utilities of Sikeston, Missouri as of May 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The combining financial statements listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BKD, LLP*

Springfield, Missouri  
September 3, 2015

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Management's Discussion and Analysis**  
**May 31, 2015 and 2014**

The following discussion and analysis of the Board of Municipal Utilities of Sikeston, Missouri (the "Utility") financial performance provides an overview of the Utility's financial activities for the years ended May 31, 2015 and 2014. This discussion and analysis should be read in conjunction with the Utility's audited financial statements and accompanying notes.

***Background***

The Utility is a municipally owned and operated enterprise engaged in the generation, distribution and sale of electric energy to retail and wholesale customers within the city limits of the City of Sikeston Missouri (the "City"). The Utility's primary asset is a 235 megawatt coal-fired generation station (Sikeston Power Station) located in the City. The Utility has contractual agreements with the Missouri cities of Carthage, Columbia, Fulton and West Plains to sell certain amounts of wholesale electric energy. The agreements state that each city will purchase a specified entitlement share of power at 110 percent of its proportionate share of the monthly power costs (including debt service costs related to the revenue bond issue) as defined in the agreements, for various annual periods extending to June 1, 2022. The agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 50 percent of the Sikeston Power Station. The remaining capacity of the Sikeston Power Station is primarily used to serve retail electric customers located in the City. The Utility also routinely enters into short-term contractual agreements with various other municipalities or third parties to sell electric energy.

The Utility is managed by a bi-partisan board, which consists of four members appointed by the City Council for a term of four years each. The board is responsible for establishing the Utility's policies, rules and regulations that govern the day-to-day operations of the utility system. The Utility functions as a separate unit of City government. The Utility prepares annual budgets, which are approved by the board. See *Note 1* to the financial statements for further information regarding the basis of accounting used.

***Financial Statements***

This report contains three basic financial statements and related notes. The *Statements of Revenues, Expenses and Changes in Net Position* present the Utility's results of operations and changes in net position for the fiscal years ended May 31, 2015 and 2014. The *Balance Sheets* present the Utility's financial condition, assets, liabilities and net position at May 31, 2015 and 2014. The *Statements of Cash Flows* present the Utility's sources and uses of cash and cash equivalents for the fiscal years ended May 31, 2015 and 2014. The *Notes to Financial Statements* are an integral part of the basic financial statements and contain information on accounting principles and other matters necessary for a more complete understanding of the Utility's financial position.

## Summary of Electric System Financial Position

	<b>May 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>			
Property and plant - net	\$ 96,956,045	\$ 103,949,213	\$ 110,262,487
Restricted and other assets	30,016,047	29,703,816	29,388,613
Current assets	<u>42,667,737</u>	<u>51,000,139</u>	<u>56,603,996</u>
Total assets	169,639,829	184,653,168	196,255,096
<b>Deferred Outflows of Resources</b>			
	<u>12,031,701</u>	<u>13,398,379</u>	<u>14,692,334</u>
Total assets and deferred outflows of resources	<u>\$ 181,671,530</u>	<u>\$ 198,051,547</u>	<u>\$ 210,947,430</u>
<b>Liabilities</b>			
Long-term debt, net	\$ 100,409,398	\$ 113,407,002	\$ 125,891,906
Current liabilities	<u>21,708,752</u>	<u>21,841,433</u>	<u>20,867,685</u>
	<u>122,118,150</u>	<u>135,248,435</u>	<u>146,759,591</u>
<b>Net Position</b>			
Net investment in capital assets	(3,235,934)	(7,222,192)	(11,480,536)
Restricted	27,497,447	26,867,516	26,252,613
Unrestricted	<u>35,291,867</u>	<u>43,157,788</u>	<u>49,415,762</u>
	<u>59,553,380</u>	<u>62,803,112</u>	<u>64,187,839</u>
Total liabilities and net position	<u>\$ 181,671,530</u>	<u>\$ 198,051,547</u>	<u>\$ 210,947,430</u>

### Assets

#### Property and Plant - Net

The Utility recorded approximately \$4,500,000 in property and plant additions during the year ended May 31, 2015. The Sikeston Power Station had additions of approximately \$3,722,000 for the PAC (mercury control) system, rebuild of cooling tower cells and turbine upgrades. The Retail system had additions of approximately \$371,000 including annual additions of transformers, meters, poles and substation equipment. Disposals of approximately \$261,000 were recorded for retired or obsolete equipment during the year ended May 31, 2015. Depreciation expense of approximately \$11,500,000 was recorded during the year ended May 31, 2015.

During the year ended May 31, 2014, the Utility recorded approximately \$4,300,000 in property and plant additions. The Sikeston Power Station had additions of approximately \$2,800,000. This includes \$2,100,000 for Construction in Process for the PAC (mercury control) system and rebuild of cooling tower cells. The Retail system had additions of approximately \$1,500,000 including a land acquisition and annual additions of transformers, meters, poles and substation equipment. No disposals were recorded for retired or obsolete equipment. Depreciation expense of approximately \$10,600,000 was recorded during the year ended May 31, 2014.

Additional information on the Utility's capital assets can be found in *Note 3* on pages 26 - 28 of this report.

### **Restricted Assets**

Restricted assets include debt service accounts required by the bond ordinance.

### **Current Assets**

Current assets decreased approximately \$8,300,000 at May 31, 2015, from May 31, 2014. During 2015 cash and cash equivalents, decreased approximately \$11,125,000 due to cash provided by operating and investing activities offset by outflows from capital and related financing activities. This decrease in cash was offset with an increase in accounts receivable of approximately \$1,131,000, primarily in wholesale accounts receivable and an increase in coal inventory of approximately \$1,810,000. Materials inventories were comparable to last year.

During 2014 cash and cash equivalents decreased approximately \$8,200,000 due to cash provided by operating and investing activities offset by cash outflows from capital and related financing activities. This decrease in cash is offset with an increase in coal inventory of approximately \$998,000 and an increase of approximately \$1,600,000 primarily in wholesale accounts receivable. Sikeston Power Station materials inventory was comparable to 2013.

### **Deferred Outflows of Resources**

Deferred outflows of resources include deferred losses on bond refunding.

### **Liabilities**

#### **Long-Term Debt, Net**

The long-term debt reduction in the current fiscal year ended May 31, 2015, of approximately \$11,600,000 was due to the scheduled payment in the amount of approximately \$10,590,000 of current bond maturities on the 1996 Revenue Bonds. The long-term balance at May 31, 2015, reflects the remaining obligations on the 1996 and 2012 Revenue Bonds and future capital lease obligations. The debt maturities on the capital lease obligations vary over the next 10 years and the 1996 and 2012 Revenue Bonds are due June 1, 2016, and June 1, 2022, respectively.

The long-term debt reduction of approximately \$9,990,000 during 2014 was due to scheduled payments of current bond maturities on the 1996 Revenue Bonds.

The Utility established and collected sufficient rates for the electric system to meet the 110% debt service requirement for the year ended May 31, 2013, but did not meet the requirement for year ended May 31, 2014 and 2015. The electric rates applied for years ended May 31, 2013, 2014 and 2015, covered 132%, 93% and 85%, respectively, of aggregate debt service costs, respectively.

Additional information on the Utility's long-term debt can be found in *Note 4* on pages 28 - 31 of this report.

## Current Liabilities

Current liabilities decreased approximately \$133,000 at May 31, 2015. The current portion of long-term debt increased approximately \$652,000 and was offset by the decrease in accrued interest of approximately \$318,000. Accounts payable decreased approximately \$478,000 due to timing of payables. Mine shutdown cost decreased approximately \$328,000 and other accruals increased approximately \$323,000 primarily due to accrued payroll. The remaining current liability accounts were relatively flat over the prior year.

Current liabilities increased approximately \$974,000 at May 31, 2014. The current portion of long-term debt increased approximately \$619,000 and was offset by the decrease in accrued interest of approximately \$300,000. Accounts payable increased approximately \$850,000 due to timing of payables offset with mine shutdown cost decrease of approximately \$553,000 and other accruals increased approximately \$340,000 primarily made up of the health insurance payable of approximately \$248,000.

At May 31, 2015, 2014 and 2013, the Utility has recorded a liability of approximately \$1,500,000, \$1,900,000 and \$2,420,000, respectively, for the amount of the remaining estimated post-retirement benefits and mine reclamation costs associated with Brushy Creek which represents its 50% share of the total estimated costs. The liability decreased over the prior year by approximately \$128,000 due to increased reclamation activities at the mine and approximately \$200,000 reduction in the actuarial estimate of the post-retirement benefit obligation. The amount of funding by the Board was \$180,000 for the years ended May 31, 2014, and May 31, 2015, and \$165,000 for year ended May 31, 2013, for administrative costs incurred by Western Fuels-Illinois, Inc. (WFI) (see *Note 8* to the Utility's financial statements).

## Summary of Electric Revenues, Expenses and Changes in Net Position

	<b>May 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>	\$ 73,894,600	\$ 78,000,135	\$ 74,330,592
<b>Operating Expenses</b>	72,322,405	74,161,270	65,830,126
<b>Operating Income</b>	1,572,195	3,838,865	8,500,466
<b>Interest and Other Income</b>	695,980	737,521	705,661
<b>Interest Expense</b>	(5,517,907)	(5,961,113)	(7,504,713)
<b>Nonoperating Expense, Net</b>	(4,821,927)	(5,223,592)	(6,799,052)
<b>Changes in Net Position</b>	\$ (3,249,732)	\$ (1,384,727)	\$ 1,701,414

## ***Operating Revenues***

During 2015 operating revenues decreased approximately \$4,100,000 due to a decrease in wholesale revenues of approximately \$5,900,000 offset with an increase in retail revenues of approximately \$1,800,000 from 2014. Residential kWh sold were down 4.2%, Commercial kWh down 1.3% and Industrial kWh up 4.2%. Retail rate increases were effective on September 1 and March 1. Wholesale revenue decreased due to an extensive outage in 2015. The Utility will routinely execute physical sales in the wholesale “spot” market of generated electricity that is not purchased by retail or wholesale customers.

Operating revenues increased approximately \$3,670,000 due to an increase in 2014 in retail revenues of approximately \$278,000 and wholesale revenues of approximately \$3,392,000 from 2013. Residential kWh sold was up 3.5%, Commercial kWh up 2.0% and Industrial kWh down 1.7%. Wholesale revenue increased due to a shorter outage in 2014.

## ***Operating Expenses***

Operating expenses decreased approximately \$1,800,000 during 2015. The Sikeston Power Station had lower operating expenses of approximately \$5,900,000 from coal and transportation decreases but these costs were offset by higher maintenance, labor and fuel oil costs of \$2,000,000 and purchased power costs of \$475,000 due to the extended outage. General and administrative costs increased \$525,000. Depreciation expense increased approximately \$906,000 compared to 2014.

Operating expenses increased approximately \$8,000,000 during 2014. The Sikeston Power Station had higher operating expenses of approximately \$11,350,000 from coal and transportation increases but these costs were offset by lower purchased power by approximately \$2,800,000 due to the shorter outage in 2014. Depreciation expense decreased approximately \$707,000 compared to 2013.

## ***Deferred Mine Shutdown Costs***

The Utility recorded a decrease to change in net position of approximately \$148,000 associated with the mine shutdown during the year as payments and changes in estimated liabilities were made for the remaining post-retirement benefits and mine reclamation costs associated with Brushy Creek mine (see *Note 8* to the Utility’s financial statements).

## ***Nonoperating Expense, Net***

During 2015 nonoperating expense, net decreased by approximately \$400,000 primarily due to lower interest expense by approximately \$443,000 in the current year due to the reduction in long-term debt as scheduled bond payments were made. Interest and miscellaneous income decreased by approximately \$42,000 during 2015.

During 2014 nonoperating expense, net decreased by approximately \$1,078,000 primarily due to lower interest expense by \$1,046,000 in the current year due to the reduction in long-term debt as scheduled bond payments were made and the debt refunding occurred. Interest and miscellaneous income increased by approximately \$32,000 during 2014.

## Summary of Water & Sewer Combined Financial Position

	May 31,		
	2015	2014	2013
<b>Assets</b>			
Property and plant - net	\$ 6,947,045	\$ 5,948,515	\$ 5,332,984
Restricted assets	458,194	427,402	396,099
Current assets	4,247,019	5,185,916	2,090,893
Total assets	<u>\$ 11,652,258</u>	<u>\$ 11,561,833</u>	<u>\$ 7,819,976</u>
<b>Liabilities</b>			
Long-term debt, net	\$ 3,816,547	\$ 4,249,333	\$ 824,596
Current liabilities	854,804	807,571	663,302
	<u>4,671,351</u>	<u>5,056,904</u>	<u>1,487,898</u>
<b>Net Position</b>			
Net investment in capital assets	3,833,788	3,987,039	4,205,209
Restricted	457,383	421,963	389,885
Unrestricted	2,689,736	2,095,927	1,736,984
	<u>6,980,907</u>	<u>6,504,929</u>	<u>6,332,078</u>
Total liabilities and net position	<u>\$ 11,652,258</u>	<u>\$ 11,561,833</u>	<u>\$ 7,819,976</u>

### Assets

#### Property and Plant - Net

The Utility recorded approximately \$1,800,000 of routine plant and property additions during the year ended May 31, 2015. These additions included construction in progress for Wastewater Treatment Plant Compliance upgrades of approximately \$1,600,000. Current year depreciation expense was \$764,000. Approximately \$200,000 of routine plant and property additions were made during the year ended May 31, 2015.

The Utility recorded approximately \$1,373,000 of routine plant and property additions during the year ended May 31, 2014. These additions included construction in progress for Wastewater Treatment Plant Compliance upgrades of \$1,121,000 and a new well for \$120,000. For the year ended May 31, 2014, depreciation expense was \$757,000. Approximately \$132,000 of routine plant and property additions were made during the year ended May 31, 2014.

Additional information in the Utility's capital assets can be found in *Note 3* on pages 26 - 28 of this report.

#### Restricted Assets

Restricted assets include debt service accounts required by the bond ordinance.

## **Current Assets**

During 2015, the decrease of approximately \$939,000 in current assets consists primarily of the decrease of approximately \$1,570,000 in the lease construction fund for the wastewater treatment plant and lagoon for Missouri Department of Natural Resources (DNR) mandated upgrades, offset with the increase of approximately \$308,000 in the operating and maintenance cash account and approximately \$227,000 increase in accounts receivable.

During 2014, the increase of approximately \$3,100,000 in current assets consists primarily of the addition of approximately \$2,706,000 in the lease construction fund for the wastewater treatment plant and lagoon for DNR mandated upgrades.

## **Liabilities**

### **Long-Term Debt, Net**

The decrease in long-term debt at May 31, 2015, of approximately \$433,000 included the scheduled payments of current bond maturities and leases. The long-term debt balance at year end, reflects the remaining obligations on the 1997E Revenue Bonds and future capital lease obligations. The debt maturities on the capital lease obligations vary over the next 10 years, the 1997 Revenue Bonds are due January 1, 2018.

The increase in long-term debt at May 31, 2014, of approximately \$3,400,000 included the addition of the lease payable for the wastewater treatment plant and lagoon DNR mandated upgrades of approximately \$3,800,000. The increase was offset with the reduction due to scheduled payments of current bond maturities. The 1998 Certificates of Participation in the Water Department were paid off October 1, 2013.

The Utility established and collected sufficient rates for the water and sewer systems to meet the 125% debt service requirement for years ended May, 31, 2015, 2014 and 2013.

Additionally information on the Utility's long-term debt can be found in *Note 4* on pages 28 - 31 of this report.

### **Current Liabilities**

Current liabilities increased approximately \$47,000 from 2014 to 2015 due to the increase in accrued payroll and current maturities of long-term debt offset by a decrease in accounts payable.

Current liabilities increased approximately \$144,000 from 2013 to 2014 due to the increase debt payment as a result of the wastewater treatment plant and lagoon upgrades project.

## Summary of Water & Sewer Revenues, Expenses and Changes in Net Position

	May 31,		
	2015	2014	2013
Operating Revenues	\$ 5,419,123	\$ 4,855,555	\$ 4,583,920
Operating Expenses	<u>5,078,567</u>	<u>4,760,415</u>	<u>4,610,019</u>
Operating Income	<u>340,556</u>	<u>95,140</u>	<u>(26,099)</u>
Interest and Other Income	263,297	189,947	90,987
Interest Expense	<u>(127,875)</u>	<u>(112,236)</u>	<u>(30,504)</u>
Nonoperating Income (Expense), Net	<u>135,422</u>	<u>77,711</u>	<u>60,483</u>
Changes in Net Position	<u>\$ 475,978</u>	<u>\$ 172,851</u>	<u>\$ 34,384</u>

### ***Operating Revenues***

During 2015, consolidated water and sewer operating revenues increased approximately \$564,000. Water revenues increased in fiscal 2015 by approximately \$309,000 compared to fiscal 2014. Water gallons sold were up 1.0% in fiscal 2015 compared to fiscal 2014. Sewer revenues increased approximately \$255,000.

During 2014, consolidated water and sewer operating revenues increased approximately \$272,000. Water revenues increased in fiscal 2014 by approximately \$172,000 compared to fiscal 2013. Gallons sold were down 9.2% in fiscal 2014 compared to fiscal 2013. Sewer revenues increased approximately \$100,000. Water and Sewer rate increases went into effect October 1, 2013.

### ***Operating Expenses***

During 2015, consolidated water and sewer operating expenses increased approximately \$318,000. Water operating expenses increased approximately \$192,000 between production, distribution and general and administrative costs. Sewer operating expenses increased approximately \$115,000 between production, distribution and general and administrative costs.

During 2014, consolidated water and sewer operating expenses increased approximately \$150,000. Water operating expenses increased approximately \$30,000 due to increased depreciation of approximately \$20,000. Sewer operating expenses increased approximately \$120,000 distributed between production, distribution and general and administrative costs.

***Nonoperating Income (Expense), Net***

During 2015, nonoperating income increased approximately \$58,000. Interest expense decreased \$16,000 due to lower debt obligations in the current year as the Utility continues to pay down its existing outstanding debt. Miscellaneous income increased \$75,000 due to the recording of customer's portion of lagoon debt payment.

During 2014, nonoperating income increased approximately \$17,000. Interest expense decreased approximately \$81,000 due to lower debt obligations in the current year as the Utility continues to pay down its existing outstanding debt. Miscellaneous income increased in 2014 due to the recording of customer's portion of lagoon debt payment.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Balance Sheets**  
**May 31, 2015 and 2014**

**Assets and Deferred Outflows of Resources**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Property and Plant</b>		
Property and plant, at original cost	\$ 334,842,671	\$ 328,603,574
Accumulated depreciation	<u>(234,230,996)</u>	<u>(222,289,801)</u>
	100,611,675	106,313,773
Construction work in progress	<u>3,291,415</u>	<u>3,583,955</u>
Total property and plant, net	<u>103,903,090</u>	<u>109,897,728</u>
<b>Restricted Assets</b>		
Debt service reserve account	16,732,075	16,701,686
Debt service account	<u>13,742,166</u>	<u>13,429,532</u>
Total restricted assets	<u>30,474,241</u>	<u>30,131,218</u>
<b>Current Assets</b>		
Cash and cash equivalents	26,804,282	39,166,026
Accounts receivable, net	7,318,193	5,960,049
Coal inventories	7,096,752	5,287,084
Materials and supplies	4,909,679	5,003,325
Prepaid expenses and other assets	<u>785,850</u>	<u>769,571</u>
Total current assets	<u>46,914,756</u>	<u>56,186,055</u>
Total assets	181,292,087	196,215,001
<b>Deferred Outflows of Resources</b>	<u>12,031,701</u>	<u>13,398,379</u>
Total assets and deferred outflows of resources	<u><u>\$ 193,323,788</u></u>	<u><u>\$ 209,613,380</u></u>

## Liabilities and Net Position

	<u>2015</u>	<u>2014</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 597,854	\$ (3,235,153)
Restricted	27,954,830	27,289,479
Unrestricted	<u>37,981,603</u>	<u>45,253,715</u>
Total net position	<u>66,534,287</u>	<u>69,308,041</u>
<b>Long-Term Debt</b>		
	95,967,737	108,215,361
Add: Unamortized bond premium	8,361,717	9,556,351
Less: Unamortized bond discount	<u>(103,509)</u>	<u>(115,377)</u>
Total long-term debt, net	<u>104,225,945</u>	<u>117,656,335</u>
<b>Current Liabilities from Restricted Assets</b>		
Current maturities of long-term debt	12,246,210	11,581,100
Accrued interest payable	<u>2,519,411</u>	<u>2,841,739</u>
	<u>14,765,621</u>	<u>14,422,839</u>
<b>Current Liabilities from Unrestricted Assets</b>		
Accounts payable	2,936,175	3,445,030
Customer deposits	523,553	507,592
Accrued mine shutdown costs	1,539,300	1,867,204
Other accruals	<u>2,798,907</u>	<u>2,406,339</u>
	<u>7,797,935</u>	<u>8,226,165</u>
Total current liabilities	<u>22,563,556</u>	<u>22,649,004</u>
Total liabilities and net position	<u>\$ 193,323,788</u>	<u>\$ 209,613,380</u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended May 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Retail	\$ 25,060,875	\$ 22,735,130
Wholesale	<u>54,252,848</u>	<u>60,120,560</u>
Total operating revenues	<u>79,313,723</u>	<u>82,855,690</u>
<b>Operating Expenses</b>		
Production and operations	46,566,676	50,747,735
Purchased power	5,389,102	4,913,973
Distribution costs	3,158,466	2,875,732
Depreciation	12,262,489	11,350,287
General and administrative	8,910,163	8,268,272
Donated services	613,581	574,472
Mine shutdown costs	(147,904)	(372,574)
Other operating expenses	<u>648,399</u>	<u>563,788</u>
Total operating expenses	<u>77,400,972</u>	<u>78,921,685</u>
<b>Operating Income</b>	<u>1,912,751</u>	<u>3,934,005</u>
<b>Nonoperating Income (Expense)</b>		
Interest income	234,396	195,641
Interest expense	(5,645,782)	(6,073,349)
Miscellaneous, net	<u>724,881</u>	<u>731,827</u>
Net nonoperating income (expense)	<u>(4,686,505)</u>	<u>(5,145,881)</u>
<b>Change in Net Position</b>	(2,773,754)	(1,211,876)
<b>Net Position</b>		
Beginning of year	<u>69,308,041</u>	<u>70,519,917</u>
End of year	<u>\$ 66,534,287</u>	<u>\$ 69,308,041</u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Statements of Cash Flows**  
**Years Ended May 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and others	\$ 77,971,540	\$ 81,072,824
Payments to suppliers	(56,539,435)	(57,292,957)
Payments to employees	(10,595,540)	(10,465,672)
Payments for mine shutdown costs	(180,000)	(180,000)
	10,656,565	13,134,195
<b>Cash Flows from Investing Activities</b>		
Increase in temporary cash investments maintained in debt service accounts	(30,389)	(42,987)
Redemption of temporary investments, net	-	26,174,962
Interest received	234,396	199,459
	204,007	26,331,434
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of property and plant, net	(6,267,851)	(5,652,544)
Proceeds from the issuance of long-term debt	-	4,000,000
Payment of long-term debt and capital lease obligations	(11,582,514)	(11,003,422)
Interest paid	(6,096,832)	(6,705,663)
Other nonoperating revenues	724,881	731,827
	(23,222,316)	(18,629,802)
Net cash used in capital and related financing activities	(23,222,316)	(18,629,802)
Net (decrease) increase in cash and cash equivalents	(12,361,744)	20,835,827
<b>Cash and Cash Equivalents</b>		
Beginning of year	39,166,026	18,330,199
End of year	\$ 26,804,282	\$ 39,166,026

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Statements of Cash Flows (Continued)**  
**Years Ended May 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>		
Operating income	\$ 1,912,751	\$ 3,934,005
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	12,262,489	11,350,287
Mine shutdown costs	(147,904)	(372,574)
Payments for mine shutdown costs	(180,000)	(180,000)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(1,358,144)	(1,782,866)
(Increase) decrease in coal inventories	(1,809,668)	(997,844)
(Increase) decrease in materials and supplies	93,646	(80,728)
(Increase) decrease in prepaid expenses and other assets	(16,279)	27,312
Increase (decrease) in accounts payable and accrued expenses	(508,855)	844,955
Increase (decrease) in customer deposits and other liabilities	408,529	391,648
	\$ 10,656,565	\$ 13,134,195

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

The Board of Municipal Utilities of Sikeston, Missouri (the “Board” or the “Utility”) is a municipally owned and operated enterprise engaged in the generation, distribution and sale of electric energy to wholesale and retail customers, and the treatment, distribution and sale of water and operation of a sanitary sewer system within the city limits of the City of Sikeston, Missouri (the “City”). The Board’s primary asset is a 235 megawatt coal-fired generation station (the “Sikeston Power Station”) located in the City. The Utility has contractual agreements (the “Agreements”) with the Missouri cities of Carthage, Columbia, Fulton and West Plains to sell certain amounts of wholesale electric energy. The Agreements state that each city will purchase a specified entitlement share of power at 110 percent of its proportionate share of the monthly power costs (including debt service costs related to the revenue bond issue) as defined in the Agreements for various annual periods extending to June 1, 2022. Additional capacity has been negotiated at 100% in certain agreements. The Agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 50% of the Sikeston Power Station. The remaining capacity of the Sikeston Power Station is primarily used to serve retail electric customers located in the City. The Board also routinely enters into short-term contractual agreements with various municipalities and other third parties to sell electric energy. Excess generation not sold to retail or wholesale customers is sold on the “spot” market at prevailing market prices.

The Utility is managed by a bi-partisan board, which consists of four members appointed by the City Council for a term of four years each. This board is responsible for establishing the Utility’s policies, rules and regulations that govern the day-to-day operations of the utility system. The Utility functions as a separate unit of the City government.

***Basis of Accounting and Presentation***

The Utility is accounted for as an enterprise fund. Significant interdepartment accounts, including interdepartment sales, have been eliminated. The Board accounts for its transactions on the flow of economic resources measurement focus and uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. The financial statements are prepared in accordance with generally accepted accounting principles and follow accounting guidance provided by the Governmental Accounting Standards Board (GASB) in the regulated operations provisions of GASB Statement No. 62, which permit certain entities with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in future rates charged to its customers. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes. At May 31, 2015 and 2014, there were no regulatory assets or liabilities recorded. The Board’s accounting records generally follow the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

***Net Position Classification***

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of those assets that have constraints placed upon their use imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of the net amount of assets that do not meet the definition of restricted or net investment in capital assets.

***Property and Plant***

The costs of additions to and betterments of units of property and plant are capitalized. Maintenance and repairs, including replacement of minor items of property, are charged to expense as incurred. When units of depreciable property are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recorded.

***Depreciation***

Provisions for depreciation of property and plant are charged to expense and credited to accumulated depreciation in accordance with a policy of providing for the retirement of depreciable property and plant over its expected useful life on a straight-line basis except for the original cost of the Sikeston Power Station.

The Utility uses the sinking fund method of depreciation for the original cost of the Sikeston Power Station. Depreciation is based on the annual principal and interest requirements on the Electric System Revenue bonds. At May 31, 2015 and 2014, the original cost of the Sikeston Power Station less retirements was approximately \$184,091,000 and accumulated depreciation was \$132,322,000 and \$125,661,000, respectively.

Depreciation on additions to the Sikeston Power Station is charged to expense in the period that the related revenue is recognized. Otherwise, purchased property and plant are recorded at cost. Property and plant other than the Sikeston Power Station are depreciated over their estimated useful lives, ranging from 3 to 50 years, using the straight-line method.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

Lives of major classes of depreciable property other than the Sikeston Power Station are:

<b>Class</b>	<b>Years</b>
Buildings	40-50
Plant in service	4-40
Distribution systems	20-40
Trucks and autos	4
Railcars	14
Furniture, fixtures and equipment	3-10
Telecommunications	3

***Restricted Assets***

Restricted assets consist of interest-bearing cash accounts and fixed income securities held at financial institutions. In accordance with the bond ordinance, certain bond proceeds have been deposited in restricted accounts for the purposes of payment of revenue bond principal and interest.

***Bond Discounts, Premiums and Losses on Refunding***

Premiums and discounts associated with bonds are deferred and amortized over the term of the related indebtedness and are shown in long-term debt. Losses incurred in conjunction with debt refunding are deferred and amortized over the term of the related indebtedness and are included in deferred outflows of resources.

***Cash and Cash Equivalents***

For purposes of reporting cash flows, the Utility has defined cash and cash equivalents as all highly liquid investments that mature within 90 days. The carrying amount approximates fair value because of the short maturity of those instruments. Investments in restricted accounts are excluded from cash and cash equivalents. At May 31, 2015 and 2014, cash equivalents consisted of money market funds held by brokers through a local financial institution.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

***Coal Inventories and Materials and Supplies***

The Board has an agreement with Western Fuels Association, Inc. (WFA) for the procurement of coal through December 31, 2017. Under the provisions of this agreement and related coal supply agreements, the Board is required to purchase a minimum of 600,000 tons of coal per year through December 31, 2015. The price of coal is based on costs incurred by WFA to acquire and supply the coal over the life of the agreement. The Utility has an agreement for delivery of this coal with the BNSF Railway Company which extends through December 31, 2017. The cost to deliver the coal is established through a base price, which is adjusted quarterly by indices set forth in the agreement. During each calendar year, there is a Minimum Annual Volume Requirement in the agreement which will not be less than 800,000 tons. Coal inventories and material and supplies are stated at the lower of average cost or market, cost being determined on the basis of moving average price.

***Revenue and Fuel Costs***

The Utility records revenue as billed to its retail customers based on monthly meter readings to determine consumption, which is applied to rates approved by the City. Wholesale revenue is recorded based upon monthly consumption billed at budgeted annual production costs (including debt service and excluding depreciation) and is adjusted annually to reflect actual production costs incurred. Fuel costs are expensed as the fuel is consumed.

***Accounts, Notes and Other Receivables***

An estimate is made for the provision for uncollectible accounts based on an analysis of the aging of accounts receivable and historical write-offs, net of recoveries. Additional amounts may be included based upon the credit risks of significant parties. Allowances totaled approximately \$87,000 and \$81,000 as of May 31, 2015 and 2014, respectively.

***Donated Services***

The City is not charged by the Board for services rendered to the City. Such services include street lights, fire hydrants and consumption of electricity and water by other City departments. The Utility is not currently required to pay franchise or property taxes to the City. Donated services totaled approximately \$614,000 and \$575,000, respectively, for the years ended May 31, 2015 and 2014.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

***Interest Capitalization***

It was the policy of the Utility to capitalize net interest cost specifically identified with the Sikeston Power Station during the period of construction through the date of commencement of commercial operation. Such costs are amortized over the life of the Electric System Revenue Bond issued using the bonds outstanding method. Subsequent to commencement of commercial operations, interest costs have been expensed as incurred, and interest earned has been credited to the respective accounts as specified by the bond ordinance.

***Vacation and Sick Leave***

Under the terms of the Utility's personnel policy, employees are granted vacation and sick leave. Supervisory and management employees accrue annual leave, which can be used for both vacation and sick leave. At the end of each calendar year, any employee's unused annual leave from that year will be accumulated, up to the maximum of 960 hours. In the event of termination, the employee is paid for 75% of accumulated annual leave. Full-time hourly employees begin to accrue vacation after one year of service and must be used during the calendar year. Hourly employees also receive sick leave which can be accumulated up to the maximum 720 hours. In the event of termination, the employee will be paid for unused and unexpired accrued vacation leave and 40% of accumulated sick leave. The liabilities for accrued annual leave, sick leave and vacation leave is presented as other liabilities in the accompanying balance sheets, representing the estimated amounts to be paid in future years to current employees for services rendered through the current year.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which impact the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

***Statement of Cash Flows Presentation***

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the statement of cash flows has been presented using the direct method of reporting.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
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***New Accounting Pronouncements***

The Board will implement GASB Statement 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2016. Statement No. 68 will require the inclusion of long-term liabilities for pension benefits and will expand required disclosures. The amount to be recorded as a liability will be based on an actuarial valuation.

***Reclassifications***

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on net earnings.

**Note 2: Deposits and Investments**

The Utility maintains cash and investment securities and bond ordinance permits investments in direct obligations, in U.S. government securities and agencies, federal instrumentalities, repurchase agreements, commercial paper, money market mutual funds and interest-bearing time deposits or savings accounts as designated by the ordinance.

Custodial credit risk is the risk that in the event of a bank failure, a utility's deposits may not be returned to it. The Utilities' deposit policy for custodial risk requires compliance with the provision of the state law. State law requires collateralization of all deposits with federal insurance and other acceptable collateral in specific amounts. At May 31, 2015 and 2014, none of the Utilities bank balances were exposed to custodial credit risk.

Sikeston Board of Municipal Utilities' investment portfolio includes securities that are either insured or registered, or for which the securities are held by Sikeston Board of Municipal Utilities' agents in Sikeston Board of Municipal Utilities' name.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
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The following represents Sikeston Board of Municipal Utilities' total deposits and investments at May 31, 2015 and 2014:

**Electric System**

	<b>2015</b>	<b>2014</b>
	<u>                    </u>	<u>                    </u>
U.S. government agencies obligations	\$ 15,921,035	\$ -
Deposits	<u>37,672,024</u>	<u>64,405,783</u>
Total deposits and investments	<u><u>\$ 53,593,059</u></u>	<u><u>\$ 64,405,783</u></u>

**Water & Sewer System**

	<b>2015</b>	<b>2014</b>
	<u>                    </u>	<u>                    </u>
Guaranteed investment contracts	\$ 83,709	\$ 82,917
Deposits	<u>3,601,755</u>	<u>4,808,544</u>
Total deposits and investments	<u><u>\$ 3,685,464</u></u>	<u><u>\$ 4,891,461</u></u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

Deposits and investments are included in the following balance sheet accounts at May 31, 2015 and 2014:

**Electric System**

	<b>2015</b>	<b>2014</b>
Debt service reserve account	\$ 16,273,881	\$ 16,274,284
Debt service account	13,742,166	13,429,532
Cash and cash equivalents	23,577,012	34,701,967
	<u>\$ 53,593,059</u>	<u>\$ 64,405,783</u>

**Water and Sewer System**

	<b>2015</b>	<b>2014</b>
Debt service reserve account	\$ 458,194	\$ 427,402
Cash and cash equivalents	3,227,270	4,464,059
	<u>\$ 3,685,464</u>	<u>\$ 4,891,461</u>

As of May 31, 2015 and 2014, Sikeston Board of Municipal Utilities held cash and investments for restricted and designated purposes as follows:

**Electric System**

	<b>2015</b>	<b>2014</b>
Debt service reserve account - revenue bonds	\$ 16,273,881	\$ 16,274,284
Debt service account - revenue bonds	13,742,166	13,429,532
Designated funds		
Contingency fund investments	5,067,316	5,054,817
Operations and maintenance reserve	9,447,739	14,019,333
Retail rate stabilization	465,442	1,339,260
Insurance fund	648,428	646,814
Mine shutdown costs	3,255,581	3,247,559
Total restricted and designated	<u>48,900,553</u>	<u>54,011,599</u>
Unrestricted and undesignated	<u>4,692,506</u>	<u>10,394,184</u>
	<u>\$ 53,593,059</u>	<u>\$ 64,405,783</u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

**Water & Sewer System**

	<b>2015</b>	<b>2014</b>
Debt service reserve account - revenue bonds	\$ 458,194	\$ 427,402
Designated funds		
Operations and maintenance reserve	1,082,972	1,079,383
Construction fund sewer treatment plant improvements	1,135,214	2,706,175
Total restricted and designated	2,676,380	4,212,960
Unrestricted and undesignated	1,009,084	678,501
Total cash, cash equivalents and investments	\$ 3,685,464	\$ 4,891,461

*Interest rate risk* – Interest rate risk is the risk that the fair value of the Utilities’ fixed income investments will decrease as a result of increases in interest rates. The bond ordinance has no formal policy for interest rate risk.

As of May 31, 2015, the Utilities’ investment portfolio matures as follows:

**Electric System**

Investment type	Fair Value	Investment Maturities			
		Less than			More than 10 years
		1 year	5 years	10 years	
U.S. government agencies obligations	\$ 15,921,035	\$ 15,921,035	\$ -	\$ -	\$ -

**Water & Sewer System**

Investment type	Fair Value	Investment Maturities			
		Less than			More than 10 years
		1 year	5 years	10 years	
Guaranteed investment contracts	\$ 83,709	\$ -	\$ 83,709	\$ -	\$ -

**Board of Municipal Utilities  
Sikeston, Missouri  
Notes to Financial Statements  
May 31, 2015 and 2014**

As of May 31, 2014, the Utilities’ investment portfolio matures as follows:

**Water & Sewer System**

Investment type	Value	Investment Maturities			
		Less than			
		1 year	5 years	10 years	10 years
Guaranteed investment contracts	\$ 82,917	\$ -	\$ 82,917	\$ -	\$ -

As of May 31, 2014, the Utilities Electric System did not have any investments.

*Credit risk* – Credit risk is the risk that the Utility will not recover its investment due to the inability of the counterparty to fulfill its obligations. As a means of limiting credit risk, the Utilities’ bond ordinance permits investments in U.S. government-backed securities with a minimum rating of “AA” by Standard and Poor’s Corporation and an “Aa” by Moody’s Investors Services. As of May 31, 2015, the Utilities’ investment in government agencies was assigned long-term ratings of Aaa by Moody’s Investors Services and AA+ by Standard and Poor’s.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of the Utilities’ investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. The Utility purchases investments that carry the implicit backing of the U.S. government, but are not direct obligations of the U.S. government. As of May 31, 2015, as reported at fair value, the Utility’s U.S. agency securities consisted of \$15,921,035 Federal Home Loan Mortgage Corp (FHLMC).

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. While the Utility’s investment policy does not directly address custodial credit risk, all investments held by the Utility or by an agent of the Utility are in the Utility’s name.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

**Note 3: Capital Assets**

Capital asset activity for the year ended May 31, 2015, is as follows:

**Electric System**

	2015				
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	\$ 6,449,689	\$ -	\$ -	\$ -	\$ 6,449,689
Buildings	44,701,978	-	-	-	44,701,978
Plant in service	192,651,612	3,111,324	-	2,729,387	198,492,323
Distribution system	37,483,052	371,209	-	-	37,854,261
Trucks and autos	1,317,584	72,160	(101,336)	-	1,288,408
Railcars	11,672,689	-	-	-	11,672,689
Furniture, fixtures and equipment	4,333,631	53,896	(159,139)	-	4,228,388
Telecommunications equipment	1,730,010	-	-	-	1,730,010
Capitalized interest	9,003,901	-	-	-	9,003,901
Construction in progress	2,248,474	896,592	-	(2,729,387)	415,679
	<u>311,592,620</u>	<u>4,505,181</u>	<u>(260,475)</u>	<u>-</u>	<u>315,837,326</u>
Less - accumulated depreciation	<u>(207,643,407)</u>	<u>(11,498,349)</u>	<u>260,475</u>	<u>-</u>	<u>(218,881,281)</u>
	<u>\$103,949,213</u>	<u>\$ (6,993,168)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,956,045</u>

**Water and Sewer System**

	2015				
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	\$ 48,368	\$ -	\$ -	\$ -	\$ 48,368
Buildings	4,828,041	-	-	-	4,828,041
Plant in service	6,294,133	-	-	-	6,294,133
Distribution system	5,004,879	119,985	-	30,706	5,155,570
Trucks and autos	473,177	-	(60,819)	-	412,358
Furniture, fixtures and equipment	2,599,837	71,724	-	-	2,671,561
Capitalized interest	10,993	-	-	-	10,993
Construction in progress	1,335,481	1,570,961	-	(30,706)	2,875,736
	<u>20,594,909</u>	<u>1,762,670</u>	<u>(60,819)</u>	<u>-</u>	<u>22,296,760</u>
Less - accumulated depreciation	<u>(14,646,394)</u>	<u>(764,140)</u>	<u>60,819</u>	<u>-</u>	<u>(15,349,715)</u>
	<u>\$ 5,948,515</u>	<u>\$ 998,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,947,045</u>
<b>Total System Combined</b>	<u>\$109,897,728</u>	<u>\$ (5,994,638)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$103,903,090</u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

Capital asset activity for the year ended May 31, 2014, is as follows:

**Electric System**

	Beginning Balance	2014			Ending Balance
		Additions	Disposals	Transfers/ Adjustments	
Land	\$ 5,761,827	\$ 687,862	\$ -	\$ -	\$ 6,449,689
Buildings	44,701,978	-	-	-	44,701,978
Plant in service	191,986,255	665,357	-	-	192,651,612
Distribution system	36,914,813	568,239	-	-	37,483,052
Trucks and autos	1,273,496	44,088	-	-	1,317,584
Railcars	11,672,689	-	-	-	11,672,689
Furniture, fixtures and equipment	4,268,384	65,247	-	-	4,333,631
Telecommunications equipment	1,730,010	-	-	-	1,730,010
Capitalized interest	9,003,901	-	-	-	9,003,901
Construction in progress	-	2,248,474	-	-	2,248,474
	<u>307,313,353</u>	<u>4,279,267</u>	<u>-</u>	<u>-</u>	<u>311,592,620</u>
Less - accumulated depreciation	<u>(197,050,866)</u>	<u>(10,592,541)</u>	<u>-</u>	<u>-</u>	<u>(207,643,407)</u>
	<u>\$110,262,487</u>	<u>\$ (6,313,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$103,949,213</u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
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**Water and Sewer System**

	2014				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	
Land	\$ 48,368	\$ -	\$ -	\$ -	\$ 48,368
Buildings	4,830,137	-	(2,096)	-	4,828,041
Plant in service	6,172,911	121,222	-	-	6,294,133
Distribution system	4,947,331	57,548	-	-	5,004,879
Trucks and autos	438,019	35,158	-	-	473,177
Furniture, fixtures and equipment	2,559,845	39,992	-	-	2,599,837
Capitalized interest	10,993	-	-	-	10,993
Construction in progress	214,200	1,121,281	-	-	1,335,481
	<u>19,221,804</u>	<u>1,375,201</u>	<u>(2,096)</u>	<u>-</u>	<u>20,594,909</u>
Less - accumulated depreciation	<u>(13,888,820)</u>	<u>(757,574)</u>	<u>-</u>	<u>-</u>	<u>(14,646,394)</u>
	<u>\$ 5,332,984</u>	<u>\$ 617,627</u>	<u>\$ (2,096)</u>	<u>\$ -</u>	<u>\$ 5,948,515</u>
<b>Total System Combined</b>	<u><u>\$115,595,471</u></u>	<u><u>\$ (5,695,647)</u></u>	<u><u>\$ (2,096)</u></u>	<u><u>\$ -</u></u>	<u><u>\$109,897,728</u></u>

**Note 4: Long-Term Debt**

The Board's long-term indebtedness (excluding current maturities of long-term debt and unamortized bond discounts and premiums) as of May 31, 2015 and 2014, is comprised of the following obligations.

**Electric System**

	<u>2015</u>	<u>2014</u>
Electric revenue bonds, issued July 19, 2012, 3% to 5% due in installments through June 1, 2022	\$ 73,620,000	\$ 73,620,000
Electric revenue bonds, issued February 7, 1996, 6% due in installments through June 1, 2016	11,895,000	23,115,000
Capital lease obligations	<u>6,636,588</u>	<u>7,231,580</u>
	<u><u>\$ 92,151,588</u></u>	<u><u>\$103,966,580</u></u>

**Board of Municipal Utilities**  
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**Water and Sewer System**

	<b>2015</b>	<b>2014</b>
Combined waterworks and sewer revenue bonds, issued December 1, 1997, 3.9% to 5.125%, due in installments through January 1, 2018	\$ 390,000	\$ 580,000
Capital lease obligations	3,426,149	3,668,781
	\$ 3,816,149	\$ 4,248,781
<b>Total System Combined</b>	<b>\$ 95,967,737</b>	<b>\$108,215,361</b>

The summarized activity of the Board's long-term debt (including current maturities of long-term debt) during the year ended May 31, 2015, is presented below:

**Electric System**

	<b>2015</b>				<b>Amount Due in One Year</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	
1996 Revenue Bonds	\$ 33,705,000	\$ -	\$ 10,590,000	\$ 23,115,000	\$ 11,220,000
2012 Revenue Bonds	73,620,000	-	-	73,620,000	-
2009 Train Car Capital Lease	4,749,162	-	239,175	4,509,987	249,965
2011 Vacuum Truck Capital Lease	58,892	-	18,886	40,006	19,621
2013 Train Car Capital Lease	2,996,308	-	315,427	2,680,881	324,700
	115,129,362	-	11,163,488	103,965,874	11,814,286
Add: Unamortized premium	9,555,799	-	(1,194,480)	8,361,319	-
Less: Unamortized discount	(115,377)	-	11,868	(103,509)	-
	\$ 124,569,784	\$ -	\$ 12,346,100	\$112,223,684	\$ 11,814,286

**Water & Sewer System**

	<b>2015</b>				<b>Amount Due in One Year</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	
1997 Revenue Bonds	\$ 765,000	\$ -	\$ 185,000	\$ 580,000	\$ 190,000
2011 Vacuum Truck Capital Lease	58,891	-	18,886	40,005	19,621
2014 Sewer Improvements Lease	3,843,208	-	215,140	3,628,068	222,303
	4,667,099	-	419,026	4,248,073	431,924
Add: Unamortized premium	552	-	(154)	398	-
	\$ 4,667,651	\$ -	\$ 419,180	\$ 4,248,471	\$ 431,924
<b>Total System Combined</b>	<b>\$ 129,237,435</b>	<b>\$ -</b>	<b>\$ 12,765,280</b>	<b>\$116,472,155</b>	<b>\$ 12,246,210</b>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

The summarized activity of the Board's long-term debt (including current maturities of long-term debt) during the year ended May 31, 2014, is presented below:

**Electric System**

	<b>2014</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amount Due in One Year</b>
1996 Revenue Bonds	\$ 43,695,000	\$ -	\$ 9,990,000	\$ 33,705,000	\$ 10,590,000
2012 Revenue Bonds	73,620,000	-	-	73,620,000	-
2009 Train Car Capital Lease	4,978,015	-	228,853	4,749,162	239,176
2011 Vacuum Truck Capital Lease	77,071	-	18,179	58,892	18,179
2013 Train Car Capital Lease	3,302,727	-	306,419	2,996,308	315,427
	<u>125,672,813</u>	<u>-</u>	<u>10,543,451</u>	<u>115,129,362</u>	<u>11,162,782</u>
Add: Unamortized premium	10,889,166	-	(1,333,367)	9,555,799	-
Less: Unamortized discount	(126,622)	-	11,245	(115,377)	-
	<u>\$ 136,435,357</u>	<u>\$ -</u>	<u>\$ 11,865,573</u>	<u>\$124,569,784</u>	<u>\$ 11,162,782</u>

**Water & Sewer System**

	<b>2014</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amount Due in One Year</b>
1997 Revenue Bonds	\$ 945,000	\$ -	\$ 180,000	\$ 765,000	\$ 185,000
1998 Certificates of Participation	105,000	-	105,000	-	-
2011 Vacuum Truck Capital Lease	77,070	-	18,179	58,891	18,179
2014 Sewer Improvement Lease	-	4,000,000	156,792	3,843,208	215,139
	<u>1,127,070</u>	<u>4,000,000</u>	<u>459,971</u>	<u>4,667,099</u>	<u>418,318</u>
Add: Unamortized premium	705	-	(153)	552	-
	<u>\$ 1,127,775</u>	<u>\$ 4,000,000</u>	<u>\$ 460,124</u>	<u>\$ 4,667,651</u>	<u>\$ 418,318</u>

<b>Total System Combined</b>	<u>\$ 137,563,132</u>	<u>\$ 4,000,000</u>	<u>\$ 12,325,697</u>	<u>\$129,237,435</u>	<u>\$ 11,581,100</u>
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**Board of Municipal Utilities**  
**Sikeston, Missouri**  
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On September 4, 2012, \$85,760,000 of the 1996 Series Electric System Revenue Bonds were refunded with the proceeds from the issuance of the \$73,620,000 2012 Series Electric Refunding Bonds. A bond premium of approximately \$12,000,000 and debt issuance costs of \$498,000 were recorded in relation to the refunding. The loss on refunding of \$932,000 is included on the Utility's balance sheets in deferred outflows of resources. The amount is being amortized over the life of the bonds. At May 31, 2015, \$73,620,000 of these bonds remains outstanding.

Interest payments on the 2012 bonds are due semiannually on June 1 and December 1 at interest rates ranging from 3.0% to 5.0%. The first principal payment is due on June 1, 2017, and then principal payments are due annually on June 1 through 2022.

On February 7, 1996, \$139,765,000 of the serial 1992 Series Electric System Revenue Bonds were refunded with the proceeds from the issuance of \$152,895,000 serial 1996 Series Electric System Revenue Bonds. A bond discount of approximately \$249,000, debt issuance costs of \$2,607,000 and a deferred net loss on the refunded debt of \$10,249,000 were recorded in relation to the refunding. The deferred net loss on the refunded debt is included on the Utility's balance sheets in deferred outflows of resources. The discount and deferred loss are being amortized over the life of the bonds. At May 31, 2015 and 2014, \$23,115,000 and \$33,705,000, respectively, of these bonds remains outstanding.

Remaining interest payments on the 1996 bonds are due semiannually on June 1 and December 1 at an interest rate of 6%. Principal payments are due annually on June 1 through 2016.

The estimated fair value of the electric revenue bonds outstanding at May 31, 2015 and 2014, is approximately \$105,154,000 and \$116,468,000, respectively. Fair value, which was obtained from a broker, was estimated by calculating market premiums or discounts to face values for the issues based on rates currently available for debt with similar terms.

The debt service to maturity on the outstanding bonds and obligations as of May 31, 2015, is summarized in the following table:

Year Ending May 31,	Electric System		Water and Sewer System		Total
	Principal	Interest	Principal	Interest	
2016	\$ 11,814,285	\$ 4,976,443	\$ 431,924	\$ 146,958	\$ 17,369,610
2017	12,510,337	4,261,942	445,089	129,056	17,346,424
2018	11,467,072	3,624,880	432,353	110,622	15,634,927
2019	12,004,501	3,062,425	245,257	92,724	15,404,907
2020	12,587,784	2,458,293	253,424	84,558	15,384,059
2021-2025	42,143,629	3,604,658	1,399,455	290,451	47,438,193
2026-2029	1,438,266	131,020	1,040,571	57,868	2,667,725
	<u>\$ 103,965,874</u>	<u>\$ 22,119,661</u>	<u>\$ 4,248,073</u>	<u>\$ 912,237</u>	<u>\$131,245,845</u>

**Board of Municipal Utilities  
Sikeston, Missouri  
Notes to Financial Statements  
May 31, 2015 and 2014**

**Note 5: Lease Obligations**

The Board maintains capital leases for aluminum coal railcars and a vacuum truck with interest rates varying from 1.4% to 4.4% due through 2028, and for sewer improvements equipment with an interest rate of 3.28% due through 2029. Property and equipment include the following property under capital lease:

	<b>2015</b>	<b>2014</b>
Equipment and construction in process	\$ 12,472,603	\$ 10,901,642
Less accumulated depreciation	3,284,530	2,602,138
	<b>\$ 9,188,073</b>	<b>\$ 8,299,504</b>

These amounts are included in the respective property and plant classification within *Note 3* and the future minimum lease payments are included in the schedule of debt maturities in *Note 4*.

**Note 6: Bond Ordinance and Debt Service Requirements**

***Electric System***

On February 23, 1978, the City enacted the Electric System Revenue Bond Ordinance. The bond ordinance was supplemented by the 1992, 1996 and 2012 Series Revenue Bond Ordinances. The ordinance, as updated, provides, among other things, the following:

- a. The bonds will not constitute a general obligation of the City nor an indebtedness of the City.
- b. The bonds will be payable solely from and secured solely by a pledge of the (i) proceeds of the bonds, (ii) the revenues derived by the City from the ownership and operation of the Electric System and (iii) all funds established under the ordinance.
- c. The Utility will at all times establish and collect rates for the sale of output of the Electric System to provide revenue sufficient to cover operation and maintenance expenses, 110% of aggregate debt service costs, required deposits into accounts established by the ordinance and all other charges payable from revenues.
- d. The Utility shall keep proper books of record and account relating to the Electric System in accordance with the FERC Uniform System of Accounts prescribed for Class A and Class B Public Utilities and Licensees.

**Board of Municipal Utilities**  
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In accordance with the bond ordinance, certain bond proceeds have been deposited in restricted accounts maintained by a Trustee, The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). The ordinance, as updated, provides, among other things, that the accounts be operated in the following manner:

- a. Debt service account – for payment of Electric System revenue bond principal and interest.
- b. Debt service reserve account – for payment of Electric System revenue bond principal and interest to the extent funds are not available in the debt service account. This account reserves for the greatest amount of aggregate debt service for any year.

In addition to the Trustee-maintained accounts established by the bond ordinance, certain other unrestricted accounts are to be maintained and operated by the Utility in accordance with the ordinance including the following:

- a. Reserve account – for the deposit of all Electric System revenues.
- b. General reserve account – for the deposit of all unexpended monies originally deposited in the revenue account.
- c. Contingency fund – for payment of major renewals, replacements, repairs, additions, betterments, improvements, decommissionings and disposals and also payment of extraordinary operation and maintenance costs or any unusual loss or damage to prevent a loss of revenues.

The bond ordinance requires the Board to establish and collect sufficient rates for the electric system to meet the 110% of aggregate debt service costs requirement. For the years ended May 31, 2015 and 2014, the electric system covered 85% and 93%, respectively, of aggregate debt service costs. In the event revenues are not sufficient to make payments or meet the debt service coverage ratio, the Board is to pay funds into the Revenue Fund to meet such criterion. Management intends to increase rates to meet all bond ordinance requirements.

***Water and Sewer System***

In accordance with the bond ordinance, the Utility maintains a bond retirement account. This account is used for monthly deposits in an amount equal to one-twelfth of the current principal and one-sixth of the current interest requirements for payment of bond principal and interest.

For the years ended May 31, 2015 and 2014, the Board established and collected sufficient rates for the water and sewer system to meet the aggregate debt service costs requirement. The water and sewer rates applied for the years ended May 31, 2015 and 2014, covered 253% and 192%, respectively, of aggregate debt service costs.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

**Note 7: Pension and Benefit Plans**

***Pension***

**Plan Description**

The Board is a member of the Missouri Local Government Employees Retirement Systems (LAGERS). LAGERS provides retirement benefits to plan members and beneficiaries. LAGERS is an agent multiple-employer pension plan established by Missouri statutes with mandatory participation for all employees of political subdivisions that elect to join LAGERS. The Board retains the authority to participate in LAGERS and to amend the benefit provisions of the plan. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Missouri LAGERS at 701 West Main Street, Jefferson City, Missouri 65102 or via [www.molagers.org](http://www.molagers.org).

**Funding Policy**

The Board is required to contribute an actuarially determined percentage of its annual covered payroll. For the years ended May 31, 2015 and 2014, this rate was 13.6% and 14.5%, respectively. This rate is comprised of 8.4% for current benefits earned and 5.2% and 6.1% for prior service costs in 2015 and 2014, respectively. The Board's employees do not contribute to the plan.

**Annual Pension Cost**

For the years ended May 31, 2015 and 2014, the Utility's annual pension costs were approximately \$1,586,800 and \$1,389,000, respectively. These amounts were equal to the Board's required annual contributions. The required contribution was determined as part of the actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

Historical trend information:

	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
Fiscal year ended June 30:			
2013	\$ 1,346,012	100.1%	\$ 68,639
2014	\$ 1,388,800	100.1%	\$ 67,838
2015	\$ 1,586,008	100.0%	\$ 96,671

Funding status of the plan:

<b>Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Entry Age Actuarial Accrued Liability</b>	<b>(b-a) Unfunded Accrued Liability (UAL)</b>	<b>(a/b) Funded Percent</b>	<b>(c) Annual Covered Payroll</b>	<b>(b-a)/c UAL as a Percentage of Covered Payroll</b>
2/28/2015	\$ 23,810,096	\$ 28,179,665	\$ 4,369,569	84.5	\$ 10,006,457	43.7

The unfunded accrued liability associated with the plan is not reflected in the Utility's balance sheet as the Utility has funded all required plan contributions.

See schedule of Missouri Local Government Employees Retirement System Funding Progress contained in the Required Supplementary Information. The schedule presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Post-Retirement Benefits**

The Utility currently provides post-retirement benefits to all employees meeting certain criteria, in the form of fully paid health insurance benefits (employee and spouse). Generally, if the employee is at least 60 and chooses to retire, these benefits are paid for the five-year period until the employee is eligible for Medicare. The Utility is currently funding an amount that they believe materially covers their required annual contribution, thus no liability has been included in the balance sheet as of May 31, 2015 and 2014.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

**Note 8: Commitments and Contingencies**

***Coal Contracts***

The Board has an agreement with Western Fuels Association, Inc. (WFA) for the procurement of coal through December 31, 2017. Under the provisions of this agreement and related coal supply agreements, the Board is required to purchase a minimum of 600,000 tons of coal per year through December 31, 2015. The price of coal is based on costs incurred by WFA to acquire and supply the coal over the life of the agreement. The Utility has an agreement for delivery of this coal with the BNSF Railway Company which extends through December 31, 2017. The cost to deliver the coal is established through a base price, which is adjusted quarterly by indices set forth in the agreement. During each calendar year, there is a Minimum Annual Volume Requirement in the agreement which will not be less than 800,000 tons. Coal inventories and material and supplies are stated at the lower of average cost or market, cost being determined on the basis of moving average price.

***Wholesale Power Contracts***

The Utility has contractual agreements with the Missouri cities of Carthage, Columbia, Fulton and West Plains to sell certain amounts of wholesale electric energy. These agreements state that each city will purchase a specified entitlement share of power at 110 percent of its proportionate share of the monthly power costs (including debt service costs related to the revenue bond issue) as defined in each respective agreement, for various annual periods extending to June 1, 2022. Additional capacity has been negotiated at 100 percent in certain agreements. The agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 50% of the Sikeston Power Station.

***Obligations to Purchase Power***

The Board has a purchased power agreement with the Southwestern Power Administration (SWPA) effective through December 31, 2015. This agreement is for 33.8 mWhs of Hydro Capacity & Energy. Under this agreement the Board purchases a minimum of 2,028 mWhs of peaking energy each month. The Board must also purchase a minimum of 40,560 mWhs for the year. This purchase power agreement includes SWPA transmission for the delivery of the energy purchased. For fiscal years ended May 31, 2015 and 2014, the cost under this contract was approximately \$3,644,000 and \$3,397,000, respectively.

***Environmental Matters***

The Utility is subject to various federal, state and local laws and regulations with respect to air and water quality and with respect to hazardous and toxic materials and hazardous and other wastes, including their identification, transportation, disposal, record keeping and reporting, as well as remediation of contaminated sites and other environmental matters. The Board believes that the operations are in material compliance with present environmental laws and regulations.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

Environmental requirements have changed frequently and become more stringent over time. The Board expects this trend to continue. While the Board is not in a position to accurately estimate compliance costs for any new requirements, any such costs are expected to be material.

***Mine Shutdown Costs***

The Utility indirectly holds a 50% beneficial interest in Brushy Creek Coal Company (BC). BC was the owner and operator of a coal mine and related equipment located in Illinois (the “BC Mine”). BC is owned by WFI, a Wyoming mutual benefit nonprofit corporation that operates as a cooperative. The Class B (nonvoting) stock of WFI, representing the beneficial interest in WFI, is owned 50% by the Utility with the remaining 50% owned by the Unified Government of Wyandotte County, Kansas City, Kansas (Kansas City). The Class A (voting) stock is owned by Western Fuels Association (WFA), a Wyoming nonprofit corporation that operates as a cooperative. The Utility is a member of the WFA and has representation on the WFA board of directors. The WFI board of directors consists of one representative from each of the Utility, Kansas City and WFA.

In December 1979, the Utility and Kansas City each entered into a separate coal supply agreement with WFI. Under the terms of this agreement, the Utility was obligated to purchase a minimum amount of coal from the BC Mine, which was operated first by an unaffiliated third party and then by BC. In November 1997, the agreement expired, and the mine ceased operations in 1999. Under this legacy contract, the Utility became responsible for 50% of the mine reclamation costs and 50% of the post-retirement benefits for certain former mine workers. At May 31, 2015 and 2014, the Utility has recorded a liability of approximately \$1,539,000 and \$1,867,000, respectively, for the amount of the remaining estimated post-retirement benefits and mine reclamation costs. The liability represents the Utility’s 50% proportional share of the total estimated post-retirement benefits and mine reclamation costs less amounts previously funded by the Utility to WFI. The Utility records mine shutdown costs related to costs of post-retirement benefits, changes in the estimated mine reclamation costs and administrative and other costs incurred by WFI management. With the changes to the estimated liabilities, there was a net increase to the change in net position of approximately \$148,000 and \$373,000 during the years ended May 31, 2015 and 2014, respectively. The amounts recorded for the Board’s portion of the post-retirement benefits and mine reclamation costs require significant judgment and involve several estimates. The Utility has recorded its estimated obligations for each of these items using information currently available to management. The estimates could change significantly over time. For each of the years ended May 31, 2015 and 2014, the Utility paid \$180,000 to WFI to fund these obligations as well as administrative and other costs incurred by WFI. Total payments through May 31, 2015, from the Utility to WFI to fund these obligations and costs were approximately \$14,785,000. The Utility expects to fund approximately an additional \$300,000 during the year ending May 31, 2016. Once reclamation activities are complete, the Utility anticipates the property will be sold. Resources to be generated from this sale are not currently determinable.

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

***Other Contingencies***

The Board is involved in various claims and legal proceedings in which monetary damages and other relief is sought. The Board is vigorously contesting these claims; however the resolution is not expected to occur quickly, and the ultimate outcome cannot presently be predicted. It is the opinion of management that the ultimate resolution of these claims, legal proceedings and other contingencies, either individually or in the aggregate, will not materially affect the Board's financial position, results of operations or liquidity.

**Note 9: Significant Customers and Concentration of Credit Risk**

For the years ended May 31, 2015 and 2014, the Utility had four wholesale customers, which individually exceeded 10% of total revenues. Approximately 91% and 86% of the Electric System's wholesale revenue during the years ended May 31, 2015 and 2014, respectively, was generated through sales to these customers, in the amount of approximately \$49,153,000 and \$51,970,000, respectively. As of May 31, 2015 and 2014, total receivables due from these customers were approximately \$3,965,000 and \$3,973,000, respectively. No other customer represented 10% or more of the Electric System revenue. The Electric System's receivables from retail customers are located in Sikeston, Missouri, and its wholesale receivable customers are located in the states of Missouri and Kansas.

**Note 10: Related Party Transactions**

The president of the bank in which the Utility transacts the majority of its depository arrangements was elected to the Utility's Board in 2009. As of May 31, 2015, the Utility had approximately \$25,826,000 of cash on deposit with this institution. Further, the Utility collected approximately \$81,000 of interest income during fiscal 2015 from this bank.

## **Required Supplementary Information**

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Schedule of Missouri Local Government Employees**  
**Retirement System Funding Progress**  
**May 31, 2015 and 2014**

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Entry Age Actuarial Accrued Liability</b>	<b>(b-a) Unfunded Accrued Liability (UAL)</b>	<b>(a/b) Funded Percent</b>	<b>(c) Annual Covered Payroll</b>	<b>(b-a)/c UAL as a Percentage of Covered Payroll</b>
2/28/2013	\$ 22,258,722	\$ 29,510,233	\$ 7,251,511	75.4	\$ 9,982,760	72.6
2/28/2014	\$ 24,030,267	\$ 30,448,515	\$ 6,418,248	78.9	\$ 10,805,701	59.4
2/28/2015	\$ 23,810,096	\$ 28,179,665	\$ 4,369,569	84.5	\$ 10,006,457	43.7

## **Supplementary Information**

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Combining Balance Sheets**  
**May 31, 2015 and 2014**

**Assets and Deferred Outflows of Resources**

	<b>Electric System</b>	<b>May 31, 2015 Water and Sewer System</b>	<b>Combined</b>
<b>Assets</b>			
<b>Property and Plant</b>			
Property and plant, at original cost	\$ 315,421,647	\$ 19,421,024	\$ 334,842,671
Accumulated depreciation	(218,881,281)	(15,349,715)	(234,230,996)
	<u>96,540,366</u>	<u>4,071,309</u>	<u>100,611,675</u>
Construction work in progress	415,679	2,875,736	3,291,415
	<u>96,956,045</u>	<u>6,947,045</u>	<u>103,903,090</u>
<b>Restricted Assets</b>			
Debt service reserve account	16,273,881	458,194	16,732,075
Debt service account	13,742,166	-	13,742,166
	<u>30,016,047</u>	<u>458,194</u>	<u>30,474,241</u>
<b>Current Assets</b>			
Cash and cash equivalents	23,577,012	3,227,270	26,804,282
Accounts receivable, net	6,524,621	793,572	7,318,193
Coal inventories	7,096,752	-	7,096,752
Materials and supplies	4,580,472	329,207	4,909,679
Prepaid expenses and other assets	682,137	103,713	785,850
Interdepartment due from (to)	206,743	(206,743)	-
	<u>42,667,737</u>	<u>4,247,019</u>	<u>46,914,756</u>
Total current assets	<u>42,667,737</u>	<u>4,247,019</u>	<u>46,914,756</u>
Total assets	169,639,829	11,652,258	181,292,087
<b>Deferred Outflows of Resources</b>	<u>12,031,701</u>	<u>-</u>	<u>12,031,701</u>
Total assets and deferred outflows of resources	<u>\$ 181,671,530</u>	<u>\$ 11,652,258</u>	<u>\$ 193,323,788</u>

<b>May 31, 2014</b>		
<b>Electric System</b>	<b>Water and Sewer System</b>	<b>Combined</b>
\$ 309,344,146	\$ 19,259,428	\$ 328,603,574
(207,643,407)	(14,646,394)	(222,289,801)
<u>101,700,739</u>	<u>4,613,034</u>	<u>106,313,773</u>
<u>2,248,474</u>	<u>1,335,481</u>	<u>3,583,955</u>
<u>103,949,213</u>	<u>5,948,515</u>	<u>109,897,728</u>
16,274,284	427,402	16,701,686
<u>13,429,532</u>	<u>-</u>	<u>13,429,532</u>
<u>29,703,816</u>	<u>427,402</u>	<u>30,131,218</u>
34,701,967	4,464,059	39,166,026
5,393,418	566,631	5,960,049
5,287,084	-	5,287,084
4,700,502	302,823	5,003,325
671,002	98,569	769,571
<u>246,166</u>	<u>(246,166)</u>	<u>-</u>
<u>51,000,139</u>	<u>5,185,916</u>	<u>56,186,055</u>
184,653,168	11,561,833	196,215,001
<u>13,398,379</u>	<u>-</u>	<u>13,398,379</u>
<u>\$ 198,051,547</u>	<u>\$ 11,561,833</u>	<u>\$ 209,613,380</u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Combining Balance Sheets**  
**May 31, 2015 and 2014**

**Liabilities and Net Position**

	<b>Electric System</b>	<b>May 31, 2015 Water and Sewer System</b>	<b>Combined</b>
<b>Net Position</b>			
Net investment in capital assets	\$ (3,235,934)	\$ 3,833,788	\$ 597,854
Restricted	27,497,447	457,383	27,954,830
Unrestricted	35,291,867	2,689,736	37,981,603
Total net position	<u>59,553,380</u>	<u>6,980,907</u>	<u>66,534,287</u>
<b>Long-Term Debt</b>			
	92,151,588	3,816,149	95,967,737
Add: Unamortized bond premium	8,361,319	398	8,361,717
Less: Unamortized bond discount	(103,509)	-	(103,509)
Total long-term debt, net	<u>100,409,398</u>	<u>3,816,547</u>	<u>104,225,945</u>
<b>Current Liabilities from Restricted Assets</b>			
Current maturities of long-term debt	11,814,286	431,924	12,246,210
Accrued interest payable	2,518,600	811	2,519,411
	<u>14,332,886</u>	<u>432,735</u>	<u>14,765,621</u>
<b>Current Liabilities from Unrestricted Assets</b>			
Accounts payable	2,890,589	45,586	2,936,175
Customer deposits	523,553	-	523,553
Accrued mine shutdown costs	1,539,300	-	1,539,300
Other accruals	2,422,424	376,483	2,798,907
	<u>7,375,866</u>	<u>422,069</u>	<u>7,797,935</u>
Total current liabilities	<u>21,708,752</u>	<u>854,804</u>	<u>22,563,556</u>
Total liabilities and net position	<u>\$ 181,671,530</u>	<u>\$ 11,652,258</u>	<u>\$ 193,323,788</u>

<b>May 31, 2014</b>		
<b>Electric System</b>	<b>Water and Sewer System</b>	<b>Combined</b>
\$ (7,222,192)	\$ 3,987,039	\$ (3,235,153)
26,867,516	421,963	27,289,479
<u>43,157,788</u>	<u>2,095,927</u>	<u>45,253,715</u>
<u>62,803,112</u>	<u>6,504,929</u>	<u>69,308,041</u>
103,966,580	4,248,781	108,215,361
9,555,799	552	9,556,351
<u>(115,377)</u>	<u>-</u>	<u>(115,377)</u>
<u>113,407,002</u>	<u>4,249,333</u>	<u>117,656,335</u>
11,162,782	418,318	11,581,100
<u>2,836,300</u>	<u>5,439</u>	<u>2,841,739</u>
<u>13,999,082</u>	<u>423,757</u>	<u>14,422,839</u>
3,368,811	76,219	3,445,030
507,592	-	507,592
1,867,204	-	1,867,204
<u>2,098,744</u>	<u>307,595</u>	<u>2,406,339</u>
<u>7,842,351</u>	<u>383,814</u>	<u>8,226,165</u>
<u>21,841,433</u>	<u>807,571</u>	<u>22,649,004</u>
<u>\$ 198,051,547</u>	<u>\$ 11,561,833</u>	<u>\$ 209,613,380</u>

**Board of Municipal Utilities  
Sikeston, Missouri**

**Combining Statements of Revenues, Expenses and Changes in Net Position  
Years Ended May 31, 2015 and 2014**

	<b>Electric System</b>	<b>May 31, 2015 Water and Sewer System</b>	<b>Combined</b>
<b>Operating Revenues</b>			
Retail	\$ 19,641,752	\$ 5,419,123	\$ 25,060,875
Wholesale	54,252,848	-	54,252,848
Total operating revenues	<u>73,894,600</u>	<u>5,419,123</u>	<u>79,313,723</u>
<b>Operating Expenses</b>			
Production and operations	45,016,368	1,550,308	46,566,676
Purchased power	5,389,102	-	5,389,102
Distribution costs	2,077,001	1,081,465	3,158,466
Depreciation	11,498,349	764,140	12,262,489
General and administrative	7,531,201	1,378,962	8,910,163
Donated services	487,616	125,965	613,581
Mine shutdown costs	(147,904)	-	(147,904)
Other operating expenses	470,672	177,727	648,399
Total operating expenses	<u>72,322,405</u>	<u>5,078,567</u>	<u>77,400,972</u>
<b>Operating Income (Loss)</b>	<u>1,572,195</u>	<u>340,556</u>	<u>1,912,751</u>
<b>Nonoperating Income (Expense)</b>			
Interest income	230,806	3,590	234,396
Interest expense	(5,517,907)	(127,875)	(5,645,782)
Miscellaneous, net	465,174	259,707	724,881
Net nonoperating income (expense)	<u>(4,821,927)</u>	<u>135,422</u>	<u>(4,686,505)</u>
<b>Change in Net Position</b>	<u>(3,249,732)</u>	<u>475,978</u>	<u>(2,773,754)</u>
<b>Net Position</b>			
Beginning of year	<u>62,803,112</u>	<u>6,504,929</u>	<u>69,308,041</u>
End of year	<u>\$ 59,553,380</u>	<u>\$ 6,980,907</u>	<u>\$ 66,534,287</u>

	<b>May 31, 2014</b>		
<b>Electric System</b>	<b>Water and Sewer System</b>	<b>Combined</b>	
\$ 17,879,575	\$ 4,855,555	\$ 22,735,130	
60,120,560	-	60,120,560	
<u>78,000,135</u>	<u>4,855,555</u>	<u>82,855,690</u>	
49,263,106	1,484,629	50,747,735	
4,913,973	-	4,913,973	
1,910,545	965,187	2,875,732	
10,592,714	757,573	11,350,287	
7,005,928	1,262,344	8,268,272	
445,133	129,339	574,472	
(372,574)	-	(372,574)	
402,445	161,343	563,788	
<u>74,161,270</u>	<u>4,760,415</u>	<u>78,921,685</u>	
<u>3,838,865</u>	<u>95,140</u>	<u>3,934,005</u>	
192,051	3,590	195,641	
(5,961,113)	(112,236)	(6,073,349)	
545,470	186,357	731,827	
<u>(5,223,592)</u>	<u>77,711</u>	<u>(5,145,881)</u>	
(1,384,727)	172,851	(1,211,876)	
<u>64,187,839</u>	<u>6,332,078</u>	<u>70,519,917</u>	
<u>\$ 62,803,112</u>	<u>\$ 6,504,929</u>	<u>\$ 69,308,041</u>	

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Combining Statements of Cash Flows**  
**Years Ended May 31, 2015 and 2014**

	<b>Electric System</b>	<b>May 31, 2015 Water and Sewer System</b>	<b>Combined</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and others	\$ 72,779,358	\$ 5,192,182	\$ 77,971,540
Payments to suppliers	(53,821,824)	(2,717,611)	(56,539,435)
Payments to employees	(8,966,028)	(1,629,512)	(10,595,540)
Payments for mine shutdown costs	(180,000)	-	(180,000)
Net cash provided by operating activities	<u>9,811,506</u>	<u>845,059</u>	<u>10,656,565</u>
<b>Cash Flows from Investing Activities</b>			
(Increase) decrease in temporary cash investments maintained in debt service accounts	403	(30,792)	(30,389)
Redemption of temporary investments, net	-	-	-
Interest received	230,806	3,590	234,396
Net cash (used in) provided by investing activities	<u>231,209</u>	<u>(27,202)</u>	<u>204,007</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of property and plant, net	(4,505,181)	(1,762,670)	(6,267,851)
Proceeds from the issuance of long-term debt	-	-	-
Payment of long-term debt and capital lease obligations	(11,163,488)	(419,026)	(11,582,514)
Interest paid	(5,964,175)	(132,657)	(6,096,832)
Other nonoperating revenues	465,174	259,707	724,881
Net cash used in capital and related financing activities	<u>(21,167,670)</u>	<u>(2,054,646)</u>	<u>(23,222,316)</u>
Net decrease in cash and cash equivalents	(11,124,955)	(1,236,789)	(12,361,744)
<b>Cash and Cash Equivalents</b>			
Beginning of year	<u>34,701,967</u>	<u>4,464,059</u>	<u>39,166,026</u>
End of year	<u>\$ 23,577,012</u>	<u>\$ 3,227,270</u>	<u>\$ 26,804,282</u>

<b>May 31, 2014</b>		
<b>Electric System</b>	<b>Water and Sewer System</b>	<b>Combined</b>
\$ 76,401,603	\$ 4,671,221	\$ 81,072,824
(54,993,283)	(2,299,674)	(57,292,957)
(8,753,022)	(1,712,650)	(10,465,672)
(180,000)	-	(180,000)
<u>12,475,298</u>	<u>658,897</u>	<u>13,134,195</u>
(11,684)	(31,303)	(42,987)
26,174,962	-	26,174,962
<u>195,869</u>	<u>3,590</u>	<u>199,459</u>
<u>26,359,147</u>	<u>(27,713)</u>	<u>26,331,434</u>
(4,279,440)	(1,373,104)	(5,652,544)
-	4,000,000	4,000,000
(10,543,451)	(459,971)	(11,003,422)
(6,592,499)	(113,164)	(6,705,663)
<u>545,470</u>	<u>186,357</u>	<u>731,827</u>
<u>(20,869,920)</u>	<u>2,240,118</u>	<u>(18,629,802)</u>
17,964,525	2,871,302	20,835,827
<u>16,737,442</u>	<u>1,592,757</u>	<u>18,330,199</u>
<u>\$ 34,701,967</u>	<u>\$ 4,464,059</u>	<u>\$ 39,166,026</u>

**Board of Municipal Utilities**  
**Sikeston, Missouri**  
**Combining Statements of Cash Flows (Continued)**  
**Years Ended May 31, 2015 and 2014**

	<b>Electric System</b>	<b>May 31, 2015 Water and Sewer System</b>	<b>Combined</b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income	\$ 1,572,195	\$ 340,556	\$ 1,912,751
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	11,498,349	764,140	12,262,489
Mine shutdown costs	(147,904)	-	(147,904)
Payments for mine shutdown costs	(180,000)	-	(180,000)
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(1,131,203)	(226,941)	(1,358,144)
(Increase) decrease in coal inventories	(1,809,668)	-	(1,809,668)
(Increase) decrease in materials and supplies	120,030	(26,384)	93,646
(Increase) decrease in prepaid expenses and other assets	(11,135)	(5,144)	(16,279)
Increase (decrease) in accounts payable and accrued expenses	(478,222)	(30,633)	(508,855)
Increase (decrease) in customer deposits and other liabilities	339,641	68,888	408,529
Interdepartment due from (to)	39,423	(39,423)	-
	<u>\$ 9,811,506</u>	<u>\$ 845,059</u>	<u>\$ 10,656,565</u>
Net cash provided by operating activities	<u>\$ 9,811,506</u>	<u>\$ 845,059</u>	<u>\$ 10,656,565</u>

	<b>May 31, 2014</b>		
	<b>Electric System</b>	<b>Water and Sewer System</b>	<b>Combined</b>
	\$ 3,838,865	\$ 95,140	\$ 3,934,005
	10,592,714	757,573	11,350,287
	(372,574)	-	(372,574)
	(180,000)	-	(180,000)
	(1,598,532)	(184,334)	(1,782,866)
	(997,844)	-	(997,844)
	(80,461)	(267)	(80,728)
	29,049	(1,737)	27,312
	855,424	(10,469)	844,955
	351,274	40,374	391,648
	37,383	(37,383)	-
	<u>\$ 12,475,298</u>	<u>\$ 658,897</u>	<u>\$ 13,134,195</u>