

Monongalia County
RFP # 12-155

MORGANTOWN UTILITY BOARD
(Component Unit of the City of Morgantown)
Monongalia County
Regular Audit
For the Years Ended June 30, 2014 and 2013

Perry & Associates
Certified Public Accountants, A.C.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
Monongalia County

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INDEPENDENT AUDITOR'S REPORT

December 12, 2014

Morgantown Utility Board
Monongalia County
278 Greenbag Road
Morgantown, West Virginia 26507

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the **Morgantown Utility Board** (the Board), a component unit of the City of Morgantown, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Morgantown Utility Board, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the 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 this presentation to include *Management's discussion and analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Board's basic financial statements taken as a whole.

The Statements of Revenues, Expenses and Changes in Net Position for the Water Department, Sewer Department, Cheat Sewer Department and Storm Water Department present additional analysis and are not a required part of the basic financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2014 and 2013
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Morgantown Utility Board (MUB) offers the following overview and analysis of the basic financial statements for the fiscal year ended June 30, 2014. Management encourages readers to utilize information in the Management Discussion and Analysis in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- On January 28, 2010, MUB closed on three separate Combined System Revenue Bonds to finance \$70 million of capital improvements. As of June 30, 2014, less than \$1.5 million of the bond proceeds remain to be spent on capital improvements.
- On August 24, 2012, MUB issued \$570,000 combined utility system revenue bonds for the construction of the Whispering Wood water project. Along with this issue, the project was funded by an \$886,991 Infrastructure and Jobs Development grant and a forgivable loan from the West Virginia Drinking Water Treatment Revolving Fund in the amount of \$444,835. As of June 30, 2014 \$1.6 million of proceeds had been spent on the project.
- On September 28, 2012, MUB issued \$2,325,000 combined utility system revenue bonds for the construction of the Sabraton storm water project. As of June 30, 2014 \$1.8 million of the proceeds had been spent on the project.
- On August 22, 2013, MUB acquired Canyon Sewer Public Service District. The acquisition resulted in more than 600 additional sewer customers producing annual operating revenue of approximately \$290,000. Canyon's outstanding debt in the amount of \$4.6 million was acquired and reissued in MUB's name. The acquired net book value of Canyon's plant in service was \$5.3 million.
- MUB's net property plant and equipment increased by nearly \$5 million in 2014. Additions to utility plant in service were \$9.8 million, including Canyon PSD. Retirements from utility plant in service totaled \$126,000. Construction work in progress was \$9 million at June 30, 2014.
- MUB recorded large additions to utility plant in 2013. In the year work in progress is closed to utility plant, only one half year of depreciation is recorded. A full year of depreciation expense was recorded for 2014. Depreciation expense charged to operations was over \$8 million, an increase of \$2.4 from 2013.
- The market value of MUB's investment portfolio increased by \$1.2 million over the past year. MUB has committed to fund the waste water treatment upgrade design cost of approximately \$4 million from this account.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements provide information about the activities of MUB as a whole. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Board as a whole and present a long-term view of the Board's finances.

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Reporting Morgantown Utility Board as a Whole

The Morgantown Utility Board operates all activities as propriety funds, same as a private business. MUB's basic financial statements include four components:

The Statement of Net Position presents information on MUB's assets and liabilities with the difference between the two reported as Net Position.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how MUB's net assets changed during the two most recent fiscal years. Results of operations are reported as underlying events occur, regardless of the timing of the cash flows. Revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, (For example: billed but uncollected revenues, and employee earned but unused vacation leave).

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash from operations, non-capital financing, capital financing, and investing activities.

The Notes to the Basic Financial Statements provide additional information that is essential to fully understand the data provided in the financial statements.

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FINANCIAL ANALYSIS

Changes in Net Position

Net Position

MUB's combined net position increased by \$4,113,252 over the previous year to \$105,039,120. Of this total \$98,082,971 was net investment in capital assets (net of related debt), \$3,207,396 restricted for debt service, and \$3,748,753 unrestricted.

Schedule of Net Position

	2014	2013	2012
Assets			
Current Assets	\$ 6,296,371	\$ 6,269,974	\$ 6,109,535
Noncurrent Assets	15,032,686	15,781,760	14,171,425
Capital Assets, net	187,624,724	182,697,188	179,750,006
Total Assets	\$ 208,953,781	\$ 204,748,922	\$ 200,030,966
Liabilities			
Current Liabilities	\$ 5,715,846	\$ 6,288,859	\$ 5,907,704
Noncurrent Liabilities	98,198,815	97,534,195	97,628,451
Total Liabilities	103,914,661	103,823,054	103,536,155
Net Position			
Net Investment in Capital Assets	98,082,971	96,288,305	93,643,727 *
Restricted for Debt Service	3,207,396	3,023,592	2,570,594
Unrestricted	3,748,753	1,613,971	280,490 *
Total Net Position	\$ 105,039,120	\$ 100,925,868	\$ 96,494,811

* 2012 amounts were reclassified.

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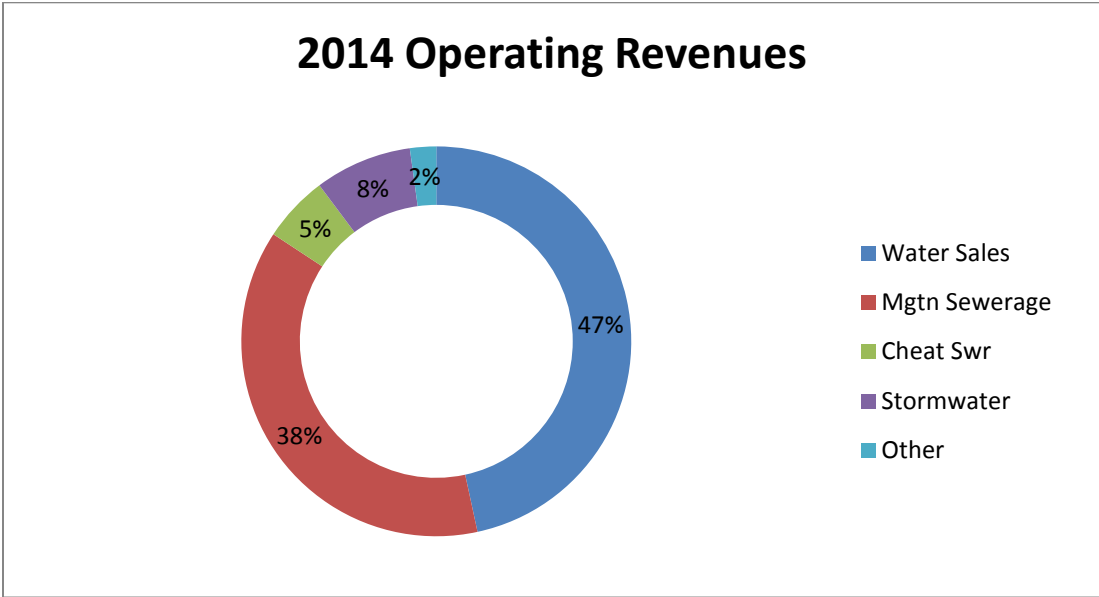
Schedule of Revenues, Expenses, and Changes in Net Position

	2014	2013	2012
Operating Revenues:			
Water Sales	\$ 10,470,750	\$ 10,385,993	\$ 7,906,465
Sewer Sales	9,696,839	9,405,266	8,815,196
Storm Water Sales	1,810,694	1,663,121	1,779,787
Misc / Other	488,258	636,572	462,267
Total Operating Revenues	22,466,541	22,090,952	18,963,715
Operating Expenses:			
Operations	10,670,943	10,211,470	9,441,999
Maintenance	2,667,714	2,327,138	2,017,791
Depreciation	8,050,420	5,593,277	3,486,571
Total Operating Expenses	21,389,077	18,131,885	14,946,361
Operating Income	1,077,464	3,959,067	4,017,354
Net Nonoperating Income (Expense)	(2,169,211)	(2,504,457)	(1,175,308)
Income(Loss) Before Contributions	(1,091,747)	1,454,610	2,842,046
Contributed Capital	5,204,999	2,976,447	1,736,668
Change in Net Position	4,113,252	4,431,057	4,578,714
Net Position Beginning of Year	100,925,868	96,494,811	91,916,097
Net Position End of Year	\$ 105,039,120	\$ 100,925,868	\$ 96,494,811

Operating revenues of \$22,466,541 increased by approximately \$376,000 or 1.7% from the prior fiscal year. The Canyon Sewer acquisition created a small shift in revenues from sewer satellite treatment revenue classified as other to sewer sales. Service revenues are the primary revenue source accounting for 98% of operating revenues.

Income from investments was approximately \$210,000, a 22% decrease over 2013. Income from the investment portfolio is used to subsidize both operations and maintenance as well as system capital improvements. At June 30, 2014 the market value of the portfolio was \$8 million. Market exceeded cost by \$770,000.

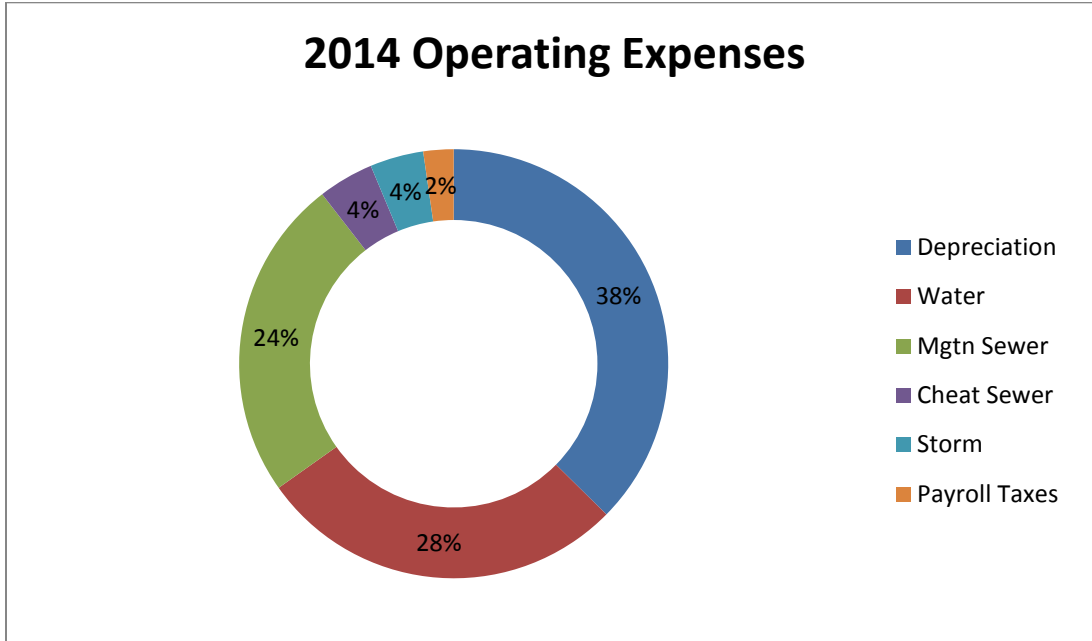
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Operating expenses in 2014, net of depreciation and maintenance, increased by approximately \$500,000 or 4% over 2013. Notable increases are attributed to funding employee benefits (\$247,000) such as health insurance, workers compensation, and retirement; increase in maintenance to waste water treatment and disposal equipment (\$45,000) and increased cost of insurance (\$30,000). MUB added additional professional staff resulting in a net increase in salaries of over \$150,000 above 2013 salaries adjusted for Board approved annual increase.

From year to year, we will see shifts in operation and maintenance costs between water, sewer and stormwater, depending upon concentration of efforts. In 2014, we saw an increase in sanitary sewer and storm collecting costs of \$287,000. We also saw an \$80,000 increase in efforts in operation and maintenance work versus capital improvements. Capitalized labor was \$996,000 in 2013 as compared to \$916,000 in 2014.

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Budgetary Highlights

The Morgantown Utility Board Members approve each year the Utility's budget. Over the course of the year, significant deviations from budget are noted and reported on a monthly basis to Board Members.

In 2014, MUB budgeted total revenues were \$23.8 million actual revenues were \$23.4 million. MUB had budgeted \$600,000 of expected revenues pending the acquisition of Scotts Run Public Service District. The acquisition had not been approved by the West Virginia Public Service Commission as of June 30, 2014. Budgeted expenses, excluding depreciation, were \$14.3 million. Actual expenses were \$14.1 million – 1.5% under budget.

A total of \$9.3 million was spent on capital improvements.

Capital Asset and Debt Administration

Capital Assets

At the end of 2014, MUB had \$282 million invested in capital assets (\$188 million net of accumulated depreciation), including treatment facilities; buildings; equipment; and water, sewer, and storm lines. Major additions during the fiscal year included:

- \$1,255,900 – Hartman Run/Route 7 Stormwater Improvements. This work includes the construction of +/- 703 feet of 5' X 12' concrete box culvert, +/- 395 feet of 6' X 10' concrete box culvert, inlet, outlet, overflow, and junction structures related to the box culverts, installation/relocation of sanitary and storm sewers, and all other related appurtenances.

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- \$806,900 – Whispering Woods Development Water System Project. This work includes construction of +/- 14,405 feet of 8" PVC waterline, +/- 925 feet of 8" DI waterline, +/- 2,025 feet of 6" PVC waterline, +/- 3,060 feet of 4" PVC waterline, +/- 1,150 feet of 2" PVC waterline, 11 Fire Hydrants, a duplex 100 GPM water booster station, a water storage tank, and all other related appurtenances.
- \$602,100 – WVU/Evansdale Campus 12" Waterline Project. This work includes the construction of +/- 2,940 feet of 12" DI waterline, +/- 10 feet of 8" PVC waterline, and +/- 50 feet of 6" PVC waterline, and all other related appurtenances.
- \$447,500 – Installation of new and replacement water services and meters
- \$398,400 – Coombs Farm Development Sanitary Sewer Project. This work includes the construction of +/- 8,215 feet of 8" PVC sanitary sewer line, 33 Pre-cast Manholes, 4 Pre-cast Drop Manholes, and all other related appurtenances.
- \$380,000 – Suncrest Village Development Water/Sanitary Sewer Project. This work includes the construction of +/- 140 feet of 10" PVC sanitary sewer line, +/- 3,240 feet of 8" PVC sanitary sewer line, 19 Pre-cast Manholes, 2 Pre-cast Drop Manholes, +/- 3,200 feet of 6" PVC waterline, and all other related appurtenances.
- \$386,800 – Purchase of transportation vehicles and various equipment.
- \$354,900 – Falling Water Development Water/Sanitary Sewer Project. This work includes the construction of +/- 5,829 feet of 8" PVC sanitary sewer line, 34 Pre-cast Manholes, +/- 1,333 feet of 8" PVC waterline, +/- 942 feet of 6" PVC waterline, and all other related appurtenances.
- \$284,700 – Office, Shop, and Water Treatment Plant Roof Replacement Project. This work includes installation of +/- 11,200 feet of asphalt shingle roofing, +/- 470 feet of seamless gutters, +/- 200 feet of downspouts, and all fascia and soffit at the main office building. Installation of +/- 520 feet of sheet metal roofing, +/- 710 feet of gutters, cover and seal eighteen skylights and seal four exhaust fans at the shop building. Installation of +/- 200 feet of gutters, +/- 80 feet of downspouts, and +/- 400 feet of snow rails at the maintenance garage.
- \$242,600 – Water Treatment Plant Upgrades. This work includes installation of a membrane filtration system, new river intake structure, two chlorine contact tanks/clearwells, intermediate pumping station, new river metering pit, new river water pump and piping, and additional high service meter pit.
- \$239,300 – Wastewater Treatment Plant (Star City Facility) Expansion. This work includes general site improvements, new headworks building, new primary influent structure/splitter, improvements to existing primary clarifiers, new primary effluent splitter structure, new primary sludge pumps, new Maintenance Shop, new electrical service, replacement of existing Rotating Biological Contactors with Membrane Bioreactors, new Activated Sludge aeration blowers, improvements to existing Return Activated Sludge/Waste Activated Sludge building, improvements to existing final clarifiers, new Ultraviolet Light Disinfecton equipment, improvements to existing Control Building, new Anaerobic Digester, improvements to existing Anaerobic Digesters, and improvements to the Waste Activated Sludge thickening building.

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- \$224,300 – Pierpont Development (Whisper Creek) Sanitary Sewer Project. This work includes the construction of +/- 2,350 feet of 8” PVC sanitary sewer pipe, +/- 1,750 feet of 6” PVC sanitary sewer pipe, 10 Pre-cast Manholes, 2 Pre-cast Drop Manholes, one (1) sanitary sewage pump station, and all other related appurtenances.
- \$229,100 – annual refunds of construction deposits to developers on main line extensions projects for customers accepting service from extensions.
- \$223,200 – Installation of new and renewal sewer services.

Long-term Debt

Bond proceeds are to fund several ongoing major capital improvement projects, many of which are included in the Capital Asset section above.

On August 22, 2013 MUB issued 2013A Bonds, principal amount \$4,605,260, for the assumption and replacement of the acquired Canyon Public Service District Series 2008A bonds.

Remaining proceeds on outstanding issues are as follows: \$1,285,264 on the 2010A issue, \$165,519 on the 2010D and \$165,519 on the 2012C issue.

During the fiscal year MUB retired \$3.7 million of existing debt. Draws on the 2010D issue and 2012A issues totaled approximately \$271,000. Current year draws plus the 2013A issue resulted in nearly \$4.9 million of new debt. At June 30, 2014, MUB had \$91 million revenue and refunding bonds outstanding. More information regarding terms can be found in Note 6 of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Throughout the 2013-2014 fiscal year, the Morgantown Utility Board (MUB) continued its routine capital improvement program (CIP). That follows an intense \$70 million 2010-12 CIP that solved significant capacity issues within the water treatment plant, and also made improvements to both the water transmission / distribution systems and the sewage collection / transmission systems. But even MUB's routine CIP expenditures still average nearly \$4 million annually, evidencing a strong commitment to system renewal and replacement.

The Morgantown City Council approved new water and sewer rates to fund the 2010-12 CIP in July 2009, and established January 1, 2012 as the effective date thereof. The rates were implemented accordingly, and included a conversion in billing frequency, for most customers, from quarterly to bi-monthly. The effective date of the new rates coincided with the projected completion of construction, which was achieved on schedule. Those rates remain in effect.

Stormwater rates were increased by 10% in April 2012 to support a \$2.6 million stormwater project in the Sabraton area of Morgantown. An additional \$500,000 will be borrowed in July 2014 to fund a stormwater project in the Forest Drive area, but debt service for that loan will be paid via a special surcharge that will apply only to the customers of that area, leaving base rates to all other customers unaffected.

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A small (5-10%) water rate increase may be pursued in late FY 2014-2015, primarily for the purpose of funding improvements to the raw water storage facilities for the drinking water system. This increase would likely be scheduled to become effective upon completion of construction (estimated to be September 2017), unless the WV Public Service Commission will grant an exception to allow earlier implementation (estimated to be March 2016) in order to avoid capitalized interest charges during the construction period.

Sanitary sewer rates will remain unchanged, but for an increase in the Cheat Lake area, which will increase 24% July 2014. The increase at Cheat Lake will address revenue shortfalls in that service area.

MUB continues to complete routine water/sewer line extensions for new apartments and housing units. The pace of new construction for system additions continues to increase in the current fiscal year, reflecting recovery from the slowdown of the national and local economy. Most new system additions have been to serve higher density apartment complexes aimed at the University student market, and involved upgrades of existing capacity consistent with urban redevelopment. Initial indicators show continued growth in general and particularly for redevelopment projects in the coming year.

There were no new acquisitions of water systems, but the sewer system continued to grow by way of system acquisition. MUB completed the acquisition of the Canyon PSD (approximately 600 customers) in late 2013, and continued work in FY 2013-2014 to acquire the Scotts Run PSD sanitary sewer system (approximately 1000 customers). The acquisition of Scotts Run PSD is expected to be completed early in calendar year 2015.

MUB submitted its Long Term Control Plan (LTCP) to West Virginia Department of Environmental Protection (DEP) in December 2011. This document provided information on how MUB will minimize and better manage its Combined Sewer Overflows (CSO's). It provided guidance for Wastewater Treatment Plant (WWTP) upgrades and collection/transmission system improvements to meet the regulatory requirements of the DEP and EPA. The document also provided guidance for capital project budgeting of the sewer system for the next ten (10) years, or more.

The 2011 LTCP predicted approximately \$50 million of sewer system improvements to be constructed as Phase 1 of the plan in 2016-17, with other phases possible over the next 15-20 years following that, subject to future prevailing conditions, including regulatory requirements, affordability, and available funding. We submitted an update to the LTCP in late calendar year 2014. We continue to await approval of the LTCP by DEP, and have reached agreement that review comments from DEP should be provided in January 2015.

In order to stay on schedule for the earliest possible construction, we began detailed design engineering for Phase 1 of the proposed LTCP projects in mid calendar year 2014. The estimated cost of the Phase 1 projects now tentatively approaches \$75 million, reflecting an increase in project scope to provide other necessary updates to the Wastewater Treatment Plant (WWTP) and the sanitary sewer system. Rates and regulatory approvals will be pursued in calendar year 2016, with construction now planned to occur in calendar years 2017 and 2018.

In addition to the above, MUB continues to focus on renewal and/or replacement of aging, or otherwise inadequate facilities. In the water system, priority is given to lines that have been identified through a problematic leak history, or by having required excessive maintenance due to the age of the pipe. In our sanitary and storm sewer systems, priority is given to lines that have been identified through a problematic history of backups or other similar flow related failures, or by having required excessive maintenance due to the age of the pipe. Our annual budget for capital improvements are centered on these replacement projects, as particular portions of the piping networks are recognized to have reached the end of their useful lives.

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MUB continues to see increasing costs for operation and maintenance of the water, wastewater and stormwater systems. This results from increasing efforts to improve system operations through maintenance activities such as hydrant flushing, mainline cleaning, tank painting, etc.

Operating costs in water operations will remain elevated compared to historic levels. This results, in part, from new efforts to monitor and minimize impacts upon the raw water supply from gas drilling operations in the Marcellus Shale. Secondly, even though MUB was physically unaffected by the January 2014 Freedom Industries chemical leak in Charleston WV, new higher standards for source water protection resulting from subsequent legislation will also add significantly to this cost category.

MUB will continue to be guided by existing and future regulatory mandates that define increasingly stringent quality standards for its water, wastewater and stormwater operations.

CONTACTING MUB'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with a general overview of MUB's finances and to demonstrate MUB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Morgantown Utility Board, Controller's Office, 278 Greenbag Road, Morgantown, West Virginia.

MORGANTOWN UTILITY BOARD
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STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	2,018,004	1,689,751
Accounts Receivable Net	1,432,052	1,499,610
Other Accounts Receivable	424,870	778,771
Interest and Dividend Receivable	31,589	30,800
Materials at Average Cost	1,186,045	1,076,694
Deposits and Prepayments	90,594	113,393
Accrued Utility Revenue	<u>1,113,217</u>	<u>1,080,955</u>
Total Current Assets	<u>6,296,371</u>	<u>6,269,974</u>
Capital Assets:		
Construction Work In Progress	9,111,984	5,261,674
Land	1,451,541	1,451,027
Intangible Plant	376,834	376,834
Buildings & Structures	26,943,342	26,819,480
Water Transmission & Distribution System	66,106,002	63,607,926
Sewer & Storm Collection System	93,294,642	86,736,541
Treatment Plant Equipment	72,843,607	72,780,632
Office Furniture & Equipment and Computer System	4,572,799	4,498,670
Vehicles & Heavy Duty Equipment	<u>7,618,861</u>	<u>7,306,222</u>
Total Capital Assets	282,319,612	268,839,006
Less: Accumulated Depreciation	<u>(94,694,888)</u>	<u>(86,141,818)</u>
Total Net Capital Assets	187,624,724	182,697,188
Restricted Assets:		
Sinking Fund Investments	3,207,396	3,023,592
Bond Construction Accounts	<u>1,542,869</u>	<u>3,534,344</u>
Total Restricted Assets	<u>4,750,265</u>	<u>6,557,936</u>
Noncurrent Assets:		
Investments	8,143,598	6,979,140
Deferred Financing Costs	2,129,166	2,233,453
Other Net	<u>9,657</u>	<u>11,231</u>
Total Noncurrent Assets	<u>10,282,421</u>	<u>9,223,824</u>
TOTAL ASSETS	<u>\$ 208,953,781</u>	<u>\$ 204,748,922</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	828,643	1,713,090
Accrued Payroll	561,127	520,163
Billing Services Payable	283,348	258,156
Current Portion of Long-Term Debt	3,809,167	3,598,131
Deferred Revenue	49,151	52,579
Other Accrued Liabilities	<u>184,410</u>	<u>146,740</u>
Total Current Liabilities	<u>5,715,846</u>	<u>6,288,859</u>
Noncurrent Liabilities:		
Liabilities from Restricted Assets:		
Customer deposits	669,156	692,383
Accrued Administrative Costs on Bonds	6,809	6,710
Accrued Interest on Bonds	302,842	69,919
Interest on Customer Deposits	<u>6,139</u>	<u>6,199</u>
Total Liabilities from Restricted Assets	<u>984,946</u>	<u>775,211</u>
Advances on Construction	9,938,414	10,413,888
Long-term Bonds Payable	<u>87,275,455</u>	<u>86,345,096</u>
Total Noncurrent Liabilities	<u>98,198,815</u>	<u>97,534,195</u>
TOTAL LIABILITIES	<u>\$ 103,914,661</u>	<u>\$ 103,823,054</u>
Net Position:		
Net Investment in Capital Assets	98,082,971	96,288,305
Restricted Net Position	3,207,396	3,023,592
Unrestricted Net Position	<u>3,748,753</u>	<u>1,613,971</u>
Total Net Position	<u>105,039,120</u>	<u>100,925,868</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 208,953,781</u>	<u>\$ 204,748,922</u>

The notes to the financial statements are an integral part of this statement.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Water Sales Revenue	\$ 10,470,750	\$ 10,385,993
Sewerage Service Revenue	9,696,839	9,405,266
Stormwater Service Revenue	1,810,694	1,663,121
Billing Services Revenue	139,898	201,065
Forfeited Discounts	263,753	344,819
Rents from Water Property	29,300	33,587
Service Connection fees - Water	21,835	23,035
Other Operating Revenues	33,472	34,066
	<u>22,466,541</u>	<u>22,090,952</u>
WATER OPERATING EXPENSES:		
Source of Supply	14,810	52,704
Pumping	307,045	299,925
Water Treatment	4,663,082	3,232,552
Transmission and Distribution	2,832,411	2,394,664
Customer Accounts	271,596	284,046
Administrative and General	2,533,559	2,491,368
	<u>10,622,503</u>	<u>8,755,259</u>
SEWER OPERATING EXPENSES:		
Collecting	2,786,361	2,466,041
Pumping	1,000,818	828,933
Treatment and Disposal	2,437,460	2,254,325
Billing and Collecting	369,205	338,292
Administrative and General	2,713,156	2,346,075
	<u>9,307,000</u>	<u>8,233,666</u>
STORMWATER UTILITY OPERATING EXPENSES:		
Collecting	972,119	734,537
Billing and Collecting	85,701	80,608
Administrative and General	401,754	327,815
	<u>1,459,574</u>	<u>1,142,960</u>
Total Operating Expenses	<u>21,389,077</u>	<u>18,131,885</u>
Operating Income(Loss)	<u>1,077,464</u>	<u>3,959,067</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	205,061	225,277
Interest on Financing	(3,241,777)	(3,170,376)
Other	867,505	440,642
	<u>(2,169,211)</u>	<u>(2,504,457)</u>
Net Income/(Loss) Before Contributed Capital	(1,091,747)	1,454,610
Contributed Capital	<u>5,204,999</u>	<u>2,976,447</u>
Change in Net Position	4,113,252	4,431,057
Total Net Position-Beginning	<u>100,925,868</u>	<u>96,494,811</u>
Total Net Position-Ending	<u>\$ 105,039,120</u>	<u>\$ 100,925,868</u>

The notes to the financial statements are an integral part of this statement.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities:		
Cash Received from Sales and Tap Fees	\$ 22,389,315	\$ 21,494,438
Cash Received from Rental Fees	29,300	33,587
Cash Received from Reimbursement and Miscellaneous Income	433,695	576,583
Cash Payments to Suppliers for Goods and Services	(9,689,576)	(7,702,669)
Cash Payments to Employees for Services	(4,411,966)	(4,310,734)
	8,750,768	10,091,205
Net Cash Provided by (Used by) Operations		
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(8,329,014)	(5,744,011)
Proceeds from New Issuance	4,876,094	4,170,495
Principal Paid on Long-Term Debt	(3,734,707)	(3,547,924)
Interest Paid	(3,008,854)	(3,124,892)
(Increase) Decrease in Sinking Fund	(183,804)	(452,998)
(Increase) Decrease in Bond Construction Account	1,991,475	(319,967)
Advances on Construction	(475,474)	(747,050)
(Increase) Decrease in Deferred Financing Net of Amortization	(1)	(136,195)
(Increase) Decrease in Accrued Administrative Cost on Bonds	99	(77)
Customer Deposits Including Interest	(23,287)	35,021
Other Nonoperating Income	867,505	440,642
Change in Other Assets Net	1,574	23,834
	(8,018,394)	(9,403,122)
Net Cash Provided by (Used by) Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Proceeds from Sales of Investments	587,891	352,762
Purchase of Investments	(1,196,284)	(1,180,558)
Interest Received	204,272	224,626
	(404,121)	(603,170)
Net Cash Provided by (Used by) Investing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	328,253	84,914
Cash and Cash Equivalents - July 1	1,689,751	1,604,837
Cash and Cash Equivalents - June 30	\$ 2,018,004	\$ 1,689,751
Cash Flows from Operating Activities:		
Operating Income	\$ 1,077,464	\$ 3,959,067
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	8,154,708	5,876,063
(Increase) Decrease in Accounts Receivable	421,459	(144,903)
(Increase) Decrease in Materials	(109,351)	(94,391)
(Increase) Decrease in Deposits and Prepayments	22,799	2,494
(Increase) Decrease in Accrued Utility Revenue	(32,262)	161,926
Increase (Decrease) in Accounts Payable	(884,447)	325,660
Increase (Decrease) in Accrued Payroll	40,964	18,189
Increase (Decrease) in Billing Services Payable	25,192	(10,123)
Increase (Decrease) in Deferred Revenue	(3,428)	(3,367)
Increase (Decrease) in Other Current Accrued Liabilities	37,670	590
	7,673,304	6,132,138
Total Adjustments		
Net Cash Provided by (Used by) Operating Activities	\$ 8,750,768	\$ 10,091,205

The notes to the financial statements are an integral part of this statement.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity – The Morgantown Utility Board (the Board) is a Class A Water, Sewer and Storm-water Utility as defined by the West Virginia Public Service Commission. The Board manages and operates the City of Morgantown, West Virginia, water, sewer and storm-water utilities as enterprise funds under an ordinance dated September 1, 1987. These utilities serve the City and other surrounding areas and the Board also provides billing and collecting services for other adjacent utilities. It also provides jobbing and contracting services for plant repairs to these adjoining utilities.

The Board complies with *Governmental Accounting Standards Board Statement No. 14*, “The Financial Reporting Entity” and GASB Statement No. 39 “Determining Whether Certain Organizations are Component Units.” These statements establish standards for defining and reporting on the financial reporting entity. They define component units as legally separate organizations for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on these criteria, the Board is a component unit of the City of Morgantown therefore these financial statements will be included in the City’s financial statements as a component unit.

The Board’s management believes these financial statements present all activities for which the Board is financially accountable.

Basis of Presentation – Accounts of the Board are organized on the basis of fund accounting under one fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The accompanying financial statements are presented on a combined basis because the water, sewer and storm-water utilities are under the control of the Board.

Basis of Accounting and Measurement Focus – These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water, Sewer and Waste-Water funds are charges for water and sewer service.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus (continued)

Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Board's policy to use unrestricted resources first, and then restricted resources as they are needed.

Cash and Cash Equivalents – The Board, for the purposes of the Statement of Cash Flows, considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund type are pooled by the Board.

Certain funds of the Board are temporarily invested by the West Virginia Municipal Bond Commission specifically on behalf of the Board as part of the Commission's consolidated investment pool. These investments are considered cash and cash equivalents due to their liquid nature.

Investments – The Board is allowed to invest excess funds in the following securities as governed by the West Virginia Code.

1. Any direct obligation of, or obligation guaranteed as to payment of both principal and interest by, the United States of America;
2. Any evidence of indebtedness issued by any United States government agency guaranteed as to payment of both principal and interest, directly or indirectly, by the United States of America;
3. Any evidence of indebtedness issued by the Federal National Mortgage Association to the extent such indebtedness is guaranteed by the Government National Mortgage Association;
4. Any evidence of indebtedness that is secured by first lien deed of trust or mortgage upon real property situate within West Virginia, if payment is substantially insured or guaranteed by the United States of America;
5. Direct and general obligations of the state of West Virginia;
6. Any undivided interest in a trust, the corpus of which is restricted to mortgages on real property and, unless all of the property is within West Virginia and insured, the trust is rated in one of the three highest rating grades by an agency which is nationally known in the field of rating pooled mortgage trusts;
7. Any bond, note debenture, commercial paper or other evidence of indebtedness of any private corporation or association: Provided that the security is rated in one of the three highest rating grades by an agency which is nationally known in the field of rating corporate securities: however, if any commercial paper or any security will mature within one year from the date of issuance, it must be rated in one of the two highest rating grades by a nationally known agency;
8. Negotiable certificates of deposits issued by any bank, trust company, national banking association or savings institution which mature in less than one year and are fully collateralized;
9. Interest earning deposits including certificates of deposit, with any designated West Virginia depository, which deposits are fully secured by a collaterally secured bond, and;
10. Mutual funds registered with the Securities and Exchange Commission which have assets in excess of three hundred million dollars.

Investments are reported at fair value. The net increase in the cost-basis of investments consists of the realized gains and losses and the unrealized increase or decrease in the cost-basis of investments during the year. Realized gains or losses in sales of investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the cost-basis of investments reported in the prior year(s) and the current year.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Security transactions are accounted for on a trade date basis. Interest income is recognized when earned and includes amortization of discounts and premiums on interest-bearing instruments that were purchased at a discount or premium. Dividend income is recognized on the paying company's announced ex-dividend date.

Accounts Receivable – Accounts receivable are shown at their net realizable value. The balance is presented net of an allowance for doubtful accounts. The provision for losses on trade accounts receivable is charged to operations in an amount sufficient to maintain the allowance for losses at a level considered adequate to cover estimated credit losses. The Board's charge-off policy is based on an account-by-account review. The Board did a full review of trade accounts receivables and set a monthly allowance for bad debt charges. Generally, accounts are considered delinquent when they are 30 days contractually past due.

Supplies Inventory – The supplies inventory is valued on average cost basis.

Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid expenses using the consumption method. An asset for prepaid amounts is recorded at the time of the purchase and an expense is reported in the period in which services are consumed.

Capital Assets – The Board depreciates all long-term assets on a straight-line basis. The Board takes half a year's allowance in the year the asset is placed in service and a full year's allowance in the subsequent years with half a year's allowance in the final year of depreciation. At the time of retirement of depreciable utility plant in service, the amount is charged with the book cost of the property retired and cost of removal, and is credited with any amounts recovered. The estimated useful lives of the assets are as follows:

<u>Asset Category</u>	<u>Useful Life in Years</u>
Buildings and Structures	30
Water Transmission and Distribution Lines	50-100
Sewer and Storm Drain Collection System	50
Treatment Plants Equipment	10-30
Office Furniture and Computers	5-10
Vehicles and Heavy Duty Equipment	8-10

Deferred Financing Costs – The Board amortizes deferred financing costs on a straight-line basis over the term of the financing.

Compensated Absences – The Board provides compensated absences for its employees in the form of vacation and sick leave. Vacation leave does not carry over from calendar year to calendar year.

Contributions in Aid of Construction – All period contributions were from transfers from advances for construction, deposits for construction other than extensions, and grant monies from non-federal sources.

Equity Classification – Equity is classified as net assets and displayed in three components:

1. Net Investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement or those assets.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

2. Restricted net position - consists of the net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Restricted Assets – Restricted assets should be reported when restrictions on asset use change the nature or normal understanding of the availability of the asset. Restricted assets represent certain resources segregated from other resources of the Board to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the Board or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purpose. The Board’s restricted assets consist of bond sinking fund and the bond construction accounts.

Use of Estimates – In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Budget and Budgetary Accounting – The Board is not required by law to prepare an annual budget. As such, none is presented in these financial statements.

Changes in Accounting Principles – The Board changed its method of accounting for the following items in order to comply with governmental accounting standards:

GASB 63 – Effective July 1, 2012, the Board implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No.4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Future Changes in Accounting Principles – The Board will implement the following item in order to comply with governmental accounting standards:

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes will be incorporated in the Board’s 2015 financial statements.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 2 - CASH AND INVESTMENTS

The carrying amount of the Board's cash deposits was \$2,018,004 at June 30, 2014. The bank balance at June 30, 2014 was \$2,460,929 which was fully covered by Federal Deposit Insurance Coverage or collateralized with securities held by the pledging institution's trust department.

Total cash and investments at June 30, 2014 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash Deposits		
Demand Deposits	\$ 2,018,004	\$ 2,018,004
Cash and Investments with Fiscal Agents		
Cash	5,279,451	5,279,451
Investment Agreements		
Fixed Income	5,327,628	5,331,053
Equities	1,516,761	2,283,359
Total Cash and Investments	<u>\$ 14,141,844</u>	<u>\$ 14,911,867</u>

Note that the Board held \$1,510 in petty cash at June 30, 2014.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 2 CASH AND INVESTMENTS (Continued)

Interest Rate Risk - The Board's investment policy follows the State of West Virginia Code § 8-13-22a and any subsequently enacted modifications of this statute concerning the limits of maturities on individual investments.

Credit Risk - The Board has a deposit policy for custodial credit risk beyond the requirements of the State Statute. West Virginia law requires that deposits be insured or be protected by eligible securities pledged to and deposited either with the Board or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percent</u>
AA+	\$ 2,276,710	42.7%
AA	534,094	10.0%
AA-	212,277	4.0%
A+	170,680	3.2%
A	414,209	7.8%
Not Rated	<u>1,723,083</u>	<u>32.3%</u>
Total	<u>\$ 5,331,053</u>	<u>100.0%</u>

Concentration of Credit Risk - The Board's investment policy follows the State of West Virginia Code § 8-13-22a and any subsequently enacted modifications of this statute concerning the limits on the amount that may be invest in any one financial institution.

NOTE 3 LEASING ARRANGEMENTS

The Board leases certain real estate in Morgantown to a limestone company. This operating lease specifies that the Board will receive \$0.16 per ton up to 125,000 tons and \$0.10 per ton thereafter, with an annual minimum rental of \$5,000. The lease is for a 20 year period, and requires the lessee to maintain adequate insurance for the leased property. Revenues reported from this lease were \$15,884 and \$21,407 in 2014 and 2013, respectively.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements & Transfers to Utility Plant	Ending Balance
CWIP	\$ 5,261,674	\$ 7,736,921	\$ (3,886,613)	\$ 9,111,984
Land	1,451,027	514	-	1,451,541
Intangible Plant	376,834	-	-	376,834
Buildings & Structures	26,819,480	135,973	(12,111)	26,943,342
Water Transmission & Distribution System	63,607,926	2,525,917	(27,841)	66,106,002
Sewer & Storm Collection System	86,736,541	6,613,641	(55,540)	93,294,642
Treatment Plant Equipment	72,780,632	71,861	(8,887)	72,843,607
Office Furniture & Equipment and Computer System	4,498,670	85,255	(11,126)	4,572,799
Vehicles & Heavy Duty Equipment	7,306,222	323,091	(10,453)	7,618,861
Total Capital Assets	268,839,006	17,493,173	(4,012,571)	282,319,612
Less: Accumulated Depreciation	(86,141,818)	(8,681,742)	128,672	(94,694,888)
Total Net Capital Assets	\$ 182,697,188	\$ 8,811,431	\$ (3,883,899)	\$ 187,624,724
 Depreciation Expense Charged to Operations		 \$ 8,050,420		

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 4 CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements & Transfers to Utility Plant	Ending Balance
CWIP	\$ 81,972,960	\$ 8,710,481	\$ (85,421,787)	\$ 5,261,657
Land	1,451,027	-	-	1,451,029
Intangible Plant	376,834	-	-	376,836
Buildings & Structures	21,330,544	5,788,385	(299,449)	26,819,483
Water Transmission & Distribution System	52,023,513	11,927,610	(343,197)	63,607,928
Sewer & Storm Collection System	66,281,493	20,554,635	(99,587)	86,736,543
Treatment Plant Equipment	32,062,641	41,919,523	(1,201,531)	72,780,634
Office Furniture & Equipment and Computer System	2,473,985	2,166,218	(141,533)	4,498,672
Vehicles & Heavy Duty Equipment	4,408,999	3,065,415	(168,192)	7,306,224
Total Capital Assets	262,381,996	94,132,268	(87,675,276)	268,839,006
Less: Accumulated Depreciation	(82,631,990)	(5,773,278)	2,263,450	(86,141,818)
Total Net Capital Assets	\$ 179,750,006	\$ 88,358,990	\$ (85,411,826)	\$ 182,697,188
Depreciation Expense Charged to Operations		\$ 5,593,277		

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 5 PENSION PLAN AND DEFERRED COMPENSATION PLAN

Plan Description – The Board contributes to the City of Morgantown, WV (the “City”) Employee’s Retirement and Benefit Fund (the Plan). The Plan is a cost-sharing multiple-employer defined benefit plan. The Plan provides retirement, disability and death benefits to plan members and beneficiaries. Major features of the plan appear in Chapter 8, Article 22, Sections 2-15 of the Code of West Virginia as approved by ordinance of the City Council of Morgantown, WV.

Funding Policy – Plan members are required to contribute 6% of their annual covered salary and the Board is required to contribute an actuarially determined rate. The 2014 and 2013 rates were 13.32% and 11.81% of annual covered payroll. The Board’s contributions to the Plan for the years ended June 30, 2014, 2013 and 2012 were \$882,191, \$756,125, and \$717,285.

Deferred Compensation Plan – Employees are eligible to participate in an IRC Section 457 Deferred Compensation Plan. The maximum amount which may be deferred is the lesser of 100% of an employee’s salary or \$17,500, for 2014, plus \$5,500 catch-up for employees over fifty years of age. The Board provides no match for participant’s contributions. All amounts which are deferred remain solely the property of the Board and are subject to its general creditors.

NOTE 6 LONG-TERM DEBT

Following is a description of the long-term liabilities of the Board.

1995 Bonds Payable

The Board issued \$1,601,477 in a combined water and sewer revenue bond on April 22, 1995. This bond matures quarterly starting March 1, 1996, until December 1, 2015. This bond bears an interest rate of 2% and a 1% administration fee per annum and is payable quarterly on March 1, June 1, September 1, and December 1 of each year. Annualized payments of \$97,351 are required.

2000A Bonds Payable

The Board issued \$7,842,000 in a combined waterworks and sewerage system revenue bonds on February 8, 2000, for the construction of certain extensions, additions, betterments and improvements to the sewerage system for the Cheat Lake customers. The bonds mature quarterly on March 1, June 1, September 1, and December 1 of each year commencing March 1, 2002. The bonds mature on March 1, 2026. The bonds bear no interest and were issued to the West Virginia Division of Environmental Protection. The bonds carry a 0.5% administrative fee per annum and are payable quarterly. Annualized payments of \$323,384 are required.

2000B Bonds Payable

The Board issued \$2,488,000 in a combined waterworks and sewerage system revenue bonds on February 8, 2000, for the construction of certain extensions, additions, betterments and improvements to the sewerage system for the Cheat Lake customers. The bonds mature quarterly on March 1, June 1, September 1, and December 1 of each year commencing March 1, 2002. The bonds mature on December 31, 2039. The bonds bear no interest and were issued to the West Virginia Infrastructure and Jobs Development Council. Annualized payments of \$65,476 are required.

2001A Bonds Payable

The Board issued \$3,812,470 in a combined waterworks and sewerage system revenue bonds on February 8, 2001, for the acquisition and construction of extensions, additions, betterments and improvements of the waterworks portion of the existing public combined waterworks and sewerage system. The bonds mature quarterly on March 1, June 1, September 1, and December 1 of each year commencing June 1, 2002. The bonds bear interest at a rate of 3% per annum and will be paid quarterly on March 1, June 1, September 1, and December 1 of each year. The bonds were issued to the West Virginia Development Authority and mature December 1, 2015. Annualized payments of \$339,402 are required.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

2006A Bonds Payable

The Board issued bonds of \$6,410,000 in a combined waterworks and sewerage system revenue bonds on June 30, 2006, for the acquisition and construction of the extension, additions, betterments and improvements of the sewerage portion of the existing public combined waterworks and sewerage system. The bonds bear interest rates of 3% with a 20 year term paid quarterly on March 1, June 1, September 1, and December 1. Annualized payments of \$424,240 are required.

2007 Bonds Payable

The Board issued bonds of \$8,500,000 in a combined utility system revenue bonds on June 30, 2007, for the acquisition and construction of the extension, additions, betterments and improvements of the storm water portion of the existing public combined utility system. The bonds bear interest rates of 3% with a 20 year term paid quarterly on March 1, June 1, September 1, and December 1. Annualized payments of \$579,232 are required.

2010A Bonds Payable

The Board issued on January 28, 2010 combined utility system revenue bonds, series 2010A (Direct Payment Build America Bonds), for the acquisition and construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined utility system in the original aggregate principal amount of \$37,950,000. The bonds are 30 year and bear an annual interest rate of 5% - 6.375%. Interest is paid semi-annually on June 1 and December 1 and principal payments annually beginning December 1, 2019. Annualized payments of \$2,280,000 are required.

2010C Bonds Payable

The Board issued on January 28, 2010 combined utility system revenue bonds, series 2010C (West Virginia SRF Program) for the acquisition and construction of the extension, additions, betterments and improvements of the sewerage portion of the existing public combined utility system in the original aggregate principal amount of \$15,380,277. The bonds bear a 2% interest rate and a 1% administrative fee paid quarterly on March 1, June 1, September 1 and December 1. Annualized payments of \$1,017,898 are required.

2010D Bonds Payable

The Board issued on January 28, 2010 combined utility system revenue bonds, series 2010D (West Virginia DWTRF Program), for the acquisition and construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined utility system in the original aggregate principal amount \$9,317,286. The bonds bear a 2% interest rate paid quarterly on March 1, June 1, September 1 and December 1. Annualized payments of \$566,381 are required.

2010E Bonds Payable

The Board issued on January 28, 2010 combined utility system revenue bonds, series 2010E (West Virginia DWTRF Program/ARRA) for the acquisition and construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined utility system, in the original aggregate principal amount of \$100,000. The bonds bear a 2% interest rate paid quarterly on March 1, June 1, September 1 and December 1. Annualized payments of \$6,079 are required.

2010F Bonds Payable

The Board issued on January 28, 2010 combined utility system revenue bonds, series 2010F (Bank Qualified) in the original aggregate principal amount of \$7,250,000, for the acquisition and construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined utility system. The bonds bear interest rates of 1.5% to 3.2% with a 5.932 year term. Interest is paid semi-annually on June 1 and December 1 and principal payments annually on December 1. Annualized payments of \$1,155,252 are required.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

2012A Bonds Payable

The Board issued on August 24, 2012 \$570,000 combined utility system revenue bonds for construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined waterworks and sewerage system. The construction will be completed fall 2013. The bonds bear an interest rate of .5% and a .5% administrative fee per annum and is payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning June 1, 2014 until March 1, 2044. Annualized payments of \$21,945 plus annual payments of \$2,047 until a reserve requirement of \$20,472 is met.

2012C Bonds Payable

The Board issued on September 28, 2012 \$2,325,000 combined utility system revenue bonds for construction of the extension, additions, betterments and improvements of the storm water portion of the existing public combined utility system. The construction will be completed fall 2013. The bonds bear an interest rate of 2.25% - 4.25%. Interest is payable semi-annually on April 1 and October 1 beginning April 2013 and principal is paid annually on October 1 until October 2032. Annual payments of \$163,920 are required.

2013A Bonds Payable

The Board issued on August 22, 2013 \$4,605,260 combined utility system revenue bonds for the assumption and replacement of the Canyon Public Service District Series 2008A bonds. The bonds bear an interest rate of 0%. Principal is paid quarterly until June 2048.

Long-term debt activity for the year ended June 30, 2014 was as follows:

	<u>Beginning</u>	<u>Payments</u>	<u>Proceeds</u>	<u>Ending</u>	<u>Current Portion</u>
Morgantown 1995	\$ 236,816	\$ (93,312)	\$ -	\$ 143,504	\$ 95,191
Morgantown 2000 A	4,123,092	(323,380)	-	3,799,712	323,384
Morgantown 2000 B	1,735,026	(65,476)	-	1,669,550	65,476
Morgantown 2001 A	814,530	(318,528)	-	496,002	328,191
Morgantown 2006 A	5,038,890	(291,060)	-	4,747,830	296,924
Morgantown 2007 A	7,271,102	(392,547)	-	6,878,555	400,485
Morgantown 2010 A	37,950,000	-	-	37,950,000	-
Morgantown 2010 C	14,907,368	(641,580)	-	14,265,788	654,508
Morgantown 2010 D	8,610,828	(388,667)	254,485	8,476,646	396,494
Morgantown 2010 E	96,925	(4,171)	-	92,754	4,256
Morgantown 2010 F	6,275,000	(990,000)	-	5,285,000	1,005,000
Morgantown 2012A	553,650	(4,406)	16,349	565,593	17,678
Morgantown 2012C	2,330,000	(90,000)	-	2,240,000	90,000
Morgantown 2013A	-	(131,580)	4,605,260	4,473,680	131,580
Total	<u>\$ 89,943,227</u>	<u>\$ (3,734,707)</u>	<u>\$ 4,876,094</u>	<u>\$ 91,084,614</u>	<u>\$ 3,809,167</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

Maturities of the Board's debt for the years subsequent to June 30, 2014 are as follows:

	Annual Principal Payment Requirements					
	1995 Issue Principal	2000A Issue Principal	2000B Issue Principal	2001A Issue Principal	2006A Issue Principal	2007 Issue Principal
2015	\$ 95,191	\$ 323,384	\$ 65,476	\$ 328,191	\$ 296,924	\$ 400,485
2016	48,313	323,384	65,476	167,811	302,907	408,617
2017	-	323,384	65,476	-	309,012	416,759
2018	-	323,384	65,476	-	315,238	425,157
2019	-	323,384	65,476	-	321,590	433,724
2020-2024	-	1,616,920	327,380	-	1,707,805	2,303,290
2025-2029	-	565,872	327,380	-	1,494,354	2,490,523
2030-2034	-	-	327,380	-	-	-
2035-2039	-	-	327,380	-	-	-
2040-2044	-	-	32,650	-	-	-
2045-2048	-	-	-	-	-	-
Total	\$ 143,504	\$ 3,799,712	\$ 1,669,550	\$ 496,002	\$ 4,747,830	\$ 6,878,555

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

Annual Principal Payment Requirements					
	2010A Issue Principal	2010C Issue Principal	2010D Issue Principal	2010E Issue Principal	2010F Issue Principal
2015	\$ -	\$ 654,508	\$ 396,494	\$ 4,256	\$ 1,005,000
2016	-	667,696	404,489	4,341	1,030,000
2017	-	681,151	412,639	4,429	1,050,000
2018	-	694,877	420,954	4,518	1,085,000
2019	-	708,879	429,436	4,609	1,115,000
2020-2024	6,150,000	3,764,501	2,280,522	24,475	-
2025-2029	7,280,000	4,159,383	2,519,736	27,044	-
2030-2034	8,795,000	2,934,793	1,777,891	19,082	-
2035-2039	10,765,000	-	-	-	-
2040-2044	4,960,000	-	-	-	-
2045-2048	-	-	-	-	-
Total	\$ 37,950,000	\$ 14,265,788	\$ 8,642,161	\$ 92,754	\$ 5,285,000

* This is the scheduled amortization from the bond agreement. This assumes that the entire available amount will be drawn down.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

Annual Principal Payment Requirements					
	2012A		2012C		2013
	Issue		Issue		Issue
	Principal		Principal		Principal
2015	\$ 17,678	\$	90,000	\$	131,580
2016	17,766		90,000		131,580
2017	17,855		95,000		131,580
2018	17,945		95,000		131,580
2019	18,034		95,000		131,580
2020-2024	91,527		535,000		657,900
2025-2029	93,854		630,000		657,900
2030-2034	96,230		610,000		657,900
2035-2039	98,662		-		657,896
2040-2044	80,734		-		657,880
2045-2048	15,308		-		526,304
Total	\$ 565,593	\$	2,240,000	\$	4,473,680

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

	Annual Interest Payments					
	1995	2000A	2000B	2001A	2006A	2007
	Issue Interest	Issue Interest	Issue Interest	Issue Interest	Issue Interest	Issue Interest
2015	\$ 2,159	\$ -	\$ -	\$ 11,211	\$ 92,739	\$ 134,580
2016	363	-	-	1,890	86,756	126,511
2017	-	-	-	-	80,652	118,279
2018	-	-	-	-	74,425	109,881
2019	-	-	-	-	68,073	101,314
2020-2024	-	-	-	-	240,511	371,897
2025-2029	-	-	-	-	61,934	126,426
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
2045-2048	-	-	-	-	-	-
Total	\$ 2,522	\$ -	\$ -	\$ 13,101	\$ 705,090	\$ 1,088,888

	Annual Interest Payments					
	2010A(Gross) *	2010C	2010D	2010E	2010F	
	Issue Interest	Issue Interest	Issue Interest	Issue Interest	Issue Interest	**
2015	\$ 2,278,885	\$ 280,427	\$ 169,882	\$ 1,823	\$ 135,585	
2016	2,278,885	267,239	161,892	1,738	113,175	
2017	2,278,885	253,784	153,742	1,650	85,065	
2018	2,278,885	240,059	145,427	1,561	52,498	
2019	2,278,885	226,057	136,944	1,470	17,840	
2020-2024	10,641,656	910,174	551,379	5,917	-	
2025-2029	8,864,893	515,295	312,164	3,350	-	
2030-2034	6,449,325	103,743	62,817	675	-	
2035-2039	3,352,453	-	-	-	-	
2040-2044	238,744	-	-	-	-	
2045-2048	-	-	-	-	-	
Total	\$ 40,941,496	\$ 2,796,778	\$ 1,694,247	\$ 18,184	\$ 404,163	

* Interest shown gross rather than net of the interest credit since future credit rate is questionable. This is the scheduled interest payable from the bond agreement. This assumes that the entire available amount will be drawn down.

** available amount will be drawn down.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

		Annual Interest Payments		
		2012A	2012C	2013
		Issue	Issue	Issue
		Interest	Interest	Interest
2015	\$	2,795	\$ 78,588	\$ -
2016		2,706	76,563	-
2017		2,617	74,481	-
2018		2,528	72,344	-
2019		2,438	69,731	-
2020-2024		10,826	298,319	-
2025-2029		8,510	193,225	-
2030-2034		6,135	52,913	-
2035-2039		3,701	-	-
2040-2044		1,206	-	-
2045-2048		-	-	-
Total	\$	43,462	\$ 916,164	\$ -

NOTE 7 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases insurance through a private carrier for all risks of loss including property insurance, pollution insurance, and bonding.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Board is a guaranteed cost participant in the West Virginia Worker's Compensation Program.

NOTE 8 CONTINGENCIES / PENDING LITIGATION

The Board is a party to various legal proceedings. The Board's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Board's financial position.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

December 12, 2014

Morgantown Utility Board
Monongalia County
278 Greenbag Road
Morgantown, West Virginia 26507

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the **Morgantown Utility Board** (the Board), a component unit of the City of Morgantown, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report dated December 12, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Board's management in a separate letter dated December 12, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

SUPPLEMENTARY FINANCIAL INFORMATION

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
WATER DEPARTMENT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Sale of Water		
Metered Sales	\$ 10,184,187	\$ 10,110,699
Private Fire Protection	286,563	275,294
Total Sales of Water	<u>10,470,750</u>	<u>10,385,993</u>
Other Operating Revenues		
Forfeited Discounts and Penalties	125,072	175,645
Miscellaneous Service Revenues	24,503	24,807
Rents from Water Property	29,300	33,587
Billings Services Revenue	139,898	201,065
Service Connection Fees	21,835	23,035
Total Other Operating Revenues	<u>340,608</u>	<u>458,139</u>
Total Operating Revenues	<u>10,811,358</u>	<u>10,844,132</u>
Source of Supply Expenses		
Operation		
Watershed Protection	4,621	15,442
Maintenance		
Collecting	10,189	37,262
Total Source of Supply Expenses	<u>14,810</u>	<u>52,704</u>
Pumping Expenses		
Operation		
Supervision and Engineering	31,667	22,953
Power and Pumping	213,711	229,262
Labor and Expense	29,217	27,230
Total Operation	<u>274,595</u>	<u>279,445</u>
Maintenance		
Pumping Equipment	32,450	20,480
Total Maintenance	<u>32,450</u>	<u>20,480</u>
Total Pumping Expenses	<u>307,045</u>	<u>299,925</u>
Water Treatment Expenses		
Operation		
Supervision and Engineering	38,017	35,844
Chemicals	341,935	317,315
Labor and Expense	985,971	1,014,324
Depreciation	3,004,639	1,582,280
Total Operation	<u>4,370,562</u>	<u>2,949,763</u>
Maintenance		
Supervision and Engineering	32,044	43,827
Structures and Improvements	163,397	146,471
Water Treatment Equipment	97,079	92,491
Total Maintenance	<u>292,520</u>	<u>282,789</u>
Total Water Treatment Expenses	<u>4,663,082</u>	<u>3,232,552</u>
Transmission and Distribution Expenses		
Operation		
Supervision and Engineering	141,323	153,164
Storage Facilities Expense	30,026	38,283
Transmission and Distribution	61,181	47,092
Meter Expense	77,282	75,056
Customer Installation Expense	14,133	15,032
Mapping and Records Expense	70,853	75,345
Shop Expense	240,236	253,265
Rents	35	210
Depreciation	1,405,989	954,607
Total Operation	<u>2,041,058</u>	<u>1,612,054</u>
Maintenance		
Supervision and Engineering	88,746	61,711
Structures and Improvements	8,670	4,754
Transmission and Distribution Main	464,751	461,793
Services	95,718	92,694
Meters	100,064	97,779
Hydrants	33,404	63,879
Total Maintenance	<u>791,353</u>	<u>782,610</u>
Total Transmission and Distribution Expenses	<u>\$ 2,832,411</u>	<u>\$ 2,394,664</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
WATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)

	<u>2014</u>	<u>2013</u>
Billing and Collecting Expenses		
Meter Reading and Expenses	\$ 77,858	\$ 83,291
Customer Accounts Expenses	167,276	174,480
Uncollectible Accounts	26,462	26,275
Total Billing and Collecting Expenses	<u>271,596</u>	<u>284,046</u>
Administrative and General Expenses		
Administrative and General Salaries	55,855	61,908
Other General Office Salaries	278,187	237,075
Office Supplies and Other Expenses	47,594	50,981
Regulatory Commission Expense	36,885	17,776
Outside Services	33,790	31,616
Special Legal Services	10,117	11,819
Employee Pensions and Benefits	411,944	370,437
Employee Welfare Expenses	1,257,995	1,264,575
Insurance	151,817	153,559
Injuries and Damages	137,389	123,095
Employer's FICA Tax	229,358	230,751
Administrative Expenses Allocated to Overhead	(344,675)	(294,929)
Maintenance Expenses Structures	2,309	4,019
Office Furniture and Equipment	50,897	47,195
Communication Equipment	9,471	7,690
Miscellaneous Property	12,117	24,845
Employee Training	15,634	16,654
Miscellaneous General Expenses	136,875	132,302
Total Administrative and General Expenses	<u>2,533,559</u>	<u>2,491,368</u>
Total Operation and Maintenance Expense	<u>10,622,503</u>	<u>8,755,259</u>
Operating Income (Loss)	188,855	2,088,873
Other Nonoperating Income		
Other Income	747,200	695,703
Interest and Dividend Income	114,943	126,242
Unrealized Gain (Loss) on Investment	198,645	39,916
Total Other Nonoperating Income	<u>1,060,788</u>	<u>861,861</u>
Other Nonoperating Expenses		
Interest on Financing	2,627,460	2,625,110
Amortization of Financing Costs	87,980	87,563
Administrative Expense of Bonds	491	
Interest on Customer Deposits	915	3,656
Total Other Nonoperating Expenses	<u>2,716,846</u>	<u>2,716,329</u>
Net Nonoperating Income (Expenses)	(1,656,058)	(1,854,468)
Net Income (Loss)	<u>\$ (1,467,203)</u>	<u>\$ 234,405</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Sewer Utility Income		
Domestic, Public and Industrial Service	\$ 7,587,873	\$ 7,271,793
Service to Other Systems	803,567	861,493
Other Sewerage Service	85,685	81,894
Total Sewer Utility Income	<u>8,477,125</u>	<u>8,215,180</u>
Other Sewerage Income		
Forfeited Discounts and Penalties	99,195	119,763
Merchandising, Jobbing and Contract Other Operating Income	8,969	9,259
Total Other Sewerage Income	<u>108,164</u>	<u>129,022</u>
Total Operating Revenues	<u>8,585,289</u>	<u>8,344,202</u>
Collecting Expenses		
Operation		
Supervision and Engineering	136,860	144,472
Labor	105,511	123,079
Supply and Expense	122,355	113,412
Total Operation	<u>364,726</u>	<u>380,963</u>
Maintenance		
Supervision and Engineering	53,424	59,821
Service Connection and Traps	224,303	161,133
Collecting and Transmission Mains	353,717	250,895
Depreciation	1,210,884	1,026,769
Total Maintenance	<u>1,842,328</u>	<u>1,498,618</u>
Total Collecting Expenses	<u>2,207,054</u>	<u>1,879,581</u>
Pumping Expenses		
Operation		
Labor	77,006	72,591
Power and Fuel	151,013	138,001
Supplies and Expenses	18,369	21,459
Total Operation	<u>246,388</u>	<u>232,051</u>
Maintenance		
Pumping Equipment	108,569	100,757
Depreciation	529,030	360,592
Total Maintenance	<u>637,599</u>	<u>461,349</u>
Total Pumping Expenses	<u>883,987</u>	<u>693,400</u>
Treatment and Disposal Expenses		
Operation		
Supervision and Engineering	29,468	21,338
Labor	394,064	369,610
Supplies and Expense	391,724	388,422
Chemical and Treatment Expense	172,162	175,623
Total Operation	<u>987,418</u>	<u>954,993</u>
Maintenance		
Supervision and Engineering	32,067	24,320
Structures and Improvements	55,511	30,069
Treatment and Disposal System	244,994	234,604
Depreciation	842,653	747,731
Total Maintenance	<u>1,175,225</u>	<u>1,036,724</u>
Total Treatment and Disposal Expenses	<u>\$ 2,162,644</u>	<u>\$ 1,991,718</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
SEWER DEPARTMENT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)

	<u>2014</u>	<u>2013</u>
Billing and Collecting Expenses		
Meter Reading Expenses	\$ 175,762	\$ 157,824
Customer Accounts Expenses	110,114	95,611
Uncollectible Accounts	25,432	24,633
Total Billing and Collecting Expense	<u>311,308</u>	<u>278,068</u>
 Administrative and General Expenses		
Administrative and General Salaries	47,265	49,053
Other General Office Salaries	227,716	186,717
Office Supplies and Other Expenses	39,924	38,552
Regulatory Commission Expense	40,163	29,822
Outside Services	27,430	24,960
Special Legal Services	8,390	9,627
Employee Pensions and Benefits	346,740	294,838
Employee Welfare Expenses	1,128,087	1,060,834
Insurance	185,086	155,329
Injuries and Damages	128,840	147,964
Employer's FICA Tax	192,764	183,016
Administrative Expenses Allocated to Overhead	(209,903)	(236,886)
Maintenance Expenses Structures	14,011	7,573
Office Furniture and Equipment	42,638	37,731
Communication Equipment	8,665	6,171
Miscellaneous Property	14,188	24,245
Employee Training	26,287	14,922
Miscellaneous General Expenses	56,632	48,808
Total Administrative and General Expense	<u>2,324,923</u>	<u>2,083,276</u>
 Total Operation and Maintenance Expense	<u>7,889,916</u>	<u>6,926,043</u>
 Operating Income (Loss)	695,373	1,418,159
 Other Nonoperating Income		
Other Income	3,170	(23,985)
Interest and Dividend Income	90,118	99,035
Unrealized Gain (Loss) on Investment	163,965	19,245
Total Other Nonoperating Income	<u>257,253</u>	<u>94,295</u>
 Other Nonoperating Expenses		
Interest on Financing	394,289	359,673
Amortization of Financing Costs	7,227	7,938
Administrative Costs of Bonds	119,481	106,577
Interest on Customer Deposits	493	1,950
Total Other Nonoperating Expenses	<u>521,490</u>	<u>476,138</u>
 Net Nonoperating Income (Expenses)	(264,237)	(381,843)
 Net Income (Loss)	<u>\$ 431,136</u>	<u>\$ 1,036,316</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
CHEAT SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Cheat Sewer Revenues	\$ 1,219,714	\$ 1,190,086
Forfeited Discounts and Penalties	18,440	22,522
	<u>1,238,154</u>	<u>1,212,608</u>
Collecting Expenses		
Operation		
Supervision and Engineering	973	888
Labor	30,175	24,033
Total Operation	<u>31,148</u>	<u>24,921</u>
Maintenance		
Supervision and Engineering	18,558	23,501
Service Connection and Traps	4,636	9,078
Collecting and Transmission Mains	24,175	31,096
Depreciation	500,790	497,864
Total Maintenance	<u>548,159</u>	<u>561,539</u>
Total Collecting Expenses	<u>579,307</u>	<u>586,460</u>
Pumping Expenses		
Operation		
Labor	30,273	34,785
Power and Fuel	31,484	31,377
Supplies and Expenses	12,279	23,384
Total Operation	<u>74,036</u>	<u>89,546</u>
Maintenance		
Pumping Equipment	42,795	45,987
Total Maintenance	<u>42,795</u>	<u>45,987</u>
Total Pumping Expenses	<u>116,831</u>	<u>135,533</u>
Treatment and Disposal Expenses		
Operation		
Supervision and Engineering	19,872	3,536
Labor	63,109	67,538
Supplies and Expense	147,544	166,571
Total Operation	<u>230,525</u>	<u>237,645</u>
Maintenance		
Structures and Improvements	1,333	711
Treatment and Disposal System	42,958	24,251
Total Maintenance	<u>44,291</u>	<u>24,962</u>
Total Treatment and Disposal Expenses	<u>\$ 274,816</u>	<u>\$ 262,607</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
CHEAT SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)

	<u>2014</u>	<u>2013</u>
Billing and Collecting Expenses		
Meter Reading Expenses	\$ 31,831	\$ 33,048
Customer Accounts Expenses	21,933	22,998
Uncollectible Accounts	4,133	4,178
Total Billing and Collecting Expense	<u>57,897</u>	<u>60,224</u>
Administrative and General Expenses		
Administrative and General Salaries	47,968	30,242
Office Supplies and Other Expenses	(12,802)	(11,443)
Regulatory Commission Expense	5,269	4,484
Outside Services	2,981	2,259
Employee Pensions and Benefits	121,511	77,027
Insurance	179,377	129,848
Employer's FICA Tax	33,946	23,509
Employee Training	2,676	1,276
Miscellaneous General Expenses	7,307	5,597
Total Administrative and General Expense	<u>388,233</u>	<u>262,799</u>
Total Operation and Maintenance Expense	<u>1,417,084</u>	<u>1,307,623</u>
Operating Income (Loss)	(178,930)	(95,015)
Other Nonoperating Expenses		
Administrative Costs of Bonds	19,807	19,807
Total Other Nonoperating Expenses	<u>19,807</u>	<u>19,807</u>
Net Income (Loss)	<u>\$ (198,737)</u>	<u>\$ (114,822)</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
STORM WATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Storm Water Revenues	\$ 1,810,694	\$ 1,663,121
Forfeited Discounts and Penalties	21,046	26,889
	<u>1,831,740</u>	<u>1,690,010</u>
Collecting Expenses		
Operation		
Supervision and Engineering	15,910	15,480
Labor	65,612	50,589
Total Operation	<u>81,522</u>	<u>66,069</u>
Maintenance		
Supervision and Engineering	137,655	62,360
Service Connection and Traps	196,507	182,676
Depreciation	556,435	423,432
Total Maintenance	<u>890,597</u>	<u>668,468</u>
Total Collecting Expenses	<u>972,119</u>	<u>734,537</u>
Billing and Collecting Expenses		
Customer Accounts Expenses	79,484	74,710
Uncollectible Accounts	6,217	5,898
Total Billing and Collecting Expense	<u>85,701</u>	<u>80,608</u>
Administrative and General Expenses		
Administrative and General Salaries	50,359	45,447
Office Supplies and Other Expenses	(42,986)	(41,847)
Regulatory Commission Expense	-	159
Outside Services	2,981	3,163
Employee Pensions and Benefits	120,918	108,126
Insurance	164,938	162,212
Employer's FICA Tax	34,328	32,913
Employee Training	5,955	7,784
Administrative Expense on Debt	44,174	44,194
Public Outreach	12,161	11,266
Miscellaneous General Expenses	8,926	9,858
Total Administrative and General Expense	<u>401,754</u>	<u>383,275</u>
Total Operation and Maintenance Expense	<u>1,459,574</u>	<u>1,198,420</u>
Operating Income (Loss)	372,166	491,590
Other Nonoperating Expenses		
Interest on Debt	220,028	185,593
Amortization of Debt	9,081	7,286
Total Other Nonoperating Expenses	<u>229,109</u>	<u>192,879</u>
Net Income (Loss)	<u>\$ 143,057</u>	<u>\$ 298,711</u>