

Monongalia County
RFP # 12-155

MORGANTOWN UTILITY BOARD
(Component Unit of the City of Morgantown)
Monongalia County
Single Audit
For the Years Ended June 30, 2013 and 2012

Perry & Associates
Certified Public Accountants, A.C.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position.....	14
Statements of Revenues, Expenses and Changes in Net Position.....	15
Statements of Cash Flows.....	16
Notes to the Financial Statements.....	17
Schedule of Federal Awards Expenditures	30
Notes to the Schedule of Expenditures of Federal Awards	31
Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	32
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	34
Schedule of Audit Findings - OMB Circular A-133 § .505	36
Supplementary Financial Information:	
Water Department	
Statements of Revenues, Expenses and Changes in Net Position.....	38
Sewer Department	
Statements of Revenues, Expenses and Changes in Net Position.....	40
Cheat Sewer Department	
Statements of Revenues, Expenses and Changes in Net Position.....	42
Storm Water Department	
Statements of Revenues, Expenses and Changes in Net Position.....	44

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INDEPENDENT AUDITOR'S REPORT

December 10, 2013

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, 2013 and 2012, 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, 2013 and 2012, 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 Schedule of Expenditures of Federal Awards also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The statements and 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 10, 2013, 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.

Respectfully submitted,



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, 2013 and 2012
(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, 2013. 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, 2013, less than \$2 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, 2013 \$746,400 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. The project began late summer 2013 and the majority of the proceeds were unspent as of June 30, 2013.
- MUB's rate increase to fund the debt service for the January 2010 issues became effective January 1, 2012. The June 30, 2013 revenues represent the full impact of the rate increase. Morgantown water saw an increase in operating revenue of over \$2.48 million over 2012 and the increase in Morgantown sewer operating revenue was \$579,000.
- MUB's combined operating expenses increased by approximately 10% or \$1,157,000 from the prior year.
- MUB's net property plant and equipment increased by nearly \$3 million in 2013. Additions to utility plant in service were over \$85 million. Retirements from utility plant in service totaled \$2.25 million. Several large construction projects were placed in service. Construction work in progress decreased to \$5.3 million at June 30, 2013.
- With the large additions to utility plant, depreciation expense increased by over \$2 million to nearly \$5.6 million for 2013.
- The market value of MUB's investment portfolio increased by \$830,000 over the past year.

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.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)

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 position 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.

FINANCIAL ANALYSIS

Changes in Net Position

Net Position

MUB's combined net position increased by \$4,431,057 over the previous year to \$100,925,868. Of this total \$96,288,305 was net investment in capital assets, \$3,023,592 restricted for debt service, and \$1,613,971 unrestricted.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)

Schedule of Net Position

	2013	2012	2011
Assets			
Current Assets	\$ 6,269,974	\$ 6,109,535	\$ 5,977,560
Noncurrent Assets	15,781,760	14,171,425	22,588,857
Capital Assets, net	182,697,188	179,750,006	166,935,801
Total Assets	\$ 204,748,922	\$ 200,030,966	\$ 195,502,218
Liabilities			
Current Liabilities	6,288,859	5,907,704	6,800,169
Noncurrent Liabilities	97,534,195	97,628,451	96,785,952
Total Liabilities	\$ 103,823,054	\$ 103,536,155	\$ 103,586,121
Net Position			
Net Investment in Capital Assets	96,288,305	93,643,727 *	90,397,435
Restricted for Debt Service	3,023,592	2,570,594	2,083,775
Unrestricted	1,613,971	280,490 *	(565,113)
Total Net Position	\$ 100,925,868	\$ 96,494,811	\$ 91,916,097

* 2012 and 2011 amounts were reclassified.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)

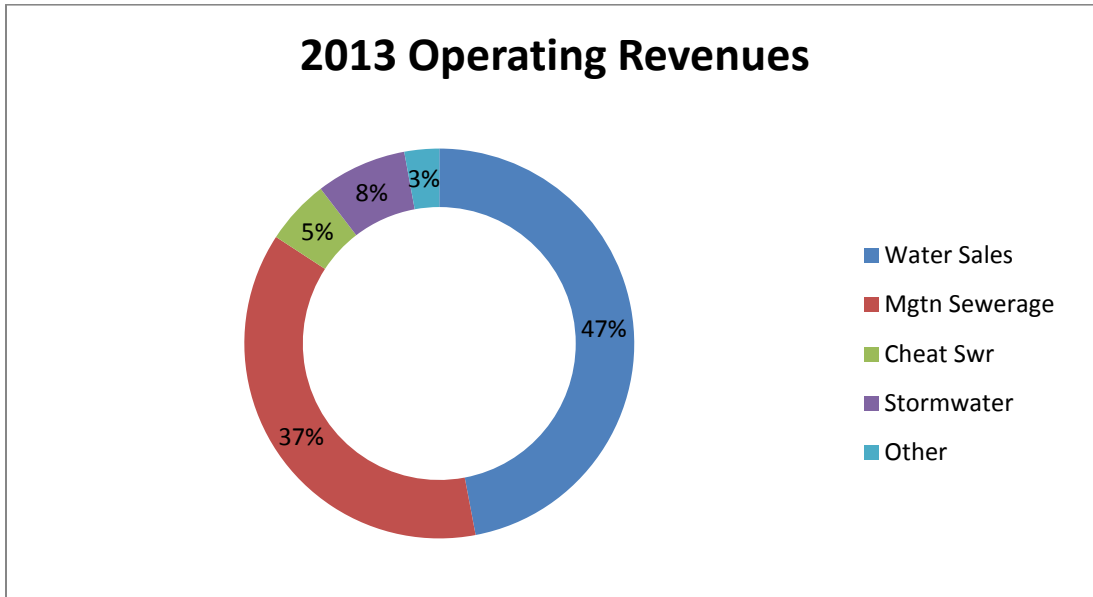
Schedule of Revenues, Expenses and Changes in Net Position

	2013	2012	2011
Operating Revenues:			
Water Sales	\$ 10,385,993	\$ 7,906,465	\$ 5,679,510
Sewer Sales	9,405,266	8,815,196	7,873,064
Storm Water Sales	1,663,121	1,779,787	1,629,561
Misc / Other	636,572	462,267	392,825
Total Operating Revenues	22,090,952	18,963,715	15,574,960
Operating Expenses:			
Operations	10,211,470	9,441,999	8,772,367
Maintenance	2,327,138	2,017,791	2,156,806
Depreciation	5,593,277	3,486,571	3,465,431
Total Operating Expenses	18,131,885	14,946,361	14,394,604
Operating Income	3,959,067	4,017,354	1,180,356
Net Nonoperating Income (Expense)	(2,504,457)	(1,175,308)	(584,431)
Income Before Capital Contributions	1,454,610	2,842,046	595,925
Capital Contributions	2,976,447	1,736,668	2,027,721
Change in Net Position	4,431,057	4,578,714	2,623,646
Net Position Beginning of Year	96,494,811	91,916,097	89,292,451
Net Position End of Year	\$ 100,925,868	\$ 96,494,811	\$ 91,916,097

Operating revenues of \$22,091,000 increased by \$3,127,000 from the prior fiscal year, reflecting a full impact of the January 1, 2012 Morgantown water and sewer rate increase. Service revenues are the primary revenue source accounting for 97% of operating revenues.

Income from investments was \$270,000, a 46% increase over 2012. Income from the investment portfolio is used to subsidize both operations and maintenance as well as system capital improvements. At June 30, 2013 the market value of the portfolio was nearly \$7 million. Market exceeded cost by \$400,000.

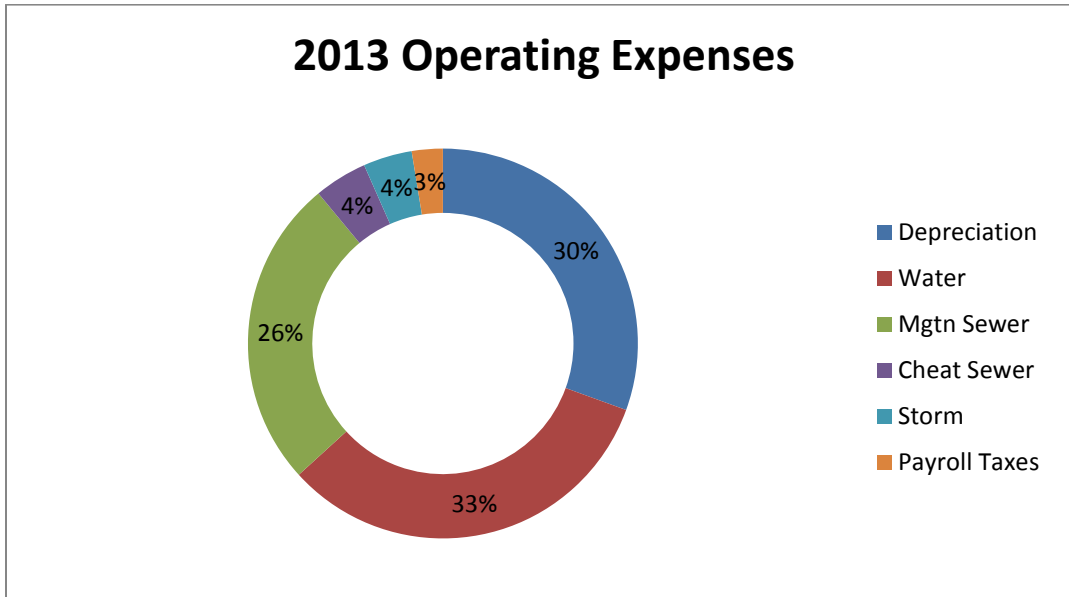
MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)



Operating expenses in 2013 increased by over \$1 million or nearly 9.5% over 2012. Notable increases are attributed to funding employee benefits (\$267,000) such as health insurance, workers compensation, paid time off, and retirement; sewage lift station repairs (\$83,000); additional increases in costs related to the conversion of billing customers bi-monthly from quarterly (\$93,000); additional administrative expense on debt (\$70,000); and increased cost of insurance (\$46,000).

From year to year, we will see shifts in operation and maintenance costs between water, sewer and stormwater, depending upon concentration of efforts. We also see a shift in efforts between operation and maintenance work versus capital improvements. In 2013, we saw an increase in operation and maintenance costs of \$244,000 in water transmission and distribution expenses and \$98,000 increase in sewer collecting expenses.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)



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 2013, MUB budgeted total revenues were \$22.9 million actual revenues were \$23.1 million. Actual revenues exceeded budget by \$229,000 or about 1%. Budgeted expenses, excluding depreciation, were \$13.7 million. Actual expenses were \$13.2 million – 4% under budget.

A total of \$8.9 million was spent on capital improvements.

Capital Asset and Debt Administration

Capital Assets

At the end of 2013, MUB had \$269 million invested in capital assets (\$183 million net of accumulated depreciation), including treatment facilities; buildings; equipment; and water, sewer, and storm lines. Major additions during the fiscal year included:

- \$1,092,310 – Upgrades to the Morgantown water treatment plant including 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.
- \$945,000 – Stabilize 36" force main and 42" Central Mon Interceptor along rail trail. This project included the installation of two retaining wall systems to protect the 42" gravity sewer system and the 36" force main from slippage of the river banks.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)

- \$907,000 – Whispering Woods tank, booster and water system. The work includes construction of: +/- 14,405 of 8” PVC Water Line, +/-925 of 8” DIP Water Line, +/-2,025 feet of 6” PVC Water Line, +/-3,060 feet of 4” PVC Water Line, and +/-1,150 feet of 2” PVC, 11 Fire Hydrants with shut-off valves and laterals, a duplex 100gpm Water Booster Station, a water storage tank and all other related appurtenances.
- \$794,000 – Installation of water and sewer Airport Armory. This project included the construction of approx. 3,050 ft of 12” ductile iron water line and 4,460 ft of 15” PVC and 375 ft of 12” PVC sanitary sewer line to serve the new Airport Armory Readiness Center.
- \$713,000 Hartman Run Route 7 improvements. This project included the construction of a 5 x 12 stormwater box culvert and a 6 x 10 stormwater box culvert that was needed to alleviate flooding problems in the Sabraton area.
- \$351,000 – Installation of new and replacement water services.
- \$334,000 – Relocate waterline for Mileground Round About. This project included the installation of approximately 1,100 ft of 12” DI water line to accommodate the construction of a Round About roadway intersection.
- \$315,000 – Sewer extension for Shiloh Development. This project includes the installation of approx. 6,300 ft of 8”gravity sewer line and 30 manholes.
- \$298,000 – New water booster and tank to serve the Meadows development. This project includes the installation of a duplex 130 gpm booster station and a 53,000 gallon water storage tank.
- \$281,000 – Installation of new and renewal sewer services
- \$280,000 – Purchase of transportation vehicles and various equipment.
- \$280,000 of annual refunds of construction deposits to developers on main line extension projects for customers accepting service from extensions.
- \$233,000 - Install new 2 million gallon water tank at Wiles Hill. Includes stabilization of the mining voids located beneath the site, foundation, and a 2 million gallon glass lined storage tank.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)

- \$143,000 – Gateway Development Chaplin Fire hydrants and fire services. This project included the installation of approximately 3,135 ft of 8” PVC waterline, 3 fire hydrants and 3 fire services.
- \$122,000 – Relocate 12” ductile iron waterline in Sabraton. This project was completed as the preliminary step to allow the construction of a 5 x 12 box stormwater box culvert that was needed to alleviate flooding problems in the Sabraton area.
- \$101,000 – Upgrade Cobun Creek Lift Station. This project included the complete replacement of the Cobun Creek lift Station. The pumps in the station were undersized for the flows into the station. Additionally, the wet well was undersized and cleaning access was very difficult.
- \$122,000 – Install 2,220 feet of sanitary sewer and 13 manholes for Summit in Greystone and 1,085’ waterline.
- \$87,000 – software / hardware purchases and updates.

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 24, 2012 MUB issued 2012 Series A West Virginia DWTRF Program principal amount \$570,000. Cumulative draws through June 30 totaled \$553,650.

On September 28, 2012 MUB issued 2012 Series C Municipal Bond Issue principal amount \$2,325,000. As of June 30, \$2.1 million is unspent.

On December 1, 2012, the \$11.9 million 1992 issue matured.

Cumulative draws are \$15,380,227, which represents the full amount of principal, for the 2010 SRF Program Bonds and \$9,244,581 for the 2010 DWTRF Program Bonds through June 30, 2013. Total spent of the 2010 municipal issues of Series A and F through June 30 was \$38,827,552.

During the fiscal year MUB retired \$3.5 million of existing debt. Draws on the 2010 and 2012 issues totaled \$2.1 million. Current year draws plus the 2012C issue resulted in over \$4.2 million of new debt. At June 30, 2013, MUB had \$90 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 2012-2013 fiscal year, the Morgantown Utility Board (MUB) returned to a more 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 a combined \$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.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)

Stormwater rates were increased by 10% in April 2012 to support a \$2.6 million stormwater project in the Sabraton area of Morgantown. Water rates are expected to increase in two steps, of 5% in 2014, and 5% in 2015, in order to fund increased O&M costs. Sanitary sewer rates will remain unchanged, but for an increase in the Cheat Lake area, which is expected to increase 12% in mid/late 2014, and 12% in mid/late 2015. The increases at Cheat Lake are intended to 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 began to increase in the current fiscal year, reflecting recovery from the slowdown of the national and local economy. Most new system additions were 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 began work to acquire the Scotts Run PSD sanitary sewer system (approximately 1000 customers). The acquisition of Scotts Run PSD is expected to be completed in calendar year 2014.

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 continue to await approval of the LTCP by DEP. In order to stay on schedule for construction in 2016-17, we began preliminary engineering for Phase 1 in 2013, and will request that DEP issue formal approval of the LTCP so that detailed project design may commence in early 2014. The estimated cost of the Phase 1 project now tentatively approaches \$70 million, reflecting an increase in project scope to provide other necessary updates to the Wastewater Treatment Plant (WWTP) and the sanitary sewer system.

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.

MUB continues to see a growing shift of costs from the capital budgets to the operation and maintenance budgets of the water, wastewater and stormwater operations. This results from a combination of the above mentioned economic slowdown and related decline in system additions, coupled with 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, resulting, in part, from new efforts to monitor and minimize impacts upon the raw water supply from gas drilling operations in the Marcellus Shale. However, a downturn in drilling activity will allow these costs to remain stable and perhaps soften to some degree.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Management's Discussion and Analysis
For the Years Ending June 30, 2013 and 2012
(Unaudited)

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
(A Component Unit of the City of Morgantown)
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,689,751	\$ 1,604,837
Accounts Receivable Net	1,499,610	1,578,588
Other Accounts Receivable	778,771	554,890
Interest and Dividend Receivable	30,800	30,149
Materials at Average Cost	1,076,694	982,303
Deposits and Prepayments	113,393	115,887
Accrued Utility Revenue	<u>1,080,955</u>	<u>1,242,881</u>
Total Current Assets	<u>6,269,974</u>	<u>6,109,535</u>
Capital Assets:		
Construction Work In Progress	5,261,674	81,972,959
Land	1,451,027	1,451,027
Intangible Plant	376,834	376,834
Buildings & Structures	26,819,480	21,330,544
Water Transmission & Distribution System	63,607,926	52,023,513
Sewer & Storm Collection System	86,736,541	67,410,907
Treatment Plant Equipment	72,780,632	30,933,226
Office Furniture & Equipment and Computer System	4,498,670	2,473,985
Vehicles & Heavy Duty Equipment	<u>7,306,222</u>	<u>4,408,999</u>
Total Capital Assets	268,839,006	262,381,994
Less: Accumulated Depreciation	<u>(86,141,818)</u>	<u>(82,631,988)</u>
Total Net Capital Assets	<u>182,697,188</u>	<u>179,750,006</u>
Restricted Assets:		
Sinking Fund Investments	3,023,592	2,570,594
Bond Construction Accounts	<u>3,534,344</u>	<u>3,214,377</u>
Total Restricted Assets	<u>6,557,936</u>	<u>5,784,971</u>
Noncurrent Assets:		
Investments	6,979,140	6,151,345
Deferred Financing Costs	2,233,453	2,200,044
Other Net	<u>11,231</u>	<u>35,065</u>
Total Noncurrent Assets	<u>9,223,824</u>	<u>8,386,454</u>
TOTAL ASSETS	<u>204,748,922</u>	<u>200,030,966</u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	1,713,090	1,387,430
Accrued Payroll	520,163	501,974
Billing Services Payable	258,156	268,279
Current Portion of Long-Term Debt	3,598,131	3,547,925
Deferred Revenue	52,579	55,946
Other Accrued Liabilities	<u>146,740</u>	<u>146,150</u>
Total Current Liabilities	<u>6,288,859</u>	<u>5,907,704</u>
Noncurrent Liabilities:		
Liabilities from Restricted Assets:		
Customer deposits	692,383	657,254
Accrued Administrative Costs on Bonds	6,710	6,786
Accrued Interest on Bonds	69,919	24,435
Interest on Customer Deposits	6,199	6,307
Total Liabilities from Restricted Assets	<u>775,211</u>	<u>694,782</u>
Advances on Construction	10,413,888	11,160,938
Long-term Bonds Payable	<u>86,345,096</u>	<u>85,772,731</u>
Total Noncurrent Liabilities	<u>97,534,195</u>	<u>97,628,451</u>
TOTAL LIABILITIES	<u>103,823,054</u>	<u>103,536,155</u>
Net Position:		
Net Investment in Capital Assets (See Note 9)	96,288,305	93,643,727
Restricted Net Position	3,023,592	2,570,594
Unrestricted Net Position (See Note 9)	<u>1,613,971</u>	<u>280,490</u>
Total Net Position	<u>100,925,868</u>	<u>96,494,811</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 204,748,922</u>	<u>\$ 200,030,966</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)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Water Sales Revenue	\$ 10,385,993	\$ 7,906,465
Sewerage Service Revenue	9,405,266	8,815,196
Stomwater Service Revenue	1,663,121	1,779,787
Billing Services Revenue	201,065	146,917
Forfeited Discounts	344,819	197,603
Rents from Water Property	33,587	47,557
Service Connection fees - Water	23,035	23,150
Other Operating Revenues	<u>34,066</u>	<u>47,040</u>
Total Operating Revenues	<u>22,090,952</u>	<u>18,963,715</u>
WATER OPERATING EXPENSES:		
Source of Supply	52,704	127,247
Pumping	299,925	735,184
Water Treatment	3,232,552	1,598,234
Transmission and Distribution	2,394,664	2,051,874
Customer Accounts	284,046	248,084
Administrative and General	<u>2,491,368</u>	<u>2,271,576</u>
Total Water Operating Expenses	<u>8,755,259</u>	<u>7,032,199</u>
SEWER OPERATING EXPENSES:		
Collecting	2,466,041	2,091,197
Pumping	828,933	610,445
Treatment and Disposal	2,254,325	1,870,843
Billing and Collecting	338,292	289,252
Administrative and General	<u>2,346,075</u>	<u>2,063,331</u>
Total Sewer Operating Expenses	<u>8,233,666</u>	<u>6,925,068</u>
STORMWATER UTILITY OPERATING EXPENSES:		
Collecting	734,537	651,183
Billing and Collecting	80,608	69,685
Administrative and General	<u>327,815</u>	<u>268,227</u>
Total Stormwater Operating Expenses	<u>1,142,960</u>	<u>989,095</u>
Total Operating Expenses	<u>18,131,885</u>	<u>14,946,361</u>
Operating Income(Loss)	<u>3,959,067</u>	<u>4,017,354</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	225,277	191,563
Interest on Financing	(3,170,376)	(1,806,870)
Other	<u>440,642</u>	<u>439,999</u>
Total Non-Operating Revenues(Expenses)	<u>(2,504,457)</u>	<u>(1,175,308)</u>
Net Income/(Loss) Before Contributed Capital	1,454,610	2,842,046
Contributed Capital	<u>2,976,447</u>	<u>1,736,668</u>
Change in Net Position	4,431,057	4,578,714
Total Net Position-Beginning	<u>96,494,811</u>	<u>91,916,097</u>
Total Net Position-Ending	<u>\$ 100,925,868</u>	<u>\$ 96,494,811</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, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities:		
Cash Received from Sales and Tap Fees	\$ 21,494,438	\$ 18,002,538
Cash Received from Rental Fees	33,587	47,557
Cash Received from Reimbursement and Miscellaneous Income	576,583	381,948
Cash Payments to Suppliers for Goods and Services	(7,702,669)	(8,926,992)
Cash Payments to Employees for Services	(4,310,734)	(4,769,540)
	<u>10,091,205</u>	<u>4,735,511</u>
Net Cash Provided by (Used by) Operations		
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(5,744,011)	(14,750,250)
Proceeds from New Issuance	4,170,495	3,754,937
Principal Paid on Long-Term Debt	(3,547,924)	(2,128,512)
Interest Paid	(3,124,892)	(1,810,661)
(Increase) Decrease in Sinking Fund	(452,998)	(486,819)
(Increase) Decrease in Bond Construction Account	(319,967)	7,941,491
Advances on Construction	(747,050)	518,768
(Increase) Decrease in Deferred Financing Net of Amortization	(136,195)	-
(Increase) Decrease in Accrued Administrative Cost on Bonds	(76)	-
Customer Deposits Including Interest	35,021	120,640
Other Nonoperating Income	440,642	439,999
Change in Other Assets Net	23,834	1,372
	<u>(9,403,122)</u>	<u>(6,399,035)</u>
Net Cash Provided by (Used by) Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Proceeds from Sales of Investments	352,762	2,700,449
Purchase of Investments	(1,180,558)	(1,822,687)
Interest Received	224,626	196,389
	<u>(603,169)</u>	<u>1,074,151</u>
Net Cash Provided by (Used by) Investing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>84,914</u>	<u>(589,372)</u>
Cash and Cash Equivalents - July 1	<u>1,604,837</u>	<u>2,194,209</u>
Cash and Cash Equivalents - June 30	<u>\$ 1,689,751</u>	<u>\$ 1,604,837</u>
Cash Flows from Operating Activities:		
Operating Income	\$ 3,959,067	\$ 4,017,354
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	5,876,063	3,756,228
(Increase) Decrease in Accounts Receivable	(144,903)	(341,062)
(Increase) Decrease in Materials	(94,391)	(136,364)
(Increase) Decrease in Deposits and Prepayments	2,494	(67,769)
(Increase) Decrease in Accrued Utility Revenue	161,926	(180,998)
Increase (Decrease) in Accounts Payable	325,660	(2,479,505)
Increase (Decrease) in Accrued Payroll	18,189	69,047
Increase (Decrease) in Billing Services Payable	(10,123)	82,395
Increase (Decrease) in Deferred Revenue	(3,367)	(9,612)
Increase (Decrease) in Other Current Accrued Liabilities	590	25,797
	<u>6,132,138</u>	<u>718,157</u>
Total Adjustments		
Net Cash Provided by (Used by) Operating Activities	<u>\$ 10,091,205</u>	<u>\$ 4,735,511</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)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

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 position (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, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012

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.

Change in Accounting Principle – The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

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.

NOTE 2 - CASH AND INVESTMENTS

The carrying amount of the Board’s cash deposits was \$1,689,751 at June 30, 2013. The bank balance at June 30, 2013 was \$2,103,750 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, 2013 consisted of the following:

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

	Cost	Fair Value
Cash Deposits		
Demand Deposits	\$ 1,689,751	\$ 1,689,751
Cash and Investments with Fiscal Agents		
Cash	6,871,352	6,871,352
Investment Agreements		
Fixed Income	4,733,666	4,747,171
Equities	1,519,114	1,918,553
Total Cash and Investments	\$ 14,813,883	\$ 15,226,827

Note that the Board held \$1,510 in petty cash at June 30, 2013

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.

Quality Rating	Fair Value	Percent
AA+	\$ 2,011,356	42.4%
AA	414,086	8.7%
AA-	102,459	2.2%
A+	284,431	6.0%
A	265,913	5.6%
Not Rated	1,668,927	35.1%
Total	\$ 4,747,172	100.0%

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 \$21,407 and \$28,194 in 2013 and 2012, 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, 2013 and 2012

NOTE 4 - CAPITAL ASSETS

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	\$ 8,710,501	\$ (85,421,787)	\$ 5,261,674
Land	1,451,027	-	-	1,451,027
Intangible Plant	376,834	-	-	376,834
Buildings & Structures	21,330,544	5,788,385	(299,449)	26,819,480
Water Transmission & Distribution System	52,023,513	11,927,610	(343,197)	63,607,926
Sewer & Storm Collection System	66,281,493	20,554,635	(99,587)	86,736,541
Treatment Plant Equipment	32,062,641	41,919,522	(1,201,531)	72,780,632
Office Furniture & Equipment and Computer System	2,473,985	2,166,218	(141,533)	4,498,670
Vehicles & Heavy Duty Equipment	4,408,999	3,065,415	(168,192)	7,306,222
Total Capital Assets	262,381,996	94,132,286	(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	\$ 88,359,008	\$ (85,411,826)	\$ 182,697,188
 Depreciation Expense Charged to Operations	 -	 \$ 5,593,277	 -	 -

The Board adopted a new chart of accounts in order to comply with the Public Service Commission's order that all public service districts in the State of West Virginia report using the 1996 Chart of Accounts set forth by the National Association of Regulatory Utility Commissioners. Since the adoption changed the classification of capital assets those capital assets were reclassified for the prior year presentation.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements & Transfers to Utility Plant	Ending Balance
CWIP	\$ 68,869,108	\$ 16,470,008	\$ (3,366,156)	\$ 81,972,960
Land	1,450,727	300	-	1,451,027
Intangible Plant	376,834	-	-	376,834
Buildings & Structures	21,320,690	9,854	-	21,330,544
Water Transmission & Distribution System	50,735,401	1,324,589	(36,477)	52,023,513
Sewer & Storm Collection System	65,501,738	820,536	(40,781)	66,281,493
Treatment Plant Equipment	30,877,264	1,210,877	(25,500)	32,062,641
Office Furniture & Equipment and Computer System	2,473,985	-	-	2,473,985
Vehicles & Heavy Duty Equipment	4,408,999	-	-	4,408,999
Total Capital Assets	246,014,746	19,836,164	(3,468,914)	262,381,996
Less: Accumulated Depreciation	(79,078,945)	(3,666,574)	113,529	(82,631,990)
Total Net Capital Assets	\$ 166,935,801	\$ 16,169,590	\$ (3,355,385)	\$ 179,750,006
Depreciation Expense Charged to Operations	-	\$ 3,486,571	-	-

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 2013 and 2012 rates were 11.81% and 11.80% of annual covered payroll. The Board’s contributions to the Plan for the years ended June 30, 2013, 2012 and 2011 were \$756,125, \$717,285, and \$646,270.

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 2013 and \$17,000 for 2012, 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.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

NOTE 6 - LONG-TERM DEBT

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

1992 Bonds Payable

The Board issued \$11,900,000 in a combined water and sewer revenue bond on September 15, 1992. This bond matured December 1, 2012.

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.

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.

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.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

NOTE 6 - LONG-TERM DEBT (Continued)

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.

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.

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.

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.

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.

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.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

NOTE 6 - LONG-TERM DEBT (Continued)

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.

Long-term debt activity for the year ended June 30, 2013 was as follows:

	<u>Beginning</u>	<u>Payments</u>	<u>Proceeds</u>	<u>Ending</u>	<u>Current Portion</u>
Morgantown 1992	\$ 390,000	\$ (390,000)	\$ -	\$ -	\$ -
Morgantown 1995	328,284	(91,468)	-	236,816	93,312
Morgantown 2000 A	4,446,472	(323,380)	-	4,123,092	323,384
Morgantown 2000 B	1,800,502	(65,476)	-	1,735,026	65,476
Morgantown 2001 A	1,123,678	(309,148)	-	814,530	318,528
Morgantown 2006 A	5,324,201	(285,311)	-	5,038,890	291,060
Morgantown 2007 A	7,616,856	(345,754)	-	7,271,102	392,547
Morgantown 2010 A	37,950,000	-	-	37,950,000	-
Morgantown 2010 C	14,426,583	(472,858)	953,643	14,907,368	641,580
Morgantown 2010 D	8,564,080	(286,454)	333,202	8,610,828	388,667
Morgantown 2010 E	100,000	(3,075)	-	96,925	4,171
Morgantown 2010 F	7,250,000	(975,000)	-	6,275,000	990,000
Morgantown 2012A	-	-	553,650	553,650	4,406
Morgantown 2012C	-	-	2,330,000	2,330,000	85,000
Total	<u>\$ 89,320,656</u>	<u>\$ (3,547,924)</u>	<u>\$ 4,170,495</u>	<u>\$ 89,943,227</u>	<u>\$ 3,598,131</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, 2013 and 2012

NOTE 6 - LONG-TERM DEBT (Continued)

Maturities of the Board's debt for the years subsequent to June 30, 2013 are as follows:

	Annual Principal Payment Requirements					
	1995	2000A	2000B	2001A	2006A	2007
	Issue	Issue	Issue	Issue	Issue	Issue
	Principal	Principal	Principal	Principal	Principal	Principal
2014	\$ 93,312	\$ 323,384	\$ 65,476	\$ 318,528	\$ 291,060	\$ 392,547
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
2019-2023	-	1,616,920	327,380	-	1,674,071	2,257,795
2024-2028	-	889,252	327,380	-	1,849,678	2,494,629
2029-2033	-	-	327,380	-	-	475,113
2034-2038	-	-	327,380	-	-	-
2039-2040	-	-	98,126	-	-	-
Total	\$ 236,816	\$ 4,123,092	\$ 1,735,026	\$ 814,530	\$ 5,038,890	\$ 7,271,102

	2010A	2010C	2010D	2010E	2010F	20120A	2012C
	Issue	Issue	Issue	Issue	Issue	Issue	Issue
	Principal	Principal*	Principal*	Principal	Principal	Principal*	Principal
2014	\$ -	\$ 641,580	\$ 388,667	\$ 4,171	\$ 990,000	\$ 4,406	\$ 85,000
2015	-	654,508	396,498	4,256	1,005,000	17,678	90,000
2016	-	667,696	404,489	4,341	1,030,000	17,766	90,000
2017	-	681,151	412,639	4,429	1,050,000	17,855	95,000
2018	-	694,877	420,954	4,518	1,085,000	17,945	95,000
2019-2023	4,840,000	3,690,143	2,235,476	23,991	1,115,000	91,070	515,000
2024-2028	7,030,000	4,077,224	2,469,966	26,511	-	93,385	610,000
2029-2033	8,450,000	3,800,189	2,302,143	24,708	-	95,844	750,000
2034-2038	10,340,000	-	-	-	-	98,171	-
2039-2043	7,290,000	-	-	-	-	100,654	-
2044	-	-	-	-	-	15,226	-
Total	\$ 37,950,000	\$ 14,907,368	\$ 9,030,832	\$ 96,925	\$ 6,275,000	\$ 570,000	\$ 2,330,000

*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, 2013 and 2012

NOTE 6 - LONG-TERM DEBT (Continued)

Annual Interest Payment Requirements

	1995 Issue Interest	2000A Issue Interest	2000B Issue Interest	2001A Issue Interest	2006A Issue Interest	2007 Issue Interest
2014	\$ 4,039	\$ -	\$ -	\$ 20,875	\$ 98,604	\$ 142,490
2015	2,159	-	-	11,211	97,739	134,580
2016	363	-	-	1,890	86,756	126,511
2017	-	-	-	-	80,652	118,279
2018	-	-	-	-	74,425	109,881
2019-2023	-	-	-	-	274,244	417,393
2024-2028	-	-	-	-	96,274	176,559
2029-2033	-	-	-	-	-	5,685
Total	\$ 6,561	\$ -	\$ -	\$ 33,976	\$ 808,694	\$ 1,231,378

	2010A(Gross)* Issue Interest	2010C Issue Interest**	2010D Issue Interest**	2010E Issue Interest	2010F Issue Interest	20120A Issue Interest*	2012C Issue Interest
2014	\$ 2,278,885	\$ 293,356	\$ 177,714	\$ 1,907	\$ 155,535	\$ 713	\$ 80,556
2015	2,278,885	280,427	169,882	1,823	135,585	2,795	78,588
2016	2,278,885	267,239	161,892	1,738	113,175	2,706	76,563
2017	2,278,885	253,784	153,742	1,650	85,065	2,617	74,481
2018	2,278,885	240,059	145,427	1,561	52,498	2,528	72,344
2019-2023	10,919,631	984,533	596,425	6,401	17,840	11,282	315,669
2024-2028	9,260,234	597,453	361,935	3,884	-	8,978	216,812
2029-2033	6,991,703	173,283	104,944	1,127	-	6,615	81,707
2034-2038	4,025,175	-	-	-	-	4,193	-
2039-2043	629,213	-	-	-	-	1,569	-
2044	-	-	-	-	-	179	-
Total	\$ 43,220,381	\$ 3,090,134	\$ 1,871,961	\$ 20,091	\$ 559,698	\$ 44,175	\$ 996,720

*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.

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012

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.

NOTE 9 – PRIOR PERIOD RECLASSIFICATION

The Board reclassified 2012 amounts as follows to remove the liability from unspent bond proceeds from Net Investment in Capital Assets.

	2012		
	Prior Balance	Reclassification	Restated Balance
Net Investment in Capital Assets	\$90,429,350	3,214,377	\$ 93,643,727
Unrestricted	\$ 3,494,867	(3,214,377)	\$ 280,490
Total	\$93,924,217	-	\$ 93,924,217

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Project Number	Federal CFDA Number	Disbursements
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through the West Virginia Department of Health and Human Resources:</i>			
Capitalization Grants for Drinking Water State Revolving Loan Funds	2009W-1076	66.468	\$ 258,416
	2011W-1249	66.468	<u>153,184</u>
Total Passed through the West Virginia Department of Health and Human Resources			<u>411,600</u>
<i>Passed through the West Virginia Environmental Protection Agency:</i>			
Capitalization Grants for Clean Water State Revolving Funds	C-544205	66.458	<u>440,774</u>
Total Passed through the West Virginia Environmental Protection Agency			<u>440,774</u>
Total U.S. Environmental Protection Agency			<u>852,374</u>
Total Federal Awards Expenditures			<u>\$ 852,374</u>

See Notes to the Schedule of Expenditures of Federal Awards

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the Board's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

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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 10, 2013

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report dated December 10, 2013.

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*.

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.

Respectfully Submitted,



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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

December 10, 2013

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

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the **Morgantown Utility Board** (the Board), a component unit of the City of Morgantown, compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the Board's major federal program.

Management's Responsibility

The Board's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for the Board's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major programs. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



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

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
MONONGALIA COUNTY

Schedule of Audit Findings
OMB CIRCULAR A - 133 § .505
June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Capitalization Grants for Clean Water State Revolving Funds CFDA# 66.458
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SUPPLEMENTARY FINANCIAL INFORMATION

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Sale of Water		
Metered Sales	\$ 10,110,699	\$ 7,626,479
Private Fire Protection	275,294	279,986
Total Sales of Water	<u>10,385,993</u>	<u>7,906,465</u>
Other Operating Revenues		
Forfeited Discounts and Penalties	175,645	85,554
Miscellaneous Service Revenues	24,807	38,372
Rents from Water Property	33,587	47,557
Billings Services Revenue	201,065	146,917
Service Connection Fees	23,035	23,150
Total Other Operating Revenues	<u>458,139</u>	<u>341,550</u>
Total Operating Revenues	<u>10,844,132</u>	<u>8,248,015</u>
Source of Supply Expenses		
Operation		
Watershed Protection	15,442	122,461
Maintenance		
Collecting	37,262	4,786
Total Source of Supply Expenses	<u>52,704</u>	<u>127,247</u>
Pumping Expenses		
Operation		
Supervision and Engineering	22,953	21,155
Power and Pumping	229,262	641,643
Labor and Expense	27,230	25,678
Total Operation	<u>279,445</u>	<u>688,476</u>
Maintenance		
Pumping Equipment	20,480	46,708
Total Maintenance	<u>20,480</u>	<u>46,708</u>
Total Pumping Expenses	<u>299,925</u>	<u>735,184</u>
Water Treatment Expenses		
Operation		
Supervision and Engineering	35,844	38,115
Chemicals	317,315	386,601
Labor and Expense	1,014,324	573,929
Depreciation	1,582,280	360,696
Total Operation	<u>2,949,763</u>	<u>1,359,341</u>
Maintenance		
Supervision and Engineering	43,827	38,098
Structures and Improvements	146,471	140,823
Water Treatment Equipment	92,491	59,971
Total Maintenance	<u>282,789</u>	<u>238,892</u>
Total Water Treatment Expenses	<u>3,232,552</u>	<u>1,598,233</u>
Transmission and Distribution Expenses		
Operation		
Supervision and Engineering	153,164	79,277
Storage Facilities Expense	38,283	41,958
Transmission and Distribution	47,092	62,841
Meter Expense	75,056	63,614
Customer Installation Expense	15,032	18,508
Mapping and Records Expense	75,345	61,689
Shop Expense	253,265	240,304
Rents	210	210
Depreciation	954,607	876,409
Total Operation	<u>1,612,054</u>	<u>1,444,810</u>
Maintenance		
Supervision and Engineering	61,711	62,193
Structures and Improvements	4,754	8,043
Transmission and Distribution Main	461,793	379,340
Services	92,694	71,164
Meters	97,779	55,328
Hydrants	63,879	30,996
Total Maintenance	<u>782,610</u>	<u>607,064</u>
Total Transmission and Distribution Expenses	<u>\$ 2,394,664</u>	<u>\$ 2,051,874</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)

	<u>2013</u>	<u>2012</u>
Billing and Collecting Expenses		
Meter Reading and Expenses	\$ 83,291	\$ 79,747
Customer Accounts Expenses	174,480	149,165
Uncollectible Accounts	26,275	19,172
Total Billing and Collecting Expenses	<u>284,046</u>	<u>248,084</u>
 Administrative and General Expenses		
Administrative and General Salaries	61,908	60,549
Other General Office Salaries	237,075	230,985
Office Supplies and Other Expenses	50,981	59,057
Regulatory Commission Expense	17,776	19,133
Outside Services	31,616	28,119
Special Legal Services	11,819	10,316
Employee Pensions and Benefits	370,437	364,708
Employee Welfare Expenses	1,264,575	1,202,996
Insurance	153,559	139,750
Injuries and Damages	123,095	91,996
Employer's FICA Tax	230,751	226,345
Administrative Expenses Allocated to Overhead	(294,929)	(361,391)
Maintenance Expenses Structures	4,019	6,306
Office Furniture and Equipment	47,195	50,904
Communication Equipment	7,690	6,337
Miscellaneous Property	24,845	9,815
Employee Training	16,654	13,395
Miscellaneous General Expenses	132,302	112,255
Total Administrative and General Expenses	<u>2,491,368</u>	<u>2,271,575</u>
 Total Operation and Maintenance Expense	<u>8,755,259</u>	<u>7,032,197</u>
 Operating Income (Loss)	2,088,873	1,215,818
 Other Nonoperating Income		
Other Income	695,703	714,195
Interest and Dividend Income	126,242	109,892
Unrealized Gain (Loss) on Investment	39,916	6,048
Total Other Nonoperating Income	<u>861,861</u>	<u>830,135</u>
 Other Nonoperating Expenses		
Interest on Financing	2,625,110	1,539,501
Amortization of Financing Costs	87,563	77,342
Interest on Customer Deposits	3,656	1,214
Total Other Nonoperating Expenses	<u>2,716,329</u>	<u>1,618,057</u>
 Net Nonoperating Income (Expenses)	(1,854,468)	(787,922)
 Net Income (Loss) / Change in Net Position	<u>\$ 234,405</u>	<u>\$ 427,896</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Sewer Utility Income		
Domestic, Public and Industrial Service	\$ 7,271,793	\$ 6,655,810
Service to Other Systems	861,493	877,327
Other Sewerage Service	81,894	103,042
Total Sewer Utility Income	<u>8,215,180</u>	<u>7,636,179</u>
Other Sewerage Income		
Forfeited Discounts and Penalties	119,763	72,921
Merchandising, Jobbing and Contract Other Operating Income	9,259	8,668
Total Other Sewerage Income	<u>129,022</u>	<u>81,589</u>
Total Operating Revenues	<u>8,344,202</u>	<u>7,717,768</u>
Collecting Expenses		
Operation		
Supervision and Engineering	144,472	70,737
Labor	123,079	126,355
Supply and Expense	113,412	123,588
Total Operation	<u>380,963</u>	<u>320,680</u>
Maintenance		
Supervision and Engineering	59,821	57,838
Service Connection and Traps	161,133	135,819
Collecting and Transmission Mains	250,895	235,412
Depreciation	1,026,769	759,623
Total Maintenance	<u>1,498,618</u>	<u>1,188,692</u>
Total Collecting Expenses	<u>1,879,581</u>	<u>1,509,372</u>
Pumping Expenses		
Operation		
Labor	72,591	69,092
Power and Fuel	138,001	137,417
Supplies and Expenses	21,459	20,781
Total Operation	<u>232,051</u>	<u>227,290</u>
Maintenance		
Pumping Equipment	100,757	60,270
Depreciation	360,592	230,371
Total Maintenance	<u>461,349</u>	<u>290,641</u>
Total Pumping Expenses	<u>693,400</u>	<u>517,931</u>
Treatment and Disposal Expenses		
Operation		
Supervision and Engineering	21,338	22,677
Labor	369,610	356,534
Supplies and Expense	388,422	363,734
Chemical and Treatment Expense	175,623	164,792
Total Operation	<u>954,993</u>	<u>907,737</u>
Maintenance		
Supervision and Engineering	24,320	25,460
Structures and Improvements	30,069	29,664
Treatment and Disposal System	234,604	220,767
Depreciation	747,731	430,936
Total Maintenance	<u>1,036,724</u>	<u>706,827</u>
Total Treatment and Disposal Expenses	<u>\$ 1,991,718</u>	<u>\$ 1,614,565</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)

	<u>2013</u>	<u>2012</u>
Billing and Collecting Expenses		
Meter Reading Expenses	\$ 157,824	\$ 123,578
Customer Accounts Expenses	95,611	80,735
Uncollectible Accounts	24,633	22,496
Total Billing and Collecting Expense	<u>278,068</u>	<u>226,809</u>
Administrative and General Expenses		
Administrative and General Salaries	49,053	44,562
Other General Office Salaries	186,717	168,392
Office Supplies and Other Expenses	38,552	36,234
Regulatory Commission Expense	29,822	30,603
Outside Services	24,960	25,035
Special Legal Services	9,627	3,762
Employee Pensions and Benefits	294,838	266,503
Employee Welfare Expenses	1,060,834	949,677
Insurance	155,329	132,842
Injuries and Damages	147,964	93,965
Employer's FICA Tax	183,016	165,839
Administrative Expenses Allocated to Overhead	(236,886)	(208,795)
Maintenance Expenses Structures	7,573	7,350
Office Furniture and Equipment	37,731	36,890
Communication Equipment	6,171	4,318
Miscellaneous Property	24,245	12,509
Employee Training	14,922	6,584
Miscellaneous General Expenses	48,808	41,269
Total Administrative and General Expense	<u>2,083,276</u>	<u>1,817,539</u>
Total Operation and Maintenance Expense	<u>6,926,043</u>	<u>5,686,216</u>
Operating Income (Loss)	1,418,159	2,031,552
Other Nonoperating Income		
Other Income	(23,985)	(79,378)
Interest and Dividend Income	99,035	94,543
Unrealized Gain (Loss) on Investment	19,245	(18,920)
Total Other Nonoperating Income	<u>94,295</u>	<u>(3,755)</u>
Other Nonoperating Expenses		
Interest on Financing	359,673	141,350
Amortization of Financing Costs	7,938	8,609
Administrative Costs of Bonds	106,577	38,349
Interest on Customer Deposits	1,950	-
Total Other Nonoperating Expenses	<u>476,138</u>	<u>188,308</u>
Net Nonoperating Income (Expenses)	(381,843)	(192,063)
Net Income (Loss) / Change in Net Position	<u>\$ 1,036,316</u>	<u>\$ 1,839,489</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
CHEAT SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Cheat Sewer Revenues	\$ 1,190,086	\$ 1,179,017
Forfeited Discounts and Penalties	22,522	12,437
	<u>1,212,608</u>	<u>1,191,454</u>
Collecting Expenses		
Operation		
Supervision and Engineering	888	2,232
Labor	24,033	26,802
Total Operation	<u>24,921</u>	<u>29,034</u>
Maintenance		
Supervision and Engineering	23,501	22,223
Service Connection and Traps	9,078	5,131
Collecting and Transmission Mains	31,096	28,770
Depreciation	497,864	496,667
Total Maintenance	<u>561,539</u>	<u>552,791</u>
Total Collecting Expenses	<u>586,460</u>	<u>581,825</u>
Pumping Expenses		
Operation		
Labor	34,785	37,019
Power and Fuel	31,377	33,217
Supplies and Expenses	23,384	8,775
Total Operation	<u>89,546</u>	<u>79,011</u>
Maintenance		
Pumping Equipment	45,987	13,503
Total Maintenance	<u>45,987</u>	<u>13,503</u>
Total Pumping Expenses	<u>135,533</u>	<u>92,514</u>
Treatment and Disposal Expenses		
Operation		
Supervision and Engineering	3,536	6,342
Labor	67,538	67,827
Supplies and Expense	166,571	162,108
Total Operation	<u>237,645</u>	<u>236,277</u>
Maintenance		
Structures and Improvements	711	330
Treatment and Disposal System	24,251	19,670
Total Maintenance	<u>24,962</u>	<u>20,000</u>
Total Treatment and Disposal Expenses	<u>\$ 262,607</u>	<u>\$ 256,277</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
CHEAT SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)

	<u>2013</u>	<u>2012</u>
Billing and Collecting Expenses		
Meter Reading Expenses	\$ 33,048	\$ 32,589
Customer Accounts Expenses	22,998	26,157
Uncollectible Accounts	4,178	3,697
Total Billing and Collecting Expense	<u>60,224</u>	<u>62,443</u>
Administrative and General Expenses		
Administrative and General Salaries	30,242	28,673
Office Supplies and Other Expenses	(11,443)	(11,085)
Regulatory Commission Expense	4,484	4,763
Outside Services	2,259	1,583
Employee Pensions and Benefits	77,027	74,890
Insurance	129,848	119,200
Employer's FICA Tax	23,509	22,296
Employee Training	1,276	784
Miscellaneous General Expenses	5,597	4,689
Total Administrative and General Expense	<u>262,799</u>	<u>245,793</u>
Total Operation and Maintenance Expense	<u>1,307,623</u>	<u>1,238,852</u>
Operating Income (Loss)	(95,015)	(47,398)
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) / Change in Net Position	<u>(\$114,822)</u>	<u>(\$67,205)</u>

MORGANTOWN UTILITY BOARD
(A Component Unit of the City of Morgantown)
STORM WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Storm Water Revenues	\$ 1,663,121	\$ 1,779,787
Forfeited Discounts and Penalties	26,889	26,691
	<u>1,690,010</u>	<u>1,806,478</u>
Collecting Expenses		
Operation		
Supervision and Engineering	15,480	2,023
Labor	50,589	51,808
Total Operation	<u>66,069</u>	<u>53,831</u>
Maintenance		
Supervision and Engineering	62,360	72,301
Service Connection and Traps	182,676	193,182
Depreciation	423,432	331,869
Total Maintenance	<u>668,468</u>	<u>597,352</u>
Total Collecting Expenses	<u>734,537</u>	<u>651,183</u>
Billing and Collecting Expenses		
Customer Accounts Expenses	74,710	63,930
Uncollectible Accounts	5,898	5,755
Total Billing and Collecting Expense	<u>80,608</u>	<u>69,685</u>
Administrative and General Expenses		
Administrative and General Salaries	45,447	40,336
Office Supplies and Other Expenses	(41,847)	(69,054)
Regulatory Commission Expense	159	-
Outside Services	3,163	2,468
Employee Pensions and Benefits	108,126	99,941
Insurance	162,212	150,257
Employer's FICA Tax	32,913	31,427
Employee Training	7,784	4,911
Administrative Expense on Debt	44,194	44,140
Public Outreach	11,266	1,661
Miscellaneous General Expenses	9,858	7,941
Total Administrative and General Expense	<u>383,275</u>	<u>314,028</u>
Total Operation and Maintenance Expense	<u>1,198,420</u>	<u>1,034,896</u>
Operating Income (Loss)	491,590	771,582
Other Nonoperating Expenses		
Interest on Debt	185,593	126,020
Amortization of Debt	7,286	3,696
Total Other Nonoperating Expenses	<u>192,879</u>	<u>129,716</u>
Net Income (Loss) / Change in Net Position	<u>\$ 298,711</u>	<u>\$ 641,866</u>