

**CITY OF MORGANTOWN, WEST VIRGINIA
A CLASS II MUNICIPALITY IN MONONGALIA COUNTY**

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013
*RFP #13-022 (Monongalia County)***

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**CITY OF MORGANTOWN, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2013**

Office	Name	Term
	Elective	
Mayor	James Marilla	07/01/11 - 06/30/13
Deputy Mayor	Wes Nugent	07/01/11 - 06/30/13
Council Members:	Ron L. Bane	07/01/11 - 06/30/13
	Marti Shamberger	07/01/11 - 06/30/13
	Jennifer Selin	07/01/11 - 06/30/13
	William Bryne	07/01/11 - 06/30/13
	Linda Herbst	07/01/11 - 06/30/13
	Appointed	
City Manager	Jeff Mikorski	
Finance Director	Joseph R. Sabatelli	
City Clerk	Linda Little	
Staff Attorney	Stephen Fanok	

**CITY OF MORGANTOWN, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

MAJOR FUNDS

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

Coal Severance Fund
Life and Health Fund

Capital Projects Funds

Capital Reserve Fund

Debt Service Funds

Tax Increment Financing Debt Service

PROPRIETARY FUND TYPES

Enterprise Funds

Airport

DISCRETELY PRESENTED COMPONENT UNITS

Special Revenue Funds

Morgantown Public Library
Library Expendable Trust Fund

Enterprise Funds

Parking Authority
Building Commission
Morgantown Utility Board

CITY OF MORGANTOWN, WEST VIRGINIA
INDEX OF FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

NONMAJOR FUNDS

GOVERNMENTAL FUND TYPES

Special Revenue Fund

Economic Development Grant
Community Development Block Grant
Police Forfeiture
Special Grants
Local Law Enforcement Grants
Small Cities Block Grant
I. C. White Coal Severance
OPEB Trust
Property Auction

Discretely Presented Component Unit

Board of Parks and Recreation

Capital Projects Funds

Business Improvement District
Airport Access Road
Tax Increment Financing

Discretely Presented Component Unit

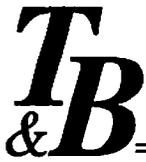
Board of Parks and Recreation
Capital Projects – Clay Batelle Branch

FIDUCIARY FUND TYPES

Policemen's Pension and Relief
Firemen's Pension and Relief
Employee's Retirement and Benefit

Discretely Presented Component Unit

Library Nonexpendable Trust
Library Endowment Fund



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council of
the City of Morgantown
Morgantown, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morgantown Utility Board, which represents 69.72 percent, 74.26 percent, and 35.42 percent, respectively, of the assets, net position, and revenues of the City of Morgantown. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Morgantown Utility Board, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Morgantown, West Virginia as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund and the Coal Severance Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements for the year ended June 30, 2013, the City of Morgantown, West Virginia adopted new accounting guidance, GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* and GASB 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morgantown, West Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the City of Morgantown, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 City of Morgantown, West Virginia's internal control over financial reporting and compliance.

Justin A. Bantust, Ph.D.

February 19, 2014

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Primary Government</u>			<u>Component Units</u>				
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Morgantown Utility Board</u>	<u>Morgantown Public Library</u>	<u>Board of Parks and Recreation Commission</u>	<u>Municipal Building Commission</u>	<u>Parking Authority</u>
Assets								
Cash	\$ 3,339,852	\$ 30,394	\$ 3,370,246	\$ 1,689,751	\$ 499,598	\$ 341,405	\$ 91,505	\$ 295,803
Investments	1,065,717	-0-	1,065,717	6,979,140	1,347,609	103,690	-0-	853,264
Receivables	4,625,711	192,873	4,818,584	2,309,181	-0-	210	5,009,032	1,737
Internal balances	491,386	(357,835)	133,551	-0-	-0-	(133,535)	-0-	(16)
Inventory	45,110	84,879	129,989	1,076,694	-0-	-0-	-0-	-0-
Prepaid expenses	505,163	26,213	531,376	113,393	3,175	-0-	-0-	-0-
Restricted assets	691,374	93,071	784,445	6,557,936	1,248,979	-0-	306,715	36,340
Capital assets, net	15,959,197	26,231,572	42,190,769	182,697,188	2,381,695	3,757,488	12,974,030	6,813,138
Deferred financing costs	-0-	-0-	-0-	2,233,453	-0-	-0-	-0-	-0-
Accrued utility revenue	-0-	-0-	-0-	1,080,955	-0-	-0-	-0-	-0-
Other, net	-0-	-0-	-0-	11,231	-0-	-0-	-0-	-0-
Total assets	<u>26,723,510</u>	<u>26,301,167</u>	<u>53,024,677</u>	<u>204,748,922</u>	<u>5,481,056</u>	<u>4,069,258</u>	<u>18,381,282</u>	<u>8,000,266</u>
Deferred outflows of resources								
Unamortized bond discount and issue costs	<u>29,641</u>	<u>-0-</u>	<u>29,641</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>154,657</u>	<u>-0-</u>

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF NET POSITION (CONT'D)
JUNE 30, 2013

	<u>Primary Government</u>			<u>Component Units</u>				
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Morgantown Utility Board</u>	<u>Morgantown Public Board</u>	<u>Board of Parks and Recreation Commission</u>	<u>Municipal Building Commission</u>	<u>Parking Authority</u>
Liabilities								
Accounts payable	\$ 473,008	\$ 248,609	\$ 721,617	\$ 1,713,090	\$ 5,830	\$ 98,808	\$ -0-	\$ 34,154
Accrued payroll	222,365	10,627	232,992	520,163	-0-	-0-	-0-	16,386
Accrued expenses	6,286	-0-	6,286	-0-	26,577	-0-	-0-	-0-
Billing services payable	-0-	-0-	-0-	258,156	-0-	-0-	-0-	-0-
Disallowed charges payable	-0-	-0-	-0-	-0-	-0-	57,341	-0-	-0-
Accrued interest payable	679,768	-0-	679,768	76,118	-0-	-0-	734	6,890
Unearned revenues	256,610	-0-	256,610	52,579	-0-	6,750	-0-	-0-
Other accrued liabilities	-0-	-0-	-0-	146,740	-0-	-0-	-0-	-0-
Customer deposits	-0-	-0-	-0-	692,383	-0-	-0-	-0-	-0-
Accrued administrative costs on bonds	-0-	-0-	-0-	6,710	-0-	-0-	-0-	-0-
Accrued compensated absences	-0-	49,502	49,502	-0-	49,541	48,350	-0-	49,249
Long-term liabilities:								
Due within one year	330,816	20,376	351,192	3,598,131	1,968	43,776	595,000	368,610
Due in more than one year	<u>39,540,166</u>	<u>383,748</u>	<u>39,912,947</u>	<u>96,758,984</u>	<u>37,064</u>	<u>824,448</u>	<u>6,475,000</u>	<u>3,179,631</u>
Total liabilities	<u>41,509,019</u>	<u>712,862</u>	<u>39,923,914</u>	<u>103,823,054</u>	<u>120,980</u>	<u>1,079,473</u>	<u>7,070,734</u>	<u>3,654,920</u>
Net Position								
Net investment in capital assets	14,085,499)	25,827,448	39,912,947	96,288,305	2,342,663	2,889,264	5,904,030	3,264,897
Restricted	326,812	93,071	419,883	3,023,592	1,248,979	-0-	306,715	36,340
Unrestricted	<u>(29,168,179)</u>	<u>(332,214)</u>	<u>(29,500,393)</u>	<u>1,613,971</u>	<u>1,768,434</u>	<u>100,521</u>	<u>5,254,460</u>	<u>1,044,109</u>
Total net position	<u>\$(14,755,868)</u>	<u>\$ 25,588,305</u>	<u>\$ 10,832,437</u>	<u>\$ 100,925,868</u>	<u>\$ 5,360,076</u>	<u>\$ 2,989,785</u>	<u>\$ 11,465,205</u>	<u>\$ 4,345,346</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Morgantown Utility Board	Parking	Building Commission	Board of Parks and Recreation Commission	Morgantown Public Library
					Governmental Activities	Business-Type Activities	Total					
Governmental Activities												
General government	\$ 5,771,528	\$ 406,632	\$ -0-	\$ -0-	\$(5,364,896)	\$ -0-	\$(5,364,896)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Public safety	14,179,263	2,931,493	427,164	-0-	(10,820,606)	-0-	(10,820,606)	-0-	-0-	-0-	-0-	-0-
Highways and streets	3,960,037	-0-	-0-	-0-	(3,960,037)	-0-	(3,960,037)	-0-	-0-	-0-	-0-	-0-
Culture and recreation	1,179,344	42,594	-0-	-0-	(1,136,750)	-0-	(1,136,750)	-0-	-0-	-0-	-0-	-0-
Community development	2,022,080	42,595	507,649	568,601	(903,235)	-0-	(903,235)	-0-	-0-	-0-	-0-	-0-
Debt service	701,861	-0-	-0-	-0-	(701,861)	-0-	(701,861)	-0-	-0-	-0-	-0-	-0-
Benefits payments	<u>3,945,584</u>	<u>-0-</u>	<u>4,165,426</u>	<u>-0-</u>	<u>219,842</u>	<u>-0-</u>	<u>219,842</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>31,759,697</u>	<u>3,423,314</u>	<u>5,100,239</u>	<u>568,601</u>	<u>(22,667,543)</u>	<u>-0-</u>	<u>(22,667,543)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Business-Type Activities												
Airport	<u>3,578,264</u>	<u>2,377,612</u>	<u>-0-</u>	<u>1,185,455</u>	<u>-0-</u>	<u>(15,197)</u>	<u>(15,197)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total business-type activities	<u>3,578,264</u>	<u>2,377,612</u>	<u>-0-</u>	<u>1,185,455</u>	<u>-0-</u>	<u>(15,197)</u>	<u>(15,197)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 35,337,961</u>	<u>\$ 5,800,926</u>	<u>\$ 5,100,239</u>	<u>\$ 1,754,056</u>	<u>(22,667,543)</u>	<u>(15,197)</u>	<u>(22,682,740)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Component Units												
Morgantown Utility Board	\$ 21,302,261	\$ 22,090,952	\$ -0-	\$ -0-	-0-	-0-	-0-	788,691	-0-	-0-	-0-	-0-
Parking	2,490,749	3,105,014	-0-	-0-	-0-	-0-	-0-	-0-	614,265	-0-	-0-	-0-
Building Commission	1,780,352	799,177	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(981,175)	-0-	-0-
Board of Parks and Recreation Commission	3,220,455	1,307,816	287,614	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(1,625,025)	-0-
Morgantown Public Library	<u>1,685,447</u>	<u>44,350</u>	<u>1,654,187</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>13,090</u>
Total component units	<u>\$ 30,479,264</u>	<u>\$ 27,347,309</u>	<u>\$ 1,941,801</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>788,691</u>	<u>614,265</u>	<u>(981,175)</u>	<u>(1,625,025)</u>	<u>13,090</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Morgantown Utility Board	Parking	Building Commission	Board of Parks and Recreation Commission	Morgantown Public Library
					Governmental Activities	Business-Type Activities	Total					
General Revenues												
Taxes and special assessments:												
Ad valorem					\$ 4,713,997	\$ -0-	\$ 4,713,997	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Gas and oil severance					27,886	-0-	27,886	-0-	-0-	-0-	-0-	-0-
Utility					1,046,650	-0-	1,046,650	-0-	-0-	-0-	-0-	-0-
Business and occupation					12,727,557	-0-	12,727,557	-0-	-0-	-0-	-0-	-0-
Wine and liquor					720,596	-0-	720,596	-0-	-0-	-0-	-0-	-0-
Animal control					5,044	-0-	5,044	-0-	-0-	-0-	-0-	-0-
Hotel and motel					682,553	-0-	682,553	-0-	-0-	-0-	204,537	-0-
Amusement					5,044	-0-	5,044	-0-	-0-	-0-	-0-	-0-
Coal severance					130,038	-0-	130,038	-0-	-0-	-0-	-0-	-0-
Licenses and permits					286,485	-0-	286,485	-0-	-0-	-0-	-0-	-0-
Franchise fees					395,259	-0-	395,259	-0-	-0-	-0-	-0-	-0-
Interest and investment earnings					17,620	62	17,682	225,277	37,332	612	1,491	136,036
Video lottery and gaming income					136,021	-0-	136,021	-0-	-0-	-0-	-0-	-0-
Miscellaneous					367,574	-0-	367,574	440,642	-0-	-0-	-0-	5,683
Total general revenues					<u>21,262,324</u>	<u>62</u>	<u>21,262,386</u>	<u>665,919</u>	<u>37,332</u>	<u>612</u>	<u>206,028</u>	<u>141,719</u>
Change in net position before transfers between activities					(1,405,219)	(15,135)	(1,420,354)	1,454,610	651,597	(980,563)	(1,418,997)	154,809
Transfer between activities					(1,453,453)	250,000	(1,203,453)	-0-	-0-	(109,072)	1,312,525	-0-
Total change in net position before contributed capital					(2,858,672)	234,865	(2,623,807)	1,454,610	651,597	(1,089,635)	(106,472)	154,809
Contributed capital					-0-	-0-	-0-	2,976,447	-0-	-0-	-0-	-0-
Net change in net position					(2,858,672)	234,865	(2,623,807)	4,431,057	651,597	(1,089,635)	(106,472)	154,809
Net position – beginning – restated					(11,897,196)	25,353,440	13,456,244	96,494,811	3,693,749	12,554,840	3,096,257	5,205,267
Net position – ending					<u>\$(14,755,868)</u>	<u>\$ 25,588,305</u>	<u>\$ 10,832,437</u>	<u>\$ 100,925,868</u>	<u>\$ 4,345,346</u>	<u>\$ 11,465,205</u>	<u>\$ 2,989,785</u>	<u>\$ 5,360,076</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<i>Primary Government</i>						<i>Component Units</i>				
	<u>General Fund</u>	<u>Coal Severance</u>	<u>Capital Reserve</u>	<u>Life and Health</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS											
Cash	\$ 696,562	\$ 3,068	\$ 844,095	\$ 900,865	\$ -0-	\$ 895,262	\$ 3,339,852	\$ 499,598	\$ -0-	\$ 341,405	\$ 841,003
Investments	-0-	-0-	-0-	465,717	-0-	600,000	1,065,717	1,117,627	1,248,979	333,672	2,700,278
Receivables, net of allowances:											
Taxes	4,200,538	34,446	-0-	-0-	-0-	103,714	4,338,698	-0-	-0-	-0-	-0-
Accounts	39,576	-0-	-0-	-0-	-0-	4,333	43,909	-0-	-0-	210	210
Other	46,648	-0-	-0-	-0-	-0-	355	47,003	-0-	-0-	-0-	-0-
Grants	90,438	-0-	-0-	-0-	-0-	105,663	196,101	-0-	-0-	-0-	-0-
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Bond proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Due from/(to) other funds	173,457	(5,000)	354,746	-0-	-0-	(31,817)	491,386	2,916	-0-	(136,451)	(133,535)
Inventory	45,110	-0-	-0-	-0-	-0-	-0-	45,110	-0-	-0-	-0-	-0-
Restricted assets	-0-	-0-	-0-	-0-	691,374	-0-	691,374	-0-	-0-	-0-	-0-
Prepaid expenses	11,372	-0-	-0-	-0-	-0-	-0-	11,372	3,174	-0-	-0-	3,175
TOTAL ASSETS	\$ 5,303,701	\$ 32,514	\$ 1,198,841	\$ 1,366,582	\$ 691,374	\$ 1,677,510	\$ 10,270,522	\$ 1,623,316	\$ 1,248,979	\$ 538,836	\$ 3,411,131
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ 318,911	\$ -0-	\$ 17,749	\$ 2,425	\$ -0-	\$ 133,923	\$ 473,008	\$ 5,830	\$ -0-	\$ 98,808	\$ 104,638
Accrued interest payable	-0-	-0-	-0-	-0-	679,768	-0-	679,768	-0-	-0-	-0-	-0-
Accrued expenses	6,286	-0-	-0-	-0-	-0-	-0-	6,286	26,577	-0-	-0-	26,577
Accrued payroll and compensated absences	220,986	-0-	-0-	-0-	-0-	1,379	222,365	49,541	-0-	48,350	97,891
Disallowed charges payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	57,341	57,341
Deferred revenue	641,768	-0-	-0-	-0-	-0-	70,979	712,747	-0-	-0-	6,750	6,750
Total liabilities	<u>1,187,951</u>	<u>-0-</u>	<u>17,749</u>	<u>2,425</u>	<u>679,768</u>	<u>206,281</u>	<u>2,094,174</u>	<u>81,948</u>	<u>-0-</u>	<u>211,249</u>	<u>293,197</u>
Fund Balances											
Restricted	90,438	-0-	-0-	-0-	11,606	224,768	326,812	-0-	1,248,979	-0-	1,248,979
Assigned	45,110	32,514	1,181,092	1,364,157	-0-	1,246,461	3,869,334	134,895	-0-	532,194	667,089
Unassigned	3,980,202	-0-	-0-	-0-	-0-	-0-	3,980,202	1,406,473	-0-	(204,607)	1,201,866
Total fund balances	<u>4,115,750</u>	<u>32,514</u>	<u>1,181,092</u>	<u>1,364,157</u>	<u>11,606</u>	<u>1,471,229</u>	<u>8,176,348</u>	<u>1,541,368</u>	<u>1,248,979</u>	<u>327,587</u>	<u>3,117,934</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,303,701	\$ 32,514	\$ 1,198,841	\$ 1,366,582	\$ 691,374	\$ 1,677,510	\$ 10,270,522	\$ 1,623,316	\$ 1,248,979	\$ 538,836	\$ 3,411,131

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF FUND BALANCE SHEETS OF
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Component Units</u>		
	<u>Primary</u>	<u>Morgantown</u>	<u>Board of</u>
	<u>Government</u>	<u>Public</u>	<u>Parks and</u>
		<u>Library</u>	<u>Recreation</u>
			<u>Commission</u>
Fund balance, fund level statement at June 30, 2013	\$ 8,176,348	\$ 3,017,413	\$ 100,521
The total fund balance of the City of Morgantown's governmental funds differs from net position of the governmental activities reported on the Statement of Net Position as follows:			
Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:			
Accrued compensated absences	(1,047,429)	-0-	-0-
Obligations under capital lease	(1,873,698)	(39,032)	(868,224)
Net pension obligation	(14,367,855)	-0-	-0-
Bonds payable	(18,015,000)	-0-	-0-
Accrued other post employment benefits	(4,567,000)	-0-	-0-
Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those assets and their associated accumulated depreciation.	15,959,197	2,381,695	3,757,488
Deposit on capital asset	493,791	-0-	-0-
Some assets do not provided current financial resources and are reported as deferred revenues in the fund level statements.			
Unamortized bond discount and issue costs	29,641	-0-	-0-
Deferred revenue	<u>456,137</u>	<u>-0-</u>	<u>-0-</u>
Net position of governmental activities	<u>\$(14,755,868)</u>	<u>\$ 5,360,076</u>	<u>\$ 2,989,785</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<i>Primary Government</i>						<i>Component Units</i>				<i>Total</i>
	<u>General Fund</u>	<u>Coal Severance</u>	<u>Capital Reserve</u>	<u>Life and Health</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	
Revenues											
Taxes and special assessments:											
Ad valorem	\$ 3,704,046	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,014,527	\$ 4,718,573	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Gas and oil severance	27,886	-0-	-0-	-0-	-0-	-0-	27,886	-0-	-0-	-0-	-0-
Utility	1,046,650	-0-	-0-	-0-	-0-	-0-	1,046,650	-0-	-0-	-0-	-0-
Business and occupation	12,709,425	-0-	-0-	-0-	-0-	-0-	12,709,425	-0-	-0-	-0-	-0-
Wine and liquor	720,596	-0-	-0-	-0-	-0-	-0-	720,596	-0-	-0-	-0-	-0-
Animal control	5,044	-0-	-0-	-0-	-0-	-0-	5,044	-0-	-0-	-0-	-0-
Hotel and motel	682,553	-0-	-0-	-0-	-0-	-0-	682,553	-0-	-0-	204,537	204,537
Amusement	5,044	-0-	-0-	-0-	-0-	-0-	5,044	-0-	-0-	-0-	-0-
Licenses and permits	286,485	-0-	-0-	-0-	-0-	-0-	286,485	-0-	-0-	-0-	-0-
Charges for services	2,664,641	-0-	-0-	-0-	-0-	85,189	2,749,830	-0-	-0-	1,307,816	1,307,816
Fines and forfeits	612,378	-0-	-0-	-0-	-0-	45,245	657,623	44,350	-0-	-0-	44,350
Franchise fees	395,259	-0-	-0-	-0-	-0-	-0-	395,259	-0-	-0-	-0-	-0-
Investment income (loss)	7,439	320	2,558	4,579	1,010	1,714	17,620	31,576	102,942	3,009	137,527
Donations	13,308	-0-	6,860	-0-	-0-	120,000	140,168	18,813	-0-	163,482	182,295
Video lottery and gaming income	136,021	-0-	-0-	-0-	-0-	-0-	136,021	-0-	-0-	-0-	-0-
Intergovernmental:											
Federal	388,893	-0-	195,000	-0-	-0-	432,570	1,016,463	-0-	-0-	-0-	-0-
State	3,168	130,038	35,000	-0-	-0-	104,542	272,748	526,685	-0-	11,970	538,655
Local	-0-	-0-	218,150	-0-	-0-	1,784	219,934	1,108,569	-0-	112,282	1,220,851
Contributions from employees	-0-	-0-	-0-	134,375	-0-	-0-	134,375	-0-	-0-	-0-	-0-
Contributions from employers	-0-	-0-	-0-	4,031,051	-0-	-0-	4,031,051	-0-	-0-	-0-	-0-
Other	306,151	-0-	41,162	20,258	-0-	-0-	367,574	5,683	-0-	-0-	5,683
Total revenues	<u>23,714,987</u>	<u>130,358</u>	<u>498,730</u>	<u>4,190,263</u>	<u>1,010</u>	<u>1,805,574</u>	<u>30,340,922</u>	<u>1,735,676</u>	<u>102,942</u>	<u>1,803,096</u>	<u>3,641,714</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION - GOVERNMENTAL FUNDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

	<i>Primary Government</i>							<i>Component Units</i>			
	<u>General Fund</u>	<u>Coal Severance</u>	<u>Capital Reserve</u>	<u>Life and Health</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Expenditures											
General government	\$ 4,758,861	\$ -0-	\$ -0-	\$ 186,402	\$ 57,282	\$ 7,638	\$ 5,010,183	\$ -0-	\$ 8,312	\$ -0-	\$ 8,312
Public safety	11,261,461	-0-	-0-	-0-	-0-	82,845	11,344,306	-0-	-0-	-0-	-0-
Highways and streets	3,638,675	-0-	-0-	-0-	-0-	-0-	3,638,675	-0-	-0-	-0-	-0-
Culture and recreation	1,177,388	-0-	-0-	-0-	-0-	-0-	1,177,388	1,591,086	-0-	3,082,392	4,673,478
Community development	309,500	-0-	1,797,323	-0-	-0-	864,088	2,970,911	-0-	-0-	-0-	-0-
Debt service - Principal	-0-	-0-	-0-	-0-	615,000	-0-	615,000	-0-	-0-	-0-	-0-
Debt service - Interest	-0-	-0-	-0-	-0-	740,407	-0-	740,407	-0-	-0-	-0-	-0-
Benefit payments	-0-	-0-	-0-	3,945,584	-0-	-0-	3,945,584	-0-	-0-	-0-	-0-
Total expenditures	<u>21,145,885</u>	<u>-0-</u>	<u>1,797,323</u>	<u>4,131,986</u>	<u>1,412,689</u>	<u>954,571</u>	<u>29,442,454</u>	<u>1,591,086</u>	<u>8,312</u>	<u>3,082,392</u>	<u>4,681,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,569,102</u>	<u>130,358</u>	<u>(1,298,593)</u>	<u>58,277</u>	<u>(1,411,679)</u>	<u>851,003</u>	<u>898,468</u>	<u>144,590</u>	<u>94,630</u>	<u>(1,279,296)</u>	<u>(1,040,076)</u>
Other Financing Sources (Uses)											
Proceeds from debt	1,000,000	-0-	-0-	-0-	-0-	-0-	1,000,000	-0-	-0-	-0-	-0-
Operating transfers in	140,000	-0-	1,744,776	-0-	1,118,814	2,221,837	5,225,427	-0-	-0-	1,312,525	1,312,525
Operating transfers (out)	(2,712,657)	(140,000)	(2,595,025)	(112,384)	-0-	(1,118,814)	(6,678,880)	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>(1,572,657)</u>	<u>(140,000)</u>	<u>(850,249)</u>	<u>(112,384)</u>	<u>1,118,814</u>	<u>1,103,023</u>	<u>(453,453)</u>	<u>-0-</u>	<u>-0-</u>	<u>1,312,525</u>	<u>1,312,525</u>
Net change in fund balances	996,445	(9,642)	(2,148,842)	(54,107)	(292,865)	1,954,026	445,015	144,590	94,630	33,229	272,449
Fund balances at beginning of year, restated	<u>3,119,305</u>	<u>42,156</u>	<u>3,329,934</u>	<u>1,418,264</u>	<u>304,471</u>	<u>(482,797)</u>	<u>7,731,333</u>	<u>1,396,778</u>	<u>1,154,349</u>	<u>294,358</u>	<u>2,845,485</u>
Fund balances at end of year	\$ <u>4,115,750</u>	\$ <u>32,514</u>	\$ <u>1,181,092</u>	\$ <u>1,364,157</u>	\$ <u>11,606</u>	\$ <u>1,471,229</u>	\$ <u>8,176,348</u>	\$ <u>1,541,368</u>	\$ <u>1,248,979</u>	\$ <u>327,587</u>	\$ <u>3,117,934</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET POSITION OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Primary</u> <u>Government</u>	<u>Component Units</u>	
		<u>Morgantown</u> <u>Public</u> <u>Library</u>	<u>Board of</u> <u>Parks and</u> <u>Recreation</u> <u>Commission</u>
Net change in fund balance – total governmental funds	\$ 445,015	\$ 240,858	\$ 31,591
Amounts reported for governmental activities in the Statement of Activities are difference because:			
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the difference between capital outlays and depreciation in the current period	(819,418)	(87,771)	(176,367)
Capital leases and bonds provide current financial resources to governmental funds, but entering into capital leases and bonds increase long-term liabilities in the Statement of Net Position. Repayment of capital lease obligations and bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position, while proceeds are considered revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Position.			
Repayment of obligation under capital lease	38,546	1,722	38,304
Proceeds from obligation under capital lease	(1,000,000)	-0-	-0-
Repayment of bonds	615,000	-0-	-0-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Decrease in compensated absences	10,781	-0-	-0-
Increase in pension benefit obligation	(2,572,794)	-0-	-0-
Increase in accrued other post employment benefits	(179,000)	-0-	-0-
Decrease in unamortized bond discounts	(1,560)	-0-	-0-
Some revenues reported in the Statement of Activities do not provide financial resources that are both available and measureable for use in the current activities.			
Change in deferred revenues	<u>604,758</u>	<u>-0-</u>	<u>-0-</u>
Change in net position of governmental activities	\$ <u>(2,858,672)</u>	\$ <u>154,809</u>	\$ <u>(106,472)</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

ASSETS	<u>Business-Type</u>	<u>Component Units</u>				<u>Total</u>
	<u>Activities</u>					
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	<u>Morgantown Utility Board</u>		
Current Assets						
Cash	\$ 30,394	\$ 295,803	\$ 91,505	\$ 1,689,751	\$ 2,077,059	
Investments	-0-	853,264	-0-	-0-	853,264	
Receivables, net of allowances:						
Accounts	59,062	1,684	100,000	1,499,610	1,601,294	
Other	-0-	-0-	-0-	778,771	778,771	
Grants	133,811	-0-	-0-	-0-	-0-	
Interest	-0-	53	-0-	30,800	30,853	
Inventory	84,879	-0-	-0-	1,076,694	1,076,694	
Due from/(to) other funds	(357,835)	(16)	-0-	-0-	(16)	
Deposits and prepayments	-0-	-0-	-0-	113,393	113,393	
Accrued utility revenue	-0-	-0-	-0-	1,080,955	1,080,955	
Prepaid expenses	26,213	-0-	-0-	-0-	-0-	
Total current assets	<u>(23,476)</u>	<u>1,150,788</u>	<u>191,505</u>	<u>6,269,974</u>	<u>7,612,267</u>	
Noncurrent Assets						
Restricted assets	<u>93,071</u>	<u>36,340</u>	<u>306,715</u>	<u>6,557,936</u>	<u>6,900,991</u>	
Capital Assets						
Land	50,050	1,484,399	1,439,707	1,451,027	4,375,133	
Intangible plant	-0-	-0-	-0-	376,834	376,834	
Land improvements	-0-	-0-	744,473	-0-	744,473	
Building	7,143,113	-0-	15,742,250	26,819,480	42,561,730	
Structures and improvements	30,820,642	9,642,460	-0-	-0-	9,642,460	
Water transmission and distribution system	-0-	-0-	-0-	63,607,926	63,607,926	
Sewer and storm collection system	-0-	-0-	-0-	86,736,541	86,736,541	
Treatment plant equipment	-0-	-0-	-0-	72,780,632	72,780,632	
Office furniture, equipment and computer system	-0-	-0-	-0-	4,498,670	4,498,670	
Vehicles and heavy duty equipment	-0-	-0-	-0-	7,306,222	7,306,222	
Leasehold improvements	-0-	90,965	-0-	-0-	90,965	
Machinery and equipment	2,307,936	1,277,748	1,094,319	-0-	2,372,067	
Construction in progress	1,223,829	-0-	-0-	5,261,674	5,261,674	
Less: Accumulated depreciation	<u>(15,313,998)</u>	<u>(5,682,434)</u>	<u>(6,046,719)</u>	<u>(86,141,818)</u>	<u>(97,870,971)</u>	
Net capital assets	<u>26,231,572</u>	<u>6,813,138</u>	<u>12,974,030</u>	<u>182,697,188</u>	<u>202,484,356</u>	
Other Assets						
Accounts receivable	-0-	-0-	4,909,032	-0-	4,909,032	
Investments	-0-	-0-	-0-	6,979,140	6,979,140	
Deferred financing costs	-0-	-0-	-0-	2,233,453	2,233,453	
Other net	-0-	-0-	-0-	11,231	11,231	
Total other assets	<u>-0-</u>	<u>-0-</u>	<u>4,909,032</u>	<u>9,223,824</u>	<u>14,132,856</u>	
Total assets	<u>26,301,167</u>	<u>8,000,266</u>	<u>18,381,282</u>	<u>204,748,922</u>	<u>231,130,470</u>	
Deferred Outflows of Resources						
Unamortized bond discount refunding loss	\$ -0-	\$ -0-	\$ 154,647	\$ -0-	\$ 154,657	

LIABILITIES	<u>Business-Type</u>	<u>Component Units</u>				<u>Total</u>
	<u>Activities</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	<u>Morgantown</u>		
	<u>Airport</u> <u>Fund</u>			<u>Utility</u> <u>Board</u>		
Current Liabilities (payable from current assets)						
Current portion obligation under capital lease	\$ 20,376	\$ 9,828	\$ -0-	\$ -0-	\$ 9,828	
Accounts payable	248,609	34,154	-0-	1,713,090	1,747,244	
Deferred revenue	-0-	-0-	-0-	52,579	52,579	
Accrued payroll	10,627	16,386	-0-	520,163	536,549	
Billing services collected payable	-0-	-0-	-0-	258,156	258,156	
Other accrued liabilities	-0-	-0-	-0-	146,740	146,740	
Accrued compensated absences	<u>49,502</u>	<u>49,249</u>	<u>-0-</u>	<u>-0-</u>	<u>49,249</u>	
Total current liabilities (payable from current assets)	<u>329,114</u>	<u>109,617</u>	<u>-0-</u>	<u>2,690,728</u>	<u>2,800,345</u>	
Current Liabilities (payable from restricted assets)						
Revenue bonds payable	-0-	358,782	595,000	-0-	953,782	
Current portion of long-term debt	-0-	-0-	-0-	3,598,131	3,598,131	
Interest payable	<u>-0-</u>	<u>6,890</u>	<u>734</u>	<u>-0-</u>	<u>7,624</u>	
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>365,672</u>	<u>595,734</u>	<u>3,598,131</u>	<u>4,559,537</u>	
Long-Term Liabilities (net of current portion)						
Revenue bonds payable	-0-	2,994,537	6,475,000	86,345,096	95,814,633	
Obligation under capital lease	383,748	185,094	-0-	-0-	185,094	
Customer deposits	-0-	-0-	-0-	692,383	692,383	
Accrued administrative costs on bonds	-0-	-0-	-0-	6,710	6,710	
Accrued interest on bonds	-0-	-0-	-0-	69,919	69,919	
Interest on customer deposits	-0-	-0-	-0-	6,199	6,199	
Advances on construction	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,413,888</u>	<u>10,413,888</u>	
Total long-term liabilities (net of current portion)	<u>383,748</u>	<u>3,179,631</u>	<u>6,475,000</u>	<u>97,534,195</u>	<u>107,188,826</u>	
Total liabilities	<u>712,862</u>	<u>3,654,920</u>	<u>7,070,734</u>	<u>103,823,054</u>	<u>114,548,708</u>	
Net Position						
Net investment in capital assets	25,827,448	3,264,897	5,904,030	96,288,305	105,457,232	
Restricted	93,071	36,340	306,715	3,023,592	3,366,647	
Unrestricted	(332,214)	1,044,109	5,254,460	1,613,971	7,912,540	
Total net position	\$ <u>25,588,305</u>	\$ <u>4,345,346</u>	\$ <u>11,465,205</u>	\$ <u>100,925,868</u>	\$ <u>116,736,419</u>	

The accompanying independent auditor's report and notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-Type</u>		<u>Component Units</u>			<u>Total</u>
	<u>Activities</u>		<u>Morgantown</u>			
	<u>Airport</u> <u>Fund</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	<u>Utility</u> <u>Board</u>		
Operating Revenues						
Charges for services	\$ 2,362,612	\$ 1,935,099	\$ 799,177	\$ 22,090,952	\$ 24,825,228	
Fines	-0-	475,918	-0-	-0-	475,918	
Grants	15,000	-0-	-0-	-0-	-0-	
Total operating revenues	<u>2,377,612</u>	<u>2,411,017</u>	<u>799,177</u>	<u>22,090,952</u>	<u>25,301,146</u>	
Operating Expenses						
Personal services	696,356	996,758	-0-	-0-	996,758	
Purchases – fuel	1,353,864	-0-	-0-	-0-	-0-	
Supplies	11,829	25,716	-0-	-0-	25,716	
Liability insurance	53,062	39,768	-0-	-0-	39,768	
Utilities	133,399	77,752	-0-	-0-	77,752	
General and administrative	127,120	103,898	3,650	-0-	107,548	
Depreciation	1,106,193	320,122	463,996	-0-	784,118	
Amortization	5,825	-0-	25,781	-0-	25,781	
Maintenance	73,288	189,910	-0-	-0-	189,910	
Rental lease	-0-	413,585	-0-	-0-	413,585	
Water operating expenses	-0-	-0-	-0-	8,755,259	8,755,259	
Sewer operating expenses	-0-	-0-	-0-	8,233,666	8,233,666	
Storm water utility operating expenses	-0-	-0-	-0-	1,142,960	1,142,960	
Total operating expenses	<u>3,560,936</u>	<u>2,167,509</u>	<u>493,427</u>	<u>18,131,885</u>	<u>20,792,821</u>	
Operating (loss) income	(1,183,324)	243,508	305,750	3,959,067	4,508,325	
Nonoperating Revenues (Expenses)						
Investment income	62	15,235	612	225,277	241,124	
Gain (loss) on investments	-0-	22,097	-0-	-0-	22,097	
(Loss) on sale of capital assets	-0-	-0-	(805,497)	-0-	(805,497)	
Interest and fiscal charges	(17,328)	(235,240)	(267,793)	(3,170,376)	(3,673,409)	
Bond issue costs	-0-	(35,500)	(213,635)	-0-	(249,135)	
Other revenue	-0-	-0-	-0-	440,642	440,642	
Total nonoperating revenues (expenses)	<u>(17,266)</u>	<u>(233,408)</u>	<u>(1,286,313)</u>	<u>(2,504,457)</u>	<u>(4,024,178)</u>	
Change in net position before nonoperating grants and operating transfers	(1,200,590)	10,100	(980,563)	1,454,610	484,147	
Nonoperating grants – federal	1,071,268	-0-	-0-	-0-	-0-	
Nonoperating grants – state	114,187	-0-	-0-	-0-	-0-	
Operating transfers in (out)	250,000	-0-	(109,072)	-0-	(109,072)	
Contributed capital	-0-	614,497	-0-	2,976,447	3,617,944	
Change in net position	234,865	651,597	(1,089,635)	4,431,057	3,993,019	
Total net position – beginning – restated	<u>25,353,440</u>	<u>3,693,749</u>	<u>12,554,840</u>	<u>96,494,811</u>	<u>112,743,400</u>	
Total net position – ending	\$ <u>25,588,305</u>	\$ <u>4,345,346</u>	\$ <u>11,465,205</u>	\$ <u>100,925,868</u>	\$ <u>116,736,419</u>	

The accompanying independent auditor's report and notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-Type</u>		<u>Component Units</u>		
	<u>Activities</u>				
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Morgantown</u>	
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Utility</u>	<u>Total</u>
				<u>Board</u>	
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,395,414	\$ 2,463,102	\$ 873,478	\$ 22,104,608	\$ 25,441,188
Receipts from other sources	15,000	641,497	-0-	-0-	641,497
Payments to suppliers	(2,114,334)	(1,332,557)	(3,650)	(7,702,669)	(9,038,876)
Payments to employees	(432,495)	(672,939)	-0-	(4,310,734)	(4,983,673)
Net cash provided by (used in) operating activities	(136,415)	1,099,103	869,828	10,091,205	12,060,136
Cash Flows from Capital and Related Financing Activities					
Repayment of notes payable	-0-	-0-	(1,777)	-0-	(1,777)
Repayment of obligation under capital lease	(17,829)	(8,600)	-0-	-0-	(8,600)
Proceeds from revenue bonds	-0-	3,534,000	7,135,000	4,170,495	14,839,495
(Increase) decrease in restricted assets	(38,154)	717,503	519,935	(772,965)	464,473
(Increase) decrease in grants receivable	(70,531)	-0-	-0-	-0-	-0-
Repayments of revenue bonds	-0-	(4,441,203)	(7,928,606)	(3,547,924)	(15,917,733)
Decrease in advances on construction	-0-	-0-	-0-	(747,050)	(747,050)
Nonoperating grants	1,185,455	-0-	-0-	-0-	-0-
Acquisition of capital assets	(1,185,456)	(757,719)	-0-	(5,744,011)	(6,501,730)
(Increase) decrease in deferred financing	-0-	-0-	-0-	(136,195)	(136,195)
(Increase) decrease in accrued administrative cost on bonds	-0-	-0-	-0-	(76)	(76)
Customer deposits including interest	-0-	-0-	-0-	35,021	35,021
Other nonoperating income	250,000	-0-	-0-	440,642	440,642
Bond issue costs	-0-	(35,500)	(348,114)	-0-	(383,614)
Change in other assets net	-0-	-0-	-0-	23,834	23,834
Interest expense	(17,328)	(228,350)	(272,634)	(3,124,892)	(3,625,876)
Net cash (used in) provided by capital and related financing activities	106,157	(1,219,869)	(896,196)	(9,403,121)	(11,519,186)
Cash Flows from Investing Activities					
Change in value of investments	-0-	170,573	-0-	-0-	170,573
Proceeds from sale of investments	-0-	-0-	-0-	352,762	352,762
Purchase of investments	-0-	-0-	-0-	(1,180,558)	(1,180,558)
Investment income	62	15,698	612	224,626	240,936
Net cash provided by (used in) investing activities	62	186,271	612	(603,170)	(415,287)
Net (decrease) increase in cash	(30,196)	65,505	(25,756)	84,914	124,663
Cash at beginning of year	60,590	230,298	117,261	1,604,837	1,952,396
Cash at end of year	\$ 30,394	\$ 295,803	\$ 91,505	\$ 1,689,751	\$ 2,077,059

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Business-Type</u>	<u>Component Units</u>			
	<u>Activities</u>			<u>Morgantown</u>	
	<u>Airport</u> <u>Fund</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	<u>Utility</u> <u>Board</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:					
Operating (loss) income	\$ (1,183,324)	\$ 243,508	\$ 305,750	\$ 3,959,067	\$ 4,508,325
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,112,018	320,122	489,777	5,876,063	6,685,962
Contributed capital	-0-	641,497	-0-	-0-	641,497
(Increase) decrease in:					
Accounts receivable	32,802	(415)	74,301	(144,903)	(71,017)
Inventory	(51,669)	-0-	-0-	(94,391)	(94,391)
Due from/(to) other funds	(98,045)	(27,709)	-0-	-0-	(27,709)
Deposits and prepayments	-0-	-0-	-0-	2,494	2,494
Accrued utility revenue	-0-	-0-	-0-	161,926	161,926
Increase (decrease) in:					
Accounts payable	41,581	(78,417)	-0-	325,660	247,243
Deferred revenue	-0-	-0-	-0-	(3,367)	(3,367)
Accrued payroll	442	1,505	-0-	18,189	19,694
Accrued compensated absences	9,780	(988)	-0-	-0-	(988)
Billing service payable	-0-	-0-	-0-	(10,123)	(10,123)
Other current accrued liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>590</u>	<u>590</u>
Net cash (used in) provided by operating activities	\$ <u>(136,415)</u>	\$ <u>1,099,103</u>	\$ <u>869,828</u>	\$ <u>10,091,205</u>	\$ <u>12,060,136</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>GAAP Difference</u>	<u>Amounts (GAAP Basis)</u>	<u>With Final Budget Favorable (Unfavorable)</u>
Revenues						
Taxes (including interest and penalties):						
Ad valorem	\$ 3,552,573	\$ 3,585,573	\$ 3,704,046	\$(41,234)	\$ 3,662,812	\$ 118,473
Gas and oil severance	26,000	26,000	27,886	-0-	27,886	1,886
Utility	995,000	1,042,000	1,046,650	-0-	1,046,650	4,650
Business and occupation	12,768,858	12,168,704	12,709,425	18,132	12,727,557	540,721
Wine and liquor	555,000	593,000	720,596	-0-	720,596	127,596
Animal control	4,500	4,500	5,044	-0-	5,044	544
Hotel and motel	735,000	916,000	682,553	-0-	682,553	(233,447)
Motor vehicle operator's	44,000	-0-	-0-	-0-	-0-	-0-
Amusement	2,500	2,500	5,044	-0-	5,044	2,544
Total taxes	18,683,431	18,338,277	18,901,244	(23,102)	18,878,142	562,967
Licenses and permits	330,000	295,000	286,485	-0-	286,485	(8,515)
Charges for services	2,755,535	2,746,335	2,664,641	-0-	2,664,641	(81,694)
Fines and forfeitures	620,000	620,000	612,378	-0-	612,378	(7,622)
Franchise fees	380,000	380,000	395,259	-0-	395,259	15,259
Contributions	158,500	148,500	13,308	-0-	13,308	(135,192)
Interest	8,000	8,000	7,439	-0-	7,439	(561)
Intergovernmental:						
Federal	402,087	402,087	388,893	-0-	388,893	(13,194)
State	-0-	-0-	3,168	-0-	3,168	3,168
Video lottery and gaming income	151,000	126,000	136,021	-0-	136,021	10,021
Capital lease revenue	-0-	1,000,000	1,000,000	(1,000,000)	-0-	-0-
Miscellaneous	37,600	197,100	306,151	-0-	306,151	109,051
Total revenues	23,526,153	24,261,299	24,714,987	(1,023,102)	23,691,885	453,688
Expenditures						
General government	5,243,545	5,288,133	4,838,861	(559,627)	4,279,234	449,272
Public safety	10,718,907	11,185,834	11,181,461	3,275,826	14,457,287	4,373
Highways and streets	3,925,571	3,991,786	3,638,675	323,318	3,961,993	353,111
Culture and recreation	2,384,272	2,520,022	2,563,841	(1,076,953)	1,486,888	(43,819)
Total expenditures	22,272,295	22,985,775	22,222,838	1,962,564	24,185,402	762,937
Excess (deficiency) of revenues over (under) expenditures	<u>1,253,858</u>	<u>1,275,524</u>	<u>2,492,149</u>	<u>(2,985,666)</u>	<u>(493,517)</u>	<u>1,216,625</u>
Other Financing Sources (Uses)						
Operating transfers in	140,000	140,000	140,000	-0-	140,000	-0-
Operating transfers (out)	(1,893,858)	(1,635,704)	(1,635,704)	(1,076,953)	(2,712,657)	-0-
Total other financing sources (uses)	(1,753,858)	(1,495,704)	(1,495,704)	(1,076,953)	(2,572,657)	-0-
Net change in fund balance	(500,000)	(220,180)	996,445	(4,062,619)	(3,066,174)	1,216,625
Fund balance at beginning of year	<u>500,000</u>	<u>220,180</u>	<u>4,115,750</u>	<u>(2,114,514)</u>	<u>2,001,236</u>	<u>3,895,570</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,112,195</u>	\$ <u>(6,177,133)</u>	\$ <u>(1,064,938)</u>	\$ <u>5,112,195</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Explanation of Differences:

- (1) The City budgets for capital expenditures as a current period expenditure rather than a capital expenditure on the accrual basis of accounting.
- (2) The City does not budget for accrued compensated absences payable and net pension obligations in more than one year as is required by the accrual basis of accounting.
- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
COAL SEVERANCE FUND – BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Differences</u>	<u>(GAAP</u>	<u>Budget</u>
					<u>Basis)</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Interest	\$ 300	\$ 300	\$ 320	\$ -0-	\$ 320	\$ 20
Intergovernmental:						
State	<u>132,000</u>	<u>102,000</u>	<u>130,038</u>	<u>-0-</u>	<u>130,038</u>	<u>28,038</u>
Total revenues	<u>132,300</u>	<u>102,300</u>	<u>130,358</u>	<u>-0-</u>	<u>130,358</u>	<u>28,058</u>
Expenditures						
General government	<u>3,329</u>	<u>4,456</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,456</u>
Total expenditures	<u>3,329</u>	<u>4,456</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,456</u>
Excess of revenues over expenditures	<u>128,971</u>	<u>97,844</u>	<u>130,358</u>	<u>-0-</u>	<u>130,358</u>	<u>32,514</u>
Other Financing Sources (Uses)						
Operating transfers (out)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-0-</u>	<u>(140,000)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-0-</u>	<u>(140,000)</u>	<u>-0-</u>
Net change in fund balance	(11,029)	(42,156)	(9,642)	-0-	(9,642)	32,514
Fund balance at beginning of year	<u>11,029</u>	<u>42,156</u>	<u>42,156</u>	<u>-0-</u>	<u>42,156</u>	<u>-0-</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>32,514</u>	\$ <u>-0-</u>	\$ <u>32,514</u>	\$ <u>32,514</u>

Explanation of Differences

The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. This amount differs from the fund balance as derived from using the accrual basis of accounting.

The accompanying independent auditor's report and notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
 FIDUCIARY RESONSIBILITIES
 STATEMENT OF NET POSITION
 JUNE 30, 2013

	<u>Pension and Retirement Funds</u>	<u>Component Unit Morgantown Public Library</u>
Assets		
Cash	\$ 23,326	\$ -0-
Investments	63,235,133	53,951
Receivables:		
Contributions	1,143,242	-0-
Accrued interest	<u>75,555</u>	<u>-0-</u>
Total assets	<u>64,477,256</u>	<u>53,951</u>
Liabilities		
Accounts payable	<u>5,267</u>	<u>-0-</u>
Total liabilities	<u>5,267</u>	<u>-0-</u>
Net Position		
Held in trust	\$ <u>64,471,989</u>	\$ <u>53,951</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET POSITION
JUNE 30, 2013**

	<u>Pension and Retirement Funds</u>	<u>Component Unit Morgantown Public Library</u>
Additions		
Contributions:		
Employer	\$ 2,549,137	\$ -0-
Employee	1,139,916	-0-
Insurance premium tax allocation	1,038,002	-0-
Other	<u>7,392</u>	<u>-0-</u>
Total contributions	<u>4,734,447</u>	<u>-0-</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	2,595,891	2,101
Gain (loss) on sale of investments	1,283,541	-0-
Interest and dividends	<u>1,408,274</u>	<u>1,119</u>
Total investment income	<u>5,287,706</u>	<u>3,220</u>
Total additions	<u>10,022,153</u>	<u>3,220</u>
Deductions		
General and administrative	367,998	1,486
Contribution refunds	130,532	-0-
Benefit payments	<u>5,517,856</u>	<u>1,486</u>
Total deductions	<u>6,016,386</u>	<u>1,486</u>
Net increase (decrease)	4,005,767	1,734
Net position – beginning of year	<u>60,466,222</u>	<u>52,217</u>
Net position – end of year	\$ <u>64,471,989</u>	\$ <u>53,951</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

The City of Morgantown, West Virginia is incorporated under the provisions of the State of West Virginia. The City operates under a Council - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, recreation, education, public improvements, planning and zoning, and general administrative services.

The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2013.

The City's financial statements are prepared 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). The more significant accounting policies established in GAAP and used by the City are discussed below.

During the year ended June 30, 2013, the City adopted the following GASB statements:

GASB 60 – *Accounting and Financial Reporting for Service Concession Arrangements* – The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public – private or public – public partnership. This statement had no effect on the accompanying financial statements.

GASB 61 – *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* – This Statement modifies certain requirements for inclusion of component units in the financial reporting entities financial statements.

GASB 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board Opinions.
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Principles.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in that Statement for enterprise funds and business-type activities to apply post November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

GASB 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The purpose of this Statement was to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* – The purpose of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and the hedge accounting should continue to be applied. This statement had no effect on the accompanying financial statements.

GASB 65 – *Items Previously Reported as Assets and Liabilities* – The purpose of this Statement was to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Basic Financial Statements – Government Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, public works and general administrative services are classified as governmental activities. The City's parking and airport services are classified as business-type activities.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net invested in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

(a) Reporting Entity

The City of Morgantown is a municipal corporation governed by an elected mayor and five member council. The accompanying financial statements present the government and its component units as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the City, health and sanitation services, cultural and recreation programs, and other governmental services.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The City complies with GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*". This statement established standards for defining and reporting component units in the financial statements of the reporting entity. It defines component units as legally separate organizations for which the component unit not only has a fiscal dependency on the reporting entity but also a financial benefit or burden relationship must be present between the reporting entity and the entity that is to be included as a component unit. In addition, an entity may be included as a component unit in the financial statements of the reporting entity, if the reporting entity's management determines that it would be misleading to exclude them.

Blended Component Units

The City of Morgantown has determined it has no blended component units.

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the City, but are financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Because of the nature of services they provide and the City's ability to impose its will on them or a financial benefit/burden relationship exists, the following component units are discretely presented in accordance with GASB Statement No. 14 (as amended by GASB Statement No. 39). The discretely presented component units are presented on the government-wide statements.

The Morgantown Parking Authority serves the City of Morgantown, West Virginia, and is governed by a separate board of directors. The Morgantown Parking Authority provides parking areas within the City.

The Morgantown Municipal Building Commission serves the City of Morgantown, West Virginia, and is governed by a separate board of directors. The Morgantown Building Commission acquires property and debt on behalf of the City.

Board of Parks and Recreation Commission serves the City of Morgantown, West Virginia and is governed by a separate board of directors. The Board of Parks and Recreation Commission provides recreational facilities in Morgantown for the City.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

The Morgantown Utility Board services all the citizens of the City of Morgantown. Complete financial statements for this component unit may be obtained at the entity's administrative offices at the following address:

Morgantown Utility Board
278 Greenbag Road
Morgantown, West Virginia 26507

The Morgantown Public Library serves all of the citizens of the City of Morgantown. The financial statements for this component unit may be obtained at the entity's administrative offices at the following address:

Morgantown Public Library
373 Spruce Street
Morgantown, West Virginia 26505

(b) Government-Wide Financial Statements

The government-wide financial statements report information on all the nonfiduciary activities of the government. For the most part, the effect of internal activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the governmental-wide statements. Major individual funds are reported as separate columns in the fund statements.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

(c) Measurement Focus and Financial Statement Presentation – Government-Wide Financial Statements

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types”. Governmental funds are used to account for governmental activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public through service charges or user fees. Fiduciary funds are used to account for assets held by the City in a trustee or agency capacity. The fund types used by the City of Morgantown are described as follows:

Governmental Fund Types

General Fund: The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for capital purposes.

Debt Service Funds: The Debt Service Funds are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for debt retirement.

Capital Project Funds: Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

Proprietary Fund Types

Enterprise Funds: Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The City of Morgantown reports the following major governmental funds:

General Fund, Coal Severance Fund, Life and Health Fund and Tax Increment Financing Debt Service Fund.

General Fund: The General Fund is the general operating fund of the City.

Coal Severance Fund: The Coal Severance Fund is a special revenue fund used to receive and disburse coal severance tax revenues received from the State of West Virginia.

Life and Health Fund: The Life and Health Fund is a special revenue fund used to receive and disburse funds for insurance benefits.

Tax Increment Financing Debt Service Fund: The Tax Increment Financing Debt Service Fund is a debt service fund used to receive and disburse funds used to repay tax increment financing debt.

Capital Reserve Fund: The Capital Reserve Fund is a Capital Projects Fund used to receive and disburse funds in connection with capital projects in the City of Morgantown.

The City of Morgantown reports the following major proprietary funds:

The Airport Fund.

(d) Funds and Account Groups – Fund Financial Statements

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. The major fund categories and account groups for the fund financial statements are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

General Fund: The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds: Capital project funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary trust funds.

Debt Service Funds: The Debt Service Funds are used to account for proceeds for specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for debt retirement.

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

(e) Cash, Cash Equivalents and Investments

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash and cash equivalent in the accompanying financial statements.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: (a) obligations of the United States or any agency thereof, (b) certificates of deposit (which mature in less than one year), (c) general and direct obligations of the State of West Virginia, (d) obligations of the Federal National Mortgage Association, (e) indebtedness secured by first lien deed of trust for property situated within the State if the payment is substantially insured or guaranteed by the federal government, (f) pooled mortgage trusts (subject to limitations), (g) indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, (h) interest earning deposits which are fully insured or collateralized, and (i) mutual funds registered with the Security and Exchange Commission which have fund assets over three hundred million dollars. State statute limitations concerning the aforementioned investments include the following:

- (1) at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporations nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year.
- (2) at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association.
- (3) at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

Investment risk is categorized as follows:

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

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

Custodial credit risk – The risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Municipal Pension Funds are governed as to type of investments by West Virginia Code §8-22-22. Pension funds are permitted to invest in all of the above mentioned types of investments with the exceptions of (1) Direct and general obligations of the state and (2) Pooled mortgage trusts. Additionally, pension funds are permitted to invest funds in the following categories of investments: (1) Repurchase agreements and (2) Common stock, securities convertible into common stocks, or warrants and rights to purchases such securities. Pension funds have different rules concerning the purchase of marketable debt securities.

The following restrictions apply only to pension portfolio's and are separate and distinct from the limitations mentioned above: (1) fixed income securities which are issued by one issuer (with the exception of the United States government) are not to exceed ten percent of the total assets of the total pension fund assets; and (2) at no time can the equity portion of the portfolio exceed fifty percent of the total portfolio.

(f) Receivables

All receivables are shown net of allowance for uncollectibles as follows:

Allowance for uncollectibles:	
General fund	\$ 372,062

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.

(g) Capital Assets

The accounting and reporting treatment applied to capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The City of Morgantown records the purchase of capital assets used in governmental fund type operations as expenditures in the governmental funds. The government-wide financial statements of the City of Morgantown are accounted for on a cost of service or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net assets.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

All proprietary funds and pension trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheets. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net assets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Governmental Funds

Buildings	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	5 - 25 years

Proprietary Funds

Buildings and improvements	20 - 50 years
Infrastructure	20 - 65 years
Machinery and equipment	5 - 25 years
Vehicles	5 years

The City has defined capital assets with an initial cost of over \$5,000 and an estimated useful life of greater than one year. Capital assets donated to the City are recorded at their estimated fair value at the date of the donation.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2013**

Discretely Presented Component Units (Having Separately Issued Financial Statements)

Morgantown Public Library

The Morgantown Public Library depreciates all capital assets using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Books and videos	5 years
Machinery and equipment	5 - 25 years

Morgantown Utility Board

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 the cost of removal, and is credited with any amounts recovered. The estimated useful lives of these assets are as follows:

Land improvements	15 years
Building	40 years
Vehicles	5 - 10 years
Equipment and furniture	3 - 10 years
Furniture	7 years

(h) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

The City used the modified accrual basis of accounting for governmental fund types.

The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means that amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: business & occupation tax, hotel/motel tax, wine tax, liquor tax, property taxes, fire service fees, intergovernmental revenues, and investment income.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types and the pension trust funds. The accrual basis of accounting recognized revenues when earned. Expenses are recorded when incurred. Plan member contributions to the pension trust funds are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds (when appropriate) and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

(i) Budgets and Budgetary Accounting

All municipalities within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms for the General and Coal Severance Funds and submit these for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

1. The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.
2. The budget is then forthwith submitted to the State Tax Commissioner for approval.
3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

- A) Unused appropriations for all of the above annually budgeted funds lapse at the year end.
- B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(j) Committed – Fund Financial Statements

Encumbrance accounting is used for the General Fund and special revenue funds.

Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013

(k) Inventories

The City considers inventories of materials and supplies, other than fuel, utilized in governmental fund types operations as expended at the time of purchase therefore, they do not appear in the municipality's financial statements. Inventories of materials and supplies utilized in the proprietary fund type operation and fuel in governmental fund type operations, are considered expended at the time of consumption; therefore, balances on hand at year end, valued at cost (first-in, first-out) are presented in the City's financial statements.

Discretely Presented Component Unit

Morgantown Utility Board

The supplies inventory is valued on average cost basis.

(l) Amortization

Debt discount on bonds is amortized on the straight-line method from the date of issuance to the date of maturity. Amortization of debt discount and issue costs for fiscal year ended June 30, 2013 was \$31,606.

Discretely Presented Component Unit

Morgantown Utility Board

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

(m) Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual sick and accrued vacations. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payment upon termination are included.

Accumulated Sick Leave

Municipal employees receive payment of 1/2 of the accumulated sick leave in excess of 720 hours. The payment for sick leave is calculated at current hourly rates and is paid in June of each fiscal year. Terminated and retiring employees hired before June 15, 1993 are entitled to receive payment for 2 of their accumulated sick leave, up to the amount accrued as of June 15, 1993, upon cessation of employment. Employees hired after that date do not receive payment for accumulated sick leave at cessation of employment.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Discretely Presented Component Unit

Morgantown Utility Board

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.

(n) Self Insurance

The City is self-insured for employees life and health benefits. The operating funds are charged premiums by the City insurance fund, which is accounted for as a special revenue fund. The fund balance has been reserved for payment of future claims including any claims incurred and not yet reported at June 30, 2013.

(o) Pension Plans

The City provides separate defined benefit pension plans for uniformed police and fire department personnel. It is the City's policy to fund the normal cost and amortization of the unfunded prior service cost.

All eligible employees of BOPARC are covered under the West Virginia Public Employee Retirement System due to the City's electing to be a participating public employer. All other eligible employees are covered under the City of Morgantown Retirement and Benefit Fund.

Discretely Presented Component Unit (Issuing Separately Presented Financial Statements.

Morgantown Utility Board

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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

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 Public Library

All eligible employees of the Library are covered under the West Virginia Public Employee Retirement System due to the Library's electing to be a participating public employer.

(p) Use of Estimates

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

(q) Equity Classification

Effective July 1, 2010, the City adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards for accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

Net Position Classifications:

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – divided net position for Government-wide net position into three components:

- a. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013

- b. Restricted net position – consists of net position that is restricted by the Authority's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- c. Unrestricted – all other net position is reported in this category

GASB 54 – "Fund Balance Reporting and Governmental Fund Type Definitions" – divided fund balance for governmental fund statements into five components:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City's code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City's council.
- d. Assigned – Amounts that are designed by the City's council for a particular purpose but are not spendable until there is a majority vote approval by the City's council.
- e. Unassigned – All amounts not included in other spendable classifications.

(r) Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

(s) Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

(t) Operating and Nonoperating Revenues

The City reports all revenues produced by services provided as operating revenues including fees, penalties and basic charges for services. All other revenues are reported as nonoperating revenue including contributions, grants, and interest income.

2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported on the government-wide statement of net assets. The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government – wide statement of activities. The individual elements of those reconciliations are included with the statements.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

3. Deposits and Investments

The City reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include the City of Morgantown, West Virginia's Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund which classify only cash as cash equivalents in order to appropriately report investment activity.

Deposits

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2013. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized.

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
General fund	\$ 1,380,246	\$ 82,399	\$ 1,297,847	\$ -0-	\$ 696,562
Special revenue funds	1,555,220	144,767	1,410,453	-0-	1,554,891
Debt service funds	691,374	250,000	441,374	-0-	691,374
Capital project funds	886,873	11,253	875,620	-0-	1,088,399
Enterprise funds	<u>131,021</u>	<u>119,826</u>	<u>11,195</u>	-0-	<u>123,465</u>
Total deposits	\$ <u>4,644,734</u>	\$ <u>608,245</u>	\$ <u>4,036,489</u>	\$ -0-	\$ <u>4,154,691</u>
Fiduciary funds	\$ <u>34,687</u>	\$ <u>34,687</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>23,326</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Discretely Presented Component Units

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
Special revenue funds	\$ 196,199	\$ 69,045	\$ 127,154	\$ -0-	\$ 146,994
Capital projects funds	199,411	11,253	188,158	-0-	194,411
Enterprise funds	<u>363,322</u>	<u>19,079</u>	<u>344,243</u>	<u>-0-</u>	<u>387,308</u>
Total deposits	<u>\$ 758,932</u>	<u>\$ 99,377</u>	<u>\$ 659,555</u>	<u>\$ -0-</u>	<u>\$ 728,713</u>

Discretely Presented Component Units with Separately Issued Financial Statements
Morgantown Public Library

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
General fund	\$ <u>514,684</u>	\$ <u>250,000</u>	\$ <u>264,684</u>	\$ <u>-0-</u>	\$ <u>499,598</u>

Morgantown Utility Board

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:

	<u>Cost</u>	<u>Fair Value</u>
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	<u>1,519,114</u>	<u>1,918,553</u>
Total cash and investments	\$ <u>14,813,883</u>	\$ <u>15,226,827</u>

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

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 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.

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percent</u>
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	<u>1,668,926</u>	<u>35.1%</u>
 Total	 \$ <u>4,747,171</u>	 <u>100.0%</u>

Concentration of Credit Risk

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

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Investments

Investment pools are under the custody of the City. Investing is performed in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in the State Investment Pool or the Municipal Bond Commission for investment purposes, or invested in the following classes of securities: Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements. The pension trust fund is also authorized to invest in corporate bonds rated AA or better by Standard & Poor's Corporation or AA or better by Moody's Bond Rating.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal national mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the S.E.C. which have fund assets over three hundred million dollars.

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

Municipal Pension Funds are governed as to type of investments by West Virginia Code §8-22-22. Pension funds are permitted to invest in all of the above mentioned types of investments with the exceptions of (1) Direct and general obligations of the state and (2) Pooled mortgage trusts. Additionally, pension funds are permitted to invest funds in the following categories of investments: (1) Repurchase agreements and (2) Common stock, securities convertible into common stocks, or warrants and rights to purchases such securities. Pension funds have different rules concerning the purchase of marketable debt securities.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The following restrictions apply only to pension portfolio's and are separate and distinct from the limitations mentioned above: (1) fixed income securities which are issued by one issuer (with the exception of the United States government) are not to exceed ten percent of the total assets of the total pension fund assets; and (2) at no time can the equity portion of the portfolio exceed fifty percent of the total portfolio.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2013. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Money market	\$ 465,717	\$ -0-	\$ -0-	\$ 465,717	\$ 465,717	\$ -0-
Certificates of deposit	<u>600,000</u>	<u>-0-</u>	<u>-0-</u>	<u>600,000</u>	<u>600,000</u>	<u>-0-</u>
Total investments	\$ <u>1,065,717</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	1,065,717	1,065,717	\$ <u>-0-</u>
Investments in municipal bond commission				<u>-0-</u>	<u>-0-</u>	
Total investments				1,065,717	\$ <u>1,065,717</u>	
Total deposits				<u>4,154,691</u>		
Total deposits and investments				\$ <u>5,220,408</u>		

Cash and investments are reported on the financial statement as follows:

Cash	\$ 3,370,246
Restricted assets	784,445
Investments	<u>1,065,717</u>
	\$ <u>5,220,408</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2013, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money market funds	\$ <u>465,717</u>	AAA	AAA

Interest Rate Risk

As of June 30, 2013, the City had the following amounts exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of deposit	\$ <u>600,000</u>	\$ <u>600,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Discretely Presented Component Units

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Money market	\$ 791,906	\$ -0-	\$ -0-	\$ 791,906	\$ 791,906	\$ -0-
Certificates of deposit	<u>471,763</u>	<u>-0-</u>	<u>-0-</u>	<u>471,763</u>	<u>471,763</u>	<u>-0-</u>
Total investments	\$ <u>1,263,669</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	1,263,669	1,263,669	\$ <u>-0-</u>
Investments in municipal bond commission				<u>36,340</u>	<u>36,340</u>	
Total investments				1,300,009	\$ <u>1,300,009</u>	
Total deposits				<u>728,713</u>		
Total deposits and investments				\$ <u>2,028,722</u>		

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Cash and investments are reported on the financial statement as follows:

Cash	\$	728,713
Restricted assets		343,055
Investments		<u>956,954</u>
	\$	<u>2,028,722</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2013, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money market funds	\$ <u>791,906</u>	AAA	AAA

Interest Rate Risk

As of June 30, 2013, the City had the following amounts exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of deposit	\$ <u>2,214,542</u>	\$ <u>471,763</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**Discretely Presented Component Units (which have a separately issued audit report)
*Morgantown Public Library***

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Corporate stocks	\$ 401,136	\$ -0-	\$ -0-	\$ 401,136	\$ 294,684	\$ 106,452
Certificates of deposit	945,463	-0-	-0-	945,463	943,000	2,463
Corporate bonds	107,369	-0-	-0-	107,369	102,420	4,949
Mutual funds	984,757	-0-	-0-	984,757	927,603	57,154
Money market	<u>157,863</u>	<u>-0-</u>	<u>-0-</u>	<u>157,863</u>	<u>157,863</u>	<u>-0-</u>
Total investments	\$ <u>2,596,588</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,596,588</u>	\$ <u>2,425,570</u>	\$ <u>171,018</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2013, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Corporate stocks	\$ 401,136	AAA	AAA
Certificates of deposit	945,463	N/A	N/A
Corporate bonds	107,369	AAA	AAA
Mutual funds	984,757	AAA	AAA
Money market	<u>157,863</u>	N/A	N/A
	\$ <u>2,596,588</u>		

Interest Rate Risk

As of June 30, 2013, the Library had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Certificates of deposit	\$ 945,463	\$ 198,464	\$ 746,999	\$ -0-	\$ -0-
Corporate bonds	<u>107,369</u>	<u>-0-</u>	<u>107,369</u>	<u>-0-</u>	<u>-0-</u>
	\$ <u>1,052,832</u>	\$ <u>198,464</u>	\$ <u>854,368</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Fiduciary Funds

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Money market	\$ 1,608,360	\$ -0-	\$ -0-	\$ 1,608,360	\$ 1,608,360	\$ -0-
Corporate stocks	34,574,002	-0-	-0-	34,574,002	27,961,073	6,612,929
Corporate bonds	12,243,528	-0-	-0-	12,243,528	12,376,221	(132,693)
Certificates of deposit	3,925,901	-0-	-0-	3,925,901	3,877,229	48,672
Mortgage backed securities	2,517,763	-0-	-0-	2,517,763	2,511,627	6,136
Municipal bonds	270,439	-0-	-0-	270,439	276,801	(6,362)
U.S. Government obligations	<u>8,095,140</u>	<u>-0-</u>	<u>-0-</u>	<u>8,095,140</u>	<u>8,212,905</u>	<u>(117,765)</u>
Total investments	\$ <u>63,235,133</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>63,235,133</u>	\$ <u>56,824,216</u>	\$ <u>6,410,917</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2013, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money market	\$ 1,608,360	N/A	N/A
Corporate stocks	34,574,002	N/A	N/A
Corporate bonds	12,243,528	AAA-A	AAA-A
Certificates of deposit	3,925,901	N/A	N/A
Mortgage backed securities	2,517,763	AA	AA
Municipal bonds	270,439	AA	AA
U.S. Government obligations	<u>8,095,140</u>	AAA-BBB+	AAA-BBB+
	\$ <u>63,235,133</u>		

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Interest Rate Risk

As of June 30, 2013, the City had the following investments and maturities exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Corporate bonds	\$ 12,243,528	\$ 299,841	\$ 5,940,713	\$ 5,220,333	\$ 782,641
Certificates of deposit	3,925,901	-0-	3,925,901	-0-	-0-
Mortgage backed securities	2,517,763	-0-	21,854	190,152	2,305,757
Municipal bonds	2,704,397 2,700,439	-0-	64,353	-0-	206,086
U.S. Government obligations	<u>8,095,140</u>	<u>1,404,548</u>	<u>2,769,023</u>	<u>2,141,424</u>	<u>1,780,145</u>
	<u>\$ 27,052,771</u>	<u>\$ 1,704,389</u>	<u>\$ 12,721,844</u>	<u>\$ 7,551,909</u>	<u>\$ 5,074,629</u>

Discretely Presented Component Units

Morgantown Public Library

Fiduciary Funds

<u>Types of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Money market	\$ 2,050	\$ -0-	\$ -0-	\$ 2,050	\$ 2,050	\$ -0-
Mutual funds	<u>51,901</u>	<u>-0-</u>	<u>-0-</u>	<u>51,901</u>	<u>53,183</u>	<u>(1,282)</u>
Total investments	<u>\$ 53,951</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,951</u>	<u>\$ 55,233</u>	<u>\$ (1,282)</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to State of West Virginia Code. As of June 30, 2013, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money market	\$ 2,050	A-AAA	A-AAA
Mutual funds	<u>51,901</u>	A-AAA	A-AAA
	<u>\$ 53,951</u>		

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013**

4. Property Taxes

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5¢); on Class II property, twenty-five cents (25.0¢); and on Class IV property, fifty cents (50.0¢). In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The levy rates levied by the City of Morgantown, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2013 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Expense</u>	<u>Current</u>
Class I	\$	-0-	12.50¢
Class II		348,501,972	25.00¢
Class IV		667,630,795	50.00¢

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

5. Capital Assets and Capital Assets Net of Depreciation

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 1,396,801	\$ -0-	\$ -0-	\$ 1,396,801
Construction in progress	<u>516,395</u>	<u>6,502</u>	<u>-0-</u>	<u>522,897</u>
Total nondepreciable capital assets	<u>1,913,196</u>	<u>6,502</u>	<u>-0-</u>	<u>1,919,698</u>
Depreciable capital assets				
Buildings	7,428,304	-0-	-0-	7,428,304
Infrastructure	8,113,804	-0-	-0-	8,113,804
Machinery and equipment	3,479,680	221,439	-0-	3,701,119
Vehicles	<u>6,432,767</u>	<u>131,197</u>	<u>445,319</u>	<u>6,118,645</u>
Total at historical cost	<u>25,454,555</u>	<u>352,636</u>	<u>445,319</u>	<u>25,361,872</u>
Less: Accumulated depreciation				
Buildings	1,891,585	210,531	-0-	2,102,116
Infrastructure	1,289,038	143,468	-0-	1,432,506
Machinery and equipment	2,069,418	230,323	-0-	2,299,741
Vehicles	<u>5,339,095</u>	<u>594,234</u>	<u>445,319</u>	<u>5,488,010</u>
Total accumulated depreciation	<u>10,589,136</u>	<u>1,178,556</u>	<u>445,319</u>	<u>11,322,373</u>
Total depreciable capital assets, net	<u>14,865,419</u>	<u>(825,920)</u>	<u>-0-</u>	<u>14,039,499</u>
Governmental activities capital assets, net	\$ <u>16,778,615</u>	\$ <u>(819,418)</u>	\$ <u>-0-</u>	\$ <u>15,959,197</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

**Component Unit
Board of Parks and Recreation**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 86,937	\$ -0-	\$ -0-	\$ 86,937
Construction in progress	<u>139,341</u>	<u>7,472</u>	<u>146,813</u>	<u>-0-</u>
Total nondepreciable capital assets	<u>226,278</u>	<u>7,472</u>	<u>146,813</u>	<u>86,937</u>
Depreciable Capital Assets				
Land improvements	979,875	-0-	-0-	979,875
Buildings	4,612,888	146,813	-0-	4,759,701
Machinery and equipment	906,615	88,072	-0-	994,687
Vehicles	<u>262,262</u>	<u>-0-</u>	<u>-0-</u>	<u>262,262</u>
Total at historical cost	<u>6,761,640</u>	<u>234,885</u>	<u>-0-</u>	<u>6,996,525</u>
Less: Accumulated depreciation				
Land improvements	613,211	32,799	-0-	646,010
Buildings	1,652,614	162,574	-0-	1,815,188
Machinery and equipment	572,438	60,513	-0-	632,951
Vehicles	<u>215,800</u>	<u>16,025</u>	<u>-0-</u>	<u>231,825</u>
Total accumulated depreciation	<u>3,054,063</u>	<u>271,911</u>	<u>-0-</u>	<u>3,325,974</u>
Total depreciable capital assets, net	<u>3,707,577</u>	<u>(37,026)</u>	<u>-0-</u>	<u>3,670,551</u>
Governmental activities capital assets, net	\$ <u>3,933,855</u>	\$ <u>(29,554)</u>	\$ <u>146,813</u>	\$ <u>3,757,488</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Enterprise Activities				
<i>Airport Fund</i>				
Nondepreciable capital assets				
Land	\$ 50,050	\$ -0-	\$ -0-	\$ 50,050
Construction in progresss	<u>981,616</u>	<u>242,213</u>	<u>-0-</u>	<u>1,223,829</u>
Total nondepreciable capital assets	<u>1,031,666</u>	<u>242,213</u>	<u>-0-</u>	<u>1,273,879</u>
Depreciable capital assets				
Buildings	6,223,857	919,256	-0-	7,143,113
Structures and improvements	30,796,655	23,987	-0-	30,820,642
Machinery and equipment	<u>2,307,936</u>	<u>-0-</u>	<u>-0-</u>	<u>2,307,936</u>
Total at historical cost	<u>39,328,448</u>	<u>943,243</u>	<u>-0-</u>	<u>40,271,691</u>
Less: Accumulated depreciation				
Buildings	2,830,626	186,032	-0-	3,016,658
Structures and improvements	10,142,350	807,891	-0-	10,950,241
Machinery and equipment	<u>1,234,829</u>	<u>112,270</u>	<u>-0-</u>	<u>1,347,099</u>
Total accumulated depreciation	<u>14,207,805</u>	<u>1,106,193</u>	<u>-0-</u>	<u>15,313,998</u>
Total depreciable capital assets, net	<u>25,120,643</u>	<u>(162,950)</u>	<u>-0-</u>	<u>24,957,693</u>
Enterprise activities capital assets, net	\$ <u>26,152,309</u>	\$ <u>79,263</u>	\$ <u>-0-</u>	\$ <u>26,231,572</u>

The accompanying independent auditor's report is an integral part of these notes.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

Component Unit
Parking Authority

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ <u>1,484,399</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,484,399</u>
Depreciable Capital Assets				
Structures and improvements	8,884,741	757,719	-0-	9,642,460
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>1,331,126</u>	<u>-0-</u>	<u>53,378</u>	<u>1,277,748</u>
Total at historical cost	<u>10,306,832</u>	<u>757,719</u>	<u>53,378</u>	<u>11,011,173</u>
Less: Accumulated depreciation				
Structures and improvements	4,416,762	267,580	-0-	4,684,342
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>907,963</u>	<u>52,542</u>	<u>53,378</u>	<u>907,127</u>
Total accumulated depreciation	<u>5,415,690</u>	<u>320,122</u>	<u>53,378</u>	<u>5,682,434</u>
Total depreciable capital assets, net	<u>4,891,142</u>	<u>437,597</u>	<u>-0-</u>	<u>5,328,739</u>
Enterprise activities capital assets, net	\$ <u>6,375,541</u>	\$ <u>437,597</u>	\$ <u>-0-</u>	\$ <u>6,813,138</u>

Component Unit
Building Commission

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ <u>6,445,204</u>	\$ <u>-0-</u>	\$ <u>5,005,497</u>	\$ <u>1,439,707</u>
Depreciable Capital Assets				
Land improvements	744,473	-0-	-0-	744,473
Building	15,742,250	-0-	-0-	15,742,250
Machinery and equipment	<u>1,094,319</u>	<u>-0-</u>	<u>-0-</u>	<u>1,094,319</u>
Total at historical cost	<u>17,581,042</u>	<u>-0-</u>	<u>-0-</u>	<u>17,581,042</u>
Less: Accumulated depreciation				
Land improvements	102,604	18,794	-0-	121,398
Building	5,139,100	393,556	-0-	5,532,656
Machinery and equipment	<u>341,019</u>	<u>51,646</u>	<u>-0-</u>	<u>392,665</u>
Total accumulated depreciation	<u>5,582,723</u>	<u>463,996</u>	<u>-0-</u>	<u>6,046,719</u>
Total depreciable capital assets, net	<u>11,998,319</u>	<u>(463,996)</u>	<u>-0-</u>	<u>11,534,323</u>
Enterprise activities capital assets, net	\$ <u>18,443,523</u>	\$ <u>(463,996)</u>	\$ <u>5,005,497</u>	\$ <u>12,974,030</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 313,633
Public safety	526,462
Highways and streets	<u>338,461</u>
 Total depreciation expense	 \$ <u>1,178,556</u>

Discretely Presented Component Units
Morgantown Public Library

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Depreciable Assets				
Buildings and fixtures	\$ 3,185,697	\$ 58,489	\$ -0-	\$ 3,244,186
Machinery and equipment	144,778	-0-	-0-	144,778
Books and videos	<u>4,967,949</u>	<u>180,356</u>	<u>144,849</u>	<u>5,003,456</u>
Total at historical cost	<u>8,298,424</u>	<u>238,845</u>	<u>144,849</u>	<u>8,392,420</u>
 Less Accumulated Depreciation				
Buildings and fixtures	1,401,675	70,964	-0-	1,472,639
Machinery and equipment	62,756	17,106	-0-	79,862
Books and videos	<u>4,364,527</u>	<u>238,546</u>	<u>144,849</u>	<u>4,458,224</u>
Total accumulated depreciation	<u>5,828,958</u>	<u>326,616</u>	<u>144,849</u>	<u>6,010,725</u>
 Total depreciable capital assets, net	 \$ <u>2,469,466</u>	 \$ <u>(87,771)</u>	 \$ <u>-0-</u>	 \$ <u>2,381,695</u>

The accompanying independent auditor's report is an integral part of these notes.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

Morgantown Utility Board

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements & Transfers to Utility Plant</u>	<u>Ending Balance</u>
CWIP	\$ 81,972,960	\$ 8,710,501	\$(85,421,787)	\$ 5,261,674
Land	1,451,027	-0-	-0-	1,451,027
Intangible plant	376,834	-0-	-0-	376,834
Buildings and structures	21,330,544	5,788,385	(299,449)	26,819,480
Water transmission and distribution system	52,023,513	11,927,610	(343,197)	63,607,926
Sewer and 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 and equipment and computer system	2,473,985	2,166,218	(141,533)	4,498,670
Vehicles and heavy duty equipment	<u>4,408,999</u>	<u>3,065,415</u>	<u>(168,192)</u>	<u>7,306,222</u>
Total capital assets	262,381,996	94,132,286	(87,675,276)	268,839,006
Less: Accumulated depreciation	<u>(82,631,990)</u>	<u>(5,773,278)</u>	<u>2,263,450</u>	<u>(86,141,818)</u>
Total net capital assets	\$ <u>179,750,006</u>	\$ <u>88,359,008</u>	\$(85,411,826)	\$ <u>182,697,188</u>
Depreciation expense charged to operations	\$ <u>-0-</u>	\$ <u>5,593,277</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

6. Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Governmental Activities						
Bonds Payable						
2006A TIF bonds	\$ 5,350,000	\$ -0-	\$ 375,000	\$ 4,975,000	\$ 160,000	\$ 4,815,000
2007 TIF bonds	3,000,000	-0-	140,000	2,860,000	-0-	2,860,000
2007A TIF bonds	8,615,000	-0-	-0-	8,615,000	-0-	8,615,000
2010 TIF bonds	<u>1,665,000</u>	<u>-0-</u>	<u>100,000</u>	<u>1,565,000</u>	<u>-0-</u>	<u>1,565,000</u>
Total bonds payable	<u>18,630,000</u>	<u>-0-</u>	<u>615,000</u>	<u>18,015,000</u>	<u>160,000</u>	<u>17,855,000</u>
Other long-term debt						
Compensated absences	1,058,210	-0-	10,781	1,047,429	-0-	1,047,429
Obligation under capital lease	912,244	1,000,000	38,546	1,873,698	170,816	1,702,882
Net pension obligation	11,795,011	2,572,844	-0-	14,367,855	-0-	14,367,855
Accrued other post employment benefits	<u>4,388,000</u>	<u>179,000</u>	<u>-0-</u>	<u>4,567,000</u>	<u>-0-</u>	<u>4,567,000</u>
Total other long-term debt	<u>18,153,465</u>	<u>3,751,844</u>	<u>49,327</u>	<u>21,855,982</u>	<u>170,816</u>	<u>21,685,166</u>
Total long-term debt – governmental activities	\$ <u>36,783,465</u>	\$ <u>3,751,844</u>	\$ <u>664,327</u>	\$ <u>39,870,982</u>	\$ <u>330,816</u>	\$ <u>39,540,166</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Component Unit						
<i>Board of Parks and Recreation Commission</i>						
Obligation under capital lease	\$ <u>906,528</u>	\$ <u>-0-</u>	\$ <u>38,304</u>	\$ <u>868,224</u>	\$ <u>43,776</u>	\$ <u>824,448</u>
Component Unit						
<i>Morgantown Public Library</i>						
Obligation under capital lease	\$ <u>40,754</u>	\$ <u>-0-</u>	\$ <u>1,722</u>	\$ <u>39,032</u>	\$ <u>1,968</u>	\$ <u>37,064</u>

TIF Bonds

In 2006, the City of Morgantown issued Tax Increment Financing (TIF) revenue bonds to provide funds to finance the costs of certain private capital improvements within the City's designated areas. The bonds do not constitute a general obligation, or pledge of the full faith and credit of the City of Morgantown. The principal and interest on the tax increment revenue bonds are to be repaid solely by the property taxes generated in association with increased assessed values of property within the TIF district area.

2006A TIF Bonds

The 2006A TIF bonds were issued in the amount of \$6,180,000 to provide financing for the Parking Garage Project No. 1. This is a private/public partnership project undertaken to economically revitalize the Riverfront area. The bonds are payable solely from the tax increment property taxes assessed and collected in the district area. Annual principal and interest on the bonds are expected to require less than 55% of the net revenues associated with the property taxes within the district. The bonds mature incrementally with final maturity due June 1, 2033. Payments of principal and interest are due annually on June 1st with varying interest rates. The City has pledged future tax increment revenue to provide for the repayment of these bonds. The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 160,000	\$ 252,635	\$ 412,635
2015	170,000	245,435	415,435
2016	175,000	237,785	412,785
2017	185,000	229,910	414,910
2018	195,000	221,030	416,030
2019 – 2023	1,110,000	957,310	2,067,310
2024 – 2028	1,410,000	662,480	2,072,480
2029 – 2033	<u>1,570,000</u>	<u>277,250</u>	<u>1,847,250</u>
Total	\$ <u>4,975,000</u>	\$ <u>3,083,835</u>	\$ <u>8,058,835</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

2007 TIF Bonds

The 2007 TIF bonds were issued in the amount of \$3,000,000 to provide financing for certain private capital improvements within the City's designated TIF Falling Run district area. The bonds are payable solely from the property taxes generated in association with increased assessed values of property within the TIF district area. The bonds do not constitute a general obligation, or pledge of the faith and credit of the City of Morgantown. Payments of interest only are due semiannually with the principal and any outstanding interest due in 2033. The bonds bear interest at 5.69%. The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -0-	\$ 170,700	\$ 170,700
2015	-0-	170,700	170,700
2016	-0-	170,700	170,700
2017	-0-	170,700	170,700
2018	-0-	170,700	170,700
2019 – 2023	-0-	853,500	853,500
2024 – 2028	-0-	853,500	853,500
2029 – 2033	<u>2,860,000</u>	<u>853,500</u>	<u>3,713,500</u>
 Total	 \$ <u>2,860,000</u>	 \$ <u>3,414,000</u>	 \$ <u>6,274,000</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

2007A TIF Bonds

The 2007A TIF bonds were issued subordinate to the 2006 TIF bonds, and were issued to provide funds to finance the costs of certain private capital improvements with the City's designated TIF riverfront district area. Proceeds from the bonds provided additional financing for the Riverfront Event Center Project No. 1. The bonds are payable solely from the property taxes generated in associated with the increased assessed values of property within the TIF district area. The bonds do not constitute a general obligation, or pledge of the full faith and credit of the City of Morgantown. The bonds bear interest of 8.00%, with interest only payments due quarterly and principal and interest due in June 2033. As of June 30, 2013, the city has only drawn \$8,615,000 of these bonds with the balance expected to be drawn during the subsequent fiscal year. The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -0-	\$ 689,200	\$ 689,200
2015	-0-	689,200	689,200
2016	-0-	689,200	689,200
2017	-0-	689,200	689,200
2018	-0-	689,200	689,200
2019 – 2023	-0-	3,446,000	3,446,000
2024 – 2028	-0-	3,446,000	3,446,000
2029 – 2033	<u>8,615,000</u>	<u>3,446,000</u>	<u>12,061,000</u>
Total	\$ <u>8,615,000</u>	\$ <u>13,784,000</u>	\$ <u>22,399,000</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

2010 TIF Bonds

The 2010 TIF bonds were issued to provide funds to finance the costs of certain private capital improvements with the City's designated TIF Sunnyside district area. Proceeds from the bonds provided additional financing for the Sunnyside district area improvements with the City's designated TIF Sunnyside district area. Proceeds from the bonds provided additional financing for the Sunnyside District Project No. 1. The bonds are payable solely from the property taxes generated in association with the increased assessed values of property within the TIF district area. The bonds do not constitute a general obligation, or pledge of the full faith and credit of the City of Morgantown. The bonds bear interest of 5.49%, with interest only payments due quarterly and principal and interest due in June 2038. The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -0-	\$ 93,330	\$ 93,330
2015	-0-	93,330	93,330
2016	-0-	93,330	93,330
2017	-0-	93,330	93,330
2018	-0-	93,330	93,330
2019 – 2023	-0-	466,650	466,650
2024 – 2028	-0-	466,650	466,650
2029 – 2033	-0-	466,650	466,650
2034 – 2038	<u>1,565,000</u>	<u>466,650</u>	<u>2,031,650</u>
Total	\$ <u>1,565,000</u>	\$ <u>2,333,250</u>	\$ <u>3,898,250</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Total debt retirement of all TIF bonds based on current financing arrangements is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 160,000	\$ 1,205,865	\$ 1,365,865
2015	170,000	1,198,665	1,368,665
2016	175,000	1,191,015	1,366,015
2017	185,000	1,183,140	1,368,140
2018	195,000	1,174,260	1,369,260
2019 – 2023	1,110,000	5,723,460	6,833,460
2024 – 2028	1,410,000	5,428,630	6,838,630
2029 – 2033	13,045,000	5,043,400	18,088,400
2034 – 2038	<u>1,565,000</u>	<u>466,650</u>	<u>2,031,650</u>
 Total	 \$ <u>18,015,000</u>	 \$ <u>22,615,085</u>	 \$ <u>40,630,085</u>

The General Fund of the City of Morgantown entered into a capital lease to finance the acquisition of various lighting upgrades and energy efficient equipment and upgrades. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2013:

<u>Fiscal Year Ending June 30,</u>	
2014	\$ 80,101
2015	80,395
2016	89,517
2017	92,711
2018	95,648
2019 – 2023	521,901
2024 – 2025	<u>172,502</u>
	1,132,775
Less: Amount representing interest	<u>259,077</u>
	873,698
Less: Current maturities	<u>44,052</u>
	829,646
Non-current maturities	\$ <u>829,646</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The General Fund of the City of Morgantown entered into a capital lease to finance the acquisition of various equipment. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2013:

<u>Fiscal Year Ending June 30,</u>	
2014	\$ 153,603
2015	153,603
2016	153,603
2017	153,603
2018	153,603
2019 –2020	<u>307,206</u>
	1,075,221
Less: Amount representing interest	<u>75,221</u>
	1,000,000
Less: Current maturities	<u>126,764</u>
Non-current maturities	\$ <u>873,236</u>

The following is a schedule of future minimum lease payments required under all governmental fund capital leases and the present value of the net minimum lease payments at June 30, 2013:

<u>Fiscal Year Ending June 30,</u>	
2014	\$ 233,704
2015	233,998
2016	243,120
2017	246,314
2018	249,251
2019 – 2023	829,107
2024 – 2025	<u>172,502</u>
	2,207,996
Less: Amount representing interest	<u>334,298</u>
	1,873,698
Less: Current maturities	<u>170,816</u>
Non-current maturities	\$ <u>1,702,882</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Component Unit – Board of Parks and Recreation Commission

The Board of Parks and Recreation Commission of the City of Morgantown entered into a capital lease to finance the acquisition of lighting upgrades, boiler upgrades and roustan ice plant at the City's ice rink. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2013:

Fiscal Year Ending June 30,

2014	\$ 79,599
2015	79,891
2016	88,957
2017	92,130
2018	95,049
2019 – 2023	518,634
2024 – 2025	<u>171,422</u>
	1,125,682
Less: Amount representing interest	<u>257,458</u>
	868,224
Less: Current maturities	<u>43,776</u>
Non-current maturities	\$ <u>824,448</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Component Unit – Morgantown Public Library

The Morgantown Public Library entered into a capital lease to finance the acquisition of various lighting upgrades and energy efficient equipment and upgrades. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2013:

Fiscal Year Ending June 30,

2014	\$ 3,578
2015	3,592
2016	3,999
2017	4,142
2018	4,273
2019 – 2023	23,316
2024 – 2025	<u>7,707</u>
	50,607
Less: Amount representing interest	<u>11,575</u>
	39,032
Less: Current maturities	<u>1,968</u>
Non-current maturities	\$ <u>37,064</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The following is a summary of bonds payable at June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Business-Type Activities						
Obligation under capital lease	\$ 421,953	\$ -0-	\$ 17,829	\$ 404,124	\$ 20,376	\$ 383,748
Discretely Presented Component Unit						
Obligation under capital lease	<u>203,522</u>	<u>-0-</u>	<u>8,600</u>	<u>194,922</u>	<u>9,828</u>	<u>185,094</u>
Total capital lease	\$ <u>625,475</u>	\$ <u>-0-</u>	\$ <u>26,429</u>	\$ <u>599,046</u>	\$ <u>30,204</u>	\$ <u>568,842</u>
Bonds Payable						
2003 Municipal Building Lease Revenue Refunding Bonds	\$ 4,275,000	\$ -0-	\$ 4,275,000	4 -0-	\$ -0-	\$ -0-
2008A Municipal Building Lease Revenue Bonds	3,588,606	-0-	3,588,606	-0-	-0	-0-
2012 Municipal Building Lease Revenue Refunding Bonds	-0-	3,575,000	65,000	3,510,000	545,000	2,965,000
2013A Municipal Building Lease Revenue Refunding Bonds	-0-	3,560,000	-0-	3,560,000	50,000	3,510,000
2012 Parking Revenue Bonds	4,260,522	-0-	4,260,522	-0-	-0-	-0-
2012 Parking System Refunding Revenue Bonds	<u>-0-</u>	<u>3,534,000</u>	<u>180,681</u>	<u>3,353,319</u>	<u>338,782</u>	<u>2,994,537</u>
Total bonds payable	<u>12,124,128</u>	<u>10,669,000</u>	<u>12,369,809</u>	<u>10,423,319</u>	<u>953,782</u>	<u>9,469,537</u>
Other Long-Term Debt						
Notes payable	<u>1,777</u>	<u>-0-</u>	<u>1,777</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total discretely presented component units	\$ <u>12,329,427</u>	\$ <u>10,669,000</u>	\$ <u>12,380,186</u>	\$ <u>10,618,241</u>	\$ <u>963,610</u>	\$ <u>9,654,631</u>

2012 Municipal Building Lease Revenue Refunding Bond

This issue was authorized to refinance the 2003 Municipal Building Lease Revenue Refunding Bonds. The bonds were issued bearing interest of 2.00%-2.25% payable semiannually on the first day of January and the first day of July of each year.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 545,000	\$ 71,850	\$ 616,850
2015	555,000	60,950	615,950
2016	565,000	49,850	614,850
2017	585,000	38,550	623,550
2018	600,000	26,850	626,850
2019	<u>660,000</u>	<u>14,850</u>	<u>674,850</u>
Total	\$ <u>3,510,000</u>	\$ <u>262,900</u>	\$ <u>3,772,900</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The 2012 bonds are secured by the lease rentals derived from the lease of the public safety and parking building to the City pursuant to the lease, and from funds on deposit in the reserve account.

As required by the 2012 bond ordinance, a sinking fund has been established with WesBanco Trust Investment Services. Monies in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Payments are required to be made into the sinking fund to pay interest which will mature and become due on the next succeeding interest payment date. The balance in the sinking fund account with the Wesbanco Trust Investment Services at June 30, 2013 was \$272,503.

2013A Municipal Building Lease Revenue Refunding Bonds

This issue was authorized to refinance the \$4,500,000, 2008A Municipal Building Lease Revenue Bonds. The bonds were issued bearing interest of 1.00% - 2.75% payable semiannually on the first day of April and the first day of October of each year.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 50,000	\$ 67,960	\$ 117,960
2015	230,000	88,297	318,297
2016	235,000	85,385	320,385
2017	235,000	81,273	316,273
2018	240,000	76,283	316,283
2019 – 2023	1,295,000	290,205	1,585,205
2024 – 2028	<u>1,275,000</u>	<u>90,550</u>	<u>1,365,550</u>
Total	\$ <u>3,560,000</u>	\$ <u>779,953</u>	\$ <u>4,339,953</u>

The 2013A bonds are secured by the lease rentals derived from the lease of the station to the City pursuant to the lease, and from funds on deposit in the reserve account.

As required by the 2013A bond ordinance, a sinking fund has been established. Monies in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Payments are required to be made into the sinking fund to pay interest and principal which will mature and become due on the next succeeding payment date. The balance in the sinking fund account at June 30, 2013 was \$34,212.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

2012 Parking System Refunding Revenue Bonds

This issue was authorized to refinance the 2002 Parking Revenue Bonds. The bonds were issued bearing interest of 2.50% with principal and interest payable semiannually on the first day of June and the first day of December of each year in semiannual payments of \$220,193.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 358,782	\$ 81,605	\$ 440,387
2015	367,808	72,579	440,387
2016	377,060	63,327	440,387
2017	386,546	53,841	440,387
2018	396,270	44,117	440,387
2019 – 2022	<u>1,466,853</u>	<u>74,242</u>	<u>1,541,095</u>
Total	\$ <u>3,353,319</u>	\$ <u>389,711</u>	\$ <u>3,743,030</u>

The 2012 bonds are secured by the revenues of the Parking Authority and a statutory mortgage lien on the Parking Authority system.

Discretely Presented Component Unit
Morganton Utility 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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

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.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013

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.

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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

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.

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.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013

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)	\$ -0-	\$ -0-	\$ -0-
Morgantown 1995	328,284	(91,468)	-0-	236,816	93,312
Morgantown 2000A	4,446,472	(323,380)	-0-	4,123,092	323,384
Morgantown 2000B	1,800,502	(65,476)	-0-	1,735,026	65,476
Morgantown 2001A	1,123,678	(309,148)	-0-	814,530	318,528
Morgantown 2006A	5,324,201	(285,311)	-0-	5,038,890	291,060
Morgantown 2007A	7,616,856	(345,754)	-0-	7,271,102	392,547
Morgantown 2010A	37,950,000	-0-	-0-	37,950,000	-0-
Morgantown 2010C	14,426,583	(472,858)	953,643	14,907,368	641,580
Morgantown 2010D	8,564,080	(286,454)	333,202	8,610,828	388,667
Morgantown 2010E	100,000	(3,075)	-0-	96,925	4,171
Morgantown 2010F	7,250,000	(975,000)	-0-	6,275,000	990,000
Morgantown 2012A	-0-	-0-	553,650	553,650	4,406
Morgantown 2012C	-0-	-0-	2,330,000	2,330,000	85,000
Total	\$ 89,320,656	\$ (3,547,924)	\$ 4,170,495	\$ 89,943,227	\$ 3,598,131

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

Annual Principal Payment Requirements

	<u>1995</u> <u>Issue</u> <u>Principal</u>	<u>2000A</u> <u>Issue</u> <u>Principal</u>	<u>2000B</u> <u>Issue</u> <u>Principal</u>	<u>2001A</u> <u>Issue</u> <u>Principal</u>	<u>2006A</u> <u>Issue</u> <u>Principal</u>	<u>2007</u> <u>Issue</u> <u>Principal</u>
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	-0-	323,384	65,476	-0-	309,012	416,759
2018	-0-	323,384	65,476	-0-	315,238	425,157
2019 – 2023	-0-	1,616,920	327,380	-0-	1,674,071	2,257,795
2024 – 2028	-0-	889,252	327,380	-0-	1,849,678	2,494,629
2029 – 2033	-0-	-0-	327,380	-0-	-0-	475,113
2034 – 2038	-0-	-0-	327,380	-0-	-0-	-0-
2039 – 2040	-0-	-0-	98,126	-0-	-0-	-0-
Total	\$ 236,816	\$ 4,123,092	\$ 1,735,026	\$ 814,530	\$ 5,038,890	\$ 7,271,102

The accompanying independent auditor's report is an integral part of these notes.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

	<u>2010A</u> <u>Issue</u> <u>Principal</u>	<u>2010C</u> <u>Issue</u> <u>Principal*</u>	<u>2010D</u> <u>Issue</u> <u>Principal*</u>	<u>2010E</u> <u>Issue</u> <u>Principal</u>	<u>2010F</u> <u>Issue</u> <u>Principal</u>	<u>2012A</u> <u>Issue</u> <u>Principal*</u>	<u>2012C</u> <u>Issue</u> <u>Principal</u>
2014	\$ -0-	\$ 641,580	\$ 388,667	\$ 4,171	\$ 990,000	\$ 4,406	\$ 85,000
2015	-0-	654,508	396,498	4,256	1,005,000	17,678	90,000
2016	-0-	667,696	404,489	4,341	1,030,000	17,766	90,000
2017	-0-	681,151	412,639	4,429	1,050,000	17,855	95,000
2018	-0-	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	-0-	93,385	610,000
2029 – 2033	8,450,000	3,800,189	2,302,143	24,708	-0-	95,844	750,000
2034 – 2038	10,340,000	-0-	-0-	-0-	-0-	98,171	-0-
2039 – 2043	7,290,000	-0-	-0-	-0-	-0-	100,654	-0-
2044	-0-	-0-	-0-	-0-	-0-	15,226	-0-
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.

Annual Interest Payment Requirements

	<u>1995</u> <u>Issue</u> <u>Interest</u>	<u>2000A</u> <u>Issue</u> <u>Interest</u>	<u>2000B</u> <u>Issue</u> <u>Interest</u>	<u>2001A</u> <u>Issue</u> <u>Interest</u>	<u>2006A</u> <u>Issue</u> <u>Interest</u>	<u>2007</u> <u>Issue</u> <u>Interest</u>
2014	\$ 4,039	\$ -0-	\$ -0-	\$ 20,875	\$ 98,604	\$ 142,490
2015	2,159	-0-	-0-	11,211	97,739	134,580
2016	363	-0-	-0-	1,890	86,756	126,511
2017	-0-	-0-	-0-	-0-	80,652	118,279
2018	-0-	-0-	-0-	-0-	74,425	109,881
2019 – 2023	-0-	-0-	-0-	-0-	274,244	417,393
2024 – 2028	-0-	-0-	-0-	-0-	96,274	176,559
2029 – 2033	-0-	-0-	-0-	-0-	-0-	5,685
Total	\$ 6,561	\$ -0-	\$ -0-	\$ 33,976	\$ 808,694	\$ 1,231,378

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2010A (Gross)*</u>	<u>2010C</u>	<u>2010D</u>	<u>2010E</u>	<u>2010F</u>	<u>2012A</u>	<u>2012C</u>
	<u>Issue</u>	<u>Issue</u>	<u>Issue</u>	<u>Issue</u>	<u>Issue</u>	<u>Issue</u>	<u>Issue</u>
	<u>Interest</u>	<u>Interest**</u>	<u>Interest**</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest*</u>	<u>Interest</u>
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	-0-	8,978	216,812
2029 – 2033	6,991,703	173,283	104,944	1,127	-0-	6,615	81,707
2034 – 2038	4,025,175	-0-	-0-	-0-	-0-	4,193	-0-
2039 – 2043	629,213	-0-	-0-	-0-	-0-	1,569	-0-
2044	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>179</u>	<u>-0-</u>
Total	\$ <u>43,220,381</u>	\$ <u>3,090,134</u>	\$ <u>1,871,961</u>	\$ <u>20,091</u>	\$ <u>559,698</u>	\$ <u>44,175</u>	\$ <u>996,720</u>

*Interest shown gross rather than net of the interest credit since future credit rate is questionable.

**This is the schedule interest payable from the bond agreement. This assumes that the entire available amount will be drawn down.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Obligations Under Capital Lease

The Airport Authority of the City of Morgantown entered into a capital lease to finance the acquisition of lighting upgrades and HVAC upgrades. The lease qualified as a capital lease for the accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under the capital lease and the present value of the net minimum lease payments at June 30, 2013.

Fiscal Year Ending June 30,	
2014	\$ 37,050
2015	37,186
2016	41,406
2017	42,883
2018	44,241
2019 – 2023	241,403
2024 – 2025	<u>79,790</u>
	523,959
Less: Amount representing interest	<u>119,835</u>
	404,124
Less: Current maturities	<u>20,376</u>
Non-current maturities	\$ <u>383,748</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The Parking Authority of the City of Morgantown entered into a capital lease to finance the acquisition of lighting upgrades. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under the capital lease and the present value of the net minimum lease payments at June 30, 2013:

Fiscal Year Ending June 30,

2014	\$ 17,871
2015	17,936
2016	19,971
2017	20,684
2018	21,339
2019 – 2023	116,536
2024 – 2025	<u>38,485</u>
	252,822
Less: Amount representing interest	<u>57,900</u>
	194,922
Less: Current maturities	<u>9,828</u>
Non-current maturities	\$ <u>185,094</u>

7. Employees Retirement System

West Virginia Public Employment Retirement System

The City maintains three separate employee contributing pension plans. These plans cover firemen, police officers, and substantially all other full-time civilian employees with the exception of the Board of Park Commissioners employees who are covered by the West Virginia Public Employees Retirement System. The West Virginia Employees' Retirement System is funded through employer contributions of 14.0% of payroll and member contributions of 4.5% of payroll.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

The City's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2013 is as follows:

	<i>Component Unit Board of Parks and Recreation Commission</i>	<i>Component Unit Morgantown Public Library</i>
Total wages	\$ 1,131,084	\$ 796,425
Covered wages	\$ 607,307	\$ 604,299
Employer share 14.00%	\$ 84,319	\$ 84,602
Employee share 4.50%	\$ 27,048	\$ 27,193

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

	<u>Public Employees' Retirement System (PERS)</u>
Eligibility to participate	All City full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Employer's contribution rate	14.00%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contribution service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Public Employees' Retirement System (PERS)</u>	
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

8. Employee Retirement System and Plans

Plan Descriptions. Contribution Information

The City of Morgantown, West Virginia participates in three single employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

The Policemen's Pension and Relief Fund (PPRF) provides retirement benefits for substantially all full-time police employees. Unless otherwise indicated, PPRF information in this Note is provided as of the latest actuarial valuation, July 1, 2012.

The Firemen's Pension and Relief Fund (FPRF) provides retirement benefits for substantially all full-time fire employees. Unless otherwise indicated, FPRF information in this Note is provided as the latest actuarial valuation, July 1, 2012.

The Employees Pension and Relief Fund (ERF) provides retirement benefits for substantially all full-time permanent employees not covered by other plans. Unless otherwise indicated, ERF information in this Note is provided as of the latest actuarial valuation, July 1, 2013.

Actuarial valuations are required to be performed once every three years per state statute. However, the actuarial valuations can be performed in shorter intervals at the discretion of the PPRF, FPRF and ERF's board.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

These plans are defined benefit plans. The following is a summary of funding policies, contribution methods and benefit provisions.

	PPRF	FPRF	ERF
Governing authority	City Council Ordinance	City Council Ordinance	City Council Ordinance
Determination of contribution requirements	Actuarially determined	Actuarially determined	Actuarially determined
Employer	Contribute annually an amount which, together with contributions from the members and the allocable portion of the state premium tax fund, will be sufficient to meet the normal cost of the fund and amortize any unfunded actuarial accrued liability. Municipalities may utilize an alternative contribution method which allows the municipality to contribute no less than 107% of the prior years contribution provided the actuary certifies in writing that the fund will be solvent over the next 15 years under this method. In no event can the employer contribution be less than the normal cost as determined by the actuary.		Contribute annually an amount sufficient to meet the normal cost of the fund and amortize the actuarial deficit over a period of 22 years.
Plan members	7.00% for pre January 2010 hires	9.5% for post January 2010 hires	6.00% of covered payroll
Period Required to Vest	20 years of service but no later than the date the participant reaches 65.		The latter of the date the participant attains age 60 and 10 years of service credit, or attains age 55 and age plus years of Service Credit total 85.
Post-retirement Benefit	Cost of living adjustment after two years of retirement. Adjustment calculated on the first \$15,000 of the total annual benefit multiplied by the Consumer Price Index (not to exceed 4%). Cost of Living adjustment calculated thereafter on a cumulative basis.		Annual Cost of Living adjustments is the lesser of 3% or the annual consumer price index multiplied by 50%; provided that the municipality's contribution for the year is less than 6% of the participating payroll.
Provisions for:			
Disability benefits	Yes	Yes	Yes
Death benefits	Yes	Yes	Yes

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Annual Required Contributions and Significant Actuarial Assumptions

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are as follows:

	Policemen's and Firemen's Pension & Relief Fund	Employees Pension and Relief Fund
Valuation Date	7/1/2012	7/1/13
Actuarial Cost Method	Projected Unit Credit	Aggregate entry age
Amortization Method	Level % Open	
Amortization Period	30 year (level percentage)	
Actuarial asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	5%	7.0%
Projected salary increases	5%	5%
Post retirement benefit increases	None	None
Inflation	4%	3%
Cost of living adjustments	3%	None

Current year annual pension costs for the PPRF, FPRF and ERF are shown in the trend information. A summary schedule of prior employer contributions is presented in the required supplementary information (note 11). The annual required contributions were made by the PPRF, FPRF and ERF fund plans.

Reserves

There are no assets legally reserved for purposes other than the payment of plan members benefits for either plan. The plans held no investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds 10 percent or more of net assets available for benefits.

The City's annual pension cost and net pension obligation for the Firemen's Pension and Relief funds are as follows:

Annual required contribution	\$ 1,841,042
Interest on short-term	241,787
Adjustment to annual required contribution	<u>(195,936)</u>
Annual pension cost	1,886,893
Contributions made	<u>971,251</u>
Increase in net pension obligation	915,642
Net pension obligation at beginning of year	<u>4,835,746</u>
Net pension obligation at end of year	\$ <u>5,751,388</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 1,886,893	51%	\$ 5,751,388
2012	\$ 1,692,875	53%	\$ 4,835,746
2011	\$ 1,662,084	52%	\$ 4,045,090
2010	\$ 1,785,138	49%	\$ 3,239,093
2009	\$ 1,609,785	53%	\$ 2,347,955
2008	\$ 1,476,056	57%	\$ 1,584,757

The City's annual pension cost and net pension obligation for the Policemen's Pension and Relief fund is as follows:

Annual required contribution	\$ 2,339,128
Interest on short-term	345,889
Adjustment to annual required contribution	(280,296)
Annual pension cost	2,404,721
Contributions made	<u>1,207,388</u>
Increase in net pension obligation	1,197,333
Net pension obligation at beginning of year	<u>6,917,774</u>
 Net pension obligation at end of year	 \$ <u>8,115,107</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 2,404,721	50%	\$ 8,115,107
2012	\$ 2,138,366	51%	\$ 6,917,774
2011	\$ 2,156,248	50%	\$ 5,873,750
2010	\$ 2,009,665	50%	\$ 4,762,508
2009	\$ 1,759,060	54%	\$ 3,756,764
2008	\$ 1,570,898	59%	\$ 2,953,485

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Employee's Pension an Relief Fund

The following summarizes the changes in the net pension obligation (NPO):

	<u>Employees Pension and Relief Fund</u>
Annual required contribution (ARC) for the year ended June 30, 2013	\$ 1,921,461
Interest on net pension obligation (NPO)	(2,904)
Adjustments to NPO	<u>3,381</u>
Annual pension cost	1,921,938
Employer contributions for the year ended June 30, 2013	<u>1,379,087</u>
Increase (decrease) to NPO	542,851
Net pension obligation (asset) at July 1, 2012	(<u>41,491</u>)
Net pension obligation (asset) at June 30, 2013	\$ <u>501,360</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2013	\$ 1,921,461	72%
2012	\$ 1,303,850	101%
2011	\$ 1,261,182	91%
2010	\$ 1,137,893	81%
2009	\$ 860,984	88%
2008	\$ 810,248	110%

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Deferred Compensation Plan

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held for the exclusive benefit of the participants and their beneficiaries.

Other Postemployment Benefits

Upon termination from city service, an employee working for the City of Morgantown on June 15, 1993, who subsequently retires from the city will be eligible to convert sick leave days in excess of ninety (90) days but less than one hundred and eighty one (181) days as of June 15, 1993, to health insurance upon his/her day of retirement at the rate of three (3) sick days for one (1) month of single group medical insurance as carried by the city, or at the rate of four (4) sick days for one (1) month of family group medical insurance as carried by the city. This benefit requires that employees with such qualifying sick days put them into escrow for this benefit and forgo collecting 1/3 day pay for each day of sick leave. By placing these days in escrow, city employees as of the date of this amendment will have their sick day balance reduced to 90 days. All employees hired subsequent to June 15, 1993, are not granted this option.

Accrued Other Post Employment Benefits

Plan description/contribution information

The City maintains a single employer health insurance plan that covers substantially all eligible full-time employees as well as certain current and future retirees of the system. The accrued other post employment benefits (OPEB) provides retirement health insurance benefits for substantially all full-time employees. Unless otherwise indicated, information in this Note is provided as of the latest actuarial valuation, July 1, 2012.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Annual Required Contributions and Significant Actuarial Assumptions:

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are as follows:

Valuation Date	7/1/2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Open
Amortization Period	30 Years
Actuarial asset valuation method	Market Value
Actuarial Assumptions:	
Investment rate of return	5.0%
Salary Scale	2.5%
Medical Trend Rate	8.5% graded down to 5%

The City's annual required contribution and net OPEB obligation is as follows:

Annual Required Contribution	\$ 1,217,000
Interest on net OPEB obligation	219,000
Adjustment to annual required contribution	<u>(208,000)</u>
Annual OPEB cost	1,228,000
Contributions made	<u>(1,049,000)</u>
Increase in net OPEB obligation	179,000
Net OPEB obligation – beginning of year	<u>4,388,000</u>
 Net OPEB obligation – end of year	 \$ <u>4,567,000</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 1,228,000	85.42%	\$ 4,567,000
2012	\$ 1,734,000	78.89%	\$ 4,388,000
2011	\$ 1,679,000	46.28%	\$ 4,022,000
2010	\$ 2,257,000	30.62%	\$ 3,120,000

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

9. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2013 for fund financial:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 173,457	\$ -0-
Special Revenue Funds		
Coal Severance Fund	-0-	5,000
Community Development Block Grant	-0-	2,147
Special Grants	-0-	32,738
Capital Project Funds		
Capital reserve	354,746	-0-
Airport access road	3,068	-0-
Enterprise Funds		
Airport Fund	<u>-0-</u>	<u>357,835</u>
	<u>531,271</u>	<u>397,720</u>
Discretely Presented Component Unit		
Special Revenue Funds		
Board of Parks and Recreation	-0-	145,562
Morgantown Public Library	2,916	-0-
Capital Project Funds		
Board of Parks and Recreation	12,027	-0-
Capital Project Clay Battelle Branch	-0-	2,916
Enterprise Funds		
Parking Authority	<u>-0-</u>	<u>16</u>
	<u>14,943</u>	<u>148,494</u>
Total	\$ <u>546,214</u>	\$ <u>546,214</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

10. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. However, it was determined that the City is required to repay grant funds estimated to be \$68,158.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material effect on the financial condition of the government.

11. Restricted

Certain enterprise fund assets are restricted for repayment of long-term debt. Reserved net assets include the excess of assets over certain liabilities restricted for the debt service on revenue bonds.

12. Debt Service Coverage

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2013:

Total revenues	\$ 2,411,017
Interest and dividend income	<u>15,235</u>
Adjusted gross revenues	2,426,252
 Total expenses	 <u>2,220,009</u>
	206,243
Add: Depreciation expense	<u>320,122</u>
 Amount available for debt service and capital expenditures	 \$ <u>526,365</u>
 Maximum annual debt service	 \$ <u>440,387</u>
 Calculated debt service coverage factor	 1.20
 Required debt service coverage factor	 1.20

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Based on this calculation, it appears that the Parking Authority was in compliance with the provisions set forth in its bond ordinance as of June 30, 2013.

13. Lease of Property

On April 30, 2009, the City of Morgantown Building Commission entered into a lease agreement with the West Virginia University Board of Governors for the lease of docks to West Virginia University. The lease payment is \$756 per month and will be used to reduce the cost of the docks of \$90,720 expended by the City of Morgantown.

On April 30, 2009, the City of Morgantown Building Commission entered into a lease agreement with Platinum Properties Limited Liability Company for the lease of a parcel of real estate located in the First Ward of the City of Morgantown to Platinum Properties Limited Liability Company. This lease is for a period of 50 years and requires Platinum Properties Limited Liability Company to remit a rental payment of \$1 per year.

On July 1, 2008, the City of Morgantown Building Commission entered into a lease agreement with Mermaid Limited Liability Company for the lease of the event center. This lease is for a period of 10 years and requires Mermaid Limited Liability Company to remit payments of \$5,240, to begin 12 months after the date the event center opens for public use. The facility was completed and open for public use in March 2010.

The balance receivable is as follows:

Fiscal Year Ended June 30,

2014	\$ 62,880
2015	62,880
2016	62,880
2017	62,880
2018	62,880
2019	62,880
2020	62,880
2021	<u>368,872</u>
	\$ <u>809,032</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2013**

On October 23, 2012, the City of Morgantown Building Commission entered into an agreement with West Virginia University Board of Governors on behalf of West Virginia University whereby the City of Morgantown Building Commission transferred certain real estate to West Virginia University and in return West Virginia University is to pay the City of Morgantown Building Commission the sum of \$4,200,000 on August 31, 2026.

The total balance of the accounts receivable is as follows:

Fiscal Year Ended June 30.

2014	\$ 100,000
2015	100,000
2016	100,000
2017	100,000
2018	100,000
2019	100,000
2020	100,000
2021	109,032
2022	-0-
2023	-0-
2024	-0-
2025	-0-
2026	<u>4,200,000</u>
	\$ <u>5,009,032</u>

14. Deficit Fund Balance

It was noted during our audit that the Board of Parks and Recreation Fund had a deficit fund balance of \$204,607. The elimination of this deficit fund balance is dependent on increasing revenues and decreasing expenses for this fund.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2013**

15. Restatement of Fund Balance/Net Position

It was determined during this examination that the beginning net position of the Governmental Fund Types required restatement as follows:

Net position as previously reported	\$ (11,113,677)
Write off of bond issue cost in compliance with GASB 65	(<u>783,519</u>)
Net position restated	\$ <u>(11,897,196)</u>

It was determined during this examination that the beginning net position of Parking Authority required restatement as follows:

Net position as previously reported	\$ 3,732,327
Write off of bond issue cost in compliance with GASB 65	(<u>38,578</u>)
Net position restated	\$ <u>3,693,749</u>

It was determined during this examination that the beginning net position of the Building Commission required restatement as follows:

Net position as previously reported	\$ 12,819,827
Write off of bond issue cost in compliance with GASB 65	(<u>264,987</u>)
Net position restated	\$ <u>12,554,840</u>

16. Board of Parks and Recreation Commission - Trust

The Board of Parks and Recreation Commission is the beneficiary of a trust at WesBanco Bank. The current value of the trust is \$18,786.

17. Subsequent Events

The City has considered all subsequent events through February 19, 2014, the date the financial statements were made available.

The accompanying independent auditor's report is an integral part of these notes.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MORGANTOWN, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

1. Schedules of Funding Progress

Policemen's Pension and Relief Fund

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2006	\$ 8,054,815	\$ 23,313,655	\$ 15,258,840	34.5%	\$ 1,904,137	801%
7/1/2007	\$ 10,626,102	\$ 23,967,730	\$ 13,341,628	44.3%	\$ 1,991,611	670%
7/1/2008	\$ 10,127,559	\$ 24,686,762	\$ 14,559,203	41.0%	\$ 2,051,359	710%
7/1/2009	\$ 8,951,158	\$ 25,728,239	\$ 16,777,081	34.8%	\$ 2,200,751	762%
7/1/2010	\$ 12,136,886	\$ 41,373,601	\$ 29,236,715	29.3%	\$ 3,195,123	915%
7/1/2011	\$ 13,362,968	\$ 42,036,619	\$ 28,673,651	31.8%	\$ 3,001,888	955%
7/1/2012	\$ 12,832,944	\$ 45,361,943	\$ 32,528,999	28.0%	\$ 3,281,961	991%

Firemen's Pension and Relief Fund

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2006	\$ 11,192,360	\$ 25,964,649	\$ 14,772,289	43.1%	\$ 2,356,504	627%
7/1/2007	\$ 13,647,736	\$ 27,570,688	\$ 13,922,952	49.5%	\$ 2,631,965	529%
7/1/2008	\$ 12,992,382	\$ 28,397,809	\$ 15,405,427	45.8%	\$ 2,710,924	568%
7/1/2009	\$ 11,543,478	\$ 30,172,724	\$ 18,629,246	38.3%	\$ 2,899,944	642%
7/1/2010	\$ 9,486,292	\$ 32,493,789	\$ 23,007,497	29.2%	\$ 2,237,630	1028%
7/1/2011	\$ 10,466,073	\$ 32,250,310	\$ 22,784,237	31.5%	\$ 2,198,698	1036%
7/1/2012	\$ 10,141,193	\$ 35,672,838	\$ 25,531,645	28.0%	\$ 2,447,766	1043%

**CITY OF MORGANTOWN, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

Employee's Pension and Relief Fund

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2001	\$ 23,139,686	\$ 23,239,107	\$ 99,421	99.57%	\$ 7,209,208	1.38%
7/1/2002	\$ 23,698,070	\$ 24,736,061	\$ 1,037,991	95.80%	\$ 7,651,974	13.57%
7/1/2003	\$ 24,430,332	\$ 26,264,966	\$ 1,834,634	93.01%	\$ 8,039,148	22.82%
7/1/2004	\$ 25,507,836	\$ 27,507,737	\$ 1,999,901	92.73%	\$ 8,166,525	24.49%
7/1/2005	\$ 27,187,677	\$ 29,210,252	\$ 2,022,575	93.08%	\$ 8,545,358	23.67%
7/1/2006	\$ 28,946,598	\$ 31,520,796	\$ 2,574,198	91.83%	\$ 8,996,728	28.61%
7/1/2007	\$ 31,548,708	\$ 33,766,564	\$ 2,217,856	93.43%	\$ 9,990,727	22.20%
7/1/2008	\$ 33,672,207	\$ 36,171,756	\$ 2,499,549	93.09%	\$ 10,385,815	24.02%
7/1/2009	\$ 33,858,501	\$ 38,757,618	\$ 4,899,117	87.36%	\$ 10,994,139	44.19%
7/1/2010	\$ 34,768,467	\$ 41,010,284	\$ 6,241,817	84.78%	\$ 10,687,987	58.40%
7/1/2011	\$ 36,104,119	\$ 44,398,611	\$ 8,294,492	81.32%	\$ 11,040,216	75.13%
7/1/2012	\$ 37,247,640	\$ 50,169,793	\$12,922,153	74.24%	\$ 11,526,601	112.11%
7/1/2013	\$ 39,237,400	\$ 53,869,997	\$14,632,597	72.84%	\$ 11,908,975	122.87%

The accompanying independent auditor's report is an integral part of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING FUND BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<i>Primary Government</i>			<i>Component Unit</i>		
	<u>Special</u>	<u>Capital</u>	<u>Total</u>	<u>Special</u>	<u>Capital</u>	<u>Total</u>
	<u>Revenue</u>	<u>Projects</u>		<u>Revenue</u>	<u>Projects</u>	
	<u>Funds</u>	<u>Funds</u>		<u>Funds</u>	<u>Funds</u>	
ASSETS						
Cash	\$ 650,958	\$ 244,304	\$ 895,262	\$ 146,994	\$ 194,411	\$ 341,405
Investments	600,000	-0-	600,000	-0-	333,672	333,672
Receivables (net of allowances for uncollectibles)						
Taxes	-0-	103,714	103,714	-0-	-0-	-0-
Accounts	4,333	-0-	4,333	210	-0-	210
Other	355	-0-	355	-0-	-0-	-0-
Grants	26,295	79,368	105,663	-0-	-0-	-0-
Due from/(to) other funds	<u>(34,885)</u>	<u> 3,068</u>	<u>(31,817)</u>	<u>(145,562)</u>	<u> 9,111</u>	<u>(136,451)</u>
TOTAL ASSETS	\$ <u>1,247,056</u>	\$ <u>430,454</u>	\$ <u>1,677,510</u>	\$ <u> 1,642</u>	\$ <u>537,194</u>	\$ <u>538,836</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 22,769	\$ 111,154	\$ 133,923	\$ 93,808	\$ 5,000	\$ 98,808
Accrued payroll and compensated absences	1,379	-0-	1,379	48,350	-0-	48,350
Disallowed charges payable	-0-	-0-	-0-	57,341	-0-	57,341
Deferred revenues	-0-	70,979	70,979	6,750	-0-	6,750
Total liabilities	<u>24,148</u>	<u>182,133</u>	<u>206,281</u>	<u>206,249</u>	<u> 5,000</u>	<u>211,249</u>
Fund Balances						
Restricted	224,768	-0-	224,768	-0-	-0-	-0-
Assigned	998,140	248,321	1,246,461	-0-	532,194	532,194
Unassigned	-0-	-0-	-0-	(204,607)	-0-	(204,607)
Total fund balances	<u>1,222,908</u>	<u>248,321</u>	<u>1,471,229</u>	<u>(204,607)</u>	<u>532,194</u>	<u>327,587</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,247,056</u>	\$ <u>430,454</u>	\$ <u>1,677,510</u>	\$ <u> 1,642</u>	\$ <u>537,194</u>	\$ <u>538,836</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Primary Government</u>			<u>Component Unit</u>		
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Revenues						
Charges for services	\$ 85,189	\$ -0-	\$ 85,189	\$ 1,307,816	\$ -0-	\$ 1,307,816
Fines and forfeits	45,245	-0-	45,245	-0-	-0-	-0-
Investment income	1,221	493	1,714	328	2,681	3,009
Donations	-0-	120,000	120,000	92,969	70,513	163,482
Taxes:						
Ad valorem	-0-	1,014,527	1,014,527	-0-	-0-	-0-
Hotel/motel tax	-0-	-0-	-0-	-0-	204,537	204,537
Intergovernmental:						
Federal	312,119	120,451	432,570	-0-	-0-	-0-
State	104,542	-0-	104,542	-0-	11,970	11,970
Local	1,784	-0-	1,784	112,282	-0-	112,282
Other	<u>-0-</u>	<u>3</u>	<u>3</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenues	<u>550,100</u>	<u>1,255,474</u>	<u>1,805,574</u>	<u>1,513,395</u>	<u>289,701</u>	<u>1,803,096</u>
Expenditures						
General government	7,638	-0-	7,638	-0-	-0-	-0-
Public safety	82,845	-0-	82,845	-0-	-0-	-0-
Culture and recreation	-0-	-0-	-0-	2,782,360	300,032	3,082,392
Community development	<u>403,458</u>	<u>460,630</u>	<u>864,088</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>493,941</u>	<u>460,630</u>	<u>954,571</u>	<u>2,782,360</u>	<u>300,032</u>	<u>3,082,392</u>
(Deficiency) excess of revenues (under) over expenditures	<u>56,159</u>	<u>794,844</u>	<u>851,003</u>	<u>(1,268,965)</u>	<u>(10,331)</u>	<u>(1,279,296)</u>
Other Financing Sources (Uses)						
Operating transfers in	112,384	2,109,453	2,221,837	1,289,451	23,074	1,312,525
Operating transfers (out)	<u>-0-</u>	<u>(1,118,814)</u>	<u>(1,118,814)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>112,384</u>	<u>990,639</u>	<u>1,103,023</u>	<u>1,289,451</u>	<u>23,074</u>	<u>1,312,525</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing (uses)	168,543	1,785,483	1,954,026	20,486	12,743	33,229
Fund balance beginning of year	<u>1,054,365</u>	<u>(1,537,162)</u>	<u>(482,797)</u>	<u>(225,093)</u>	<u>519,451</u>	<u>294,358</u>
Fund balance end of year	\$ <u>1,222,908</u>	\$ <u>248,321</u>	\$ <u>1,471,229</u>	\$ <u>(204,607)</u>	\$ <u>532,194</u>	\$ <u>327,587</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING FUND BALANCE SHEETS -
NONMAJOR GOVERNMENTAL FUNDS -
SPECIAL REVENUE FUNDS
JUNE 30, 2013**

ASSETS	<u>Economic Development Grant</u>	<u>Community Development Block Grant</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>I. C. White Coal Severance</u>	<u>OPEB Trust</u>	<u>Property Auction</u>	<u>Total</u>	<u>Component Unit Board of Parks and Recreation</u>
Cash	\$ 37,893	\$ 358	\$ 176,814	\$ 32,738	\$ 16,034	\$ 393	\$ 170,448	\$ 205,024	\$ 11,256	\$ 650,958	\$ 146,994
Investments	-0-	-0-	-0-	-0-	-0-	-0-	-0-	600,000	-0-	600,000	-0-
Receivables (net of allowances for uncollectibles):											
Accounts	-0-	3,120	-0-	-0-	-0-	-0-	-0-	-0-	1,213	4,333	210
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	355	-0-	355	-0-
Grants	-0-	26,295	-0-	-0-	-0-	-0-	-0-	-0-	-0-	26,295	-0-
Due from/(to) other funds	<u>-0-</u>	<u>(2,147)</u>	<u>-0-</u>	<u>(32,738)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(34,885)</u>	<u>(145,562)</u>
TOTAL ASSETS	\$ <u>37,893</u>	\$ <u>27,626</u>	\$ <u>176,814</u>	\$ <u>-0-</u>	\$ <u>16,034</u>	\$ <u>393</u>	\$ <u>170,448</u>	\$ <u>805,379</u>	\$ <u>12,469</u>	\$ <u>1,247,056</u>	\$ <u>1,642</u>
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ -0-	\$ 22,769	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 22,769	\$ 93,808
Accrued payroll and compensated absences	-0-	1,379	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,379	48,350
Disallowed charges payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	57,341
Deferred revenue	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>6,750</u>
Total liabilities	<u>-0-</u>	<u>24,148</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>24,148</u>	<u>206,249</u>
Fund Balances											
Restricted	37,893	-0-	-0-	-0-	16,034	393	170,448	-0-	-0-	224,768	-0-
Assigned	-0-	3,478	176,814	-0-	-0-	-0-	-0-	805,379	12,469	998,140	-0-
Unassigned	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(204,607)</u>
Total fund balances	<u>37,893</u>	<u>3,478</u>	<u>176,814</u>	<u>-0-</u>	<u>16,034</u>	<u>393</u>	<u>170,448</u>	<u>805,379</u>	<u>12,469</u>	<u>1,222,908</u>	<u>(204,607)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>37,893</u>	\$ <u>27,626</u>	\$ <u>174,814</u>	\$ <u>-0-</u>	\$ <u>16,034</u>	\$ <u>393</u>	\$ <u>170,448</u>	\$ <u>805,379</u>	\$ <u>12,469</u>	\$ <u>1,247,056</u>	\$ <u>1,642</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS -
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Economic Development Grant</u>	<u>Community Development Block Grant</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>I. C. White Coal Severance</u>	<u>OPEB Trust</u>	<u>Property Auction</u>	<u>Total</u>	<u>Component Unit Board of Parks and Recreation</u>
Revenues											
Charges for services	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 85,189	\$ -0-	\$ -0-	\$ 85,189	\$ 1,307,816
Fines and forfeits	-0-	-0-	45,245	-0-	-0-	-0-	-0-	-0-	-0-	45,245	-0-
Interest	-0-	9	534	-0-	7	-0-	66	605	-0-	1,221	328
Donations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	92,969
Intergovernmental:											
Federal	-0-	290,054	-0-	-0-	22,065	-0-	-0-	-0-	-0-	312,119	-0-
State	-0-	-0-	-0-	104,542	-0-	-0-	-0-	-0-	-0-	104,542	-0-
Local	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	112,282
Miscellaneous	-0-	-0-	1,784	-0-	-0-	-0-	-0-	-0-	-0-	1,784	-0-
Total revenues	<u>-0-</u>	<u>290,063</u>	<u>47,563</u>	<u>104,542</u>	<u>22,072</u>	<u>-0-</u>	<u>85,255</u>	<u>605</u>	<u>-0-</u>	<u>550,100</u>	<u>1,513,395</u>
Expenditures											
General government	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,638	-0-	7,638	-0-
Public safety	-0-	-0-	70,092	-0-	12,753	-0-	-0-	-0-	-0-	82,845	-0-
Culture and recreation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,782,360
Community development	-0-	298,916	-0-	104,542	-0-	-0-	-0-	-0-	-0-	403,458	-0-
Total expenditures	<u>-0-</u>	<u>298,916</u>	<u>70,092</u>	<u>104,542</u>	<u>12,753</u>	<u>-0-</u>	<u>-0-</u>	<u>7,638</u>	<u>-0-</u>	<u>493,941</u>	<u>2,782,360</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>(8,853)</u>	<u>(22,529)</u>	<u>-0-</u>	<u>9,319</u>	<u>-0-</u>	<u>85,255</u>	<u>(7,033)</u>	<u>-0-</u>	<u>56,159</u>	<u>(1,268,965)</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS -
 SPECIAL REVENUE FUNDS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Economic Development Grant</u>	<u>Community Development Block Grant</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>I. C. White Coal Severance</u>	<u>OPEB Trust</u>	<u>Property Auction</u>	<u>Total</u>	<u>Component Unit Board of Parks and Recreation</u>
Other Financing Sources (Uses)											
Operating transfers in	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 112,384	\$ -0-	\$ 112,384	\$ 1,289,451
Total other financings sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>112,384</u>	<u>-0-</u>	<u>112,384</u>	<u>1,289,451</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	-0-	(8,853)	(22,529)	-0-	9,319	-0-	85,255	105,351	-0-	168,543	20,486
Fund balance beginning of year	<u>37,893</u>	<u>12,331</u>	<u>199,343</u>	<u>-0-</u>	<u>6,715</u>	<u>393</u>	<u>85,193</u>	<u>700,028</u>	<u>12,469</u>	<u>1,054,365</u>	<u>(225,093)</u>
Fund balance end of year	\$ <u>37,983</u>	\$ <u>3,478</u>	\$ <u>176,814</u>	\$ <u>-0-</u>	\$ <u>16,034</u>	\$ <u>393</u>	\$ <u>170,448</u>	\$ <u>805,379</u>	\$ <u>12,469</u>	\$ <u>1,222,908</u>	\$ <u>(204,607)</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING FUND BALANCE SHEETS -
NONMAJOR GOVERNMENTAL FUNDS -
CAPITAL PROJECT FUNDS
JUNE 30, 2013**

	<u>Primary Government</u>				<u>Component Unit</u>		
	<u>Business Improvement District</u>	<u>Airport Access Road</u>	<u>Tax Increment Financing</u>	<u>Total</u>	<u>Board of Parks and Recreation</u>	<u>Morgantown Public Library Capital Project Clay Battelle Branch</u>	<u>Total Component Unit</u>
ASSETS							
Cash	\$ 177,713	\$ 65,020	\$ 1,571	\$ 244,304	\$ 194,411	\$ -0-	\$ 194,411
Investments	-0-	-0-	-0-	-0-	103,690	229,982	333,672
Taxes receivable	-0-	-0-	103,714	103,714	-0-	-0-	-0-
Grants receivable	79,368	-0-	-0-	79,368	-0-	-0-	-0-
Due from/(to) other funds	<u>-0-</u>	<u>3,068</u>	<u>-0-</u>	<u>3,068</u>	<u>12,027</u>	<u>(2,916)</u>	<u>9,111</u>
TOTAL ASSETS	\$ <u>257,081</u>	\$ <u>68,088</u>	\$ <u>105,285</u>	\$ <u>430,454</u>	\$ <u>310,128</u>	\$ <u>227,066</u>	\$ <u>537,194</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 92,355	\$ 18,799	\$ -0-	\$ 111,154	\$ 5,000	\$ -0-	\$ 5,000
Deferred revenues	-0-	-0-	70,979	70,979	-0-	-0-	-0-
Total liabilities	<u>92,355</u>	<u>18,799</u>	<u>70,979</u>	<u>182,133</u>	<u>5,000</u>	<u>-0-</u>	<u>5,000</u>
Fund Balances							
Assigned	164,726	49,289	34,306	248,321	305,128	227,066	532,194
Unassigned	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total fund balance	<u>164,726</u>	<u>49,289</u>	<u>34,306</u>	<u>248,321</u>	<u>305,128</u>	<u>227,066</u>	<u>532,194</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>257,081</u>	\$ <u>68,088</u>	\$ <u>105,285</u>	\$ <u>430,454</u>	\$ <u>310,128</u>	\$ <u>227,066</u>	\$ <u>537,194</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS -
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Primary Government</u>				<u>Component Unit</u>		
	<u>Business Improvement District</u>	<u>Airport Access Road</u>	<u>Tax Increment Financing</u>	<u>Total</u>	<u>Board of Parks and Recreation</u>	<u>Morgantown Public Library Capital Project Clay Battelle Branch</u>	<u>Total Component Unit</u>
Revenues							
Investment income	\$ 486	\$ -0-	\$ 7	\$ 493	\$ 1,163	\$ 1,518	\$ 2,681
Donations	-0-	-0-	120,000	120,000	70,393	120	70,513
Taxes:							
Ad valorem	-0-	-0-	1,014,527	1,014,527	-0-	-0-	-0-
Hotel/motel tax	-0-	-0-	-0-	-0-	204,537	-0-	204,537
Intergovernmental:							
Federal	120,451	-0-	-0-	120,451	-0-	-0-	-0-
State	-0-	-0-	-0-	-0-	11,970	-0-	11,970
Other	-0-	-0-	3	3	-0-	-0-	-0-
Total revenues	<u>120,937</u>	<u>-0-</u>	<u>1,134,537</u>	<u>1,255,474</u>	<u>288,063</u>	<u>1,638</u>	<u>289,701</u>
Expenditures							
General government	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Culture and recreation	-0-	-0-	-0-	-0-	300,032	-0-	300,032
Community development	108,834	351,796	-0-	460,630	-0-	-0-	-0-
Total expenditures	<u>108,834</u>	<u>351,796</u>	<u>-0-</u>	<u>460,630</u>	<u>300,032</u>	<u>-0-</u>	<u>300,032</u>
(Deficiency) excess of revenues (under) over expenditures	<u>12,103</u>	<u>(351,796)</u>	<u>1,134,537</u>	<u>794,844</u>	<u>(11,969)</u>	<u>1,638</u>	<u>(10,331)</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
 CAPITAL PROJECT FUNDS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Primary Government</u>				<u>Component Unit</u>		
	<u>Business Improvement District</u>	<u>Airport Access Road</u>	<u>Tax Increment Financing</u>	<u>Total</u>	<u>Board of Parks and Recreation</u>	<u>Morgantown Public Library Capital Project Clay Battelle Branch</u>	<u>Total Component Unit</u>
Other Financing Sources (Uses)							
Operating transfers in	\$ 87,500	\$ 2,021,953	\$ -0-	\$ 2,109,453	\$ 23,074	\$ -0-	\$ 23,074
Operating transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>(1,118,814)</u>	<u>(1,118,814)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financings sources (uses)	<u>87,500</u>	<u>2,021,953</u>	<u>(1,118,814)</u>	<u>990,639</u>	<u>23,074</u>	<u>-0-</u>	<u>23,074</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	99,603	1,670,157	15,723	1,785,483	11,105	1,638	12,743
Fund balance beginning of year - restated	<u>65,123</u>	<u>(1,620,868)</u>	<u>18,583</u>	<u>(1,537,162)</u>	<u>294,023</u>	<u>225,428</u>	<u>519,451</u>
Fund balance end of year	\$ <u>164,726</u>	\$ <u>49,289</u>	\$ <u>34,306</u>	\$ <u>248,321</u>	\$ <u>305,128</u>	\$ <u>227,066</u>	\$ <u>532,194</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF NET POSITION -
FIDUCIARY RESPONSIBILITIES
JUNE 30, 2013**

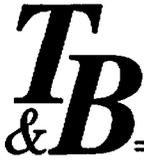
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>	<u>Component Unit</u>		
					<u>Morgantown Public Library Nonexpendable Trust</u>	<u>Endowment Fund</u>	<u>Total</u>
Assets							
Cash	\$ 11,905	\$ 9,681	\$ 1,740	\$ 23,326	\$ 43,757	\$ 10,194	\$ 53,951
Investments	12,588,561	10,073,974	40,572,598	63,235,133	-0-	-0-	-0-
Receivables:							
Contributions	577,834	460,168	105,240	1,143,242	-0-	-0-	-0-
Accrued interest	42,424	33,131	-0-	75,555	-0-	-0-	-0-
Total assets	<u>13,220,724</u>	<u>10,576,954</u>	<u>40,679,578</u>	<u>64,477,256</u>	<u>43,757</u>	<u>10,194</u>	<u>53,951</u>
Liabilities							
Accounts payable	<u>-0-</u>	<u>200</u>	<u>5,067</u>	<u>5,267</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>-0-</u>	<u>200</u>	<u>5,067</u>	<u>5,267</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Position							
Held in trust	\$ <u>13,220,724</u>	\$ <u>10,576,754</u>	\$ <u>40,674,511</u>	\$ <u>64,471,989</u>	\$ <u>43,757</u>	\$ <u>10,194</u>	\$ <u>53,951</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES NET POSITION -
FIDUCIARY RESPONSIBILITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>	<u>Component Unit</u>		
					<u>Morgantown Public Library Nonexpendable Trust</u>	<u>Endowment Fund</u>	<u>Total</u>
Additions							
Contributions:							
Employer	\$ 629,555	\$ 540,495	\$ 1,379,087	\$ 2,549,137	\$ -0-	\$ -0-	\$ -0-
Employee	246,225	183,888	709,803	1,139,916	-0-	-0-	-0-
Insurance premium tax allocation	577,834	460,168	-0-	1,038,002	-0-	-0-	-0-
Other	-0-	-0-	7,392	7,392	-0-	-0-	-0-
Total contributions	<u>1,453,614</u>	<u>1,184,551</u>	<u>2,096,282</u>	<u>4,734,447</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Investment Income:							
Net appreciation (depreciation) in fair value of investments	120,364	123,500	2,352,027	2,595,891	1,407	694	2,101
Gain (loss) on sale of investments	501,657	388,853	393,031	1,283,541	-0-	-0-	-0-
Interest and dividends	297,301	232,157	878,816	1,408,274	946	173	1,119
Total investment income	<u>919,322</u>	<u>744,510</u>	<u>3,623,874</u>	<u>5,287,706</u>	<u>2,353</u>	<u>867</u>	<u>3,220</u>
Total additions	<u>2,372,936</u>	<u>1,929,061</u>	<u>5,720,156</u>	<u>10,022,153</u>	<u>2,353</u>	<u>867</u>	<u>3,220</u>
Deductions							
General and administrative	117,306	93,828	156,864	367,998	1,340	146	1,486
Contribution refunds	5,776	-0-	124,756	130,532	-0-	-0-	-0-
Benefit payments	1,862,074	1,399,672	2,256,110	5,517,856	-0-	-0-	-0-
Total deductions	<u>1,985,156</u>	<u>1,493,500</u>	<u>2,537,730</u>	<u>6,016,386</u>	<u>1,340</u>	<u>146</u>	<u>1,486</u>
Net increase (decrease)	387,780	435,561	3,182,426	4,005,767	1,013	721	1,734
Net position – beginning of year	<u>12,832,944</u>	<u>10,141,193</u>	<u>37,492,085</u>	<u>60,466,222</u>	<u>42,744</u>	<u>9,473</u>	<u>52,217</u>
Net position – end of year	\$ <u>13,220,724</u>	\$ <u>10,576,754</u>	\$ <u>40,674,511</u>	\$ <u>64,471,989</u>	\$ <u>43,757</u>	\$ <u>10,194</u>	\$ <u>53,951</u>

The accompanying independent auditor's report and notes are an integral part of this statement.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Council of
the City of Morgantown
Morgantown, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Morgantown, West Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Morgantown, West Virginia's basic financial statements, and have issued our report thereon date February 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Morgantown, West Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Morgantown, West Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Morgantown, West Virginia's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Morgantown, West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Derrick Bandett, PHA

February 19, 2014



Tetrick & Bartlett, PLLC

*Certified Public Accountants
Consultants*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

The Honorable Mayor and Council of
the City of Morgantown
Morgantown, West Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Morgantown, West Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Morgantown, West Virginia's major federal programs for the year ended June 30, 2013. The City of Morgantown, West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Morgantown, West Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Morgantown, West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Morgantown, West Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Morgantown, West Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of City of Morgantown, West Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Morgantown, West Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Morgantown, West Virginia'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

Honorable Mayor and Council of
the City of Morgantown

Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

J. L. Beck, P.H.C.

February 19, 2014

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified Opinion</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>Yes</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Deficiency(s) identified that are not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified Opinion</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	<u>No</u>

Identification of major programs:

United States Department of Transportation/Federal Aviation Administration Airport Improvement Program	CFDA #20.106
ARRA – Airport Improvement Program	CFDA #20.106

United States Department of Justice/Office of Community Oriented Policing Services	
ARRA – Public Safety Partnership and Community Policing Grants	CFDA #16.710

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
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Auditee qualified as low-risk auditee	<u> </u> yes <u> X </u> no
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**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

B. Findings – Financial Statement Audit

No Findings

C. Findings and Questioned Costs - Major Federal Award Program Audit

United States Department of Transportation – Federal Aviation Administration – ARRA – Airport Improvement Program – CFDA Number 20.106 – Year Ended June 30, 2013; United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program – CFDA Number 20.106 – Year Ended June 30, 2013; United States Department of Justice – Office of Community Oriented Policing Services – ARRA – Public Safety Partnership and Community Policing Grants – CFDA Number 16.710. Year Ended June 30, 2013.

There were no findings and questioned costs identified in the major federal award program audit.

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>
United States Department of Transportation					
<u>Federal Aviation Administration</u>					
Airport Improvement Program	20.106	3-54-0015-033-2011	\$ 525,597	\$ 60,025	\$ 60,025
ARRA – Airport Improvement Program	20.106	3-54-0015-031-2010	389,746	22,788	22,788
Airport Improvement Program	20.106	3-54-0015-034-2012	1,131,824	988,455	988,455
				<u>1,071,268</u>	<u>1,071,268</u>
<u>Federal Highway Administration</u>					
<u>West Virginia Department of Transportation</u>					
Highway Planning and Construction	20.205	T21	120,451	120,451	120,451
<u>National Highway Traffic Safety Administration</u>					
<u>West Virginia Department of Transportation</u>					
Alcohol Open Container Requirements	20.607	F12HS-18-154	50,000	21,827	21,827
Alcohol Open Container Requirements	20.607	F13HS-18-154	60,000	16,688	16,688
				<u>38,515</u>	<u>38,515</u>
Total United States Department of Transportation				<u>1,230,234</u>	<u>1,230,234</u>
United States Department of Justice					
<u>Bureau of Justice Assistance</u>					
Bulletproof Vest Partnership Program	16.607		5,000	1,457	1,457
Edward Byrne Memorial Justice Assistance Grant Program		2013-DJ-BX-0440	60,000	34,662	34,662
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0049	22,065	22,065	22,065
				<u>58,184</u>	<u>58,184</u>
<u>Violence Against Women Office</u>					
<u>State of West Virginia Division of Criminal Justice Services</u>					
ARRA – Violence Against Women Formula Grants	16.588	11-VAW-005	9,500	9,256	9,256
<u>Office of Community Oriented Policing Services</u>					
ARRA – Public Safety Partnership and Community Policing Grants	16.710	2010RKWX008	373,450	141,653	141,653
ARRA – Public Safety Partnership and Community Policing Grants	16.710	2011UMWX0203	552,903	163,350	163,350
				<u>305,003</u>	<u>305,003</u>
Total United States Department of Justice				<u>372,443</u>	<u>372,443</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>
<u>United States Department of the Interior/</u>					
<u>National Park Service</u>					
Outdoor Recreation, Acquisition, Development and Planning	15.916		100,000	\$ <u>100,000</u>	\$ <u>100,000</u>
Total United States Department of the Interior				<u>100,000</u>	<u>100,000</u>
<u>United States Department of Agriculture/</u>					
<u>National Institute of Food and Agriculture</u>					
Community Food Projects	10.225		95,000	<u>95,000</u>	<u>95,000</u>
Total United States Department of Agriculture				<u>95,000</u>	<u>95,000</u>
United States Department of Housing and Urban Development					
<u>Office of Community Planning and Development</u>					
Community Development Block Grant/Entitlement Grants	14.218	B-12-MC-54-0007	350,530	<u>290,054</u>	<u>290,054</u>
Total United States Department of Housing and Urban Development				<u>290,024</u>	<u>290,054</u>
Total Federal Fund				\$ <u>2,087,731</u>	\$ <u>2,087,731</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of federal awards is a summary of the activity of the City of Morgantown, West Virginia's federal award programs and presents transactions that would be included in financial statements of the City of Morgantown presented on the accrual basis of accounting as contemplated by accounting principles generally accepted in the United States of America.

**CITY OF MORGANTOWN, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

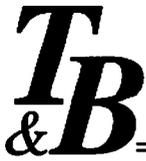
United States Department of Transportation – Federal Aviation Administration – ARRA – Airport Improvement Grant – CFDA 20.106 – Fiscal Year Ended June 30, 2012; United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program – CFDA Number 20.106 – Fiscal Year Ended June 30, 2012; United States Department of Housing and Urban Development – Office of Community Planning and Development – Community Development Block Grant/Entitlement Grants – CFDA 14.218 – Fiscal Year Ended June 30, 2012

There were no prior audit findings.

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2013**

Balance June 30, 2012	\$ 51,892
Revenues received:	
Passenger facility charges	37,423
Interest income	10
Disbursements:	
Bank Charges	<u>46</u>
Balance June 30, 2013	\$ <u>89,279</u>

The accompanying independent auditor's report is an integral part of this schedule.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE PASSENGER
FACILITY CHARGES PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE**

The Honorable Mayor and Council of
the City of Morgantown
Morgantown, West Virginia

Compliance

We have audited the compliance of the City of Morgantown, West Virginia with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2013. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express an opinion on the City of Morgantown, West Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Morgantown, West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Morgantown, West Virginia's, compliance with those requirements.

In our opinion, City of Morgantown, West Virginia complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2013.

Internal Control Over Compliance

The management of the City of Morgantown, West Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the City of Morgantown, West Virginia's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Municipal Officials of the City of Morgantown, West Virginia and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Detrick + Bancroft, PLLC

February 19, 2014