

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

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

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**FOR THE YEAR ENDED JUNE 30, 2016**  
*RFP #16-222 (Monongalia County)*

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**CITY OF MORGANTOWN, WEST VIRGINIA  
MUNICIPAL OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Office</b>	<b>Name</b>	<b>Term</b>
	<b>Elective</b>	
Mayor	Marti Shamberger	07/01/15 - 06/30/16
Deputy Mayor	Bill Kawecki	07/01/15 - 06/30/16
Council Members:	Ron L. Bane	07/01/15 - 06/30/16
	Jennifer Selin	07/01/15 - 06/30/16
	Wes Nugent	07/01/15 - 06/30/16
	Jay Redmond	07/01/15 - 06/30/16
	Nancy Ganz	07/01/15 - 06/30/16
	<b>Appointed</b>	
City Manager	Jeff Mikorski	
City Clerk	Linda Tucker	
Staff Attorney	Ryan Simonton	

**CITY OF MORGANTOWN, WEST VIRGINIA  
INDEX OF FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**MAJOR FUNDS**

**GOVERNMENTAL FUND TYPES**

*General Fund*

*Special Revenue Funds*

Coal Severance Fund  
Life and Health Fund

*Capital Projects Funds*

Capital Reserve Fund  
Airport Access Road

*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  
Municipal Building Commission  
Morgantown Utility Board

CITY OF MORGANTOWN, WEST VIRGINIA  
INDEX OF FUNDS (CONTD)  
FOR THE YEAR ENDED JUNE 30, 2016

**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  
Court Technology

*Discretely Presented Component Unit*

Board of Parks and Recreation

*Capital Projects Funds*

Business Improvement District  
Tax Increment Financing

*Discretely Presented Component Unit*

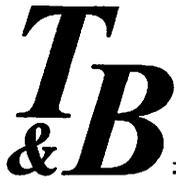
Capital Projects – Clay Batelle Branch

**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



**Tetrick & Bartlett, PLLC**

**Certified Public Accountants  
Consultants**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council  
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, 2016 and the related notes to the financial statements, which collectively comprise the City of Morgantown, West Virginia'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 69.43 percent, 139.69 percent, and 30.83 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 relates 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.

### ***Opinions***

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, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for 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, 2016, the City of Morgantown, West Virginia adopted new accounting guidance, GASB 72 – *Fair Value Measurement and Application*, GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB 77 – *Tax Abatement Disclosures*, GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB 79 – *Certain External Investment Pools and Pool Participants*, and GASB 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. 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 proportionate share of the net pension liability, schedule of City's contributions, notes to required supplementary information, schedule of changes in net pension liability and related ratios multiyear – Firemen's Pension and Relief Fund, schedule of net pension liability multiyear – Firemen's Pension and Relief Fund, schedule of contributions multiyear – Firemen's Pension and Relief Fund, notes to schedule of contributions – Firemen's Pension and Relief Fund, schedule of changes in net pension liability and related ratios multiyear – Policemen's Pension and Relief Fund, schedule of the net pension liability multiyear – Policemen's Pension and Relief Fund, schedule of contributions multiyear – Policemen's Pension and Relief Fund, and notes to schedule of contributions – Policemen's Pension and Relief Fund, schedule of changes in pension liability and related ratios multiyear – Employee Retirement Fund, schedule of net pension liability multiyear – Employee Retirement Fund, schedule of contributions – Employee Retirement Fund, notes to schedule of contributions – Employee Retirement Fund, schedule of proportionate share of the net pension liability – Morgantown Utility Board and schedule of contributions – Morgantown Utility Board on pages 112 through 131 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*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 basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of passenger facility charges and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 December 23, 2016, 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.

*J. Stucke, Bartlett, PLLC*

Clarksburg, West Virginia  
December 23, 2016

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<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>Parking Authority</u>	<u>Municipal Building Commission</u>
<b>Assets</b>								
Cash	\$ 13,365,683	\$ 913,239	\$ 14,278,922	\$ 716,066	\$ 672,855	\$ 411,820	\$ 665,745	\$ 148,820
Investments	1,592,306	-0-	1,592,306	5,419,547	1,423,452	-0-	922,906	-0-
Receivables	6,248,657	430,139	6,678,796	2,414,171	-0-	69,727	15	1,641,130
Internal balances	418,682	( 154,351)	264,331	-0-	-0-	( 248,480)	( 15,851)	-0-
Inventory	37,905	34,197	72,102	1,455,256	-0-	-0-	-0-	-0-
Prepaid expenses	3,755	8,737	12,492	-0-	2,891	-0-	-0-	-0-
Restricted assets	2,623,735	-0-	2,623,735	3,561,711	1,424,982	-0-	39,338	509,046
Capital assets, net	14,818,592	26,389,484	41,208,076	204,917,186	1,949,988	3,356,066	6,021,254	11,580,939
Deposits and prepayments	-0-	-0-	-0-	758,929	-0-	-0-	-0-	-0-
Deferred financing costs	-0-	-0-	-0-	530,572	-0-	-0-	-0-	-0-
Accrued utility revenue	-0-	-0-	-0-	1,158,505	-0-	-0-	-0-	-0-
Total assets	<u>39,109,315</u>	<u>27,621,445</u>	<u>66,730,760</u>	<u>220,931,943</u>	<u>5,474,168</u>	<u>3,589,133</u>	<u>7,633,407</u>	<u>13,879,935</u>
<b>Deferred Outflows of Resources</b>								
Net difference between projected and actual investment earnings on pension plan investments	4,788,158	470,376	5,258,534	2,205,761	74,659	70,093	305,801	-0-
Difference between expected and actual experience	592,807	37,364	630,171	175,209	50,048	46,987	24,291	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	-0-	-0-	-0-	253	-0-	-0-	-0-
Deferred differences in assumptions	23,040,158	-0-	23,040,158	-0-	-0-	-0-	-0-	-0-
Unamortized bond discount refunding loss	24,961	-0-	24,961	-0-	-0-	-0-	-0-	-0-
Total deferred outflows of resources	<u>28,446,084</u>	<u>507,740</u>	<u>28,953,824</u>	<u>2,380,970</u>	<u>124,960</u>	<u>117,080</u>	<u>330,092</u>	<u>74,606</u>
Total assets and deferred outflows of resources	<u>67,555,399</u>	<u>28,129,185</u>	<u>95,684,584</u>	<u>223,312,913</u>	<u>5,599,128</u>	<u>3,706,213</u>	<u>7,963,499</u>	<u>13,954,541</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET POSITION (CONTD)**  
**JUNE 30, 2016**

	<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>Parking Authority</u>	<u>Municipal Building Commission</u>
<b>Liabilities</b>								
Accounts payable	\$ 464,704	\$ 555,145	\$ 1,019,849	\$ 1,951,013	\$ 7,017	\$ 90,805	\$ 39,887	\$ -0-
Accrued payroll	-0-	18,039	18,039	774,954	-0-	50,694	27,029	-0-
Accrued expenses	-0-	-0-	-0-	-0-	18,085	-0-	-0-	-0-
Billing services payable	-0-	-0-	-0-	278,016	-0-	-0-	-0-	-0-
Accrued interest payable	2,112,568	-0-	2,112,568	286,262	-0-	-0-	4,623	40,066
Unearned revenues	-0-	-0-	-0-	868	-0-	-0-	-0-	-0-
Other accrued liabilities	-0-	120,000	120,000	114,423	-0-	-0-	-0-	-0-
Customer deposits	-0-	-0-	-0-	641,738	-0-	-0-	-0-	-0-
Accrued administrative costs on bonds	-0-	-0-	-0-	8,704	-0-	-0-	-0-	-0-
Accrued compensated absences	425,907	56,394	482,301	-0-	57,208	-0-	42,661	-0-
Advances on construction	-0-	-0-	-0-	11,973,715	-0-	-0-	-0-	-0-
Long-term liabilities:								
Due within one year	685,584	28,866	714,450	3,804,835	2,788	62,016	400,469	820,000
Due in more than one year	<u>138,456,004</u>	<u>1,902,307</u>	<u>140,358,311</u>	<u>95,986,319</u>	<u>274,388</u>	<u>890,071</u>	<u>3,048,283</u>	<u>4,070,000</u>
Total liabilities	<u>142,144,767</u>	<u>2,680,751</u>	<u>144,825,518</u>	<u>115,820,847</u>	<u>359,486</u>	<u>1,093,586</u>	<u>3,562,952</u>	<u>4,930,066</u>
<b>Deferred Inflow of Resources</b>								
Difference between expected and actual experience	2,083,078	87,543	2,170,621	410,521	-0-	-0-	56,914	-0-
Net difference between projected and actual investment earnings on pension plan investments	-0-	-0-	-0-	-0-	128,317	120,470	-0-	-0-
Deferred differences in assumptions	-0-	-0-	-0-	-0-	29,434	27,634	-0-	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	-0-	-0-	-0-	7,860	16,195	-0-	-0-
Total deferred inflow of resources	<u>2,083,078</u>	<u>87,543</u>	<u>2,170,621</u>	<u>410,521</u>	<u>165,611</u>	<u>164,299</u>	<u>56,914</u>	<u>-0-</u>
<b>Total liabilities and deferred inflow of resources</b>	<u>144,227,845</u>	<u>2,768,294</u>	<u>146,996,139</u>	<u>116,231,368</u>	<u>525,097</u>	<u>1,257,885</u>	<u>3,619,866</u>	<u>4,930,066</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET POSITION (CONTD)**  
**JUNE 30, 2016**

	<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>Parking Authority</u>	<u>Municipal Building Commission</u>
<b>Net Position</b>								
Net investment in capital assets	\$ 13,499,228	\$ 26,053,280	\$ 39,552,508	\$ 112,610,918	\$ 1,917,516	\$ 2,633,762	\$ 3,609,423	\$ 6,690,939
Restricted	699,123	-0-	699,123	3,556,196	1,424,982	-0-	39,338	509,046
Unrestricted	<u>( 90,870,797)</u>	<u>( 692,389)</u>	<u>( 91,563,186)</u>	<u>( 9,085,569)</u>	<u>1,731,533</u>	<u>( 185,434)</u>	<u>694,872</u>	<u>1,824,490</u>
Total net position	\$ <u>( 76,672,446)</u>	\$ <u>25,360,891</u>	\$ <u>( 51,311,555)</u>	\$ <u>107,081,545</u>	\$ <u>5,074,031</u>	\$ <u>2,448,328</u>	\$ <u>4,343,633</u>	\$ <u>9,024,475</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, 2016**

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	Municipal Building Commission	Board of Parks and Recreation Commission	Morgantown Public Library
					Governmental Activities	Business-Type Activities	Total					
<b>Governmental Activities</b>												
General government	\$ 5,150,783	\$ 1,570,480	\$ -0-	\$ -0-	\$ ( 3,580,303)	\$ -0-	\$ ( 3,580,303)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Public safety	21,524,454	4,084,873	159,000	-0-	(17,280,581)	-0-	(17,280,581)	-0-	-0-	-0-	-0-	-0-
Highways and streets	4,226,664	-0-	-0-	-0-	( 4,226,664)	-0-	( 4,226,664)	-0-	-0-	-0-	-0-	-0-
Culture and recreation	1,197,629	-0-	-0-	-0-	( 1,197,629)	-0-	( 1,197,629)	-0-	-0-	-0-	-0-	-0-
Social services	156,405	-0-	-0-	-0-	( 156,405)	-0-	( 156,405)	-0-	-0-	-0-	-0-	-0-
Community development	4,515,026	226,996	53,660	533,869	( 3,700,501)	-0-	( 3,700,501)	-0-	-0-	-0-	-0-	-0-
Debt service	1,171,693	-0-	-0-	-0-	( 1,171,693)	-0-	( 1,171,693)	-0-	-0-	-0-	-0-	-0-
Benefits payments	<u>5,451,244</u>	<u>-0-</u>	<u>5,021,748</u>	<u>-0-</u>	<u>( 429,496)</u>	<u>-0-</u>	<u>( 429,496)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>43,393,898</u>	<u>5,882,349</u>	<u>5,234,408</u>	<u>533,869</u>	<u>(31,743,272)</u>	<u>-0-</u>	<u>(31,743,272)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Business-Type Activities</b>												
Airport	<u>3,122,454</u>	<u>1,949,684</u>	<u>30,000</u>	<u>-0-</u>	<u>-0-</u>	<u>( 1,142,770)</u>	<u>( 1,142,770)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total business-type activities	<u>3,122,454</u>	<u>1,949,684</u>	<u>30,000</u>	<u>-0-</u>	<u>-0-</u>	<u>( 1,142,770)</u>	<u>( 1,142,770)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Total</b>	<b>\$ 46,516,352</b>	<b>\$ 7,832,033</b>	<b>\$ 5,264,408</b>	<b>\$ 533,869</b>	<b>(31,743,272)</b>	<b>( 1,142,770)</b>	<b>(32,886,042)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>Component Units</b>												
Morgantown Utility Board	\$ 27,342,228	\$ 23,381,323	\$ -0-	\$ -0-	-0-	-0-	-0-	( 3,960,905)	-0-	-0-	-0-	-0-
Parking	2,641,159	2,934,110	-0-	-0-	-0-	-0-	-0-	292,951	-0-	-0-	-0-	
Municipal Building Commission	624,592	919,013	-0-	-0-	-0-	-0-	-0-	-0-	294,421	-0-	-0-	
Board of Parks and Recreation Commission	3,053,702	1,602,510	158,224	-0-	-0-	-0-	-0-	-0-	-0-	(1,292,968)	-0-	
Morgantown Public Library	<u>1,803,876</u>	<u>42,624</u>	<u>1,537,026</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 224,226)</u>	
Total component units	<u>\$ 35,465,557</u>	<u>\$ 28,879,580</u>	<u>\$ 1,695,250</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 3,960,905)</u>	<u>292,951</u>	<u>294,421</u>	<u>(1,292,968)</u>	<u>( 224,226)</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF ACTIVITIES (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

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	Municipal Building Commission	Board of Parks and Recreation Commission	Morgantown Public Library
					Governmental Activities	Business-Type Activities	Total					
<b>General Revenues</b>												
Taxes and special assessments:												
Ad valorem					\$ 5,543,819	\$ -0-	\$ 5,543,819	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Gas and oil severance					63,677	-0-	63,677	-0-	-0-	-0-	-0-	-0-
Utility					966,534	-0-	966,534	-0-	-0-	-0-	-0-	-0-
Business and occupation					19,117,430	-0-	19,117,430	-0-	-0-	-0-	-0-	-0-
Wine and liquor					975,140	-0-	975,140	-0-	-0-	-0-	-0-	-0-
Animal control					4,350	-0-	4,350	-0-	-0-	-0-	-0-	-0-
Hotel and motel					891,864	-0-	891,864	-0-	-0-	-0-	-0-	-0-
Amusement					13,075	-0-	13,075	-0-	-0-	-0-	-0-	-0-
Coal severance					68,739	-0-	68,739	-0-	-0-	-0-	-0-	-0-
Licenses and permits					560,385	-0-	560,385	-0-	-0-	-0-	-0-	-0-
Franchise fees					396,576	-0-	396,576	-0-	-0-	-0-	-0-	-0-
Interest and investment earnings					52,873	2,495	55,368	155,149	9,036	448	1,603	32,933
Video lottery and gaming income					112,767	-0-	112,767	-0-	-0-	-0-	-0-	-0-
Gain (loss) on sale of capital assets					-0-	1,670,000	1,670,000	-0-	-0-	-0-	-0-	-0-
Miscellaneous					190,778	-0-	190,778	846,489	-0-	-0-	66,630	965
<b>Total general revenues</b>					<u>28,958,007</u>	<u>1,672,495</u>	<u>30,630,502</u>	<u>1,001,638</u>	<u>9,036</u>	<u>448</u>	<u>68,233</u>	<u>33,898</u>
Change in net position before transfers between activities					( 2,785,265)	529,725	( 2,255,540)	( 2,959,267)	301,987	294,869	(1,224,735)	( 190,328)
Transfer between activities					( 1,639,481)	537,172	( 1,102,309)	-0-	-0-	-0-	1,102,309	-0-
Change in net position before contributed capital					( 4,424,746)	1,066,897	( 3,357,849)	( 2,959,267)	301,987	294,869	( 122,426)	( 190,328)
Contributed capital					-0-	1,053,776	1,053,776	3,137,422	-0-	-0-	-0-	-0-
Transfers to other entities					-0-	-0-	-0-	-0-	-0-	( 303,218)	-0-	-0-
<b>Net change in net position</b>					<u>( 4,424,746)</u>	<u>2,120,673</u>	<u>( 2,304,073)</u>	<u>178,155</u>	<u>301,987</u>	<u>( 8,349)</u>	<u>( 122,426)</u>	<u>( 190,328)</u>
<b>Net position – beginning</b>					<u>(72,247,700)</u>	<u>23,240,218</u>	<u>(49,007,482)</u>	<u>106,903,390</u>	<u>4,041,646</u>	<u>9,032,824</u>	<u>2,570,754</u>	<u>5,264,359</u>
<b>Net position – ending</b>					<u>\$ (76,672,446)</u>	<u>\$ 25,360,891</u>	<u>\$ (51,311,555)</u>	<u>\$ 107,081,545</u>	<u>\$ 4,343,633</u>	<u>\$ 9,024,475</u>	<u>\$ 2,448,328</u>	<u>\$ 5,074,031</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, 2016**

	<i>Primary Government</i>							<i>Component Units</i>				<u>Total</u>
	<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>Airport Access Road</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>	
<b>ASSETS</b>												
Cash	\$ 5,634,866	\$ 210	\$ 6,353,985	\$ 611,086	\$ -0-	\$ 277,743	\$ 487,793	\$ 13,365,683	\$ 672,855	\$ -0-	\$ 411,820	\$ 1,084,675
Investments	252,302	-0-	-0-	631,906	-0-	-0-	708,098	1,592,306	1,181,179	-0-	242,273	1,423,452
Receivables, net of allowances:												
Taxes	5,452,958	17,580	-0-	-0-	-0-	-0-	157,407	5,627,945	-0-	-0-	-0-	-0-
Accounts	397,824	-0-	1,980	-0-	-0-	-0-	6,694	406,498	-0-	-0-	69,727	69,727
Other	179,343	-0-	-0-	-0-	-0-	-0-	-0-	179,343	-0-	-0-	-0-	-0-
Grants	26,255	-0-	-0-	-0-	-0-	-0-	8,616	34,871	-0-	-0-	-0-	-0-
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Due from/(to) other funds	286,808	-0-	206,846	-0-	-0-	-0-	( 74,972)	418,682	2,916	-0-	(251,396)	( 248,480)
Inventory	37,905	-0-	-0-	-0-	-0-	-0-	-0-	37,905	-0-	-0-	-0-	-0-
Restricted assets	-0-	-0-	-0-	-0-	2,623,735	-0-	-0-	2,623,735	-0-	1,424,982	-0-	1,424,982
Prepaid expenses	3,755	-0-	-0-	-0-	-0-	-0-	-0-	3,755	2,891	-0-	-0-	2,891
<b>TOTAL ASSETS</b>	<b>\$ <u>12,272,016</u></b>	<b>\$ <u>17,790</u></b>	<b>\$ <u>6,562,811</u></b>	<b>\$ <u>1,242,992</u></b>	<b>\$ <u>2,623,735</u></b>	<b>\$ <u>277,743</u></b>	<b>\$ <u>1,293,636</u></b>	<b>\$ <u>24,290,723</u></b>	<b>\$ <u>1,859,841</u></b>	<b>\$ <u>1,424,982</u></b>	<b>\$ <u>472,424</u></b>	<b>\$ <u>3,757,247</u></b>

**CITY OF MORGANTOWN, WEST VIRGINIA  
FUND BALANCE SHEETS  
GOVERNMENTAL FUNDS (CONTD)  
JUNE 30, 2016**

	<i>Primary Government</i>							<i>Component Units</i>				<u>Total</u>
	<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>Airport Access Road</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>	
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities</b>												
Accounts payable	\$ 344,218	\$ -0-	\$ 94,590	\$ 3,713	\$ -0-	\$ 10,274	\$ 11,909	\$ 464,704	\$ 7,017	\$ -0-	\$ 90,805	\$ 97,822
Accrued interest payable	-0-	-0-	-0-	-0-	2,112,568	-0-	-0-	2,112,568	-0-	-0-	-0-	-0-
Accrued expenses	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	18,085	-0-	-0-	18,085
Accrued payroll and compensated absences	<u>423,027</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,880</u>	<u>425,907</u>	<u>57,208</u>	<u>-0-</u>	<u>-0-</u>	<u>18,085</u>
Total liabilities	<u>767,245</u>	<u>-0-</u>	<u>94,590</u>	<u>3,713</u>	<u>2,112,568</u>	<u>10,274</u>	<u>14,789</u>	<u>3,003,179</u>	<u>82,310</u>	<u>-0-</u>	<u>141,499</u>	<u>223,809</u>
<b>Deferred Inflow of Resources</b>												
Deferred revenue – taxes	315,709	-0-	-0-	-0-	-0-	-0-	142,147	457,856	-0-	-0-	-0-	-0-
Deferred revenue – other	<u>351,240</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>351,240</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total deferred inflow of resources	<u>666,949</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>142,147</u>	<u>809,096</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances</b>												
Restricted	26,255	-0-	-0-	-0-	511,167	-0-	161,701	699,123	-0-	1,424,982	-0-	1,424,982
Nonspendable	41,660	-0-	-0-	-0-	-0-	-0-	-0-	41,660	2,891	-0-	-0-	2,891
Assigned	-0-	17,790	6,468,221	1,239,279	-0-	267,469	1,000,727	8,993,486	189,099	-0-	330,925	520,024
Unassigned	<u>10,769,907</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 25,728)</u>	<u>10,744,179</u>	<u>1,585,541</u>	<u>-0-</u>	<u>-0-</u>	<u>1,585,541</u>
Total fund balances	<u>10,837,822</u>	<u>17,790</u>	<u>6,468,221</u>	<u>1,239,279</u>	<u>511,167</u>	<u>267,469</u>	<u>1,136,700</u>	<u>20,478,448</u>	<u>1,777,531</u>	<u>1,424,982</u>	<u>330,925</u>	<u>3,533,438</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>												
	\$ <u>12,272,016</u>	\$ <u>17,790</u>	\$ <u>6,562,811</u>	\$ <u>1,242,992</u>	\$ <u>2,623,735</u>	\$ <u>277,743</u>	\$ <u>1,293,636</u>	\$ <u>24,290,723</u>	\$ <u>1,859,841</u>	\$ <u>1,424,982</u>	\$ <u>472,424</u>	\$ <u>3,757,247</u>

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, 2016**

	<u><i>Primary Government</i></u>	<u><i>Component Units</i></u>	
		<u>Morgantown Public Library</u>	<u>Board of Parks and Recreation Commission</u>
Fund balance, fund level statement at June 30, 2016	\$ 20,478,448	\$ 3,441,870	\$ 91,568
<p>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:</p> <p>Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:</p>			
Accrued compensated absences	( 1,206,076)	-0-	-0-
Obligations under capital lease	( 1,319,364)	( 32,472)	( 722,304)
Net pension obligation	(111,475,148)	( 244,704)	( 229,783)
Bonds payable	( 20,498,000)	-0-	-0-
Accrued other post employment benefits	( 4,643,000)	-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.	14,818,592	1,949,988	3,356,066
Deferred outflow – net difference between projected and actual investment earnings on pension plan investments	4,788,158	74,659	70,093
Deferred outflow – difference between expected and actual experience	592,807	50,048	46,987
Deferred outflow – changes in employer portion and differences between employer contributions and proportionate share of contributions	-0-	253	-0-
Deferred outflow – deferred differences in assumptions	23,040,158	-0-	-0-
Deferred inflow – difference between expected and actual experience	( 2,083,078)	-0-	-0-
Deferred inflow – net difference between projected and actual investment earnings on pension plan investments	-0-	( 128,317)	( 120,470)
Deferred inflow – deferred differences in assumptions	-0-	( 29,434)	( 27,634)
Deferred inflow – changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	( 7,860)	( 16,195)

**CITY OF MORGANTOWN, WEST VIRGINIA  
RECONCILIATION OF FUND BALANCE SHEETS OF  
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION (CONT'D)  
JUNE 30, 2016**

		<i>Component Units</i>	
<i><u>Primary Government</u></i>	<i><u>Morgantown Public Library</u></i>	<i><u>Board of Parks and Recreation Commission</u></i>	
Some assets do not provide current financial resources and are reported as deferred revenues in the fund level statements.			
Unamortized bond discount	\$ 24,961	\$ -0-	\$ -0-
Deferred revenue	<u>809,096</u>	<u>-0-</u>	<u>-0-</u>
Net position of governmental activities	\$ ( <u>76,672,446</u> )	\$ <u>5,074,031</u>	\$ <u>2,448,328</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, 2016**

	<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>Airport Access Road</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>	
<b>Revenues</b>												
Taxes and special assessments:												
Ad valorem	\$ 4,283,942	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,373,657	\$ 5,657,599	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Gas and oil severance	63,677	-0-	-0-	-0-	-0-	-0-	-0-	63,677	-0-	-0-	-0-	-0-
Utility	966,534	-0-	-0-	-0-	-0-	-0-	-0-	966,534	-0-	-0-	-0-	-0-
Business and occupation	18,911,025	-0-	-0-	-0-	-0-	-0-	-0-	18,911,025	-0-	-0-	-0-	-0-
Wine and liquor	975,140	-0-	-0-	-0-	-0-	-0-	-0-	975,140	-0-	-0-	-0-	-0-
Animal control	4,350	-0-	-0-	-0-	-0-	-0-	-0-	4,350	-0-	-0-	-0-	-0-
Hotel and motel	891,864	-0-	-0-	-0-	-0-	-0-	-0-	891,864	-0-	-0-	-0-	-0-
Amusement	13,075	-0-	-0-	-0-	-0-	-0-	-0-	13,075	-0-	-0-	-0-	-0-
Licenses and permits	560,385	-0-	-0-	-0-	-0-	-0-	-0-	560,385	-0-	-0-	-0-	-0-
Charges for services	4,874,776	-0-	-0-	-0-	-0-	-0-	-0-	4,874,776	-0-	-0-	-0-	-0-
Fines and forfeits	727,210	-0-	-0-	-0-	-0-	-0-	44,854	4,919,630	-0-	-0-	1,602,510	1,602,510
Franchise fees	396,576	-0-	-0-	-0-	-0-	-0-	115,736	842,946	42,624	-0-	-0-	42,624
Investment income (loss)	25,528	165	12,889	6,233	2,922	1,265	-0-	396,576	-0-	-0-	-0-	-0-
Donations	14,515	-0-	5,540	-0-	119,773	-0-	3,871	52,873	11,593	16,064	6,879	34,536
Video lottery and gaming income	112,767	-0-	-0-	-0-	-0-	-0-	-0-	139,828	16,804	-0-	136,392	153,196
Intergovernmental:												
Federal	117,291	-0-	-0-	-0-	-0-	-0-	305,038	422,329	-0-	-0-	21,832	21,832
State	-0-	68,739	120,512	-0-	-0-	-0-	1,000	190,251	1,055,427	-0-	-0-	1,055,427
Local	24,126	-0-	-0-	-0-	-0-	158,507	-0-	182,633	464,795	-0-	-0-	464,795
Contributions from employees	-0-	-0-	-0-	4,878,260	-0-	-0-	-0-	4,878,260	-0-	-0-	-0-	-0-
Contributions from employers	-0-	-0-	-0-	143,488	-0-	-0-	-0-	143,488	-0-	-0-	-0-	-0-
Other	151,434	-0-	-0-	36,290	-0-	-0-	3,054	190,778	952	13	66,630	67,595
<b>Total revenues</b>	<u>33,114,215</u>	<u>68,904</u>	<u>138,941</u>	<u>5,064,271</u>	<u>122,695</u>	<u>159,772</u>	<u>1,847,210</u>	<u>40,516,008</u>	<u>1,592,195</u>	<u>16,077</u>	<u>1,834,243</u>	<u>3,442,515</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN NET POSITION – GOVERNMENTAL FUNDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

	<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>Airport Access Road</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>
<b>Expenditures</b>												
General government	\$ 5,531,940	\$ -0-	\$ -0-	\$ 187,514	\$ 52,626	\$ -0-	\$ 3,417	\$ 5,775,497	\$ -0-	\$ 9,366	\$ -0-	\$ 9,366
Public safety	11,919,798	-0-	-0-	-0-	-0-	-0-	362,793	12,282,591	-0-	-0-	-0-	-0-
Highways and streets	4,086,071	-0-	-0-	-0-	-0-	-0-	-0-	4,086,071	-0-	-0-	-0-	-0-
Culture and recreation	1,197,629	-0-	-0-	-0-	-0-	-0-	-0-	1,197,629	1,611,210	-0-	2,866,847	4,478,057
Social services	156,749	-0-	-0-	-0-	-0-	-0-	-0-	156,749	-0-	-0-	-0-	-0-
Community development	-0-	-0-	2,805,654	-0-	1,326,596	625,166	356,926	5,114,342	-0-	-0-	-0-	-0-
Debt service – principal	-0-	-0-	-0-	-0-	538,000	-0-	-0-	538,000	-0-	-0-	-0-	-0-
Debt service – interest	-0-	-0-	-0-	-0-	1,171,693	-0-	-0-	1,171,693	-0-	-0-	-0-	-0-
Benefits payments	-0-	-0-	-0-	4,607,599	-0-	-0-	-0-	1,171,693	-0-	-0-	-0-	-0-
Total expenditures	<u>22,892,187</u>	<u>-0-</u>	<u>2,805,654</u>	<u>4,795,113</u>	<u>3,088,915</u>	<u>625,166</u>	<u>1,566,781</u>	<u>35,773,816</u>	<u>1,611,210</u>	<u>9,366</u>	<u>2,866,847</u>	<u>4,487,423</u>
(Deficiency) excess of revenues	<u>10,222,028</u>	<u>68,904</u>	<u>(2,666,713)</u>	<u>269,158</u>	<u>(2,966,220)</u>	<u>( 465,394)</u>	<u>280,429</u>	<u>4,742,192</u>	<u>( 19,015)</u>	<u>6,711</u>	<u>(1,032,604)</u>	<u>(1,044,908)</u>
<b>Other Financing Sources (Uses)</b>												
Proceeds from debt	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers in	363,035	-0-	4,979,600	-0-	1,348,339	267,887	677,836	7,636,697	-0-	-0-	1,102,309	1,102,309
Operating transfers (out)	( 6,154,745)	(82,000)	(1,056,094)	( 635,000)	-0-	-0-	(1,348,339)	( 9,276,178)	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>( 5,791,710)</u>	<u>(82,000)</u>	<u>3,923,506</u>	<u>( 635,000)</u>	<u>1,348,339</u>	<u>267,887</u>	<u>( 670,503)</u>	<u>( 1,639,481)</u>	<u>-0-</u>	<u>-0-</u>	<u>1,102,309</u>	<u>1,102,309</u>
Net change in fund balances	4,430,318	(13,096)	1,256,793	( 365,842)	(1,617,881)	( 197,507)	( 390,074)	3,102,711	( 19,015)	6,711	69,705	57,401
Fund balances at beginning of year, restated	<u>6,407,504</u>	<u>30,886</u>	<u>5,211,428</u>	<u>1,605,121</u>	<u>2,129,048</u>	<u>464,976</u>	<u>1,526,774</u>	<u>17,375,737</u>	<u>1,796,546</u>	<u>1,418,271</u>	<u>261,220</u>	<u>3,476,037</u>
Fund balances at end of year	\$ <u>10,837,822</u>	\$ <u>6,468,221</u>	\$ <u>1,239,279</u>	\$ <u>511,167</u>	\$ <u>267,469</u>	\$ <u>1,136,700</u>	\$ <u>20,707,954</u>	\$ <u>20,478,448</u>	\$ <u>1,424,982</u>	\$ <u>239,357</u>	\$ <u>330,925</u>	\$ <u>3,533,438</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, 2016**

	<u>Primary Government</u>	<u>Component Units</u>	
		<u>Morgantown Public Library</u>	<u>Board of Parks and Recreation Commission</u>
Net change in fund balance – total governmental funds	\$ 3,102,711	\$( 7,028)	\$ 64,429
Amounts reported for governmental activities in the Statement of Activities are different 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			
	126,3141	(160,377)	(223,196)
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	198,521	2,542	56,544
Repayment of bonds	538,000	-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.			
Increase in compensated absences	( 102,316)	-0-	-0-
(Increase) decrease in pension benefit obligation	(34,909,073)	-0-	( 72,521)
(Increase) decrease in accrued other post employment benefits	44,000	-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 current activities.			
Change in deferred revenues	92,625	-0-	-0-
Certain pension expenses in the Statement of Activities are recognized on the accrual basis of accounting in accordance with GASB 68:			
Amount of additional pension expense recognized at government-wide level	<u>26,486,032</u>	<u>( 25,465)</u>	<u>52,318</u>
Change in net position of governmental activities	\$ <u>( 4,424,746)</u>	\$ <u>(190,328)</u>	\$ <u>(122,426)</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, 2016**

	<u>Business-Type</u>		<u>Component Units</u>			<u>Total</u>
	<u>Activities</u>		<u>Municipal</u>	<u>Morgantown</u>		
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Utility</u>		
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Board</u>		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash	\$ 913,239	\$ 665,745	\$ 148,820	\$ 716,066	\$ 1,530,621	
Investments	-	922,906	-	-	922,906	
Receivables, net of allowances:						
Accounts	76,255	-	162,880	1,689,166	1,852,046	
Other	-	-	-	704,896	704,896	
Grants	353,884	-	-	-	-	
Interest	-	15	-	20,109	20,124	
Inventory	34,197	-	-	1,455,256	1,455,256	
Due from/(to) other funds	( 154,351)	( 15,851)	-	-	( 15,851)	
Deposits and prepayments	-	-	-	758,929	758,929	
Accrued utility revenue	-	-	-	1,158,505	1,158,505	
Prepaid expenses	8,737	-	-	-	-	
Total current assets	<u>1,231,961</u>	<u>1,572,815</u>	<u>311,700</u>	<u>6,502,927</u>	<u>8,387,442</u>	
<b>Noncurrent Assets</b>						
Restricted assets	<u>-</u>	<u>39,338</u>	<u>509,046</u>	<u>3,561,711</u>	<u>4,110,095</u>	
<b>Capital Assets</b>						
Land	50,050	1,484,399	1,439,707	1,658,519	4,582,625	
Intangible plant	-	-	-	376,834	376,834	
Land improvements	-	-	744,473	-	744,473	
Building	7,923,113	-	15,742,250	27,506,097	43,248,347	
Structures and improvements	32,077,429	9,741,706	-	-	9,741,706	
Water transmission and distribution system	-	-	-	72,348,328	72,348,328	
Sewer and storm collection system	-	-	-	116,821,495	116,821,495	
Treatment plant equipment	-	-	-	73,343,819	73,343,819	
Office furniture, equipment and computer system	-	-	-	4,882,479	4,882,479	
Vehicles and heavy duty equipment	-	-	-	8,375,264	8,375,264	
Leasehold improvements	-	90,965	-	-	90,965	
Machinery and equipment	2,461,155	1,358,064	1,094,319	-	2,452,383	
Construction in progress	2,497,516	-	-	14,462,057	14,462,057	
Less: Accumulated depreciation	<u>(18,619,779)</u>	<u>(6,653,880)</u>	<u>( 7,439,810)</u>	<u>(114,857,706)</u>	<u>(128,951,396)</u>	
Net capital assets	<u>26,389,484</u>	<u>6,021,254</u>	<u>11,580,939</u>	<u>204,917,186</u>	<u>222,519,379</u>	

**CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTD)  
JUNE 30, 2016**

	<u>Business-Type</u>		<u>Component Units</u>		
	<u>Activities</u>		<u>Municipal</u>	<u>Morgantown</u>	<u>Total</u>
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Utility</u>	
<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Board</u>		
<b>ASSETS</b>					
<b>Other Assets</b>					
Accounts receivable	\$ -0-	\$ -0-	\$ 1,478,250	\$ -0-	\$ 1,478,250
Investments	-0-	-0-	-0-	5,419,547	5,419,547
Deferred financing costs	-0-	-0-	-0-	530,572	530,572
Total other assets	<u>-0-</u>	<u>-0-</u>	<u>1,478,250</u>	<u>5,950,119</u>	<u>7,428,369</u>
Total assets	<u>27,621,445</u>	<u>7,633,407</u>	<u>13,879,935</u>	<u>220,931,943</u>	<u>242,445,285</u>
<b>Deferred Outflows of Resources</b>					
Net difference between projected and actual investment earnings on pension plan investments	470,376	305,801	-0-	2,205,761	2,511,562
Differences between expected and actual experience	37,364	24,291	-0-	175,209	199,500
Unamortized bond discount refunding loss	-0-	-0-	74,606	-0-	74,606
Total deferred outflows of resources	<u>507,740</u>	<u>330,092</u>	<u>74,606</u>	<u>2,380,970</u>	<u>2,785,668</u>
Total assets and deferred outflows of resources	<u>28,129,185</u>	<u>7,963,499</u>	<u>13,954,541</u>	<u>223,312,913</u>	<u>245,230,953</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS (CONTD)**  
**JUNE 30, 2016**

	<u>Business-Type</u>		<u>Component Units</u>			<u>Total</u>
	<u>Activities</u>		<u>Municipal</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>		
<b>LIABILITIES</b>						
<b>Current Liabilities (payable from current assets)</b>						
Current portion obligation under capital lease	\$ 28,866	\$ 13,923	\$ -0-	\$ -0-	\$ 13,923	
Accounts payable	555,145	39,887	-0-	1,951,013	1,990,900	
Unearned revenue	-0-	-0-	-0-	868	868	
Accrued payroll	18,039	27,029	-0-	774,954	801,983	
Billing services collected payable	-0-	-0-	-0-	278,016	278,016	
Other accrued liabilities	120,000	-0-	-0-	114,423	114,423	
Accrued compensated absences	56,394	42,661	-0-	-0-	42,661	
Total current liabilities (payable from current assets)	<u>778,444</u>	<u>123,500</u>	<u>-0-</u>	<u>3,119,274</u>	<u>3,242,774</u>	
<b>Current Liabilities (payable from restricted assets)</b>						
Revenue bonds payable	-0-	386,546	820,000	-0-	1,206,546	
Current portion of long-term debt	-0-	-0-	-0-	3,804,835	3,804,835	
Interest payable	-0-	4,623	40,066	-0-	44,689	
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>391,169</u>	<u>860,066</u>	<u>3,804,835</u>	<u>5,056,070</u>	
<b>Long-Term Liabilities (net of current portion)</b>						
Revenue bonds payable	-0-	1,863,123	4,070,000	88,506,948	94,440,071	
Obligation under capital lease	307,338	148,239	-0-	-0-	148,239	
Net pension obligation	1,594,969	1,036,921	-0-	7,479,371	8,516,292	
Customer deposits	-0-	-0-	-0-	641,738	641,738	
Accrued administrative costs on bonds	-0-	-0-	-0-	8,704	8,704	
Accrued interest on bonds	-0-	-0-	-0-	280,152	280,152	
Interest on customer deposits	-0-	-0-	-0-	6,110	6,110	
Advances on construction	-0-	-0-	-0-	11,973,715	11,973,715	
Total long-term liabilities (net of current portion)	<u>1,902,307</u>	<u>3,048,283</u>	<u>4,070,000</u>	<u>108,896,738</u>	<u>116,015,021</u>	
<b>Total liabilities</b>	<u>2,680,751</u>	<u>3,562,952</u>	<u>4,930,066</u>	<u>115,820,847</u>	<u>124,313,865</u>	

**CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTD)  
JUNE 30, 2016**

	<u>Business-Type</u>		<u>Component Units</u>		
	<u>Activities</u>		<u>Municipal</u>	<u>Morgantown</u>	<u>Total</u>
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Utility</u>	
<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Board</u>		
<b>Deferred Inflow of Resources</b>					
Difference between expected and actual experience	\$ <u>87,543</u>	\$ <u>56,914</u>	\$ <u>-0-</u>	\$ <u>410,521</u>	\$ <u>467,435</u>
Total deferred inflow of resources	<u>87,543</u>	<u>56,914</u>	<u>-0-</u>	<u>410,521</u>	<u>467,435</u>
<b>Total liabilities and deferred inflow of resources</b>	<u>2,768,294</u>	<u>3,619,866</u>	<u>4,930,066</u>	<u>116,231,368</u>	<u>124,781,300</u>
<b>Net Position</b>					
Net investment in capital assets	26,053,280	3,609,423	6,690,939	112,610,918	122,911,280
Restricted	-0-	39,338	509,046	3,556,196	4,104,580
Unrestricted	( <u>692,389</u> )	<u>694,872</u>	<u>1,824,490</u>	( <u>9,085,569</u> )	( <u>6,566,207</u> )
Total net position	\$ <u>25,360,891</u>	\$ <u>4,343,633</u>	\$ <u>9,024,475</u>	\$ <u>107,081,545</u>	\$ <u>120,449,653</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, 2016**

	<u>Business-Type</u>		<u>Component Units</u>			<u>Total</u>
	<u>Activities</u>		<u>Municipal</u>	<u>Morgantown</u>		
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Utility</u>		
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Board</u>		
<b>Operating Revenues</b>						
Charges for services	\$ 1,949,684	\$ 2,379,071	\$ 919,013	\$ 23,381,323	\$ 26,679,407	
Fines	-0-	555,039	-0-	-0-	555,039	
Grants	30,000	-0-	-0-	-0-	-0-	
Total operating revenues	<u>1,979,684</u>	<u>2,934,110</u>	<u>919,013</u>	<u>23,381,323</u>	<u>27,234,446</u>	
<b>Operating Expenses</b>						
Personal services	716,265	1,104,666	-0-	-0-	1,104,666	
Purchases – fuel	821,423	-0-	-0-	-0-	-0-	
Supplies	14,213	27,254	-0-	-0-	27,254	
Liability insurance	48,244	43,012	-0-	-0-	43,012	
Utilities	146,910	90,395	-0-	-0-	90,395	
General and administrative	125,977	210,348	3,500	-0-	213,848	
Depreciation	613,597	289,602	465,699	-0-	755,301	
Amortization	5,825	-0-	-0-	-0-	-0-	
Maintenance	588,063	273,913	-0-	-0-	273,913	
Rental lease	41,937	532,141	-0-	-0-	532,141	
Water operating expenses	-0-	-0-	-0-	12,012,565	12,012,565	
Sewer operating expenses	-0-	-0-	-0-	10,663,656	10,663,656	
Storm water utility operating expenses	-0-	-0-	-0-	1,539,259	1,539,259	
Total operating expenses	<u>3,122,454</u>	<u>2,571,331</u>	<u>469,199</u>	<u>24,215,480</u>	<u>27,256,010</u>	
Operating (loss) income	( 1,142,770)	362,779	449,814	( 834,157)	( 21,564)	
<b>Nonoperating Revenues (Expenses)</b>						
Investment income	2,495	15,448	448	155,149	171,045	
Gain (loss) on investments	-0-	( 6,412)	-0-	-0-	( 6,412)	
(Loss) on sale of capital assets	1,670,000	-0-	-0-	-0-	-0-	
Interest and fiscal charges	-0-	( 69,828)	( 128,709)	( 3,126,748)	( 3,325,285)	
Amortization of bond costs	-0-	-0-	( 26,684)	-0-	( 26,684)	
Other revenue	-0-	-0-	-0-	846,489	846,489	
Total nonoperating revenues (expenses)	<u>1,672,495</u>	<u>( 60,792)</u>	<u>( 154,945)</u>	<u>( 2,125,110)</u>	<u>( 2,340,847)</u>	
Change in net position before nonoperating grants and operating transfers	529,725	301,987	294,869	( 2,959,267)	( 2,362,411)	
Nonoperating grants – federal	948,398	-0-	-0-	-0-	-0-	
Nonoperating grants – state	105,378	-0-	-0-	-0-	-0-	
Operating transfers in (out)	537,172	-0-	-0-	-0-	-0-	
Transfers to other governmental units	-0-	-0-	( 303,218)	-0-	( 303,218)	
Contributed capital	-0-	-0-	-0-	3,137,422	3,137,422	
Change in net position	2,120,673	301,987	( 8,349)	178,155	471,793	
Total net position – beginning	<u>23,240,218</u>	<u>4,041,646</u>	<u>9,032,824</u>	<u>106,903,390</u>	<u>119,977,860</u>	
Total net position – ending	\$ <u>25,360,891</u>	\$ <u>4,343,633</u>	\$ <u>9,024,475</u>	\$ <u>107,081,545</u>	\$ <u>120,449,653</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, 2016**

	<u>Business-Type</u>		<u>Component Units</u>		
	<u>Activities</u>		<u>Municipal</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>
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 1,903,751	\$ 2,934,110	\$ 1,218,732	\$ 22,617,654	\$ 26,770,496
Receipts from other sources	30,000	-0-	-0-	403,159	403,159
Payments to suppliers	(2,783,639)	(1,568,228)	-0-	( 9,023,351)	(10,591,579)
Payments to employees	( 421,300)	( 662,637)	-0-	( 4,767,901)	( 5,430,538)
Net cash provided by (used in) operating activities	<u>(1,271,188)</u>	<u>703,245</u>	<u>1,218,732</u>	<u>9,229,561</u>	<u>11,151,538</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
(Increase) decrease in deferred financing net of amortization	-0-	-0-	-0-	21,432	21,432
Repayment of obligation under capital lease	( 26,319)	( 12,695)	-0-	-0-	( 12,695)
Proceeds from sale of capital assets	1,670,000	-0-	-0-	-0-	-0-
(Increase) decrease in restricted assets	-0-	( 1,413)	19,218	-0-	17,805
(Increase) decrease in sinking fund	-0-	-0-	-0-	38,859	38,859
Proceeds from new issuance	-0-	-0-	-0-	636,800	636,800
Repayment of revenue bonds	-0-	( 377,060)	( 800,000)	( 3,951,326)	( 5,128,386)
Advances on construction	-0-	-0-	-0-	( 64,196)	( 64,196)
Nonoperating grants	744,942	-0-	-0-	-0-	-0-
Acquisition of capital assets	(1,359,432)	( 15,837)	-0-	( 7,401,774)	( 7,417,611)
(Increase) decrease in bond construction account	-0-	-0-	-0-	1,885,641	1,885,641
(Increase) decrease in accrued administrative cost on bonds	-0-	-0-	-0-	96	96
Customer deposits including interest	-0-	-0-	-0-	( 15,296)	( 15,296)
Other nonoperating income	-0-	-0-	-0-	846,489	846,489
Transfers from (to) other funds	537,172	-0-	-0-	-0-	-0-
Transfers to other governmental entities	-0-	-0-	( 303,218)	-0-	( 303,218)
Interest expense	-0-	( 70,602)	( 135,237)	( 3,136,388)	( 3,342,227)
Net cash provided by (used in) capital and related financing activities	<u>1,566,363</u>	<u>( 477,607)</u>	<u>(1,219,237)</u>	<u>(11,139,663)</u>	<u>(12,836,507)</u>
<b>Cash Flows from Investing Activities</b>					
Change in value of investments	-0-	( 8,665)	-0-	-0-	( 8,665)
Proceeds from sale of investments	-0-	-0-	-0-	1,846,490	1,846,490
Purchase of investments	-0-	-0-	-0-	( 783,481)	( 783,481)
Investment income	<u>2,495</u>	<u>15,495</u>	<u>448</u>	<u>162,339</u>	<u>178,282</u>
Net cash provided by (used in) investing activities	<u>2,495</u>	<u>6,830</u>	<u>448</u>	<u>1,225,348</u>	<u>1,232,626</u>
Net increase (decrease) in cash	297,670	232,468	( 57)	( 684,754)	( 452,343)
Cash at beginning of year	<u>615,569</u>	<u>433,277</u>	<u>148,877</u>	<u>1,400,820</u>	<u>1,982,974</u>
Cash at end of year	\$ <u>913,239</u>	\$ <u>665,745</u>	\$ <u>148,820</u>	\$ <u>716,066</u>	\$ <u>1,530,631</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTD)  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Business-Type</u>	<u>Component Units</u>				<u>Total</u>
	<u>Activities</u>		<u>Municipal</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>		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$(1,142,770)	\$ 362,779	\$ 449,814	\$( 834,157)	\$( 21,564)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	619,422	289,602	465,699	8,738,101	9,493,402	
(Increase) decrease in:						
Accounts receivable	( 45,933)	-0-	366,093	( 396,754)	( 30,661)	
Inventory	( 22,319)	-0-	-0-	( 255,833)	( 255,833)	
Due from/(to) other funds	( 453,495)	5,877	-0-	-0-	5,877	
Deposits and prepayments	-0-	-0-	-0-	704,296	704,296	
Accrued utility revenue	-0-	-0-	-0-	36,218	36,218	
Deferred outflows of resources – net difference between projected and actual investment earnings on pension plan investments	( 349,289)	( 227,080)	-0-	-0-	( 227,080)	
Deferred outflows of resources – differences between expected and actual experience	( 37,364)	( 24,291)	-0-	-0-	( 24,291)	
Deferred outflows	-0-	-0-	-0-	( 1,825,171)	( 1,825,171)	
Increase (decrease) in:						
Accounts payable	205,878	2,993	( 62,874)	835,434	775,553	
Deferred revenue	-0-	-0-	-0-	25	25	
Accrued payroll	4,618	6,294	-0-	128,989	135,283	
Other accrued liabilities	( 500,000)	-0-	-0-	-0-	-0-	
Accrued compensated absences	15,160	4,331	-0-	-0-	4,331	
Billing service payable	-0-	-0-	-0-	( 7,354)	( 7,354)	
Net pension obligation	454,398	295,413	-0-	2,244,066	2,539,479	
Deferred inflow of resources – differences between expected and actual experience	( 19,494)	( 12,673)	-0-	-0-	( 12,673)	
Deferred inflows	-0-	-0-	-0-	( 80,786)	( 80,786)	
Other current accrued liabilities	-0-	-0-	-0-	( 57,513)	( 57,513)	
Net cash provided by (used in) operating activities	\$ <u>(1,271,188)</u>	\$ <u>703,245</u>	\$ <u>1,218,732</u>	\$ <u>9,229,561</u>	\$ <u>11,151,538</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, 2016**

	<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>
<b>Revenues</b>						
Taxes (including interest and penalties):						
Ad valorem	\$ 4,217,798	\$ 4,266,640	\$ 4,287,075	\$( 11,569)	\$ 4,275,506	\$ 20,435
Gas and oil severance	27,000	63,000	63,676	-0-	63,676	676
Utility	990,000	978,000	1,003,380	( 6,846)	996,534	25,380
Business and occupation	13,246,000	17,166,000	18,504,210	819,624	19,323,834	1,338,210
Wine and liquor	800,000	971,000	971,742	3,398	975,140	742
Animal control	4,900	4,900	4,350	-0-	4,350	( 550)
Hotel and motel	875,000	850,000	823,384	68,480	891,864	( 26,616)
Amusement	5,000	12,000	13,075	-0-	13,075	1,075
Motor vehicle operators	44,000	44,000	-0-	-0-	-0-	( 44,000)
Total taxes	20,209,698	24,355,540	25,670,892	873,087	26,543,979	1,315,352
Licenses and permits	379,600	509,600	542,624	17,762	560,386	33,024
Charges for services	2,998,382	4,690,860	4,856,756	18,020	4,874,776	165,896
Fines and forfeitures	615,000	615,000	741,355	( 14,145)	727,210	126,355
Franchise fees	391,500	401,500	401,468	( 4,892)	396,576	( 32)
Contributions	-0-	-0-	14,515	-0-	14,515	14,515
Interest	11,000	11,000	25,528	-0-	25,528	14,528
Intergovernmental:						
Federal	161,866	161,866	156,101	( 38,810)	117,291	( 5,765)
Local	100,315	100,315	19,666	4,460	24,126	( 80,649)
Video lottery and gaming income	115,000	115,000	112,767	-0-	112,767	( 2,233)
Miscellaneous	47,900	47,900	134,704	( 70)	134,634	86,804
Total revenues	<u>25,030,261</u>	<u>31,008,581</u>	<u>32,676,376</u>	<u>855,412</u>	<u>33,531,788</u>	<u>1,667,795</u>
<b>Expenditures</b>						
General government	5,572,174	7,595,528	6,848,188	( 1,637,758)	5,210,430	747,340
Public safety	11,435,846	12,521,487	11,919,798	8,782,851	20,702,649	601,689
Highways and streets	4,208,278	4,538,572	4,086,072	140,593	4,226,665	452,500
Culture and recreation	2,449,077	2,437,327	1,537,982	( 345,870)	1,192,112	899,345
Social services	171,586	172,711	156,749	( 343)	156,406	15,962
Total expenditures	<u>23,836,961</u>	<u>27,265,625</u>	<u>24,548,789</u>	<u>6,939,473</u>	<u>31,488,262</u>	<u>2,716,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,193,300</u>	<u>3,742,956</u>	<u>8,127,587</u>	<u>( 6,084,061)</u>	<u>2,043,526</u>	<u>4,384,631</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	120,000	273,535	279,835	-0-	279,835	6,300
Operating transfers (out)	( 1,613,300)	( 5,042,900)	( 4,530,000)	( 1,799,789)	( 6,329,789)	512,900
Total other financing sources (uses)	<u>( 1,493,300)</u>	<u>( 4,769,365)</u>	<u>( 4,250,165)</u>	<u>( 1,799,789)</u>	<u>( 6,049,954)</u>	<u>519,200</u>
Net change in fund balance	( 300,000)	( 1,026,409)	3,877,422	( 7,883,850)	( 4,006,428)	4,903,831
Fund balance at beginning of year	<u>300,000</u>	<u>1,068,887</u>	<u>1,565,371</u>	<u>(64,251,211)</u>	<u>(62,685,840)</u>	<u>496,484</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>42,478</u>	\$ <u>5,442,793</u>	\$ <u>(72,135,061)</u>	\$ <u>(66,692,268)</u>	\$ <u>5,400,315</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, 2016**

**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, 2016**

	<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>
<b>Revenues</b>						
Interest	\$ 200	\$ 200	\$ 165	\$ -0-	\$ 165	\$ ( 35)
Intergovernmental:						
State	<u>114,000</u>	<u>70,000</u>	<u>68,739</u>	<u>-0-</u>	<u>68,739</u>	<u>( 1,261)</u>
Total revenues	<u>114,200</u>	<u>70,200</u>	<u>68,904</u>	<u>-0-</u>	<u>68,904</u>	<u>( 1,296)</u>
<b>Expenditures</b>						
General government	<u>7,533</u>	<u>9,829</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,829</u>
Total expenditures	<u>7,533</u>	<u>9,829</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,829</u>
Excess of revenues over expenditures	<u>106,667</u>	<u>60,371</u>	<u>68,904</u>	<u>-0-</u>	<u>68,904</u>	<u>8,533</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers (out)	<u>(120,000)</u>	<u>(92,500)</u>	<u>(82,000)</u>	<u>-0-</u>	<u>(82,000)</u>	<u>10,500</u>
Total other financing sources (uses)	<u>(120,000)</u>	<u>(92,500)</u>	<u>(82,000)</u>	<u>-0-</u>	<u>(82,000)</u>	<u>10,500</u>
Net change in fund balance	( 13,333)	(32,129)	(13,096)	-0-	(13,096)	19,033
Fund balance at beginning of year	<u>13,333</u>	<u>32,129</u>	<u>30,886</u>	<u>-0-</u>	<u>30,886</u>	<u>( 1,243)</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>17,790</u>	\$ <u>-0-</u>	\$ <u>17,790</u>	\$ <u>17,790</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, 2016

	<u>Pension and Retirement Funds</u>	<u>Component Unit Morgantown Public Library</u>
<b>Assets</b>		
Cash	\$ 972,553	\$ -0-
Investments	70,783,844	60,077
Receivables:		
Contributions	<u>183,616</u>	<u>-0-</u>
Total assets	<u>71,940,013</u>	<u>60,077</u>
<b>Liabilities</b>		
Accounts payable	<u>5,844</u>	<u>-0-</u>
Total liabilities	<u>5,844</u>	<u>-0-</u>
<b>Net Position</b>		
Held in trust	\$ <u>71,934,169</u>	\$ <u>60,077</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, 2016**

	<u>Pension and Retirement Funds</u>	<u>Component Unit Morgantown Public Library</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 3,322,379	\$ -0-
Employee	1,302,996	-0-
Insurance premium tax allocation	1,057,565	-0-
Other	<u>151,609</u>	<u>-0-</u>
Total contributions	<u>5,834,549</u>	<u>-0-</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	( 2,802,545)	1,019
Gain (loss) on sale of investments	477,944	( 301)
Interest and dividends	<u>1,586,070</u>	<u>1,284</u>
Total investment income	<u>( 738,531)</u>	<u>2,002</u>
Miscellaneous	<u>-0-</u>	<u>-0-</u>
<b>Total additions</b>	<u>5,096,018</u>	<u>2,002</u>
<b>Deductions</b>		
General and administrative	341,206	1,437
Contribution refunds	94,805	-0-
Benefit payments	<u>6,307,302</u>	<u>-0-</u>
Total deductions	<u>6,743,313</u>	<u>1,437</u>
Net increase (decrease)	( 1,647,295)	565
Net position – beginning of year	<u>73,581,464</u>	<u>59,512</u>
Net position – end of year	\$ <u>71,934,169</u>	\$ <u>60,077</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, 2016**

**I. Summary of Significant Accounting Policies**

The accounting policies of the City of Morgantown, West Virginia (the City), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

**(a) Reporting Entity**

The City of Morgantown, West Virginia is a municipal corporation governed under a Council-Manager form of government. 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 public safety for the City, sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set for by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of: (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on: (1) the appointment of the governing authority, and (2) the ability to impose will, or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City.

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.

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, 2016**

***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 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 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, 2016**

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 and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly 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 financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Combining financial statements for the nonmajor governmental funds are included as supplementary information.

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, 2016**

**(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 for which they are levied and collectible. Grants and similar items are recognized as revenue 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 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 collectible within 60 days of the end of the current fiscal period. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Also, certain taxpayer-assessed revenues such as business and occupation and utility taxes are accrued as revenue at year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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, 2016**

**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 (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**Funds – 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 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 (CONTD)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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 (CONTD)  
FOR THE YEAR ENDED JUNE 30, 2016**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Expenses for the enterprise fund include the administrative expense, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**(d) Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

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:

**1. Deposits and Investments**

The City of Morgantown, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City reports its investments at fair value, except for non-participating investment contracts (certificates of deposits and repurchase agreements) which are reported at costs, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

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, 2016**

Short-term investments are reported at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

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 mortgage association; indebtedness or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded in the top three ratings, at the time of acquisition; 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 §8-13-22c places limitations on 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 purchase 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)  
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The following restrictions apply only to pension portfolios 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 five percent of the total pension fund assets; and (2) at no time can the nonreal estate equity portion of the portfolio exceed seventy-five percent of the total portfolio.

**2. Receivables and Payables**

*Interfund Transactions*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

*Trade Receivables*

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Property Tax Receivable*

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 becomes delinquent on October first; the second installment is payable on the first day 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 the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added for the date they become delinquent until the date they are paid.

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, 2016**

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 cents); On Class II property, twenty-five cents (25 cents) ; On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the City per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2016, were as follows:

<u>Class of Property</u>	<u>Assessed Valuation For Tax Purposes</u>	<u>Current Expense</u>
Class II	\$ 417,415,820	25.00 cents
Class IV	\$ 750,583,697	50.00 cents

**3. 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 balance sheet because their use is limited by applicable bond covenants.

**4. Capital Assets and Depreciation**

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets are materially extend assets lives are not capitalized.

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, 2016**

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed, net of interest earned on the invest proceeds during the same period.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

**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.

**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

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, 2016**

***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:

Buildings and structures	30 years
Water transmission and distribution lines	50 - 100 years
Sewer and storm drain collection system	50 years
Treatment plants equipment	10 - 30 years
Office furniture and computers	5 - 10 years
Vehicles and heavy duty equipment	8 - 10 years

**5. 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.

**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.

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, 2016**

**6. Long-Term Obligations**

In the government-wide financial statements, the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are recognized as an expense in the period incurred.

**7. Fund Balances**

**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, 2016**

- b. Restricted net position – consists of net position that is restricted by the City'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 fund level 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.

The City Council is the government's highest level of decision-making authority. The Council would take formal action to establish, and modify or rescind, a fund balance commitment or to assign fund balance amounts to a specific purpose. The government has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The government has the authority to deviate from this policy if it is in the best interest of 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, 2016**

**8. Change in Accounting Principle**

During the fiscal year ended June 30, 2016 the City adopted the following GASB statements.

***GASB 72 – Fair Value Measurement and Application*** – This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques and fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This GASB is effective for fiscal years beginning after June 15, 2016.

***GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*** – This Statement improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension related information reported by employers and nonemployee contributing entities. The provisions for this Statement are effective for fiscal years beginning after June 15, 2016, except those provisions that address employers and governmental nonemployee contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016 and had no effect on the accompanying financial statements. The City of Morgantown elected early implementation of this GASB Statement.

***GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*** – This Statement improves financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. This GASB is effective for fiscal years beginning after June 15, 2016 and had no effect on the accompanying 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, 2016**

***GASB 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*** – This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This GASB is effective for fiscal years beginning after June 15, 2016 and had no effect on the accompanying financial statements. The City of Morgantown has elected early implementation of this GASB Statement.

***GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*** – This Statement improves financial reporting by raising the category of GASB Implementation Guides in the GAAP hierarchy, emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP, and requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. This GASB is effective for periods beginning after June 15, 2016.

***GASB 77 – Tax Abatement Disclosures*** – This Statement improves financial reporting by giving users of financial statements essential information that is not consistently comprehensively reported to the public at present. This GASB is effective for periods beginning after December 15, 2016 and has no effect on the accompanying financial statements.

***GASB 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*** – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer. This GASB is effective for reporting periods beginning after December 15, 2016 and has no effect on the accompanying 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, 2016**

***GASB 79 – Certain External Investment Pools and Pool Participants*** – This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. This GASB is effective for reporting periods beginning after June 15, 2016. Certain provisions relating to portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2016. This GASB has no effect on the accompanying financial statements.

***GASB 80 – Blending Requirement for Certain Component Units – an amendment of GASB Statement No. 14*** – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. This GASB is effective for reporting periods beginning after June 15, 2016 and has no effect on the accompanying financial statements.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**9. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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, 2016**

**10. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of City of Morgantown, West Virginia's Retirement System (PERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 2016 and 2015 rates were 13.95% and 15.54% of annual covered payroll. The Board's contributions to the Plan for the years ended June 30, 2016, 2015 and 2014, were \$1,022,554, \$1,077,497 and \$882,191.

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, 2016**

**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 \$18,000, for 2016, plus \$6,000 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.

**11. Stabilization Arrangements**

The government has created a stabilization arrangement in accordance with West Virginia Code §8-37-3. The government may appropriate a sum to the arrangement from any surplus in the general fund at the end of each fiscal year or from other money available. The amount of money committed to the arrangement may not exceed thirty percent of the government's most recent general fund budget. The money may be used for any unforeseen shortfalls. The stabilization balance at fiscal year-end was \$478,586.

**12. 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.

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, 2016**

**13. 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 for fiscal year ended June 30, 2016 was \$5,825.

**Discretely Presented Component Unit**

***Morgantown Utility Board***

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

**14. 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.

**II. Stewardship, Compliance and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund, except that the amounts held for stabilization are not included for budgeting purposes. All annual appropriations lapse at fiscal year end.

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

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, 2016**

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year:

**General Fund**

<u>Amount</u>	<u>Description</u>
\$ 5,452,954	General Government Expenditure Increase
1,085,641	Public Safety Expenditure Increase
330,294	Streets and Transportation Expenditure Increase
( 11,750)	Culture and Recreation Expenditure (Decrease)
1,125	Social Services Expenditure Increase

**Coal Severance**

<u>Amount</u>	<u>Description</u>
\$ ( 25,204)	General Government Expenditure (Decrease)

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, 2016**

**III. Detailed Notes on All Funds**

**A. Deposits and Investments**

At year end, the government had the following investments:

**Policemen's Pension and Relief**

<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	\$ 403,588	\$ -0-	\$ -0-	\$ 403,588	\$ 403,588	\$ -0-
Mutual funds	2,096,707	-0-	-0-	2,096,707	2,131,042	( 34,335)
Corporate bonds	1,459,580	-0-	-0-	1,459,580	1,425,797	33,783
Corporate stocks	4,358,411	-0-	-0-	4,358,411	4,487,783	(129,372)
Exchange traded and closed end funds	3,760,760	-0-	-0-	3,760,760	3,565,211	195,549
U.S. Treasury obligations	<u>1,240,191</u>	<u>-0-</u>	<u>-0-</u>	<u>1,240,191</u>	<u>1,189,988</u>	<u>50,203</u>
Total investments	\$ <u>13,319,237</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>13,319,237</u>	\$ <u>13,203,409</u>	\$ <u>115,828</u>

**Credit Risk**

	<u>Fair Value</u>	<u>Credit Risk Rating Standard &amp; Poor's and Fitch</u>
Money market	\$ 403,587	N/A
Mutual funds	2,096,707	N/A
Corporate bonds	1,459,580	BBB+ -AAA
Corporate stocks	4,358,411	N/A
ETFs and CEFs	3,760,760	BBB+ -AAA
U.S. Treasury obligations	<u>1,240,191</u>	AA+
	\$ <u>13,319,236</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, 2016**

**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	\$ 1,459,580	\$ 206,477	\$ 1,026,230	\$ 169,907	\$ 56,966
U.S. government obligations	<u>1,240,191</u>	<u>-0-</u>	<u>463,391</u>	<u>582,972</u>	<u>193,828</u>
	<u>\$ 2,699,771</u>	<u>\$ 206,477</u>	<u>\$ 1,489,621</u>	<u>\$ 752,879</u>	<u>\$ 250,794</u>

**Concentration of Credit Risk:**

The government's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investment. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, it requires disclosure when the investment in any one issuer equals or exceeds 5% of the total amount of investments. At year end, the policemen's pension fund had the following investment held with these issuers:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percent</u>
Morgan Stanley Bank N.A.	\$ 2,448,651	18.55%

**Firemen's Pension and Relief Fund**

<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	\$ 466,854	\$ -0-	\$ -0-	\$ 466,854	\$ 466,854	\$ -0-
Mutual funds	1,671,879	-0-	-0-	1,671,879	1,740,849	( 68,970)
Corporate bonds	1,147,658	-0-	-0-	1,147,658	1,556,592	( 408,934)
Corporate stocks	3,486,545	-0-	-0-	3,486,545	4,667,027	(1,180,482)
Exchange traded and closed end funds	2,934,691	-0-	-0-	2,934,691	2,734,492	200,199
U.S. Treasury obligations	<u>1,001,482</u>	<u>-0-</u>	<u>-0-</u>	<u>1,001,482</u>	<u>967,944</u>	<u>33,538</u>
Total investments	<u>\$ 10,709,109</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,709,109</u>	<u>\$ 12,133,758</u>	<u>\$ (1,424,649)</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, 2016**

**Credit Risk**

	<u>Fair Value</u>	<u>Credit Risk Rating Standard &amp; Poor's and Fitch</u>
Money market	\$ 466,854	N/A
Mutual funds	1,671,879	N/A
Corporate bonds	1,147,658	BBB+ -AAA
Corporate stocks	3,486,545	N/A
ETFs and CEFs	2,934,691	BBB+ -AAA
U.S. Treasury obligations	<u>1,001,482</u>	AA+
	<b>\$ <u>10,709,109</u></b>	

**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	\$ 1,147,658	\$ 155,413	\$ 815,073	\$ 132,666	\$ 44,506
U.S. government obligations	<u>1,001,482</u>	<u>-0-</u>	<u>475,707</u>	<u>362,462</u>	<u>163,313</u>
	<b>\$ <u>2,149,140</u></b>	<b>\$ <u>155,413</u></b>	<b>\$ <u>1,290,780</u></b>	<b>\$ <u>495,128</u></b>	<b>\$ <u>207,819</u></b>

**Concentration of Credit Risk:**

The government's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investment. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, it requires disclosure when the investment in any one issuer equals or exceeds 5% of the total amount of investments. At year end, the policemen's pension fund had the following investment held with these issuers:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percent</u>
Morgan Stanley Bank N.A.	\$ 2,097,553	19.59%

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, 2016**

**Employee's Retirement and Benefit**

<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	\$ 924,610	\$ -0-	\$ -0-	\$ 924,610	\$ 924,610	\$ -0-
Certificate of deposits	1,368,206	-0-	-0-	1,368,206	1,330,828	37,378
Corporate bonds	7,631,740	-0-	-0-	7,631,740	7,396,513	235,227
Corporate stocks	23,610,150	-0-	-0-	23,610,150	16,557,472	7,052,678
Mortgage backed securities	5,913,153	-0-	-0-	5,913,153	5,777,917	135,236
Mutual bonds	137,236	-0-	-0-	137,236	135,989	1,247
U.S. Treasury obligations	<u>7,170,403</u>	<u>-0-</u>	<u>-0-</u>	<u>7,170,403</u>	<u>7,093,198</u>	<u>77,205</u>
Total investments	\$ <u>46,755,498</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>46,755,498</u>	\$ <u>39,216,527</u>	\$ <u>7,538,971</u>

**Credit Risk**

	<u>Fair Value</u>	<u>Credit Risk Rating Standard &amp; Poor's and Fitch</u>
Money market	\$ 924,610	N/A
Certificates of deposit	1,368,206	N/A
Corporate bonds	7,631,740	BBB+ -AAA
Corporate stocks	23,610,150	N/A
Mortgage backed securities	5,913,153	BBB+ -AAA
Municipal bonds	137,236	AA
U.S. Treasury obligations	<u>7,170,403</u>	AA+
	\$ <u>46,755,498</u>	

**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	\$ 7,631,740	\$ -0-	\$ 5,011,260	\$ 2,535,010	\$ 85,470
Certificates of deposit	1,368,206	-0-	1,368,206	-0-	-0-
Mortgage backed securities	5,913,153	69,855	1,173,630	1,167,551	3,502,117
Municipal bonds	137,236	-0-	137,236	-0-	-0-
U.S. government obligations	<u>7,170,403</u>	<u>-0-</u>	<u>5,363,921</u>	<u>1,523,018</u>	<u>283,464</u>
	\$ <u>22,220,738</u>	\$ <u>69,855</u>	\$ <u>13,054,253</u>	\$ <u>5,225,579</u>	\$ <u>3,871,051</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, 2016**

At year end, the government had the following investments:

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
<b>Government Activities</b>			
Certificates of Deposit	\$ <u>1,592,306</u>	Not Rated	Not Rated
Total Government Activities Investments	\$ <u>1,592,306</u>		

**Interest Rate Risk**

	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>More Than 10 Years</u>	<u>Total</u>
Certificates of Deposit	\$ -0-	\$ 1,592,306	\$ -0-	\$ -0-	\$ 1,592,306

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
<b>Proprietary Fund Component Unit – Parking Authority</b>			
Money Market Funds	\$ 12,389	Not Rated	Not Rated
Mutual Funds	538,165	Not Rated	Not Rated
Certificates of Deposit	<u>372,352</u>	Not Rated	Not Rated
Total Proprietary Fund Activities Investments	\$ <u>922,906</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, 2016**

**Component Unit – Morgantown Public Library**

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>	<u>Credit Risk Rating</u>	
				<u>Standard &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
<b>Governmental Activity Types</b>					
Money market funds	\$ 102,308	\$ 102,308	\$ -0-	Not Rated	Not Rated
Common stock	585,950	423,147	162,803	Not Rated	Not Rated
Corporate bonds	204,470	196,409	8,061	Not Rated	Not Rated
Certificates of deposit	1,019,315	1,013,039	6,276	Not Rated	Not Rated
Mutual funds	<u>936,391</u>	<u>888,617</u>	<u>47,774</u>	Not Rated	Not Rated
	<u>\$ 2,848,434</u>	<u>\$ 2,623,520</u>	<u>\$ 224,914</u>		

**Concentration of Credit Risk:**

The government's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investment. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, it requires disclosure when the investment in any one issuer equals or exceeds 5% of the total amount of investments. At year end, the library had no investments in one issuer equal to or exceeding 5% of the total amount of investments.

<u>Interest Rate Risk</u>	<u>Less than one year</u>	<u>1 – 5 years</u>	<u>5 – 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Money market funds	\$ 102,308	\$ -0-	\$ -0-	\$ -0-	\$ 102,308
Corporate bonds	-0-	101,238	103,232	-0-	204,470
Certificates of deposit	<u>268,378</u>	<u>750,937</u>	<u>-0-</u>	<u>-0-</u>	<u>1,019,315</u>
	<u>\$ 370,686</u>	<u>\$ 852,175</u>	<u>\$ 103,232</u>	<u>\$ -0-</u>	<u>\$ 1,326,093</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, 2016**

At year end, the government had the following investments in fiduciary fund types:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>	<u>Credit Risk Rating</u>	
				<u>Standard &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
<b>Fiduciary Types</b>					
Money Market funds	\$ 2,568	\$ 2,568	\$ -0-	Not Rated	Not Rated
Mutual funds	<u>57,509</u>	<u>54,669</u>	<u>2,840</u>	Not Rated	Not Rated
	\$ <u>60,077</u>	\$ <u>57,237</u>	\$ <u>2,840</u>		
				<u>Less than one year</u>	<u>1 - 5 years</u>
				<u>5 - 10 years</u>	<u>More than 10 years</u>
<u>Interest Rate Risk</u>					<u>Total</u>
Money market funds		\$ 2,568	\$ -0-	\$ -0-	\$ -0-
					\$ 2,568

**Component Unit – Morgantown Utility Board**

The carrying amount of the Board's cash deposits was \$716,066 at June 30, 2016. The bank balance at June 30, 2016 was \$1,192,415 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, 2016 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash deposits		
Demand deposits	\$ 716,066	\$ 716,066
Cash and investments with fiscal agents		
Cash	1,054,552	1,054,552
Investment agreements		
Fixed income	3,032,423	3,035,211
Equities	1,091,218	1,329,852
Cash – restricted	<u>3,561,643</u>	<u>3,561,643</u>
Total cash and investments	\$ <u>9,455,902</u>	\$ <u>9,697,324</u>

Note that the Board held \$1,610 in petty cash at June 30, 2016.

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, 2016**

**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 counter party to an investment will not fulfill its obligations.

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percent</u>
AA+	\$ 1,226,293	40.4%
AA	108,156	3.6%
AA-	217,415	7.1%
A+	163,374	5.4%
A	309,608	10.2%
Not rated	<u>1,010,365</u>	<u>33.3%</u>
 Total	 \$ <u>3,035,211</u>	 <u>100.0%</u>

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

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, 2016**

**Fair Value Measurements**

The fair value hierarchy defines three levels of input, as follows:

**Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

**Level 2:** Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

**Level 3:** Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining the fair value, the Board utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets and liabilities are carried at fair value at June 30, 2016, and are classified as Level 1, Level 2 and Level 3 as follows:

Assets carried at Fair Market Value:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income	\$ 3,035,211	\$ -0-	\$ -0-
Equities	<u>1,329,852</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>4,365,063</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, 2016**

**Government Wide**

*Concentration of Credit Risk*

The government's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investment. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure when the investment in any one issuer equals or exceeds 5% of the total amount of investments.

*Custodial Credit Risk*

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government's policy for custodial credit risk is to require a depository bond as collateral for all investments. At year end, the primary government's, component units' and fiduciary funds' bank balances (excluding the Pension and Retirement Funds) were \$16,894,228, which were collateralized with a depository bond.

For Investments, the government could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government has adopted State Code requirements as its policy for custodial credit risk. At year end, the investment balances were \$17,577,100. The entire balance is considered secured.

A reconciliation of cash and investments as shown on the Statement of Net Position of the government and Statement of Net Position of the Fiduciary Funds (excluding the Pension and Retirement Funds) is as follows:

Cash and cash equivalents	\$ 16,894,228
Investments – collateralized and secured	<u>17,577,100</u>
<b>Total</b>	<b>\$ <u>34,471,328</u></b>
Cash and cash equivalents	\$ 16,894,228
Cash and investments – restricted	8,158,812
Investments	<u>9,418,288</u>
<b>Total</b>	<b>\$ <u>34,471,328</u></b>

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, 2016**

**B. Receivables**

Receivables at year end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Coal Severance Fund</u>	<u>Capital Reserve Fund</u>	<u>Life and Health</u>	<u>Airport</u>	<u>Other Nonmajor Funds</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Receivables:									
Taxes	\$ 5,452,958	\$ 17,580	\$ -0-	\$ -0-	\$ -0-	\$ 157,407	\$ 5,627,945	\$ -0-	\$ -0-
Accounts	397,824	-0-	1,980	-0-	76,255	6,694	482,753	-0-	3,400,023
Contributions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	183,616	-0-
Other	179,343	-0-	-0-	-0-	-0-	-0-	179,343	-0-	704,896
Grants	26,255	-0-	-0-	-0-	353,884	8,616	388,755	-0-	-0-
Interest	<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>20,124</u>
Total	\$ <u>6,056,380</u>	\$ <u>17,580</u>	\$ <u>1,980</u>	\$ <u>-0-</u>	\$ <u>430,139</u>	\$ <u>172,717</u>	\$ <u>6,678,796</u>	\$ <u>183,616</u>	\$ <u>4,125,043</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connections with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes receivable	\$ 457,856
Business and occupation tax receivable	<u>351,240</u>
Total deferred revenue for governmental funds	\$ <u>809,096</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, 2016**

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$ 1,396,801	\$ -0-	\$ -0-	\$ 1,396,801
Construction in process	<u>201,878</u>	<u>76,096</u>	<u>-0-</u>	<u>277,974</u>
Total nondepreciable capital assets	<u>1,598,679</u>	<u>76,096</u>	<u>-0-</u>	<u>1,674,775</u>
<b>Depreciable Capital Assets</b>				
Buildings	7,428,304	-0-	-0-	7,428,304
Infrastructure	8,113,804	-0-	-0-	8,113,804
Machinery and equipment	3,748,935	253,464	-0-	4,002,399
Vehicles	<u>6,332,148</u>	<u>504,962</u>	<u>-0-</u>	<u>6,837,110</u>
Total at historical cost	<u>25,623,191</u>	<u>758,426</u>	<u>-0-</u>	<u>26,381,617</u>
<b>Less: Accumulated Depreciation</b>				
Buildings	2,453,528	168,695	-0-	2,622,223
Infrastructure	1,749,381	152,123	-0-	1,901,504
Machinery and equipment	2,462,070	80,311	-0-	2,542,381
Vehicles	<u>5,864,613</u>	<u>307,079</u>	<u>-0-</u>	<u>6,171,692</u>
Total accumulated depreciation	<u>12,529,592</u>	<u>708,208</u>	<u>-0-</u>	<u>13,237,800</u>
Total depreciable capital assets, net	<u>13,093,599</u>	<u>50,218</u>	<u>-0-</u>	<u>13,143,817</u>
Governmental activities capital assets, net	\$ <u>14,692,278</u>	\$ <u>126,314</u>	\$ <u>-0-</u>	\$ <u>14,818,592</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, 2016**

**Component Unit**  
***Board of Parks and Recreation***

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 86,937	\$ -0-	\$ -0-	\$ 86,937
Construction in process	<u>6,747</u>	<u>-0-</u>	<u>-0-</u>	<u>6,747</u>
Total nondepreciable capital assets	<u>93,684</u>	<u>-0-</u>	<u>-0-</u>	<u>93,684</u>
<b>Depreciable Capital Assets</b>				
Land improvements	1,016,850	13,295	-0-	1,030,145
Buildings	4,988,330	17,414	-0-	5,005,744
Machinery and equipment	959,794	6,062	-0-	965,856
Vehicles	<u>338,292</u>	<u>-0-</u>	<u>-0-</u>	<u>338,292</u>
Total at historical cost	<u>7,303,266</u>	<u>36,771</u>	<u>-0-</u>	<u>7,340,037</u>
<b>Less: Accumulated Depreciation</b>				
Land improvements	719,004	36,913	-0-	755,917
Buildings	2,144,789	168,053	-0-	2,312,842
Machinery and equipment	678,187	41,397	-0-	719,584
Vehicles	<u>275,708</u>	<u>13,604</u>	<u>-0-</u>	<u>289,312</u>
Total accumulated depreciation	<u>3,817,688</u>	<u>259,967</u>	<u>-0-</u>	<u>4,077,655</u>
Total depreciable capital assets, net	<u>3,485,578</u>	<u>(223,196)</u>	<u>-0-</u>	<u>3,262,382</u>
Governmental activities capital assets, net	\$ <u>3,579,262</u>	\$ <u>(223,196)</u>	\$ <u>-0-</u>	\$ <u>3,356,066</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, 2016**

**Business-Type Activities**

***Airport Fund***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 50,050	\$ -0-	\$ -0-	\$ 50,050
Construction in process	<u>2,419,053</u>	<u>1,056,118</u>	<u>977,655</u>	<u>2,497,516</u>
Total nondepreciable capital assets	<u>2,469,103</u>	<u>1,056,118</u>	<u>977,655</u>	<u>2,547,566</u>
<b>Depreciable Capital Assets</b>				
Buildings	7,923,113	-0-	-0-	7,923,113
Structures and improvements	30,820,642	1,256,787	-0-	32,077,429
Machinery and equipment	<u>2,436,973</u>	<u>24,182</u>	<u>-0-</u>	<u>2,461,155</u>
Total at historical cost	<u>41,180,728</u>	<u>1,280,969</u>	<u>-0-</u>	<u>42,461,697</u>
<b>Less: Accumulated Depreciation</b>				
Buildings	3,399,372	201,107	-0-	3,600,479
Structures and improvements	13,028,142	289,888	-0-	13,318,030
Machinery and equipment	<u>1,578,668</u>	<u>122,602</u>	<u>-0-</u>	<u>1,701,270</u>
Total accumulated depreciation	<u>18,006,182</u>	<u>613,597</u>	<u>-0-</u>	<u>18,619,779</u>
Total depreciable capital assets, net	<u>23,174,546</u>	<u>667,372</u>	<u>-0-</u>	<u>23,841,918</u>
Business-type activities capital assets, net	\$ <u>25,643,649</u>	\$ <u>1,723,490</u>	\$ <u>977,655</u>	\$ <u>26,389,484</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, 2016**

**Component Unit**

**Business-Type Activities**

***Parking Authority***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 1,484,399	\$ -0-	\$ -0-	\$ 1,484,399
Construction in process	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable capital assets	<u>1,484,399</u>	<u>-0-</u>	<u>-0-</u>	<u>1,484,399</u>
<b>Depreciable Capital Assets</b>				
Structures and improvements	9,741,706	-0-	-0-	9,741,706
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>1,342,227</u>	<u>15,837</u>	<u>-0-</u>	<u>1,358,064</u>
Total at historical cost	<u>11,174,898</u>	<u>15,837</u>	<u>-0-</u>	<u>11,190,735</u>
<b>Less: Accumulated Depreciation</b>				
Structures and improvements	5,258,786	227,910	-0-	5,486,696
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>1,014,527</u>	<u>61,692</u>	<u>-0-</u>	<u>1,076,219</u>
Total accumulated depreciation	<u>6,364,278</u>	<u>289,602</u>	<u>-0-</u>	<u>6,653,880</u>
Total depreciable capital assets, net	<u>4,810,620</u>	<u>(273,765)</u>	<u>-0-</u>	<u>4,536,855</u>
Business-type activities capital assets, net	\$ <u>6,295,019</u>	\$ <u>(273,765)</u>	\$ <u>-0-</u>	\$ <u>6,021,254</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, 2016**

**Component Unit**

***Building Commission***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ <u>1,439,707</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,439,707</u>
Total nondepreciable capital assets	<u>1,439,707</u>	<u>-0-</u>	<u>-0-</u>	<u>1,439,707</u>
<b>Depreciable Capital Assets</b>				
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>
<b>Less: Accumulated Depreciation</b>				
Land improvements	158,986	18,393	-0-	177,379
Building	6,319,768	393,556	-0-	6,713,324
Machinery and equipment	<u>495,357</u>	<u>53,750</u>	<u>-0-</u>	<u>549,107</u>
Total accumulated depreciation	<u>6,974,111</u>	<u>465,699</u>	<u>-0-</u>	<u>7,439,810</u>
Total depreciable capital assets, net	<u>10,606,931</u>	<u>(465,699)</u>	<u>-0-</u>	<u>10,141,232</u>
Governmental activities capital assets, net	\$ <u>12,046,638</u>	\$ <u>(465,699)</u>	\$ <u>-0-</u>	\$ <u>11,580,939</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 213,751
Public safety	222,689
Highways and streets	263,669
Culture and recreation	<u>8,099</u>
 Total depreciation expense	 \$ <u>708,208</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, 2016**

**Discretely Presented Component Units**

***Morgantown Public Library***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Depreciable Assets</b>				
Buildings and fixtures	\$ 3,250,398	\$ -0-	\$ -0-	\$ 3,250,398
Machinery and equipment	152,044	-0-	-0-	152,044
Books and videos	<u>5,149,866</u>	<u>115,613</u>	<u>-0-</u>	<u>5,265,479</u>
Total at historical cost	<u>8,552,308</u>	<u>115,613</u>	<u>-0-</u>	<u>8,667,921</u>
<b>Less: Accumulated Depreciation</b>				
Buildings and fixtures	1,604,436	58,098	-0-	1,662,534
Machinery and equipment	124,259	24,381	-0-	148,640
Books and videos	<u>4,713,248</u>	<u>193,511</u>	<u>-0-</u>	<u>4,906,759</u>
Total accumulated depreciation	<u>6,441,943</u>	<u>275,990</u>	<u>-0-</u>	<u>6,717,933</u>
Total depreciable capital assets, net	\$ <u>2,110,365</u>	\$ <u>(160,377)</u>	\$ <u>-0-</u>	\$ <u>1,949,988</u>

***Morgantown Utility Board***

Current asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements &amp; Transfers to Utility Plant</u>	<u>Ending Balance</u>
CWIP	\$ 9,742,556	\$ 10,836,690	\$(6,117,189)	\$ 14,462,057
Land	1,658,519	-0-	-0-	1,658,519
Intangible plant	376,834	-0-	-0-	376,834
Buildings and structures	27,448,809	68,625	( 11,337)	27,506,097
Water transmission and distribution system	68,759,168	3,625,051	( 35,891)	72,348,328
Sewer and storm collection system	115,701,801	1,148,896	( 29,202)	116,821,495
Treatment plant equipment	73,189,576	189,304	( 35,062)	73,343,819
Office furniture and equipment and computer system	4,704,019	207,580	( 29,120)	4,882,479
Vehicles and heavy duty equipment	<u>7,940,792</u>	<u>434,471</u>	<u>-0-</u>	<u>8,375,264</u>
Total capital assets	<u>309,522,074</u>	<u>16,510,617</u>	<u>(6,257,801)</u>	<u>319,774,892</u>
Less: Accumulated depreciation	<u>(106,619,820)</u>	<u>( 8,692,352)</u>	<u>454,466</u>	<u>(114,857,706)</u>
Total net capital assets	\$ <u>202,902,254</u>	\$ <u>7,818,265</u>	\$ <u>(5,803,335)</u>	\$ <u>204,917,186</u>
Depreciation expense charged to operations		\$ <u>8,692,352</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, 2016**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Law Enforcement		
Grant Fund	General Fund	\$ 3,028
General Fund	Woodburn Property Fund	25,000
Capital Reserve Fund	Court Technology Fund	28,000
General Fund	Airport Fund	505
Capital Reserve Fund	Airport Fund	153,846
General Fund	Parking Authority	15,851
Capital Reserve Fund	Tax Increment Financing Fund	25,000
General Fund	Board of Parks and Recreation	248,480

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, 2016**

**Interfund Transfers:**

	<u>Community Development Block Grant</u>	<u>Police Forfeiture</u>	<u>OPEB Trust</u>	<u>Woodburn Property</u>	<u>Tax Increment Financing</u>	<u>General Fund</u>	<u>Capital Reserve</u>	<u>Airport Access Road</u>	<u>Airport Fund</u>	<u>Board of Parks and Recreation</u>	<u>Total</u>
Transfers Out:											
General	\$ 41,441	\$ 1,395	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 4,979,600	\$ -0-	\$ 30,000	\$ 1,102,309	\$ 6,154,745
Life and Health	-0-	-0-	635,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	635,000
Community Development Block Grant	-0-	-0-	-0-	70,561	-0-	-0-	-0-	-0-	-0-	-0-	70,561
Tax Increment Financing	-0-	-0-	-0-	-0-	1,348,339	-0-	-0-	-0-	-0-	-0-	1,348,339
Coal Severance	-0-	-0-	-0-	-0-	-0-	82,000	-0-	-0-	-0-	-0-	82,000
Building Commission	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital Reserve	-0-	-0-	-0-	-0-	-0-	281,035	-0-	267,887	507,172	-0-	1,056,094
	<u>\$ 41,441</u>	<u>\$ 1,395</u>	<u>\$ 635,000</u>	<u>\$ 70,561</u>	<u>\$ 1,348,339</u>	<u>\$ 363,035</u>	<u>\$ 4,979,600</u>	<u>\$ 267,887</u>	<u>\$ 537,172</u>	<u>\$ 1,102,309</u>	<u>\$ 9,346,739</u>

Interfund transfers provide appropriations to subsidize the funds to support the programs and activities of 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 (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**E. Fund Balance Detail**

At year-end, the detail of the government's fund balances is as follows:

	<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>Airport Access Road</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Restricted:</b>								
Public safety	\$ 26,255	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 14,532	\$ 40,787
Debt service	-0-	-0-	-0-	-0-	511,167	-0-	-0-	511,167
Economic development	-0-	-0-	-0-	-0-	-0-	-0-	147,169	147,169
	<u>26,255</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>511,167</u>	<u>-0-</u>	<u>161,701</u>	<u>699,123</u>
<b>Nonspendable:</b>								
Inventory	<u>41,660</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>41,660</u>
<b>Assigned:</b>								
Streets and transportation	-0-	17,790	-0-	-0-	-0-	267,469	-0-	285,259
Benefit payments	-0-	-0-	-0-	1,239,279	-0-	-0-	747,406	1,986,685
Public safety	-0-	-0-	-0-	-0-	-0-	-0-	148,804	148,804
Community development	-0-	-0-	6,468,211	-0-	-0-	-0-	104,517	6,572,728
	<u>-0-</u>	<u>17,790</u>	<u>6,468,211</u>	<u>1,239,279</u>	<u>-0-</u>	<u>267,469</u>	<u>1,000,727</u>	<u>8,993,476</u>
<b>Unassigned</b>	<u>10,769,907</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 25,728)</u>	<u>10,744,179</u>
<b>Total fund balance</b>	<u>\$ 10,837,822</u>	<u>\$ 17,790</u>	<u>\$ 6,468,211</u>	<u>\$ 1,239,279</u>	<u>\$ 511,167</u>	<u>\$ 267,469</u>	<u>\$ 1,136,700</u>	<u>\$ 20,478,438</u>

**F. Long-Term Debt**

Long-term liability activity for Governmental Activities for the year ended June 30, 2016 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>
<b>Governmental Activities</b>						
<b>Bond Payable</b>						
2006A TIF bonds	\$ 4,645,000	\$ -0-	\$ 175,000	\$ 4,470,000	\$ 185,000	\$ 4,285,000
2007 TIF bonds	2,625,000	-0-	120,000	2,505,000	-0-	2,505,000
2007A TIF bonds	8,615,000	-0-	-0-	8,615,000	-0-	8,615,000
2014 TIF bonds	<u>5,151,000</u>	<u>-0-</u>	<u>243,000</u>	<u>4,908,000</u>	<u>294,000</u>	<u>4,614,000</u>
Total bonds payable	<u>21,036,000</u>	<u>-0-</u>	<u>538,000</u>	<u>20,498,000</u>	<u>479,000</u>	<u>20,019,000</u>
<b>Other long-term debt</b>						
Compensated absences	1,103,760	102,316	-0-	1,206,076	-0-	1,206,076
Obligation under capital lease	1,517,885	-0-	198,521	1,319,364	206,584	1,112,780
Net pension obligation	76,566,075	34,909,073	-0-	111,475,148	-0-	111,475,148
Accrued other post employment benefits	<u>4,687,000</u>	<u>-0-</u>	<u>44,000</u>	<u>4,643,000</u>	<u>-0-</u>	<u>4,643,000</u>
Total other long-term debt	<u>83,874,720</u>	<u>35,011,389</u>	<u>242,521</u>	<u>118,643,588</u>	<u>206,584</u>	<u>118,437,004</u>
<b>Total long-term debt – Governmental activities</b>	<u>\$ 104,910,720</u>	<u>\$ 35,011,389</u>	<u>\$ 780,521</u>	<u>\$ 139,141,588</u>	<u>\$ 685,584</u>	<u>\$ 138,456,004</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, 2016**

	<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>
<b>Component Unit</b>						
<b><i>Board of Park and Recreation Commission</i></b>						
Obligation under capital lease	\$ 778,848	\$ -0-	\$ 56,544	\$ 722,304	\$ 62,016	\$ 660,288
Net pension obligation	<u>157,262</u>	<u>72,521</u>	<u>-0-</u>	<u>229,783</u>	<u>-0-</u>	<u>229,783</u>
Total long-term debt component unit	\$ <u>936,110</u>	\$ <u>72,521</u>	\$ <u>56,544</u>	\$ <u>952,087</u>	\$ <u>62,016</u>	\$ <u>890,071</u>

**Component Unit**  
***Morgantown Public Library***

Obligation under capital lease	\$ 35,014	\$ -0-	\$ 2,542	\$ 32,472	\$ 2,788	\$ 29,684
Net pension obligation	<u>166,832</u>	<u>77,872</u>	<u>-0-</u>	<u>244,704</u>	<u>-0-</u>	<u>244,704</u>
Total long-term liabilities	\$ <u>201,846</u>	\$ <u>77,872</u>	\$ <u>2,542</u>	\$ <u>277,176</u>	\$ <u>2,788</u>	\$ <u>274,388</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:

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, 2016**

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 185,000	\$ 229,910	\$ 414,910
2018	195,000	221,030	416,030
2019	200,000	211,670	411,670
2020	210,000	202,070	412,070
2021	220,000	191,990	411,990
2022 – 2026	1,285,000	789,310	2,074,310
2027 – 2031	1,630,000	443,750	2,073,750
2032 – 2033	<u>545,000</u>	<u>58,250</u>	<u>603,250</u>
<b>Total</b>	<b>\$ <u>4,470,000</u></b>	<b>\$ <u>2,347,980</u></b>	<b>\$ <u>6,817,980</u></b>

**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>
2017	\$ -0-	\$ 170,700	\$ 170,700
2018	-0-	170,700	170,700
2019	-0-	170,700	170,700
2020	-0-	170,700	170,700
2021	-0-	170,700	170,700
2022 – 2026	-0-	853,500	853,500
2027 – 2031	-0-	853,500	853,500
2032 – 2033	<u>2,505,000</u>	<u>341,400</u>	<u>2,846,400</u>
<b>Total</b>	<b>\$ <u>2,505,000</u></b>	<b>\$ <u>2,901,900</u></b>	<b>\$ <u>5,406,900</u></b>

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, 2016**

**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. 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>
2017	\$ -0-	\$ 689,200	\$ 689,200
2018	-0-	689,200	689,200
2019	-0-	689,200	689,200
2020	-0-	689,200	689,200
2021	-0-	689,200	689,200
2022 – 2026	-0-	3,446,000	3,446,000
2027 – 2031	-0-	3,446,000	3,446,000
2032 – 2033	<u>8,615,000</u>	<u>1,378,400</u>	<u>9,993,400</u>
 Total	 \$ <u>8,615,000</u>	 \$ <u>11,716,400</u>	 \$ <u>20,331,400</u>

**2014 TIF Bonds**

The 2014 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 and to refinance the 2010 TIF bonds. Proceeds from the bonds provided additional financing for the Sunnyside district area improvements with the City's designated TIF Sunnyside district area. 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 2.64%. The following is a schedule of future debt retirement based on current financing arrangements:

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, 2016**

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 294,000	\$ 129,571	\$ 423,571
2018	301,000	121,809	422,809
2019	309,000	113,863	422,863
2020	318,000	105,705	423,705
2021	326,000	97,310	423,310
2022 – 2026	1,763,000	352,836	2,115,836
2027 – 2029	<u>1,597,000</u>	<u>96,042</u>	<u>1,693,042</u>
<b>Total</b>	<b>\$ <u>4,908,000</u></b>	<b>\$ <u>1,017,136</u></b>	<b>\$ <u>5,925,136</u></b>

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>
2017	\$ 479,000	\$ 1,219,381	\$ 1,698,381
2018	496,000	1,202,739	1,698,739
2019	509,000	1,185,433	1,694,433
2020	528,000	1,167,675	1,695,675
2021	546,000	1,149,200	1,695,200
2022 – 2026	3,048,000	5,441,646	8,489,646
2027 – 2031	3,227,000	4,839,292	8,066,292
2032 – 2033	<u>11,665,000</u>	<u>1,778,050</u>	<u>13,443,050</u>
<b>Total</b>	<b>\$ <u>20,498,000</u></b>	<b>\$ <u>17,983,416</u></b>	<b>\$ <u>38,481,416</u></b>

**Obligation Under Capital Leases**

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, 2016:

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, 2016**

Fiscal Year Ending June 30,

2017		\$ 92,711
2018		95,648
2019		98,364
2020		100,897
2021		104,778
2022 – 2025		<u>390,364</u>
		882,762
Less: Amount representing interest		<u>155,904</u>
		726,858
Less: Current maturities		<u>62,407</u>
		664,451
Non-current maturities		\$ <u>664,451</u>

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, 2016:

Fiscal Year Ending June 30,

2017		\$ 153,603
2018		153,603
2019		153,603
2020		<u>153,603</u>
		614,412
Less: Amount representing interest		<u>21,906</u>
		592,506
Less: Current maturities		<u>144,177</u>
		448,329
Non-current maturities		\$ <u>448,329</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, 2016**

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, 2016:

**Fiscal Year Ending June 30,**

2017		\$	246,314
2018			249,251
2019			251,967
2020			254,500
2021			104,778
2022 – 2025			<u>390,364</u>
			1,497,174
Less: Amount representing interest			<u>177,810</u>
			1,319,364
Less: Current maturities			<u>206,584</u>
			\$ <u>1,112,780</u>
Non-current maturities			

**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 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, 2016:

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, 2016**

**Fiscal Year Ending June 30,**

2017	\$ 92,711
2018	95,648
2019	98,364
2020	100,897
2021	104,778
2022 – 2025	<u>390,364</u>
	882,762
Less: Amount representing interest	<u>160,458</u>
	722,304
Less: Current maturities	<u>62,016</u>
	\$ <u>660,288</u>

**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, 2016:

**Fiscal Year Ending June 30,**

2017	\$ 4,142
2018	4,273
2019	4,395
2020	4,508
2021	4,681
2022 – 2025	<u>17,439</u>
	39,438
Less: Amount representing interest	<u>6,966</u>
	32,472
Less: Current maturities	<u>2,788</u>
	\$ <u>29,684</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, 2016**

Long-term liability activity for Business-Type Activities Unit for the year ended June 30, 2016 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>
<b>Business-Type Activities</b>						
Obligation Under Capital Lease	\$ 362,523	\$ -0-	\$ 26,319	\$ 336,204	\$ 28,866	\$ 307,338
<b>Discretely Presented Component Unit</b>						
Obligation Under Capital Lease	<u>174,857</u>	<u>-0-</u>	<u>12,695</u>	<u>162,162</u>	<u>13,923</u>	<u>148,239</u>
Total Capital Lease	<u>537,380</u>	<u>-0-</u>	<u>39,014</u>	<u>498,366</u>	<u>42,789</u>	<u>455,577</u>
<b>Bonds Payable</b>						
2012 Municipal Building Lease Revenue Refunding Bonds	2,410,000	-0-	565,000	1,845,000	585,000	1,260,000
2013A Municipal Building Lease Revenue Refunding Bonds	3,280,000	-0-	235,000	3,045,000	235,000	2,810,000
2012 Parking System Refunding Revenue Bonds	<u>2,626,729</u>	<u>-0-</u>	<u>377,060</u>	<u>2,249,669</u>	<u>386,546</u>	<u>1,863,123</u>
Total Bonds Payable	<u>8,316,729</u>	<u>-0-</u>	<u>1,177,060</u>	<u>7,139,669</u>	<u>1,206,546</u>	<u>5,933,123</u>
Total Discretely Presented Component Units	\$ <u>8,854,109</u>	\$ <u>-0-</u>	\$ <u>1,216,074</u>	\$ <u>7,638,035</u>	\$ <u>1,249,335</u>	\$ <u>6,388,700</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>
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>1,845,000</u>	\$ <u>80,250</u>	\$ <u>1,925,250</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016 was \$311,786.

**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>
2017	\$ 235,000	\$ 76,273	\$ 311,273
2018	240,000	71,283	311,283
2019	245,000	60,825	305,825
2020	255,000	55,825	310,825
2021	260,000	54,518	314,518
2022 – 2026	1,405,000	211,252	1,616,252
2027 – 2028	<u>405,000</u>	<u>36,743</u>	<u>441,743</u>
<b>Total</b>	<b>\$ <u>3,045,000</u></b>	<b>\$ <u>566,719</u></b>	<b>\$ <u>3,611,719</u></b>

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, 2016 was \$197,260.

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, 2016**

**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>
2017	\$ 386,546	\$ 53,841	\$ 440,387
2018	396,270	44,117	440,387
2019	406,239	34,148	440,387
2020	416,458	23,929	440,387
2021	426,935	13,452	440,387
2022	<u>217,221</u>	<u>2,715</u>	<u>219,936</u>
Total	\$ <u>2,249,669</u>	\$ <u>172,202</u>	\$ <u>2,421,871</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***

**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, 2016. 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. This bond matured December 1, 2016.

**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.

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, 2016**

**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, 2016. This bond matured December 1, 2016.

**2006A Bonds Payable**

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

**2007 Bonds Payable**

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

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, 2016**

**2010A Bonds Payable**

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

**2010C Bonds Payable**

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

**2010D Bonds Payable**

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

**2010E Bonds Payable**

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

**2010F Bonds Payable**

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

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, 2016**

**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 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 bonds bear an interest rate of 2.25% - 4.25%. Interest is payable semi-annually on April 1 and October 1 beginning April 2013 and principal is paid annually on October 1 until October 2032. Annual payments of \$163,920 are required.

**2013A Bonds Payable**

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

**2014B Bonds Payable**

The Board issued on July 23, 2014 \$505,421 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 bonds bear an interest rate of 3.16%. Principal and interest is paid monthly.

**2016A Bonds Payable**

The Board issued on March 31, 2016 \$137,568 original principal combined utility system revenue bonds for the assumption and replacement of the Scotts Run Public Service District Series 1991A bonds. The bonds bear an interest rate of 7.75%. Principal and interest is paid annually until October 2031.

**2016B Bonds Payable**

The Board issued on March 31 2016 \$4,586 original principal combined utility system revenue bonds for the assumption and replacement of the Scotts Run Public Service District Series 1991B bonds. The bonds bear an interest rate of 0%. Principal is paid annually until October 2031.

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, 2016**

**2016C Bonds Payable**

The Board issued on March 31, 2016 \$8,111,813 original principal combined utility system revenue bonds for the assumption and replacement of the Scotts Run Public Service District Series 2003A bonds. The bonds bear an interest rate of 0% and .5% administrative fee. Principal and administrative fee is paid quarterly until September 2043.

**2016D Bonds Payable**

The Board issued on March 31, 2016 \$1,688,394 original principal combined utility system revenue bonds for the assumption and replacement of the Scotts Run Public Service District Series 2009A bonds. The bonds bear an interest rate of 0% and .5% administrative fee. Principal and administrative fee is paid quarterly until December 2049.

**2016E Bonds Payable**

The Board issued on June 11, 2016 \$662,300 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 bonds bear an interest rate of 0% and .5% administrative fee. Principal and administrative fee is paid quarterly until June 2055.

Long-term debt activity for the year ended June 30, 2016 was as follows:

	<u>Beginning</u>	<u>Payments</u>	<u>Proceeds</u>	<u>Ending</u>	<u>Current Portion</u>
Morgantown 1995	\$ 48,313	\$ ( 48,313)	\$ -0-	\$ -0-	\$ -0-
Morgantown 2000A	3,476,332	( 323,380)	-0-	3,152,952	323,384
Morgantown 2000B	1,604,074	( 65,476)	-0-	1,538,598	65,476
Morgantown 2001A	167,811	( 167,811)	-0-	-0-	-0-
Morgantown 2006A	4,450,906	( 302,907)	-0-	4,147,999	309,012
Morgantown 2007A	6,478,097	( 408,527)	-0-	6,069,570	416,759
Morgantown 2010A	37,950,000	-0-	-0-	37,950,000	-0-
Morgantown 2010C	13,611,280	( 667,696)	-0-	12,943,584	681,151
Morgantown 2010D	8,245,666	( 404,489)	-0-	7,841,177	412,639
Morgantown 2010E	88,498	( 4,341)	-0-	84,157	4,429
Morgantown 2010F	4,280,000	(1,030,000)	-0-	3,250,000	1,050,000
Morgantown 2012A	547,915	( 17,765)	-0-	530,150	17,855
Morgantown 2012C	2,145,000	( 95,000)	-0-	2,050,000	95,000
Morgantown 2013A	4,342,100	( 131,580)	-0-	4,210,520	131,580
Morgantown 2014B	490,456	( 18,922)	-0-	471,534	19,529
Morgantown 2016A	104,584	( 3,170)	-0-	101,414	3,415
Morgantown 2016B	1,999	( 118)	-0-	1,881	118
Morgantown 2016C	6,030,471	( 213,468)	-0-	5,817,003	213,468
Morgantown 2016D	1,522,854	( 44,144)	-0-	1,478,710	44,144
Morgantown 2016E	<u>25,500</u>	<u>( 4,219)</u>	<u>636,800</u>	<u>658,081</u>	<u>16,876</u>
Total	\$ <u>95,611,856</u>	\$ <u>(3,951,326)</u>	\$ <u>636,800</u>	\$ <u>92,297,330</u>	\$ <u>3,804,835</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTD)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Changes in other long-term obligations during the year ended June 30, 2016 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Net pension liability	\$ 5,235,305	\$ 2,244,066	\$ -0-	\$ 7,479,371	\$ -0-
Not payable	<u>14,447</u>	<u>-0-</u>	<u>-0-</u>	<u>14,447</u>	<u>-0-</u>
<b>Total</b>	<b>\$ <u>5,249,752</u></b>	<b>\$ <u>2,244,066</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>7,493,818</u></b>	<b>\$ <u>-0-</u></b>

Maturities of the Board's debt principal for the years subsequent to June 30, 2016 are as follows:

	<u>2000A</u> <u>Issue</u> <u>Principal</u>	<u>2000B</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>	<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>
2017	\$ 323,384	\$ 65,476	\$ 309,012	\$ 416,759	\$ -0-	\$ 681,151	\$ 412,639	\$ 4,429	\$ 1,050,000
2018	323,384	65,474	315,238	425,157	-0-	694,877	420,954	4,518	1,085,000
2019	323,384	65,474	321,590	433,724	-0-	708,879	429,436	4,609	1,115,000
2020	323,384	65,472	328,070	442,463	1,150,000	723,162	438,089	4,702	-0-
2021	323,384	65,472	334,681	451,379	1,190,000	737,735	446,918	4,796	-0-
2022-2026	1,536,032	327,360	1,777,326	2,397,051	6,570,000	3,917,744	2,373,356	25,473	-0-
2027-2031	-0-	327,360	762,082	1,503,037	7,830,000	4,328,698	2,622,307	28,144	-0-
2032-2036	-0-	327,360	-0-	-0-	9,530,000	1,151,338	697,478	7,486	-0-
2037-2041	-0-	229,150	-0-	-0-	11,680,000	-0-	-0-	-0-	-0-
2042-2046	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2047-2051	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2052-2055	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Total</b>	<b>\$ <u>3,152,952</u></b>	<b>\$ <u>1,538,598</u></b>	<b>\$ <u>4,147,999</u></b>	<b>\$ <u>6,069,570</u></b>	<b>\$ <u>37,950,000</u></b>	<b>\$ <u>12,943,584</u></b>	<b>\$ <u>7,841,177</u></b>	<b>\$ <u>84,157</u></b>	<b>\$ <u>3,250,000</u></b>

	<u>2012A</u> <u>Issue</u> <u>Principal</u>	<u>2012C</u> <u>Issue</u> <u>Principal</u>	<u>2013</u> <u>Issue</u> <u>Principal</u>	<u>2014</u> <u>Issue</u> <u>Principal</u>	<u>2016A</u> <u>Issue</u> <u>Principal</u>	<u>2016B</u> <u>Issue</u> <u>Principal</u>	<u>2016C</u> <u>Issue</u> <u>Principal</u>	<u>2016D</u> <u>Issue</u> <u>Principal</u>	<u>2016E</u> <u>Issue</u> <u>Principal</u>
2017	\$ 17,855	\$ 95,000	\$ 131,580	\$ 19,529	\$ 3,415	\$ 117	\$ 213,468	\$ 44,144	\$ 16,876
2018	17,945	95,000	131,580	20,155	3,680	117	213,468	44,144	16,876
2019	18,034	100,000	131,580	20,802	3,965	117	213,468	44,144	16,876
2020	18,125	100,000	131,580	21,468	4,273	117	213,468	44,144	16,876
2021	18,215	105,000	131,580	22,157	4,604	117	213,468	44,144	16,876
2022-2026	92,457	575,000	657,900	121,906	28,956	588	1,067,340	220,700	84,380
2027-2031	94,794	675,000	657,900	142,743	42,057	590	1,067,340	220,700	84,380
2032-2036	97,192	305,000	657,900	102,774	10,464	118	1,067,340	220,700	84,372
2037-2041	99,653	-0-	657,900	-0-	-0-	-0-	1,067,340	220,700	84,360
2042-2046	55,880	-0-	657,888	-0-	-0-	-0-	480,303	220,700	84,360
2047-2051	-0-	-0-	263,132	-0-	-0-	-0-	-0-	154,490	84,360
2052-2055	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	<u>67,489</u>
<b>Total</b>	<b>\$ <u>530,150</u></b>	<b>\$ <u>2,050,000</u></b>	<b>\$ <u>4,210,520</u></b>	<b>\$ <u>471,534</u></b>	<b>\$ <u>101,414</u></b>	<b>\$ <u>1,881</u></b>	<b>\$ <u>5,817,003</u></b>	<b>\$ <u>1,478,710</u></b>	<b>\$ <u>658,081</u></b>

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, 2016**

Estimated annual interest is as follows:

	<u>2006A</u> <u>Issue</u> <u>Interest</u>	<u>2007</u> <u>Issue</u> <u>Interest</u>	<u>2010A (Gross) *</u> <u>Issue</u> <u>Interest</u>	<u>2010C</u> <u>Issue</u> <u>Interest</u>	<u>2010D</u> <u>Issue</u> <u>Interest</u>	<u>2010E</u> <u>Issue</u> <u>Interest</u>
2017	\$ 80,652	\$ 118,279	\$ 2,278,885	\$ 253,784	\$ 153,742	\$ 1,650
2018	74,425	109,881	2,278,885	240,059	145,427	1,561
2019	68,073	101,314	2,278,885	226,057	136,944	1,470
2020	61,593	92,574	2,250,135	211,772	128,291	1,377
2021	54,982	83,658	2,191,635	197,200	119,463	1,282
2020-2026	170,992	278,136	9,985,398	756,933	458,546	4,921
2027-2031	17,246	47,955	7,987,331	345,979	209,563	2,249
2032-2036	-0-	-0-	5,290,153	17,328	10,497	113
2037-2041	-0-	-0-	1,922,063	-0-	-0-	-0-
2042-2046	-0-	-0-	-0-	-0-	-0-	-0-
2047-2051	-0-	-0-	-0-	-0-	-0-	-0-
<b>Total</b>	<b>\$ <u>527,963</u></b>	<b>\$ <u>831,797</u></b>	<b>\$ <u>36,463,370</u></b>	<b>\$ <u>2,249,112</u></b>	<b>\$ <u>1,362,473</u></b>	<b>\$ <u>14,623</u></b>

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

	<u>2010F</u> <u>Issue</u> <u>Interest</u>	<u>2012A</u> <u>Issue</u> <u>Interest</u>	<u>2012C</u> <u>Issue</u> <u>Interest</u>	<u>2014</u> <u>Issue</u> <u>Interest</u>	<u>2016A</u> <u>Issue</u> <u>Interest</u>
2017	\$ 85,065	\$ 2,617	\$ 67,063	\$ 14,619	\$ 7,860
2018	52,498	2,528	65,163	13,994	7,595
2019	17,840	2,438	62,963	13,347	7,310
2020	-0-	2,348	60,463	12,680	7,002
2021	-0-	2,257	57,638	11,992	6,671
2022-2026	-0-	9,906	236,769	48,835	27,418
2027-2031	-0-	7,567	129,213	27,999	14,318
2032-2036	-0-	5,169	12,300	5,362	811
2037-2041	-0-	2,710	-0-	-0-	-0-
2042-2046	-0-	421	-0-	-0-	-0-
2047-2051	-0-	-0-	-0-	-0-	-0-
<b>Total</b>	<b>\$ <u>155,403</u></b>	<b>\$ <u>37,961</u></b>	<b>\$ <u>691,572</u></b>	<b>\$ <u>148,828</u></b>	<b>\$ <u>78,985</u></b>

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, 2016**

**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, 2016.

Fiscal Year Ending June 30,

2017	\$ 42,883
2018	44,241
2019	45,498
2020	46,670
2021	48,465
2022 – 2025	<u>180,560</u>
	408,317
Less: Amount representing interest	<u>72,113</u>
	336,204
Less: Current maturities	<u>28,866</u>
	\$ <u>307,338</u>
Non-current maturities	

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, 2016:

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, 2016**

**Fiscal Year Ending June 30,**

2017	\$	20,684
2018		21,339
2019		21,945
2020		22,510
2021		23,376
2022 – 2025		<u>87,090</u>
		196,944
Less: Amount representing interest		<u>34,782</u>
		162,162
Less: Current maturities		<u>13,923</u>
		148,239
Non-current maturities	\$	<u>148,239</u>

**G. Benefits Funded by the State of West Virginia**

For the year ended June 30, 2016, the State of West Virginia contributed estimated payments on behalf of the governments public safety employees as follows:

<u>Plan</u>	<u>Amount</u>
Policemen's Pension and Relief Fund	\$ 597,542
Firemen's Pension and Relief Fund	<u>460,023</u>
<b>Total</b>	<b>\$ <u>1,057,565</u></b>

State contributions are funded by allocations of the State's insurance premium tax.

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, 2016**

**IV. Other Information**

**A. Risk Management**

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Commercial Insurance Company for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): Private insurance companies could begin to offer workers compensation coverage to government employers beginning July 1, 2010. Workers compensation coverage is provided for this entity by Travelers Insurance.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

**B. Contingent Liabilities**

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.

**V. 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, 2016.

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, 2016.

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**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016.

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.

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, 2016**

**Annual Required Contributions and Significant Actuarial Assumptions**

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

	<b>Policemen's and Firemen's Pension &amp; Relief Fund</b>	<b>Employees Pension and Relief Fund</b>
Valuation Date	7/1/2016	7/1/2016
Actuarial Cost Method	Projected Unit Credit	Aggregate entry age
Amortization Method	Level % Open	
Amortization Period	27 year (level percentage)	
Actuarial asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	5%	7.0%
Projected salary increases	5%	4.0%
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.

**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.

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, 2016**

**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.

**Pension Trust Funds Financial Statements**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 507,531	\$ 429,543	\$ 35,479	\$ 972,553
Investments	13,319,237	10,709,109	46,755,498	70,783,844
Receivables:				
Contributions	-0-	-0-	183,616	183,616
Total assets	<u>13,826,768</u>	<u>11,138,652</u>	<u>46,974,593</u>	<u>71,940,013</u>
<b>Liabilities</b>				
Accounts payable	-0-	-0-	5,844	5,844
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>5,844</u>	<u>5,844</u>
<b>Net Position</b>				
Held in trust	\$ <u>13,826,768</u>	\$ <u>11,138,652</u>	\$ <u>46,968,749</u>	\$ <u>71,934,169</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, 2016**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>
<b>Additions</b>				
Contributions:				
Employer	\$ 848,356	\$ 728,343	\$ 1,745,680	\$ 3,322,379
Employee	360,533	202,830	739,633	1,302,996
Insurance premium tax allocation	597,542	460,023	-0-	1,057,565
Other	<u>267</u>	<u>-0-</u>	<u>151,342</u>	<u>151,609</u>
Total contributions	<u>1,806,698</u>	<u>1,391,196</u>	<u>2,636,655</u>	<u>5,834,549</u>
Investment Income:				
Net appreciation (depreciation) in fair value of investments	( 648,291)	( 533,109)	( 1,621,145)	( 2,802,545)
Gain (loss) on sale of investments	125,473	117,380	235,091	477,944
Interest and dividends	<u>318,821</u>	<u>252,453</u>	<u>1,014,796</u>	<u>1,586,070</u>
Total investment income	<u>( 203,997)</u>	<u>( 163,276)</u>	<u>( 371,258)</u>	<u>( 738,531)</u>
Total additions	<u>1,602,701</u>	<u>1,227,920</u>	<u>2,265,397</u>	<u>5,096,018</u>
<b>Deductions</b>				
General and administrative	111,454	90,108	139,644	341,206
Contribution refunds	14,429	-0-	80,376	94,805
Benefit payments	<u>2,084,457</u>	<u>1,509,424</u>	<u>2,713,421</u>	<u>6,307,302</u>
Total deductions	<u>2,210,340</u>	<u>1,599,532</u>	<u>2,933,441</u>	<u>6,743,313</u>
Net increase (decrease)	( 607,639)	( 371,612)	( 668,044)	( 1,647,295)
Net position – beginning of year	<u>14,434,407</u>	<u>11,510,264</u>	<u>47,636,793</u>	<u>73,581,464</u>
Net position – end of year	\$ <u>13,826,768</u>	\$ <u>11,138,652</u>	\$ <u>46,968,749</u>	\$ <u>71,934,169</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, 2016**

For the year ended June 30, 2016, the City's Policemen's Pension and Relief, Firemen's Pension and Relief and Employees' Retirement and Benefit reported deferred outflows of resources and deferred inflows of resources related to these pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual non-investment experience	\$ 592,807	\$ 1,535,530
Deferred differences in assumptions	23,040,158	-0-
Net difference between projected and actual investment earnings on pension plan investments	4,788,158	-0-
Difference between expected and actual experience	<u>-0-</u>	<u>547,548</u>
	<b>\$ <u>28,421,123</u></b>	<b>\$ <u>2,083,078</u></b>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ 6,584,511
2018	6,584,511
2019	6,584,511
2020	<u>6,584,512</u>
	<b>\$ <u>26,338,045</u></b>

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, 2016**

*V.B.1 Plan Descriptions Contribution Information and Funding Policies*

**Public Employees Retirement system (PERS)**

The City's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2016 is as follows:

	<i>Component Unit Board of Parks and Recreation Commission</i>	<i>Component Unit Morgantown Public Library</i>
Total wages	\$ 1,167,290	\$ 821,262
Covered wages	\$ 633,326	\$ 629,974
Employer share 13.50%	\$ 85,499	\$ 85,011
Employee share 4.50%	\$ 28,500	\$ 28,349

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

Public Employees' Retirement System (PERS)

Eligibility to participate	All Municipal 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%
City's contribution rate	13.50%
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 contributing 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 15) 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, 2016**

**Public Employees' Retirement System (PERS)**

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, 4101 MacCorkle Ave S.E., Charleston, WV 25304.

The City of Morgantown elected to become a participating employer under the West Virginia Employees Retirement System (PERS plan).

***General Information About the Plan***

The plan is a defined benefit plan and provides pensions for all participating employees of the City. The PERS plan is a statewide, cost-sharing, multiple-employer, defined benefit retirement plan for public employees established on July 1, 1961. All employees of the State of West Virginia and any political subdivision whose governing body elects to participate are required (with certain exceptions) to become members. The PERS Plan is managed by a Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: for residents of the State who are not participants in the retirement plans, one State and one non-state employee participant in PERS, and one participant each from TRS, SPDDRS, SPRS, DSRS, EMSRS, MPFRS, and TDCRS.

Participants in the PERS Plan who retire at age 60 with at least five years of credited service or at least age 55 with their age plus service equal to 80 or greater are entitled to a retirement benefit, payable monthly for life, equal to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their benefits at age 62. The PERS Plan also provides death and disability benefits.

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**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTD)  
FOR THE YEAR ENDED JUNE 30, 2016**

Employees covered by benefit terms are all active employees.

Contribution rates for the PERS Plan are subject to Chapter 5, Article 10 of the West Virginia State Code. For the year ended June 30, 2014, active members contributed 4.5 percent of their salary, and employers contributed 14.5 percent of the member's compensation into the plan. For the year ended June 30, 2015, active members contributed 4.5 percent of their salary, and employers contributed 14.0 percent of the member's compensation into the plan. For the year ended June 30, 2016, active members contributed 4.5 percent of their salary, and employers contributed 14.0 percent of the member's compensation into the plan.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016 the City's component units reported a liability of \$474,487 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and rolled forward to June 30, 2014 using the actuarial assumption and methods described in the appropriate section of the notes. The City's component unit portion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating public employers actuarially determined.

At June 30, 2016, the City's component units reported the following proportions and increases/decreases from its proportion measured as of June 30, 2015:

Amount for proportionate share of net pension liability	\$ 474,487
Percentage for proportionate share of net pension liability	0.084972%
Increase (decrease) % from prior proportion measured	-0.271422%

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, 2016**

For the year ended June 30, 2016, the City's component units recognized pension expense on their government wide financial statements. At June 30, 2016, the City's component units (Morgantown Public Library and Board of Parks and Recreation Commission) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 144,752	\$ 248,787
Differences between expected and actual experience	97,035	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	253	24,055
Deferred differences in assumptions	<u>-0-</u>	<u>57,068</u>
	\$ <u>242,040</u>	\$ <u>329,910</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (20,164)
2018	(20,164)
2019	(20,164)
2020	<u>(27,378)</u>
	\$ <u>(87,870)</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, 2016**

***Actuarial Assumptions***

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	1.9 percent
Salary increases:	3.0 – 4.6 percent, including inflation
Investment rate of return:	7.5 percent, net of pension plan investment expenses, including inflation.

Mortality rates were based on the following:

- Healthy Males: 110% of RP – 2,000 Non-Annuitant, Scale AA
- Healthy Females: 101% of RP – 2,000 Non-Annuitant, Scale AA
- Disabled Males: 96% of RP – 2,000 Disable Annuitant, Scale AA
- Disabled Females: Revenue Rule 107% of RP – Disable Annuitant, Scale AA

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>PERS Target Asset Allocation</u>
Fixed Income	2.7%	40.0%
Domestic Equity	7.7%	30.0%
International Equity	7.0%	30.0%
Total		<u>100.0%</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, 2016**

***Discount Rate***

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assuming that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's component unit proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

	<u>(6.50%)</u>	<u>Rate (7.50%)</u>	<u>(8.50%)</u>
City's proportionate share of the net pension liability	\$ 1,094,291	\$ 474,487	\$ (49,155)

***Pension Liabilities, Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions***

***Morgantown Utility Board***

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 2016 and 2015 rates were 13.95% and 15.54% of annual covered payroll. The Board’s contributions to the Plan for the years ended June 30, 2016, 2015 and 2014 were \$1,022,554, \$1,077,497, and \$882,191.

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, 2016**

**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 \$18,000, for 2016, plus \$6,000 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.

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

Governing authority:	City Council Ordinance
Eligibility to participate:	All Board full-time permanent employees, except those covered by other plans
Determination of contribution requirements:	Actuarially determined
Employer:	Contribute annually an amount sufficient to meet the normal cost of the fund and amortize the actuarial deficit over a period of 21 years.
Plan member:	6.00% of covered payroll
Period required to vest:	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:	Annual Cost of Living adjustment 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 6.0% of the participating payroll.
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

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, 2016**

At fiscal year-end, the Board reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 using the actuarial assumptions and methods described in the appropriate section of this note. The Board's proportion of the net pension liability was based on a calculation of Board employer contributions to total employer contributions to the Plan in fiscal year 2016. At June 30, 2016, the government's reported the following proportions:

	<u>Pension Plan</u>
Amount for proportionate share of net pension liability	\$ 7,479,371
Percentage for proportionate share of net pension liability	58.57%

For the year ended June 30, 2016, the Board recognized the following pension expense:

	<u>Pension Plan</u>
Pension expense	\$ <u>1,248,715</u>

The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 175,209	\$ 410,521
Net difference between projected and actual earnings on pension plan investments	<u>2,205,761</u>	<u>-0-</u>
Totals	\$ <u>2,380,970</u>	\$ <u>410,521</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, 2016**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2017		\$ 526,234
2018		526,234
2019		526,234
2020		384,279
2021		( 14,158)
Thereafter		<u>21,626</u>
 Total		 \$ <u>1,970,449</u>

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement. Actuarially determined contribution rates are calculated as of July 1, which is 24 months prior to the end of the fiscal year in which contributions will be made.

Methods and Assumptions:

Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	Level dollar, closed
Remaining Amortization Period:	20 years
Asset Valuation Method:	5-Year smoothed market
Inflation:	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.0% per year
Investment Rate of Return:	7.0% per year, net of expenses, compounded annually

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, 2016**

<b>Retirement Age:</b>	Experience-based table of rates that are specific to the type of eligibility condition and years of Service Credit.
<b>Mortality:</b>	Pre-retirement mortality is assumed to follow 85% of the 1994 Group Annuity Mortality Table for Males and Females. Post-retirement is assumed to follow the 1994 Group Annuity Mortality Table for Males and Females. Post-disablement mortality is assumed to follow the 1994 Group Annuity Mortality Table for Males and Females set forward 4 years.

***Discount Rate***

A Single Discount Rate of 7.00% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using the Single Discount Rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher.

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, 2016**

**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.

**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	7/1/2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Open
Amortization Period	30 Years
Actuarial asset valuation method	Market Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	5.25%
Salary Scale	2.50%
Medical Trend Rate	8.50% graded down to 5.00%

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

Annual Required Contribution	\$ 1,246,000
Interest on net OPEB obligation	247,000
Adjustment to annual required contribution	<u>( 230,000)</u>
Annual OPEB cost	1,263,000
Contributions made	<u>(1,330,000)</u>
(Decrease) in net OPEB obligation	67,000
Net OPEB obligation – beginning of year	<u>4,710,000</u>
Net OPEB obligation – end of year	<u>\$ 4,643,000</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, 2016**

**Trend Information**

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 1,263,000	105.31%	\$ 4,643,000
2015	\$ 1,248,000	98.16%	\$ 4,710,000
2014	\$ 1,252,000	90.42%	\$ 4,687,000

**VI. Debt Service Coverage**

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2016:

Total revenues	\$ 2,934,110
Interest and dividend income	<u>15,448</u>
Adjusted gross revenues	2,949,558
Total expenses	<u>2,571,331</u>
	378,227
Add: Depreciation expense	<u>289,602</u>
Amount available for debt service and capital expenditures	\$ <u>667,829</u>
Maximum annual debt service	\$ <u>440,387</u>
Calculated debt service coverage factor	1.52
Required debt service coverage factor	1.20

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, 2016.

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, 2016**

**VII. 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,

2017	\$ 62,880
2018	62,880
2019	62,880
2020	62,880
2021	<u>374,127</u>
	<u>\$ 625,647</u>

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 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, 2016**

The total balance of the accounts receivable is as follows:

Fiscal Year Ended June 30,

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>506,451</u>
	<b>\$ <u>1,015,483</u></b>

**VIII. Deficit Fund Balance**

It was noted during our audit that the Woodburn Property fund had a deficit fund balance of \$9,051 and the Court Technology fund had a deficit fund balance of \$16,677. The elimination of these deficit fund balances is dependent on increasing revenues and decreasing expenses for these funds.

**IX. Subsequent Events**

The City has considered all subsequent events through December 23, 2016, the date the financial statements were made available.

The City of Morgantown has implemented a new municipal service fee. The new fee is anticipated to generate between 4 million and 5 million dollars in new revenue annually.

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

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2016**

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>
City's proportion of the net pension liability (asset)	.085%	0.36%
City's proportionate share of the net pension liability (asset)	\$ 474,487	\$ 1,315,320
City's covered – employee payroll	\$ 1,351,170	\$ 1,151,193
City's proportionate share of the net pension liability (asset) as a percentage of its covered – employee payroll	35.12%	115%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	93.98%

The information presented in the schedule of the proportionate share of the net pension liability is the only years available as of June 30, 2016. The City will be adding additional years to the accompanying schedule as information is available.

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF CITY CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2016**

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>
Contractually required contribution	\$ 170,510	\$ 161,167
Contributions in relation to the contractually required contribution	<u>170,510</u>	<u>161,167</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>
City's covered – employee payroll	\$ 1,351,170	\$ 1,151,193
Contributions as a percentage of covered – employee payroll	13.50%	14.00%

The information presented in the schedule of City's contributions is the only years available as of June 30, 2016. The City will be adding additional years to the accompanying schedules as information is available.

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

*Changes in Benefit Terms*

There were no changes in benefit terms for the year ended June 30, 2016.

*Changes in Assumptions*

There were no changes in assumptions for the year ended June 30, 2016.

The information presented in the schedule of proportionate share of the net pension liability and the schedule of City's contributions is the only year available as of June 30, 2016. The City will be adding additional years to the accompanying schedules as information is available.

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS MULTIYEAR  
FIREMEN'S PENSION AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

Year ending June 30,	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 1,160,928	\$ 1,084,316	\$ 1,008,137
Interest on the total pension liability	1,817,826	1,775,489	1,840,353
Benefit changes	-0-	-0-	-0-
Difference between expected and actual experience	( 113,977)	( 1,590,303)	-0-
Assumption changes	11,346,226	662,125	1,349,132
Benefit payments	( 1,509,425)	( 1,496,332)	( 1,408,588)
Refunds	-0-	-0-	( 47,548)
Net change in total pension liability	<u>12,701,578</u>	<u>435,295</u>	<u>2,741,486</u>
Total pension liability – beginning	<u>41,124,486</u>	<u>40,689,191</u>	<u>37,947,705</u>
Total pension liability – ending (a)	<u>53,826,064</u>	<u>41,124,486</u>	<u>40,689,191</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	1,188,366	1,070,305	1,013,374
Employee contributions	202,830	191,330	183,544
Pension plan net investment income	( 250,341)	300,409	1,162,709
Benefit payments	( 1,509,425)	( 1,496,332)	( 1,408,588)
Refunds	-0-	-0-	( 47,548)
Pension plan administrative expense	( 3,042)	( 1,943)	( 1,725)
Other	-0-	-0-	-0-
Net change in plan fiduciary net position	<u>( 371,612)</u>	<u>63,769</u>	<u>901,766</u>
Plan fiduciary net position – beginning	<u>11,510,264</u>	<u>11,482,554</u>	<u>10,580,788</u>
Plan fiduciary net position – ending (b)	<u>11,138,652</u>	<u>11,546,323</u>	<u>11,482,554</u>
Net pension liability – ending (a) – (b)	\$ <u>42,687,412</u>	\$ <u>29,578,163</u>	\$ <u>29,206,637</u>
Plan fiduciary net position as a percentage of total pension liability	20.69%	28.08%	28.22%
Covered employee payroll	\$ <u>2,534,252</u>	\$ <u>2,441,567</u>	\$ <u>2,453,297</u>
Net pension liability as a percentage of covered employee payroll	1,684.42%	1,211.44%	1,190.51%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE NET PENSION LIABILITY MULTIYEAR**  
**LAST 10 FISCAL YEARS (WHICH MAY BE BUILT PROSPECTIVELY)**  
**FIREMEN'S PENSION AND RELIEF FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>FY Ending June 30,</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
2014	\$ 40,689,191	\$ 11,482,554	\$ 29,206,637	28.22%	\$ 2,453,297	1,190.51%
2015	\$ 41,124,486	\$ 11,546,323	\$ 29,578,163	28.08%	\$ 2,441,567	1,211.44%
2016	\$ 53,826,064	\$ 11,138,652	\$ 42,687,412	20.69%	\$ 2,534,252	1,684.42%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULES OF CONTRIBUTIONS MULTIYEAR  
FIREMEN'S PENSION AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u> (a)	<u>Employer Contribution</u> (b)	<u>State Contribution</u> (c)	<u>Percentage Contributed</u> [(b)+(c)]/(a)	<u>Covered Payroll</u> (f)	<u>Actual Contribution as a % of Covered Payroll</u> [(b)+(c)]/(f)
06/30/2013	\$ 1,841,042	\$ 540,495	\$ 464,202	55%	\$ 2,447,766	41%
06/30/2014	\$ 1,885,133	\$ 578,330	\$ 435,044	54%	\$ 2,453,297	41%
06/30/2015	\$ 1,890,064	\$ 618,813	\$ 451,492	57%	\$ 2,441,567	44%
06/30/2016	\$ 2,514,255	\$ 728,343	\$ 460,023	47%	\$ 2,534,252	47%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
FIREMEN'S PENSION AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

The information requested in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

<b><i>Measurement Date</i></b>	June 30, 2016, measurement date based on actuarial liabilities as of July 1, 2015
<b><i>Actuarial Cost Method</i></b>	Entry Age Normal, Level-Percentage-of-Pay
<b><i>Actuarial Value of Assets</i></b>	Market value used for GASB Nos. 67 and 68 reporting
<b><i>Contribution Policy and Amortization Method</i></b>	The sponsor finances benefits using the Alternative funding policy as defined in state statute. Sponsor contributions are equal to 107 percent of the prior year contribution. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. This funding policy does not directly amortize the unfunded actuarial liability. However, projected sponsor, state and member contributions along with projected investment earnings are not expected to fully fund the projected actuarial liability for current plan members, and assets for the closed plan are projected to be depleted by 2032.
<b><i>Actuarial Assumptions:</i></b>	
<b><i>Investment Rate of Return</i></b>	4.500% per year
<b><i>GASB 67/68 Discount Rate</i></b>	3.2661% per year at June 30, 2016, and 4.4515% at June 30, 2015
<b><i>Projected Salary Increases</i></b>	Service-based increases: 20.00% in year 1, 6.50% in year 2, reducing over years of service down to 1.25% in years 30 - 34.0% increases for service over 34
<b><i>Cost of Living Increases</i></b>	2.75% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
FIREMEN'S PENSION AND RELIEF FUND (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**Single Discount Rate**

A GASB Nos. 67 and 68 single discount rate of 3.2661% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 4.5000%, and the municipal bond rate of 2.8500%. The projection of cash flows used to determine this single discount rate assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members, until plan year end 2032. Therefore, the single discount rate of 3.2661% was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 3.2661%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher.

**Sensitivity of Net Pension Liability  
to the Single Discount Rate Assumption**

<u>1% Decrease</u> <u>2.2661%</u>	<u>Current Single</u> <u>Discount</u> <u>Rate Assumption</u> <u>3.2661%</u>	<u>1% Increase</u> <u>4.2661%</u>
\$ 52,555,245	\$ 42,687,412	\$ 34,961,905

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS MULTIYEAR  
POLICEMEN'S PENSION AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

Year ending June 30,	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 1,530,284	\$ 1,410,460	\$ 1,376,895
Interest on the total pension liability	2,409,970	2,333,177	2,364,924
Benefit changes	-0-	-0-	-0-
Difference between expected and actual experience	440,163	( 935,554)	-0-
Assumption changes	16,140,037	927,148	1,904,795
Benefit payments	( 2,084,457)	( 1,974,707)	( 1,896,160)
Refunds	( 14,429)	( 33,200)	( 22,672)
Net change in total pension liability	18,421,568	1,727,324	3,727,782
Total pension liability – beginning	<u>54,217,026</u>	<u>52,489,702</u>	<u>48,761,920</u>
Total pension liability – ending (a)	<u>72,638,594</u>	<u>54,217,026</u>	<u>52,489,702</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	1,445,898	1,299,492	1,236,729
Employee contributions	360,533	343,444	260,782
Pension plan net investment income	( 313,457)	372,888	1,430,259
Benefit payments	( 2,084,457)	( 1,974,707)	( 1,896,160)
Refunds	( 14,429)	( 33,200)	( 22,672)
Pension plan administrative expense	( 1,994)	( 1,344)	( 1,275)
Other	267	-0-	-0-
Net change in plan fiduciary net position	( 607,639)	6,573	1,007,663
Plan fiduciary net position – beginning	<u>14,434,407</u>	<u>14,472,339</u>	<u>13,464,676</u>
Plan fiduciary net position – ending (b)	<u>13,826,768</u>	<u>14,478,912</u>	<u>14,472,339</u>
Net pension liability – ending (a) – (b)	\$ <u>58,811,826</u>	\$ <u>39,738,114</u>	\$ <u>38,017,363</u>
Plan fiduciary net position as a percentage of total pension liability	19.04%	26.71%	27.57%
Covered employee payroll	\$ <u>3,527,889</u>	\$ <u>3,381,767</u>	\$ <u>3,514,416</u>
Net pension liability as a percentage of covered employee payroll	1,667.05%	1,175.07%	1,081.75%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE NET PENSION LIABILITY MULTIYEAR  
LAST 10 FISCAL YEARS (WHICH MAY BE BUILT PROSPECTIVELY)  
POLICEMEN'S PENSION AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>FY Ending June 30,</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
2014	\$ 52,489,702	\$ 14,472,339	\$ 38,017,363	27.57%	\$ 3,514,416	1,081.75%
2015	\$ 54,217,026	\$ 14,478,912	\$ 39,738,114	26.71%	\$ 3,381,767	1,175.07%
2016	\$ 72,638,594	\$ 13,826,768	\$ 58,811,826	19.04%	\$ 3,527,889	1,667.05%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULES OF CONTRIBUTIONS MULTIYEAR  
POLICEMEN'S PENSION AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u> (a)	<u>Employer Contribution</u> (b)	<u>State Contribution</u> (c)	<u>Percentage Contributed</u> [(b)+(c)]/(a)	<u>Covered Payroll</u> (f)	<u>Actual Contribution as a % of Covered Payroll</u> [(b)+(c)]/(f)
06/30/2013	\$ 2,339,128	\$ 629,555	\$ 821,786	62%	\$ 3,281,961	44%
06/30/2014	\$ 2,480,580	\$ 673,624	\$ 563,105	50%	\$ 3,514,416	35%
06/30/2015	\$ 2,478,419	\$ 720,778	\$ 578,714	52%	\$ 3,381,767	38%
06/30/2016	\$ 3,285,978	\$ 848,356	\$ 597,542	44%	\$ 3,527,889	41%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
POLICEMEN'S PENSION AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

The information requested in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

<b><i>Measurement Date</i></b>	June 30, 2016, measurement date based on actuarial liabilities as of July 1, 2015
<b><i>Actuarial Cost Method</i></b>	Entry Age Normal, Level-Percentage-of-Pay
<b><i>Actuarial Value of Assets</i></b>	Market value used for GASB Nos. 67 and 68 reporting
<b><i>Contribution Policy and Amortization Method</i></b>	The sponsor finances benefits using the Alternative funding policy as defined in state statute. Sponsor contributions are equal to 107 percent of the prior year contribution. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. This funding policy does not directly amortize the unfunded actuarial liability. However, projected sponsor, state and member contributions along with projected investment earnings are not expected to fully fund the projected actuarial liability for current plan members, and assets for the closed plan are projected to be depleted by 2033.
<b><i>Actuarial Assumptions:</i></b>	
<b><i>Investment Rate of Return</i></b>	4.5000% per year
<b><i>GASB 67/68 Discount Rate</i></b>	3.2287% per year at June 30, 2016, and 4.4323% at June 30, 2015
<b><i>Projected Salary Increases</i></b>	Service-based increases: 20.00% in year 1, 6.50% in year 2, reducing over years of service down to 1.25% in years 30-34. 0% increases for service over 34
<b><i>Cost of Living Increases</i></b>	2.75% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
POLICEMEN'S PENSION AND RELIEF FUND (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**Single Discount Rate**

A GASB Nos. 67 and 68 single discount rate of 3.2287% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 4.5000%, and the municipal bond rate of 2.8500%. The projection of cash flows used to determine this single discount rate assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members, until plan year end 2033. Therefore, the single discount rate of 3.2287% was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 3.2287%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher.

**Sensitivity of Net Pension Liability  
to the Single Discount Rate Assumption**

<u>1% Decrease</u> <u>2.2287%</u>	<u>Current Single</u> <u>Discount</u> <u>Rate Assumption</u> <u>3.2287%</u>	<u>1% Increase</u> <u>4.2287%</u>
\$ 72,739,226	\$ 58,811,826	\$ 47,985,868

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

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS MULTIYEAR**  
**EMPLOYEE RETIREMENT AND RELIEF FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Year ending June 30,	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 1,434,188	\$ 1,408,684	\$ 1,578,745
Interest on the total pension liability	3,978,071	3,873,941	3,788,795
Benefit changes	-0-	-0-	-0-
Difference between expected and actual experience	351,587	( 1,013,053)	( 255,545)
Assumption changes	-0-	-0-	( 970,431)
Benefit payments	( 2,713,421)	( 2,650,584)	( 2,479,097)
Refunds	( 80,376)	( 170,164)	( 212,619)
Net change in total pension liability	<u>2,970,049</u>	<u>1,448,824</u>	<u>1,449,848</u>
Total pension liability – beginning	<u>56,768,669</u>	<u>55,319,845</u>	<u>53,869,997</u>
Total pension liability – ending (a)	<u>59,738,718</u>	<u>56,768,669</u>	<u>55,319,845</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	1,745,681	1,879,379	1,572,414
Employee contributions	739,622	725,508	699,093
Pension plan net investment income	( 470,858)	1,992,100	5,680,536
Benefit payments	( 2,713,421)	( 2,650,584)	( 2,479,097)
Refunds	( 80,376)	( 170,164)	( 212,619)
Pension plan administrative expense	( 40,044)	( 41,215)	( 40,192)
Other	<u>151,342</u>	<u>5,261</u>	<u>1,861</u>
Net change in plan fiduciary net position	<u>( 668,043)</u>	<u>1,740,285</u>	<u>5,221,996</u>
Plan fiduciary net position – beginning	<u>47,636,792</u>	<u>45,896,507</u>	<u>40,674,511</u>
Plan fiduciary net position – ending (b)	<u>46,968,749</u>	<u>47,636,792</u>	<u>45,896,507</u>
Net pension liability – ending (a) – (b)	<u>\$ 12,769,969</u>	<u>\$ 9,131,877</u>	<u>\$ 9,423,338</u>
Plan fiduciary net position as a percentage of total pension liability	78.62%	83.91%	82.97%
Covered employee payroll	<u>\$ 13,182,134</u>	<u>\$ 12,172,614</u>	<u>\$ 11,880,381</u>
Net pension liability as a percentage of covered employee payroll	96.87%	75.02%	79.32%

*10 fiscal years will be built prospectively.*

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE NET PENSION LIABILITY MULTIYEAR  
EMPLOYEE RETIREMENT AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>FY Ending June 30,</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll<sup>a</sup></u>	<u>Net Pension Liability as a % of Covered Payroll</u>
2014	\$ 55,319,845	\$ 45,896,507	\$ 9,423,338	82.97%	\$ 11,880,381	79.32%
2015	\$ 56,768,669	\$ 47,636,792	\$ 9,131,877	83.91%	\$ 12,172,614	75.02%
2016	\$ 59,738,718	\$ 46,968,749	\$ 12,769,969	78.62%	\$ 13,182,134	96.87%

<sup>a</sup> Covered employee payroll is based on pensionable payroll for membership data used in the actuarial valuation as of the same date.

10 fiscal years will be built prospectively.

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF CONTRIBUTIONS MULTIYEAR  
LAST 10 FISCAL YEARS  
EMPLOYEE RETIREMENT AND RELIEF FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>FY Ending June 30,</u>	<u>Actuarially Determined Contribution<sup>a</sup></u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll<sup>b</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2007	\$ 773,719	\$ 864,201	\$ ( 90,482)	\$ 9,990,727	8.65%
2008	810,248	898,077	( 87,829)	10,385,815	8.65%
2009	860,984	758,122	102,862	10,994,139	6.90%
2010	1,137,893	930,998	206,895	10,687,987	8.71%
2011	1,261,182	1,151,765	109,417	11,040,216	10.43%
2012	1,303,850	1,314,738	( 10,888)	11,526,601	11.41%
2013	1,921,461	1,379,087	542,374	11,908,975	11.58%
2014	2,116,999	1,574,275	542,724	11,880,381	13.25%
2015	1,850,655	1,879,379	( 28,724)	12,172,614	15.44%
2016	1,657,313	1,745,681	( 88,368)	13,182,134	13.24%

<sup>a</sup> ADC for years ending 2006 through 2014 was determined based on the requirements of GASB Statement No. 25:  
ADC for 2015 and later is based on the funding policy adopted by the Fund.

<sup>b</sup> Covered employee payroll is based on pensionable payroll for membership data used in the actuarial valuation as of the same date.

10 fiscal years will be built prospectively.

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
EMPLOYEE RETIREMENT PENSION AND RELIEF  
FOR THE YEAR ENDED JUNE 30, 2016**

**Valuation Date:** July 1, 2016

*Notes* Actuarially determined contribution rates are calculated as of July 1, which is 24 months prior to the end of the fiscal year in which the contributions will be made.

**Methods and Assumptions Used to Determine Contribution Rates:**

*Actuarial Cost Method* Individual Entry Age Normal

*Amortization Method* Level dollar, closed

*Remaining Amortization Period* 20 years

*Asset Valuation Method* 5-year smoothed market

*Inflation* 3.0% - approximate; No explicit price inflation assumption is used in this valuation.

*Salary Increases* 4.0% per year

*Investment Rate of Return* 7.00% per year, net of expenses, compounded annually

*Retirement Age* Experience-based table of rates that are specific to the type of eligibility condition and years of service credit.

*Mortality* Pre-retirement mortality is assumed to follow 85% of the 1994 Group Annuity Mortality table for Males and Females. Post-retirement mortality is assumed to follow the 1994 Group Annuity Mortality Table for Males and Females. Post-disablement mortality is assumed to follow the 1994 Group Annuity Mortality Table for Males and Females set forward 4 years.

*Cost-of-Living Adjustment* None

**Other Information:**

*Notes* There were no benefit changes during the year.

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
EMPLOYEE RETIREMENT PENSION AND RELIEF (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**Single Discount Rate**

A single discount rate of 7.00% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher.

**Sensitivity of Net Pension Liability  
to the Single Discount Rate Assumption**

<u>1% Decrease</u> <u>6.00%</u>	<u>Current Single Discount Rate Assumption</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
\$ 19,616,485	\$ 12,769,969	\$ 6,962,863

**Summary of Population Statistics as of July 1, 2016**

Inactive Plan Members of Beneficiaries Currently Receiving Benefits	143
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	<u>288</u>
 Total Plan Members	 439

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

**MORGANTOWN UTILITY BOARD  
(A COMPONENT UNIT OF THE CITY OF MORGANTOWN)  
SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
JUNE 30, 2016**

**Employees' Retirement Benefit Fund of the City of Morgantown  
Last 10 Fiscal Years\***

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Board's proportion of the net pension liability (asset) (percentage)	58.57%	57.33%	57.33%
Board's proportionate share of the net pension liability (asset)	\$ 7,479,371	\$ 5,235,305	\$ 5,402,449
Board's covered – employee payroll	\$ 7,330,133	\$ 6,935,715	\$ 6,623,068
Board's proportionate share of the net pension liability (asset) as a percentage of its covered – employee payroll	102.04%	75.48%	81.57%
Plan fiduciary net position as a percentage of the total pension liability	78.62%	83.91%	82.97%

*Information prior to fiscal year 2014 is not available.*

\*Will be built prospectively.

The accompanying independent auditor's report and notes are integral parts of this schedule.

***SUPPLEMENTARY INFORMATION***

**MORGANTOWN UTILITY BOARD  
(A COMPONENT UNIT OF THE CITY OF MORGANTOWN)  
SCHEDULES OF CONTRIBUTIONS  
JUNE 30, 2016**

**Employees' Retirement Benefit Fund of the City of Morgantown  
Last 10 Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 970,688	\$ 1,060,981	\$ 1,186,366	\$ 1,053,537	\$ 711,381	\$ 707,649	\$ 585,332	\$ 542,420	\$ 469,944	\$ 394,597
Actual contribution	<u>(1,022,554)</u>	<u>(1,077,497)</u>	<u>( 882,191)</u>	<u>( 756,125)</u>	<u>( 717,285)</u>	<u>( 646,270)</u>	<u>( 478,911)</u>	<u>( 475,353)</u>	<u>( 522,183)</u>	<u>( 439,266)</u>
Contribution deficit (surplus)	\$ <u>( 51,866)</u>	\$ <u>(16,516)</u>	\$ <u>304,175</u>	\$ <u>297,412</u>	\$ <u>( 5,904)</u>	\$ <u>61,379</u>	\$ <u>106,421</u>	\$ <u>67,067</u>	\$ <u>( 52,239)</u>	\$ <u>( 44,669)</u>
Board's covered-employee payroll	\$ 7,330,133	\$ 6,935,715	\$ 6,623,068	\$ 6,403,272	\$ 6,078,627	\$ 6,246,232	\$ 5,778,093	\$ 5,861,334	\$ 6,071,770	\$ 5,682,716
Actual contributions as a percentage of covered-employee payroll	13.95%	15.54%	13.32%	11.81%	11.80%	10.35%	8.29%	8.11%	8.60%	7.73%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA  
COMBINING FUND BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<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>	
<b>ASSETS</b>						
Cash	\$ 386,005	\$ 101,788	\$ 487,793	\$ 411,820	\$ -0-	\$ 411,820
Investments	708,098	-0-	708,098	-0-	242,273	242,273
Receivables (net of allowances for uncollectibles)						
Taxes	-0-	157,407	157,407	-0-	-0-	-0-
Accounts	6,694	-0-	6,694	69,727	-0-	69,727
Grants	8,616	-0-	8,616	-0-	-0-	-0-
Due from/(to) other funds	( 49,972)	( 25,000)	( 74,972)	(248,480)	( 2,916)	(251,396)
<b>TOTAL ASSETS</b>	<b>\$ 1,059,441</b>	<b>\$ 234,195</b>	<b>\$ 1,293,636</b>	<b>\$ 233,067</b>	<b>\$ 239,357</b>	<b>\$ 472,424</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 11,909	\$ -0-	\$ 11,909	\$ 90,805	\$ -0-	\$ 90,805
Accrued payroll and compensated absences	<u>2,880</u>	<u>-0-</u>	<u>2,880</u>	<u>50,694</u>	<u>-0-</u>	<u>50,694</u>
Total liabilities	<u>14,789</u>	<u>-0-</u>	<u>14,789</u>	<u>141,499</u>	<u>-0-</u>	<u>141,499</u>
<b>Deferred Inflow of Resources</b>						
Deferred revenue - taxes	<u>-0-</u>	<u>142,147</u>	<u>142,147</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total deferred inflow of resources	<u>-0-</u>	<u>142,147</u>	<u>142,147</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances</b>						
Restricted	161,701	-0-	161,701	-0-	-0-	-0-
Assigned	908,679	92,048	1,000,727	91,568	239,357	330,925
Unassigned	( 25,728)	<u>-0-</u>	( 25,728)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total fund balances	<u>1,044,652</u>	<u>92,048</u>	<u>1,136,700</u>	<u>91,568</u>	<u>239,357</u>	<u>330,925</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,059,441</b>	<b>\$ 234,195</b>	<b>\$ 1,293,636</b>	<b>\$ 233,067</b>	<b>\$ 239,357</b>	<b>\$ 472,424</b>

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, 2016**

	<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>
<b>Revenues</b>						
Charges for services	\$ 44,854	\$ -0-	\$ 44,854	\$ 1,602,510	\$ -0-	\$ 1,602,510
Fines and forfeits	115,736	-0-	115,736	-0-	-0-	-0-
Investment income	3,574	297	3,871	1,603	5,276	6,879
Donations	-0-	-0-	-0-	136,392	-0-	136,392
Taxes:						
Ad valorem	-0-	1,373,657	1,373,657	-0-	-0-	-0-
Intergovernmental:						
Federal	305,038	-0-	305,038	21,832	-0-	21,832
State	1,000	-0-	1,000	-0-	-0-	-0-
Other	<u>3,054</u>	<u>-0-</u>	<u>3,054</u>	<u>66,630</u>	<u>-0-</u>	<u>66,630</u>
Total revenues	<u>473,256</u>	<u>1,373,954</u>	<u>1,847,210</u>	<u>1,828,967</u>	<u>5,276</u>	<u>1,834,243</u>
<b>Expenditures</b>						
General government	250	3,167	3,417	-0-	-0-	-0-
Public safety	362,793	-0-	362,793	-0-	-0-	-0-
Culture and recreation	-0-	-0-	-0-	2,866,847	-0-	2,866,847
Community development	356,926	-0-	356,926	-0-	-0-	-0-
Benefit payments	<u>843,645</u>	<u>-0-</u>	<u>843,645</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>1,563,614</u>	<u>3,167</u>	<u>1,566,781</u>	<u>2,866,847</u>	<u>-0-</u>	<u>2,866,847</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,090,358)</u>	<u>1,370,787</u>	<u>280,429</u>	<u>(1,037,880)</u>	<u>5,276</u>	<u>(1,032,604)</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	677,836	-0-	677,836	1,102,309	-0-	1,102,309
Operating transfers (out)	<u>-0-</u>	<u>(1,348,339)</u>	<u>(1,348,339)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>677,836</u>	<u>(1,348,339)</u>	<u>( 670,503)</u>	<u>1,102,309</u>	<u>-0-</u>	<u>1,102,309</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing (uses)	<u>( 412,522)</u>	<u>22,448</u>	<u>( 390,074)</u>	<u>64,429</u>	<u>5,276</u>	<u>69,705</u>
Fund balance beginning of year	<u>1,457,174</u>	<u>69,600</u>	<u>1,526,774</u>	<u>27,139</u>	<u>234,081</u>	<u>261,220</u>
Fund balance end of year	<u>\$ 1,044,652</u>	<u>\$ 92,048</u>	<u>\$ 1,136,700</u>	<u>\$ 91,568</u>	<u>\$ 239,357</u>	<u>\$ 330,925</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, 2016**

	<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>Woodburn Property</u>	<u>Court Technology</u>	<u>Total</u>	<u>Component Unit Board of Parks and Recreation</u>
<b>ASSETS</b>													
Cash	\$ 37,893	\$ 7,799	\$ 148,804	\$ 31	\$ 11,504	\$ -0-	\$ 101,206	\$ 39,308	\$ 11,256	\$ 16,881	\$ 11,323	\$ 386,005	\$ 411,820
Investments	-0-	-0-	-0-	-0-	-0-	-0-	-0-	708,098	-0-	-0-	-0-	708,098	-0-
Receivables (net of allowances for uncollectibles):													
Accounts	-0-	3,120	-0-	-0-	-0-	-0-	-0-	-0-	1,213	2,361	-0-	6,694	69,727
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Grants	-0-	8,616	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8,616	-0-
Due from/(to) other funds	-0-	-0-	-0-	-0-	3,028	-0-	-0-	-0-	-0-	(25,000)	(28,000)	(49,972)	(248,480)
<b>TOTAL ASSETS</b>	<b>\$ 37,893</b>	<b>\$ 19,535</b>	<b>\$ 148,804</b>	<b>\$ 31</b>	<b>\$ 14,532</b>	<b>\$ -0-</b>	<b>\$ 101,206</b>	<b>\$ 747,406</b>	<b>\$ 12,469</b>	<b>\$ (5,758)</b>	<b>\$ (16,677)</b>	<b>\$ 1,059,441</b>	<b>\$ 233,067</b>
<b>LIABILITIES AND FUND BALANCES</b>													
<b>Liabilities</b>													
Accounts payable	\$ -0-	\$ 8,616	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,293	\$ -0-	\$ 11,909	\$ 90,805
Accrued payroll and compensated absences	-0-	2,880	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,880	50,694
Total liabilities	-0-	11,496	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,293	-0-	14,789	141,499
<b>Fund Balances</b>													
Restricted	37,893	8,036	-0-	31	14,532	-0-	101,206	-0-	-0-	-0-	-0-	161,701	-0-
Assigned	-0-	-0-	148,804	-0-	-0-	-0-	-0-	747,406	12,469	-0-	-0-	908,679	91,568
Unassigned	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(9,051)	(16,677)	(25,728)	-0-
Total fund balances	<u>37,893</u>	<u>8,039</u>	<u>148,804</u>	<u>31</u>	<u>14,532</u>	<u>-0-</u>	<u>101,206</u>	<u>747,406</u>	<u>12,469</u>	<u>(9,051)</u>	<u>(16,677)</u>	<u>1,044,652</u>	<u>91,568</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 37,893</b>	<b>\$ 19,535</b>	<b>\$ 148,804</b>	<b>\$ 31</b>	<b>\$ 14,532</b>	<b>\$ -0-</b>	<b>\$ 101,206</b>	<b>\$ 747,406</b>	<b>\$ 12,469</b>	<b>\$ (5,758)</b>	<b>\$ (16,677)</b>	<b>\$ 1,059,441</b>	<b>\$ 233,067</b>

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, 2016**

	<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>Woodburn Property</u>	<u>Court Technology</u>	<u>Total</u>	<u>Component Unit Board of Parks and Recreation</u>
<b>Revenues</b>													
Charges for services	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 33,674	\$ 11,180	\$ 44,854	\$ 1,602,510
Fines and forfeits	-0-	-0-	115,736	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	115,736	-0-
Interest	-0-	27	708	16	34	-0-	379	2,368	-0-	36	6	3,574	1,603
Donations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	136,392
Intergovernmental:													
Federal	-0-	254,850	-0-	32,605	17,583	-0-	-0-	-0-	-0-	-0-	-0-	305,038	21,832
State	-0-	-0-	-0-	1,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,000	-0-
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,000	-0-
Total revenues	<u>-0-</u>	<u>254,877</u>	<u>116,444</u>	<u>33,621</u>	<u>17,617</u>	<u>-0-</u>	<u>379</u>	<u>2,368</u>	<u>-0-</u>	<u>3,054</u>	<u>11,186</u>	<u>473,256</u>	<u>1,828,967</u>
<b>Expenditures</b>													
General government	-0-	-0-	-0-	-0-	-0-	-0-	-0-	250	-0-	-0-	-0-	250	-0-
Public safety	-0-	-0-	331,384	-0-	3,085	-0-	-0-	-0-	-0-	-0-	28,324	362,793	-0-
Culture and recreation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,866,847
Community development	-0-	218,534	-0-	38,604	-0-	-0-	-0-	-0-	-0-	99,788	-0-	356,926	-0-
Benefit payments	-0-	-0-	-0-	-0-	-0-	-0-	-0-	843,645	-0-	-0-	-0-	843,645	-0-
Total expenditures	<u>-0-</u>	<u>218,534</u>	<u>331,384</u>	<u>38,604</u>	<u>3,085</u>	<u>-0-</u>	<u>-0-</u>	<u>843,895</u>	<u>-0-</u>	<u>99,788</u>	<u>28,324</u>	<u>1,563,614</u>	<u>2,866,847</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>36,343</u>	<u>(214,940)</u>	<u>( 4,983)</u>	<u>14,532</u>	<u>-0-</u>	<u>379</u>	<u>(841,527)</u>	<u>-0-</u>	<u>(63,024)</u>	<u>(17,138)</u>	<u>(1,090,358)</u>	<u>(1,037,880)</u>
<b>Other Financing Sources (Uses)</b>													
Operating transfers in (out)	-0-	( 29,120)	1,395	-0-	-0-	-0-	-0-	635,000	-0-	70,561	-0-	677,836	1,102,309
Total other financings sources (uses)	<u>-0-</u>	<u>( 29,120)</u>	<u>1,395</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>635,000</u>	<u>-0-</u>	<u>70,561</u>	<u>-0-</u>	<u>677,836</u>	<u>1,102,309</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	-0-	7,223	(213,545)	( 4,983)	14,532	-0-	379	(206,527)	-0-	7,537	(17,138)	( 412,522)	64,429
Fund balance beginning of year	<u>37,893</u>	<u>816</u>	<u>362,349</u>	<u>5,014</u>	<u>-0-</u>	<u>-0-</u>	<u>100,827</u>	<u>953,933</u>	<u>12,469</u>	<u>(16,588)</u>	<u>461</u>	<u>1,457,174</u>	<u>27,139</u>
Fund balance end of year	<u>\$ 37,893</u>	<u>\$ 8,039</u>	<u>\$ 148,804</u>	<u>\$ 31</u>	<u>\$ 14,532</u>	<u>\$ -0-</u>	<u>\$ 101,206</u>	<u>\$ 747,406</u>	<u>\$ 12,469</u>	<u>\$ (9,051)</u>	<u>\$ (16,677)</u>	<u>\$ 1,044,652</u>	<u>\$ 91,568</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, 2016**

	<i>Primary Government</i>			<i>Component Unit</i>	
	<u>Business</u>	<u>Tax</u>	<u>Total</u>	<u>Morgantown</u>	<u>Total</u>
	<u>Improvement</u>	<u>Increment</u>		<u>Public Library</u>	<u>Component</u>
	<u>District</u>	<u>Financing</u>		<u>Clay Battelle</u>	<u>Unit</u>
				<u>Branch</u>	
<b>ASSETS</b>					
Cash	\$ 46,988	\$ 54,800	\$ 101,788	\$ -0-	\$ -0-
Investments	-0-	-0-	-0-	242,273	242,273
Taxes receivable	-0-	157,407	157,407	-0-	-0-
Grants receivable	-0-	-0-	-0-	-0-	-0-
Due from/(to) other funds	<u>-0-</u>	<u>( 25,000)</u>	<u>( 25,000)</u>	<u>( 2,916)</u>	<u>( 2,916)</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>46,988</u></b>	<b>\$ <u>187,207</u></b>	<b>\$ <u>234,195</u></b>	<b>\$ <u>239,357</u></b>	<b>\$ <u>239,357</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Deferred Inflow of Resources</b>					
Deferred revenue - taxes	<u>-0-</u>	<u>142,147</u>	<u>142,147</u>	<u>-0-</u>	<u>-0-</u>
Total deferred inflow of resources	<u>-0-</u>	<u>142,147</u>	<u>142,147</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances</b>					
Assigned	<u>46,988</u>	<u>45,060</u>	<u>92,048</u>	<u>239,357</u>	<u>239,357</u>
Total fund balances	<u>46,988</u>	<u>45,060</u>	<u>92,048</u>	<u>239,357</u>	<u>239,357</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ <u>46,988</u></b>	<b>\$ <u>187,207</u></b>	<b>\$ <u>234,195</u></b>	<b>\$ <u>239,357</u></b>	<b>\$ <u>239,357</u></b>

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, 2016**

	<i>Primary Government</i>			<i>Component Unit</i>	
	<u>Business</u>	<u>Tax</u>	<u>Total</u>	<u>Morgantown</u>	<u>Total</u>
	<u>Improvement</u>	<u>Increment</u>		<u>Public Library</u>	
	<u>District</u>	<u>Financing</u>		<u>Clay Battelle</u>	<u>Unit</u>
				<u>Branch</u>	
<b>Revenues</b>					
Investment income	\$ 176	\$ 121	\$ 297	\$ 5,276	\$ 5,276
Donations	-0-	-0-	-0-	-0-	-0-
Taxes:					
Ad valorem	<u>-0-</u>	<u>1,373,657</u>	<u>1,373,657</u>	<u>-0-</u>	<u>-0-</u>
Total revenues	<u>176</u>	<u>1,373,778</u>	<u>1,373,954</u>	<u>5,276</u>	<u>5,276</u>
<b>Expenditures</b>					
General government	<u>-0-</u>	<u>3,167</u>	<u>3,167</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>-0-</u>	<u>3,167</u>	<u>3,167</u>	<u>-0-</u>	<u>-0-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>176</u>	<u>1,370,611</u>	<u>1,370,787</u>	<u>5,276</u>	<u>5,276</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-0-	-0-	-0-	-0-	-0-
Operating transfers (out)	<u>-0-</u>	<u>(1,348,339)</u>	<u>(1,348,339)</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>(1,348,339)</u>	<u>(1,348,339)</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	176	22,272	22,448	5,276	5,276
Fund balance beginning of year, restated	<u>46,812</u>	<u>22,788</u>	<u>69,600</u>	<u>234,081</u>	<u>234,081</u>
Fund balance end of year	\$ <u>46,988</u>	\$ <u>45,060</u>	\$ <u>92,048</u>	\$ <u>239,357</u>	\$ <u>239,357</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
FIDUCIARY RESPONSIBILITIES  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016**

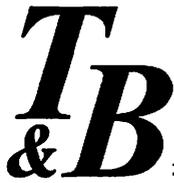
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>	<u>Component Unit</u>		
					<u>Nonexpendable Trust</u>	<u>Endowment Fund</u>	<u>Total</u>
<b>Assets</b>							
Cash	\$ 507,531	\$ 429,543	\$ 35,479	\$ 972,553	\$ -0-	\$ -0-	\$ -0-
Investments	13,319,237	10,709,109	46,755,498	70,783,844	46,952	13,125	60,077
Receivables:							
Contributions	-0-	-0-	183,616	183,616	-0-	-0-	-0-
Total assets	<u>13,826,768</u>	<u>11,138,652</u>	<u>46,974,593</u>	<u>71,940,013</u>	<u>46,952</u>	<u>13,125</u>	<u>60,077</u>
<b>Liabilities</b>							
Accounts payable	-0-	-0-	5,844	5,844	-0-	-0-	-0-
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>5,844</u>	<u>5,844</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Net Position</b>							
Held in trust	\$ <u>13,826,768</u>	\$ <u>11,138,652</u>	\$ <u>46,968,749</u>	\$ <u>71,934,169</u>	\$ <u>46,952</u>	\$ <u>13,125</u>	\$ <u>60,077</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
FIDUCIARY RESPONSIBILITIES  
COMBINING STATEMENT OF CHANGES NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

	<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>
<b>Additions</b>							
Contributions:							
Employer	\$ 848,356	\$ 728,343	\$ 1,745,680	\$ 3,322,379	\$ -0-	\$ -0-	\$ -0-
Employee	360,533	202,830	739,633	1,302,996	-0-	-0-	-0-
Insurance premium tax allocation	597,542	460,023	-0-	1,057,565	-0-	-0-	-0-
Other	267	-0-	151,342	151,609	-0-	-0-	-0-
Total contributions	<u>1,806,698</u>	<u>1,391,196</u>	<u>2,636,655</u>	<u>5,834,549</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Investment Income:							
Net appreciation (depreciation) in fair value of investments	( 648,291)	( 533,109)	( 1,621,145)	( 2,802,545)	1,440	( 421)	1,019
Gain (loss) on sale of investments	125,473	117,380	235,091	477,944	( 1,550)	1,249	( 301)
Interest and dividends	318,821	252,453	1,014,796	1,586,070	1,101	183	1,284
Total investment income	<u>( 203,997)</u>	<u>( 163,276)</u>	<u>( 371,258)</u>	<u>( 738,531)</u>	<u>991</u>	<u>1,011</u>	<u>2,002</u>
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total additions	<u>1,602,701</u>	<u>1,227,920</u>	<u>2,265,397</u>	<u>5,096,018</u>	<u>991</u>	<u>1,011</u>	<u>2,002</u>
<b>Deductions</b>							
General and administrative	111,454	90,108	139,644	341,206	1,259	178	1,437
Contribution refunds	14,429	-0-	80,376	94,805	-0-	-0-	-0-
Benefit payments	2,084,457	1,509,424	2,713,421	6,307,302	-0-	-0-	-0-
Total deductions	<u>2,210,340</u>	<u>1,599,532</u>	<u>2,933,441</u>	<u>6,743,313</u>	<u>1,259</u>	<u>178</u>	<u>1,437</u>
Net increase (decrease)	( 607,639)	( 371,612)	( 668,044)	( 1,647,295)	( 268)	833	565
Net position – beginning of year	<u>14,434,407</u>	<u>11,510,264</u>	<u>47,636,793</u>	<u>73,581,464</u>	<u>47,220</u>	<u>12,292</u>	<u>59,512</u>
Net position – end of year	\$ <u>13,826,768</u>	\$ <u>11,138,652</u>	\$ <u>46,968,749</u>	\$ <u>71,934,169</u>	\$ <u>46,952</u>	\$ <u>13,125</u>	\$ <u>60,077</u>

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



**Tetrick & Bartlett, PLLC**

**Certified Public Accountants  
Consultants**

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**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***

To the Honorable Mayor and Council  
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 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, 2016, and the related notes to the financial statements, which collectively comprise the City of Morgantown, West Virginia's basic financial statements and have issued our report thereon dated December 23, 2016.

**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 the 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**

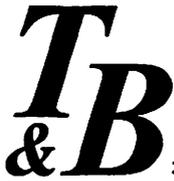
As part of obtaining reasonable assurance about whether the City of Morgantown, West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 S. Bartlett, Ph.D.*

Clarksburg, West Virginia  
December 23, 2016



**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 THE UNIFORM GUIDANCE**

To the Honorable Mayor and Council  
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 Compliance Supplement* that could have a direct and material effect on each of the City of Morgantown, West Virginia's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Morgantown, West Virginia's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the 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, 2016.

### **Report on Internal Control over Compliance**

Management of the 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 the 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 the Uniform Guidance, 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 the 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  
City of Morgantown

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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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Jetrick + Barrett, PLLC*

Clarksburg, West Virginia  
December 23, 2016

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**A. Summary of Audit Results**

***Financial Statements***

Type of auditor's report issued:	<u>Unmodified 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>No</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>Unmodified Opinion</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<u>No</u>
Identification of major programs:	
United States Department of Transportation/Federal Aviation Administration Airport Improvement Program	CFDA #20.106
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee	<u>    </u> yes <u>  X  </u> no

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

**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 –  
Airport Improvement Program – CFDA Number 20.106 – Fiscal Year Ended June 30,  
2016.**

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, 2016**

<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>
<b>United States Department of Transportation</b>					
<u>Federal Aviation Administration</u>					
Airport Improvement Program	20.106	3-54-0015-037-2015	\$ 1,860,313	\$ <u>948,396</u> <u>948,396</u>	\$ <u>948,396</u> <u>948,396</u>
<u>National Highway Traffic Safety Administration</u>					
<i>West Virginia Department of Transportation</i>					
Alcohol Impaired Driving Countermeasures Incentive Grants 1	20.601	F16-HS-18-154	15,000	15,000	15,000
National Priority Safety Programs	20.616	F16-HS-18-154	60,000	34,608	34,608
National Priority Safety Programs	20.616	F16-HS-18-154	30,000	20,090	20,090
State and Community Highway Safety	20.600	F16-HS-18-154	10,000	<u>1,031</u> <u>70,729</u>	<u>1,031</u> <u>70,729</u>
Total United States Department of Transportation				<u>1,019,125</u>	<u>1,019,125</u>
<b>United States Department of Justice</b>					
<u>Bureau of Justice Assistance</u>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0440	17,583	<u>17,583</u>	<u>17,583</u>
<u>Violence Against Women Office</u>					
<i>State of West Virginia Division of Criminal Justice Services</i>					
ARRA – Violence Against Women Formula Grants	16.588	11-VAW-005	6,000	<u>4,697</u>	<u>4,697</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2016**

<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>Office of Community Oriented Policing Services</u>					
ARRA – Public Safety Partnership and Community Policing Grants	16.710	2011UMWX0203	\$ 552,903	\$ <u>30,717</u>	\$ <u>30,717</u>
Total United States Department of Justice				<u>52,997</u>	<u>52,997</u>
<b>United States Environmental Protection Agency/Office of Solid Waste and Emergency Response</b>					
<u>West Virginia University</u>					
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	BF-97333401-1	30,000	<u>32,605</u>	<u>32,605</u>
Total United States Environmental Protection Agency				<u>32,605</u>	<u>32,605</u>
<b>United States Department of Homeland Security</b>					
<u>State of West Virginia Department of Military Affairs &amp; Public Safety/Homeland Security State Administrative Agency</u>					
Homeland Security Grant Program	97.067	EMW20155500002	11,150	<u>11,150</u>	<u>11,150</u>
Total United States Department of Homeland Security				<u>11,150</u>	<u>11,150</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTD)  
FOR THE YEAR ENDED JUNE 30, 2016**

<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>
<b>United States Department of Housing and Urban Development</b>					
<u>Office of Community Planning and Development</u>					
Community Development Block Grant/Entitlement Grants	14.218	B-15-MC-54-0007	\$ 500,000	\$ <u>276,682</u>	\$ <u>276,682</u>
Total United States Department of Housing and Urban Development				<u>276,682</u>	<u>276,682</u>
Total Federal Fund				\$ <u>1,392,559</u>	\$ <u>1,392,559</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Morgantown, West Virginia under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Morgantown, West Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Morgantown, West Virginia.

**Note B – Summary of Significant Accounting Policies**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMG Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The City of Morgantown, West Virginia has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

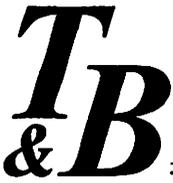
**United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program – CFDA Number 20.106 – Year Ended June 30, 2015; United States Department of Housing and Urban Development – Office of Community Planning and Development – Community Development Block Grant/Entitlement Grants – CFDA Number 14.218 - Year Ended June 30, 2015.**

There were no prior audit findings.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF PASSENGER FACILITY CHARGES  
FOR THE YEAR ENDED JUNE 30, 2016**

Balance June 30, 2015	\$ 10,282
Revenues received:	
Passenger facility charges	32,239
Interest income	2
Disbursements:	
Capital improvements	<u>(35,190)</u>
Balance June 30, 2016	\$ <u>7,333</u>

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



**Tetrick & Bartlett, PLLC**

**Certified Public Accountants  
Consultants**

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**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, 2016. 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, 2016.

### **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 A. Barthel, PLLC*

Clarksburg, West Virginia  
December 23, 2016