

**PARKERSBURG UTILITY BOARD
PARKERSBURG, WEST VIRGINIA
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014
WITH INDEPENDENT AUDITOR'S REPORT**

**PARKERSBURG UTILITY BOARD
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**PARKERSBURG UTILITY BOARD
BOARD MEMBERS
YEAR ENDED JUNE 30, 2014**

Position	Name	Term
Chairman	Robert D. Newell	01/05/2013 - 01/04/2017
Vice Chairman	John S. Lutz	05/25/2012 - 05/24/2016
Member	Edward C. Glasser	02/15/2014 - 06/30/2014
Member	Gregory L. Herrick, PE	05/24/2011 - 05/24/2015
Member	Paul C. Hoblitzell III	05/23/2013 - 05/22/2017

Administrative:

Manager	Eric Bennett
Comptroller	Erin Hall



HarmanThompson Division

INDEPENDENT AUDITOR'S REPORT

To the Board Members
Parkersburg Utility Board
Parkersburg, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Parkersburg Utility Board (the Utility Board), a component unit of the City of Parkersburg, West Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Utility Board'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 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.

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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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Parkersburg Utility Board as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages six through seventeen be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the Parkersburg Utility Board'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 Parkersburg Utility Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Suttle & Stalmaker, PLLC".

Parkersburg, West Virginia
November 7, 2014

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

INTRODUCTION

The Parkersburg Utility Board (the Utility Board) was created in 1996 in response to a vote of the citizens of the City of Parkersburg regarding the mode of management they preferred for operation and maintenance of a combined water and sanitary sewer utility. Prior to 1996, Parkersburg's water system had been operated as a department of the City. The sanitary sewer system had functioned under the guidance of a Sanitary Board from the mid 1950s. The Utility Board is comprised of the Mayor of Parkersburg who serves as Chairman of the Board, and four citizens of Parkersburg appointed by City Council with staggered four year terms on the Utility Board.

Both the water and sanitary sewer systems in Parkersburg date back to the late 1800s. There had been capital improvements done over the years in both systems, but those had not kept pace with needs in the two systems. There had been no on-going renewal and replacement program in either system for decades. One of the early actions taken by the Utility Board was to select engineering firms to perform an engineering evaluation of each system and to provide a report on each. Each report was to detail existing conditions and was to provide recommendations for addressing improvements in each of the systems.

A Comprehensive Water System Evaluation dated December 1997 and revised July 1998 was prepared by Burgess & Niple. The report recommended four phases of water system improvements totaling \$18,469,700, based on mid-1998 cost indices.

A report titled Wastewater System Evaluation and Recommendations dated April 1998 was prepared by Strand Associates, Inc. This report recommended capital improvements totaling \$52,657,000, based on first quarter 1998 dollars.

As with any infrastructure, conditions and needs are ever changing and the comprehensive engineering reports are updated every two to three years to accommodate the changing needs of the systems, as well as the need to comply with increasing regulatory requirements.

The Parkersburg Utility Board has worked diligently to properly expend utility revenues to repair, reconstruct or improve the water and sanitary sewer systems of the City of Parkersburg. Since 1996, the Utility Board has expended \$69,558,220 on major capital improvements to the sanitary sewer system. This includes a major upgrade to the waste water treatment plant (WWTP) at a cost of \$48,240,617. Also, we have expenditures totaling \$22,189,442 for major improvements and additions to the water system.

There is still much work to be completed, the most daunting of which in the sanitary sewer system is the requirement to eliminate all wet weather related overflows by October 2020, while still maintaining a system that ranges from 50 to 120 years old. The Utility Board is under an Administrative Order from the West Virginia Department of Environmental Protection that requires certain milestones be met, which includes the elimination of all overflows. Major upgrades at two of the major pumping stations have been completed. This project allows the stations to pump wet weather flows to the treatment plant and reduce sanitary sewer overflows from the collection system. A project to remove the rotating biological contactors and replace them with additional secondary clarification and digestion is necessary to maintain the WWTP's current capacity and retire equipment that has exceeded its useful life. This project is currently under construction with completion anticipated by December 2016.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

There is ample work that remains to be completed with the most prevalent in the water system being the replacement of the aging water lines. Even with the recently completed water improvement project there still remains many thousands of feet of small diameter galvanized steel water mains that are in dire need of replacement along with the cast iron water mains that range from 50 to 120 years old. However, it has been assumed that with the improvements maintenance needs will be reduced allowing the Utility Board staff to begin a more aggressive in-house waterline replacement program.

Since the Utility Board's creation in 1996, great emphasis has been placed on expending funds wisely to properly maintain and improve the water and sanitary sewer infrastructure of Parkersburg. The Utility Board believes that it is imperative that these utilities be adequately funded to allow for the wise and effective operation, maintenance, and improvement of this vital infrastructure for the community and the environment. The lack of adequate funding leads to unsound maintenance practices that will result in poorly maintained systems that could act as a deterrent to economic development in the future.

FINANCIAL HIGHLIGHTS – COMBINED UTILITY

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Assets				
Cash and cash equivalents	\$ 7,714,184	\$ 8,605,297	\$ (891,113)	-10.36%
Accounts receivable, net	1,649,111	1,777,502	(128,391)	-7.22%
Inventories	313,821	260,050	53,771	20.68%
Other current assets	<u>62,374</u>	<u>63,213</u>	<u>(839)</u>	-1.33%
Total current assets	<u>9,739,490</u>	<u>10,706,062</u>	<u>(966,572)</u>	-9.03%
Restricted cash and cash equivalents	16,202,019	14,965,497	1,236,522	8.26%
Capital assets, net	<u>103,160,509</u>	<u>103,965,695</u>	<u>(805,186)</u>	-0.77%
Total non-current assets	<u>119,362,528</u>	<u>118,931,192</u>	<u>431,336</u>	0.36%
Total assets	<u>\$ 129,102,018</u>	<u>\$ 129,637,254</u>	<u>\$ (535,236)</u>	-0.41%

Major changes in the Proprietary Fund Net Position between fiscal years June 30, 2014 and June 30, 2013 are in cash and cash equivalents, accounts receivable and capital assets.

Cash and cash equivalents – restricted and non-restricted - Non-restricted cash and cash equivalents decreased by \$891,113 and restricted cash and equivalents increased by \$1,236,522 compared to fiscal year 2013.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

In fiscal year 2014, sewer operating cash decreased by \$545,276. This decrease can largely be attributed to an additional \$282,932 in operation and maintenance spending and an increase in debt service payments to the West Virginia Municipal Bond Commission (WVMBC) of \$271,217. The majority of the increase in payments to the WVMBC is due to the repayment of the 2012A bond beginning fiscal year 2014.

In this fiscal year, the water operating account decreased by \$499,091 compared to fiscal year 2013. Capital projects paid by the water utility were \$109,302 higher and water's operation and maintenance spending was \$99,605 higher compared to fiscal year 2013 spending. Also, fiscal year 2014 was the first full year of debt service payments for water bond 2011A contributing to additional payments to the WVMBC in the amount of \$159,165.

The capital fund for water increased \$97,218 from the previous fiscal year. In fiscal year 2012, the water utility initiated setting aside \$0.50 per month per customer for the maintenance of water reservoirs. During this fiscal year, \$96,616 was deposited into the capital fund for this purpose.

The sewer utility capital reserve account increased by interest income in the amount of \$17,007.

Sanitary Sewer System Overflow (SSO) fund and depreciation funds for water and sewer increased by \$1,018,874 over the prior year. Bond ordinances require deposits into depreciation funds at 5% of revenue and the sewer tariff requires deposit into the sewer SSO fund of \$1 per customer per month. Withdrawals are permitted from the depreciation funds for capital spending and from the SSO fund for sewer system overflow improvement projects. For fiscal year 2014, deposits into these accounts were \$1,002,344 and interest income was \$16,530.

The Utility Board is required to fund one year of debt service for each bond upon issue or within a ten year window. Accordingly, bond reserve funds increased by \$133,157 in this fiscal year. Other changes to restricted cash were increases in bond redemption funds for \$79,538 and customer deposits for \$5,453 and a decrease in the State Revolving Fund (SRF) construction account of \$500.

Accounts receivable (net of reserves) - Net accounts receivable decreased in fiscal year 2014 by \$128,391 or 7.22%. This was the result of lower unpaid billing of approximately \$83,000 in June 2014 versus 2013 due to decreased volume for that month. Consumption continues to decline in both utilities.

A half percent (.5%) of gross revenue is added to bad debt reserves each month. This provision to the allowance for doubtful accounts was \$71,974 in 2014. Recoveries were \$17,405 and accounts written off totaled \$128,144. The allowance for doubtful accounts is more than adequate to cover potential write-offs.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

Capital assets (net) - Capital assets decreased by a net of \$805,186 or 0.77% during fiscal year 2014. Capital spending increased assets by \$3,075,219 including major capital spending for the 1st Avenue and Agnes Street sewer project in the amount of \$845,000 and the Ranney Wells Electrical Upgrade project in the amount of \$500,000. Approximately \$765,000 was spent for routine service lines, collecting mains, transmission mains and hydrants. The balance of spending represents numerous projects. The provision for depreciation reduced assets by \$3,873,348. Also, assets were disposed of with a net book value of \$7,057.

	2014	2013	Increase (Decrease)	% Change
Liabilities				
Accounts payable	\$ 531,353	\$ 283,838	\$ 247,515	87.20%
Revenue bonds payable	4,446,271	4,230,789	215,482	5.09%
Other current liabilities	1,419,016	1,426,372	(7,356)	-0.52%
Total current liabilities	6,396,640	5,940,999	455,641	7.67%
Revenue bonds payable	58,558,750	62,266,316	(3,707,566)	-5.95%
Unamortized bond premium	117,429	131,747	(14,318)	-10.87%
Other non-current liabilities	3,045,260	3,066,503	(21,243)	-0.69%
Total non-current liabilities	61,721,439	65,464,566	(3,743,127)	-5.72%
Total liabilities	\$ 68,118,079	71,405,565	(3,287,486)	-4.60%
Net position				
Invested in capital assets, net of related debt	\$ 40,038,059	\$ 37,336,843	\$ 2,701,216	7.23%
Restricted	15,109,344	13,831,678	1,277,666	9.24%
Unrestricted	5,836,536	7,063,168	(1,226,632)	-17.37%
Total net position	\$ 60,983,939	\$ 58,231,689	\$ 2,752,250	4.73%

Accounts payable - An increase of \$247,515 in accounts payable resulted partially from the difference in unpaid capital spending at the end of each fiscal year. At the end of 2013, unpaid invoices related to capital spending were \$51,343 compared to unpaid capital invoices in the amount of \$161,378 at the end of 2014. Operation and maintenance expenses and inventory purchases unpaid at the end of fiscal year 2014 increased by \$72,564 and \$64,916, respectively.

Revenue bonds payable current and long-term - Bonds payable both current and long-term decreased by \$3,492,084 or 5.25%. Proceeds from the 2012A bond for the 1st Avenue and Agnes Street project were \$738,705. Principal payments for all bonds were \$4,230,789.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

Status of revenue bonds issued for both utilities is:

	Cumulative Total Bond	June 30, 2014	June 30, 2013
2003A Water WV Infrastructure Jobs Council	\$ 4,000,000	\$ 2,296,675	\$ 2,490,813
2003B Water WV Water Development Authority	3,250,000	1,980,266	1,130,209
2003D Sewer WV Infrastructure Jobs Council	926,000	543,042	587,650
2003E Sewer WV State Revolving Fund	4,326,705	2,485,354	2,696,019
2005A Sewer Public Bond Issue	34,950,000	24,120,000	25,645,000
2006C Water Public Bond Refunding of 1996 Bond	17,425,000	10,160,000	11,365,000
2006D Sewer WV State Revolving Fund	9,000,000	7,125,000	7,425,000
2006E Sewer WV State Revolving Fund	4,175,342	3,337,245	3,483,001
2011A Water DWTRF Revolving Fund	5,800,000	5,440,677	5,681,418
2012A Sewer SRF Revolving Fund	5,731,700	5,516,762	4,992,995
Total bond issues	89,584,747	63,005,021	66,497,105
Unamortized debt premium	-	117,429	131,747
Total all outstanding bond issues	\$ 89,584,747	\$ 63,122,450	\$ 66,628,852

The Combined Revenue Bonds 2003A funded by Infrastructure Jobs Development Council (IJDC) and 2003B funded by the Water Development Authority (WDA) closed March 3, 2003 and financed the capital improvements for the Phase I Water system improvements included in the five year plan. Payments of principal for 2014 were \$194,138 and \$149,943 respectively.

The Combined Revenue Bonds 2003D funded by Infrastructure Jobs Development Council (IJDC) and 2003E funded by the West Virginia State Revolving Fund (SRF) closed on August 4, 2004 and funded sewer system improvements included in the five-year plan. Both issues were funded on a draw down basis with no debt service during the year of construction. Principal payments were made in 2014 of \$44,608 and \$210,665 respectively.

The Combined Revenue Bond 2005A is a public bond issue and substantially financed the wastewater plant upgrade project including refinancing of the engineering design 2003C bond. Principal payments for fiscal year 2014 were \$1,525,000.

The Combined Revenue Bond 2006C is a public bond issue that refinanced the 1996 Combined Revenue Bond for the water utility. Annual cash flow savings of \$168,517.03 was realized with this transaction. These savings were set aside to contribute to the design and implementation of the Phase II water capital improvement project completed in fiscal year 2013. Principal payments for fiscal year 2014 were \$1,205,000.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

The Combined Revenue Bond 2006D funded by the West Virginia State Revolving Fund (SRF) closed on December 14, 2006 and funded \$9,000,000 for the wastewater plant upgrade project. Principal payments for fiscal year 2014 were \$300,000. This bond was issued for 30 years at 0.0% interest plus an administration fee of 0.5%.

The Combined Revenue Bond 2006E funded by the West Virginia State Revolving Fund (SRF) closed on December 14, 2006 and funded \$4,175,342 for the 6th Street pump station and force main project. This project was completed in September 2009. Principal payments for fiscal year 2014 were \$145,756. This bond was issued for 30 years at 0.0% interest plus an administration fee of 0.5%.

The Combined Revenue Bond 2011A funded by the Drinking Water Treatment Revolving Fund (DWTRF) closed on March 16, 2011 and funded \$5,800,000 for the Phase II water system improvements project which was completed in fiscal year 2013. Principal payments for fiscal year 2014 were \$240,741. This bond was issued for 20 years at 2.0% interest plus an administration fee of 1.0 %.

The Combined Revenue Bond 2012A funded by the West Virginia State Revolving Fund (SRF) closed on May 23, 2012 and funded the 1st Avenue and Agnes Street pump stations and force main project which was completed in fiscal year 2014. In fiscal year 2014, this bond became fully drawn with the remaining \$738,705 drawn totaling \$5,731,700. Principal payments for fiscal year 2014 were \$214,938. This bond was issued for 20 years at 0.0% interest plus an administration fee of 0.5 %.

Net position - The Utility Board's net position increased by \$2,752,250 over the previous year to \$60,983,939. Of this total \$40,038,059 was invested in capital assets, net of related debt, \$15,109,344 restricted and \$5,836,536 unrestricted.

DEBT ADMINISTRATION

The 2005A and 2006C Revenue Bonds require a 1.20 combined (water and sewer) coverage ratio as do subsequent subordinate notes or bond issues on parity. The minimum debt coverage ratio has been met or exceeded. However, each utility is a standalone enterprise fund. Thus, sewer funds cannot be used for water expenses and vice versa. Accordingly, each utility must rationally meet the debt coverage ratio to be healthy.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND**

	2014	2013	Increase (Decrease)	% Change
Operating income (expenses)				
Total operating revenues	\$ 16,261,691	\$ 16,402,801	\$ (141,110)	-0.86%
Total operating expenses	11,626,065	11,061,647	564,418	5.10%
Operating income	<u>\$ 4,635,626</u>	<u>\$ 5,341,154</u>	<u>\$ (705,528)</u>	-13.21%

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

Operating revenue - Total operating revenues of \$16,261,691 decreased by \$141,110 or 0.86% from the prior fiscal year.

Compared to 2013, billed consumption in the sewer utility decreased by 1.52% and 3.06% for the water utility. The water and sewer utilities accrued revenue at year end also declined \$37,245.

The Utility Board treats the sewage for the City of Vienna and shares the cost of treatment pro-rata based on flow. Capital expenditures and debt service for sewer treatment facilities are also shared by the two municipalities. Vienna billed revenue increased by \$250,047 or 32.96% compared to 2013. Almost \$100,000 of this increase is the result of a revision to Vienna's share of debt service payments related to the wastewater treatment plant (WWTP). The remainder of this increase is the result of the Utility Board decreasing their infiltration flows into the plant, which resulted in a higher percentage of operating costs allocated to Vienna.

A four step rate increase has been approved for the sewer utility to be effective with the July 2014 billing. This increase will fund routine cost increases and the additional debt service for the WWTP Phase II upgrade project. The Utility Board will close on an almost \$12.7 million dollar bond in August 2014 for this upgrade project.

Operating expenses - Operating and maintenance expenses, excluding depreciation, increased from 2013 by \$394,095 or 5.36%. Higher depreciation expense of \$170,323 brought the change in total operating and maintenance expenses to an increase of \$564,418.

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Detail personnel costs				
Payroll costs	\$ 3,382,343	\$ 3,341,223	\$ 41,120	1.23%
Benefit costs	1,555,256	1,530,715	24,541	1.60%
ARC benefit costs unfunded	74,354	65,729	8,625	13.12%
Total payroll costs	5,011,953	4,937,667	74,286	1.50%
Transferred to capital	(362,643)	(393,662)	31,019	-7.88%
Transferred to maintenance/other	(845,223)	(904,708)	59,485	-6.58%
Net personnel cost	<u>\$ 3,804,087</u>	<u>\$ 3,639,297</u>	<u>\$ 164,790</u>	4.53%

Payroll and payroll associated costs increased by \$41,120 or 1.23% compared to fiscal year 2013. The Utility Board implemented a 1.70% wage increase effective July 1, 2013 for all employees. Benefit costs increased by \$24,541 or 1.60% compared to 2013. Workers' Compensation increased by \$967 and FICA increased by \$1,174. West Virginia Public Employees Retirement rates increased from 14.0% to 14.5% increasing costs by \$23,165. Health insurance rates were held constant in 2014 and the net cost was lower than 2013 by \$765. To partially offset rising health insurance cost, the Utility Board raised the employee contribution toward health insurance in 2010 and again in 2011 fiscal years.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

ARC expense increased by \$8,625 or 13.12% in fiscal year 2014. The ARC rate per person per month increased from \$79 in 2013 to \$94 in 2014. ARC represents the future cost of retiree's health insurance and was recorded in compliance with GASB 45 for the first time in fiscal year 2008. No cash funding has been provided for these future costs. However, current costs for existing retirees already receiving these benefits are funded monthly along with health insurance premiums. This benefit of reduced health insurance cost at early retirement was eliminated for new hires after July 1, 2010.

	2014	2013	Increase (Decrease)	% Change
Non-operating income (expenses)				
Interest and investment revenue	\$ 43,341	\$ 50,690	\$ (7,349)	-14.50%
Interest and fiscal charges	(1,938,100)	(2,004,440)	66,340	-3.31%
Other income / expense non-operating	(7,057)	4,722	(11,779)	-249.45%
Total non-operating income (expenses)	<u>\$ (1,901,816)</u>	<u>\$ (1,949,028)</u>	<u>\$ 47,212</u>	-2.42%
Total net position				
Income before capital contributions	\$ 2,733,810	\$ 3,392,126	\$ (658,316)	-19.41%
Capital contributions	18,440	192,462	(174,022)	-90.42%
Change in net position	2,752,250	3,584,588	(832,338)	-23.22%
Net position, beginning of year, restated	<u>58,231,689</u>	<u>54,647,101</u>	<u>3,584,588</u>	6.56%
Net position, end of year	<u>\$ 60,983,939</u>	<u>\$ 58,231,689</u>	<u>\$ 2,752,250</u>	4.73%

Interest and investment revenue - For fiscal year 2014, interest income decreased from 2013 by \$7,349 or 14.50%. This reflects continued lower interest rates experienced during the year and decreases in average cash on deposit throughout the year. As an indicator of interest rates, the West Virginia Treasury office paid an average of .12% in 2014.

In an attempt to minimize further decline in interest revenue, the Utility Board placed its larger deposits in Certificate of Deposit Account Registry Service (CDARs) accounts and Certificate of Deposits (CDs) with slightly higher interest rates. All CDs have staggered maturity dates for cash availability.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

Comparative interest earnings are:

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Interest income				
2005A, 2006C bond sinking funds	\$ 1,514	\$ 5,621	\$ (4,107)	-73.07%
Depreciation funds	11,486	14,248	(2,762)	-19.39%
Capital reserve funds	17,609	16,543	1,066	6.44%
Operating funds	7,310	6,849	461	6.73%
SSO fund	5,044	6,171	(1,127)	-18.26%
Other interest income	378	1,258	(880)	-69.95%
Total interest income	<u>\$ 43,341</u>	<u>\$ 50,690</u>	<u>\$ (7,349)</u>	-14.50%

Interest and fiscal charges - Interest expense decreased from 2013 by \$66,340 or 3.31% as payments reduce principal balances. Details are:

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Interest and fiscal charges				
Revenue bonds 2003A, B, D, & E	\$ 265,310	\$ 283,933	\$ (18,623)	- 6.56%
Revenue bond series 2005A	1,039,083	1,099,883	(60,800)	- 5.53%
Revenue bond series 2006C	445,596	503,345	(57,749)	-11.47%
Revenue bonds 2006D & E	33,710	33,710	-	0.00%
Revenue bond 2011A	142,715	84,172	58,543	69.55%
Revenue bond 2012A	12,090	-	12,090	0.00%
Debt premium	(14,318)	(14,318)	-	0.00%
Other interest expense	13,914	13,715	199	1.45%
Total interest expense	<u>\$ 1,938,100</u>	<u>\$ 2,004,440</u>	<u>\$ (66,340)</u>	-3.31%

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Statement of fiduciary net position				
Cash and cash equivalents	\$ 117,796	\$ 180,864	\$ (63,068)	-34.87%
Interest receivable	5,138	5,654	(516)	-9.13%
Total current assets	<u>122,934</u>	<u>186,518</u>	<u>(63,584)</u>	-34.09%
Investments	<u>1,047,755</u>	<u>1,095,417</u>	<u>(47,662)</u>	-4.35%
Total non-current assets	<u>1,047,755</u>	<u>1,095,417</u>	<u>(47,662)</u>	-4.35%
Total assets	<u>\$ 1,170,689</u>	<u>\$ 1,281,935</u>	<u>\$ (111,246)</u>	-8.68%
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Net position	<u>\$ 1,170,689</u>	<u>\$ 1,281,935</u>	<u>\$ (111,246)</u>	-8.68%
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Statement of changes in fiduciary net position				
Employer contributions	\$ -	\$ -	\$ -	0.00%
Interest and dividends	30,282	28,832	1,450	5.03%
Net change in fair value of investments	<u>1,739</u>	<u>(48,154)</u>	<u>49,893</u>	-103.61%
Total additions	32,021	(19,322)	51,343	-265.72%
Deduct: benefits and costs	<u>143,267</u>	<u>140,396</u>	<u>2,871</u>	2.04%
Change in net position	(111,246)	(159,718)	48,472	-30.35%
Net position, beginning of year	<u>1,281,935</u>	<u>1,441,653</u>	<u>(159,718)</u>	-11.08%
Net position, end of year	<u>\$ 1,170,689</u>	<u>\$ 1,281,935</u>	<u>\$ (111,246)</u>	-8.68%

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

Fiduciary net assets - The Utility Board administers the Water Works Pension fund comprised of 7 retired employees and/or their qualifying spouses. An updated actuarial study was completed as of July 1, 2013 reflecting a funding ratio of 114.82% compared to 102.78% at July 1, 2010. The investment plan had projected in a previous study that this liability would be fully funded by July 1, 2008 after the required contribution. This has occurred even in the face of radically reduced interest rates since that study. According to this plan, benefits paid to retirees were paid directly from the pension investment fund effective July 1, 2008 where previously these benefits were paid from operating funds and expensed as a contribution to the pension fund.

As required by the pension agreement, the next scheduled actuarial analysis will be completed as of June 30, 2016 (every three years) and further contributions, if required, will be adjusted accordingly.

ECONOMIC FACTORS THAT MAY AFFECT THE PARKERSBURG UTILITY BOARD

Economic conditions of the country as a whole as well as those of the state and the local community all affect operation of Parkersburg's water and sanitary sewer systems.

Nationally, the turmoil in the housing and financial markets continues to adversely impact the national and global economy. Part of this impact is seen in interest rates that are currently at historically low levels. Interest earned on deposits of utility funds, such as depreciation funds and bond reserve funds, add to the income of a utility. Thus, with higher interest income, water and sewer service charge adjustments required from time to time for utility operation can be correspondingly lower. From a borrowing standpoint, higher interest rates increase the revenue that must be generated from water and sewer service charges for debt service related to system capital improvements. On balance, the community receives greater benefit from lower borrowing costs during periods of low interest rates in comparison with lower returns on invested funds during periods of low interest rates. The Utility Board has been fortunate over the last few years to secure low interest loans from the West Virginia State Revolving Fund (SRF) to make much needed improvements in both systems. The WWTP Phase II upgrade project was originally approved for a 12.6 million dollar loan at 0% interest and 0.5% administration fee for 20 years from the SRF program. However, with a high demand for SRF funds related to the Chesapeake Bay projects in the eastern panhandle and the very high costs of these projects there were no funds available when the project was ready to go to bid. We were very fortunate that the West Virginia Infrastructure and Jobs Development Council (WVIJDC) had funds available and provided the Utility Board with the necessary loan funds at 1% interest for 20 years.

Without additional stimulus funding or increased grant funding options the burden for maintaining and upgrading the aging infrastructure systems across our nation will continue to be the responsibility of the local communities. Increases in the cost of energy and steel products has also increased the cost of basically every commodity used by this utility and therefore these increased costs have an effect on the amount of renewal and replacement work that can be completed. Water and sanitary sewer systems are among the most essential services that communities can provide to protect the health and economic welfare of citizens, and expenditures needed to assure continued reliable and adequate service should be among those with highest priority.

**PARKERSBURG UTILITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

(Continued)

Like other older communities throughout the nation, Parkersburg has major need for capital improvements in its infrastructure systems, including water and sanitary sewer systems. Aging facilities require continued renewal and replacement. Evolving environmental regulations also require capital investment to improve performance of existing facilities and to add new facilities to meet new federal and state standards. Therefore, priorities must be established to make expenditures that are affordable in a manner that best benefits the community and promotes the health and economy of the community.

In addition to the need for infrastructure improvement, the local economy is in a state of change. With the proposed construction of a methane cracker plant to be located south of Parkersburg and an increase in oil and gas exploration and production throughout the state, the Utility Board is experiencing an increase in development in the local area. If the proposed facility and all the associated economic development come to fruition, the Utility Board could experience an increase in consumption and revenue that will aid in the extensive fiscal needs of the two systems.

Although the county's population has remained relatively steady, Parkersburg's population base has experienced steady decline. This correlates to a decrease in the number of Utility Board customers. The job market is also changing. The number of industrial jobs in the area has declined in recent years. This decline can be attributed to the impact of technology, as well as company downsizing and relocation to better compete in today's global economy. The decline in high volume industrial customers has shifted the cost to maintain the utilities to the lower volume residential and commercial customers. In addition to this cost reallocation to residential and commercial customers, the consumption continues to decline in both utilities due to water conservation techniques.

This decline in customers and consumption has contributed to the need for rate increases. With the three step water rate increase that was effective July 1, 2010, revenues for the water utility are still adequate to properly operate and maintain the water system. City Council has approved a four step rate increase for the sewer utility to be effective July 1, 2014. However, with the requirements of the Administrative Order to complete specific improvements in the sanitary sewer system it will be necessary to implement rate increases, as necessary, to ensure that the Utility Board has adequate funds to operate and maintain the sewer system while continuing to work towards the ominous goal of eliminating all overflows from the system by October 2020.

CONTACTING THE PARKERSBURG UTILITY BOARD MANAGEMENT

The above financial highlights are intended to provide a general overview of the Parkersburg Utility Board's financial statements. Any questions about this report should be directed to the administration office at 125 19th Street, Parkersburg, West Virginia 26101, or call (304) 424-8535.

PARKERSBURG UTILITY BOARD
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS AND DEFERRED OUTFLOWS

Current assets

Cash and cash equivalents	\$ 7,714,184
Accounts receivable (net of allowance for doubtful accounts of \$734,985)	1,649,111
Inventory	313,821
Prepaid expenses	<u>62,374</u>
 Total current assets	 <u>9,739,490</u>

Noncurrent assets

Restricted assets:

Cash and cash equivalents	
Debt service	8,980,779
Capital maintenance and construction	4,857,224
Sanitary sewer overflow	1,902,590
Customer deposits	461,426

Capital assets:

Land	2,121,104
Buildings	52,034,343
Equipment	117,902,614
Construction in progress	1,980,893
Less: accumulated depreciation	<u>(70,878,445)</u>

Total noncurrent assets 119,362,528

Deferred outflows

Total deferred outflows -

Total assets and deferred outflows \$ 129,102,018

PARKERSBURG UTILITY BOARD
STATEMENT OF NET POSITION
JUNE 30, 2014
(Continued)

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current liabilities

Accounts payable	\$	531,353
Due to primary government		16,025
Accrued compensated absences		210,162
Other current liabilities		100,154

Current liabilities payable from restricted assets:

Accrued interest payable		629,651
Customer deposits		463,024
Bonds payable		4,446,271

Total current liabilities		<u>6,396,640</u>
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Long-term liabilities net of current portion

Accrued compensated absences		29,806
Accrued post employment benefit liability		2,527,973
Customer advances for construction		487,481
Bonds payable		58,558,750
Unamortized bond premiums		117,429

Total long-term liabilities		<u>61,721,439</u>
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Deferred inflows

Total deferred inflows		<u>-</u>
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Total liabilities and deferred inflows		<u>68,118,079</u>
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Net position

Invested in capital assets, net of related debt		40,038,059
Restricted		15,109,344
Unrestricted		5,836,536

Total net position		<u>60,983,939</u>
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Total liabilities, deferred inflows, and net position		<u><u>\$ 129,102,018</u></u>
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PARKERSBURG UTILITY BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

Operating revenues	
Charges for services	\$ 16,261,691
	<u>16,261,691</u>
Operating expenses	
Personal services	3,804,087
Contractual services	83,928
Administrative and general	622,786
Materials and supplies	611,047
Utilities	1,018,432
Maintenance	1,612,437
Depreciation	3,873,348
	<u>11,626,065</u>
Operating income	<u>4,635,626</u>
Nonoperating revenues (expenses)	
Interest income	43,341
Interest and fiscal charges	(1,938,100)
Gain (loss) from disposition of capital assets	(7,057)
	<u>(1,901,816)</u>
Income before capital contributions	2,733,810
Capital contributions	<u>18,440</u>
Change in net position	2,752,250
Net position at beginning of year	<u>58,231,689</u>
Net position at end of year	<u><u>\$ 60,983,939</u></u>

**PARKERSBURG UTILITY BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities	
Receipts from customers	\$ 16,390,082
Payments to suppliers	(3,863,180)
Payments to employees	(3,692,744)
	<hr/>
Net cash provided (used) by operating activities	8,834,158
	<hr/>
Cash flows from non-capital and related financing activities	
Change in customer deposits	6,371
	<hr/>
Net cash provided (used) by non-capital and related financing activities	6,371
	<hr/>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(2,907,928)
Proceeds from bond issue	738,705
Principal repayments on bonds	(4,230,789)
Interest paid	(1,999,933)
Rebates paid for customer advances for construction	(138,516)
	<hr/>
Net cash provided (used) by capital and related financing activities	(8,538,461)
	<hr/>
Cash flows from investing activities	
Interest Received	43,341
	<hr/>
Net cash provided (used) by investing activities	43,341
	<hr/>
Net increase in cash and cash equivalents	345,409
Cash and cash equivalents at beginning of year	23,570,794
	<hr/>
Cash and cash equivalents at end of year	\$ 23,916,203
	<hr/> <hr/>

**PARKERSBURG UTILITY BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(Continued)**

Reconciliation of cash and cash equivalents to statement of net position	
Cash and cash equivalents	\$ 7,714,184
Restricted:	
Debt service	8,980,779
Capital maintenance and construction	4,857,224
Sanitary sewer overflow	1,902,590
Customer deposits	461,426
	<hr/>
Total cash and cash equivalents	<u><u>\$ 23,916,203</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 4,635,626
Adjustments to reconcile operating income to net cash Provided (used) by operating activities:	
Depreciation	3,873,348
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	128,391
(Increase) decrease in inventory	(53,771)
(Increase) decrease in prepaid expenses	839
Increase (decrease) in accounts payable	137,481
Increase (decrease) in due to primary government	611
Increase (decrease) in other current liabilities	18,654
Increase (decrease) in accrued compensated absences	18,626
Increase (decrease) in accrued post employment benefit liability	74,353
	<hr/>
Total adjustments	4,198,532
	<hr/>
Net cash provided (used) by operating activities	<u><u>\$ 8,834,158</u></u>

**PARKERSBURG UTILITY BOARD
WATERWORKS PENSION FUND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014**

ASSETS AND DEFERRED OUTFLOWS

Current assets

Cash and cash equivalents	\$	117,796
Investments, at fair value		1,047,755
Interest receivable		<u>5,138</u>
 Total current assets		 <u>1,170,689</u>

Deferred outflows

Total deferred outflows		<u>-</u>
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Total assets and deferred outflows	\$	<u><u>1,170,689</u></u>
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LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Liabilities

Total liabilities	\$	<u>-</u>
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Deferred inflows

Total deferred inflows		<u>-</u>
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Total liabilities and deferred inflows		<u>-</u>
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Net position

Net position held in trust for pension benefits		<u>1,170,689</u>
 Total net position		 <u>1,170,689</u>

Total liabilities, deferred inflows, and net position	\$	<u><u>1,170,689</u></u>
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**PARKERSBURG UTILITY BOARD
WATERWORKS PENSION FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014**

Additions

Contributions

Employer contributions	\$	-
Employee contributions		-
		-

Total contributions		-
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Investment income

Net change in fair value of assets		1,739
Interest income		30,282
		30,282

Total investment income		32,021
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Total additions		32,021
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Deductions

Administrative and general		2,700
Benefit payments		140,567
		140,567

Total deductions		143,267
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Change in net position		(111,246)
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Net position at beginning of year		1,281,935
		1,281,935

Net position at end of year		\$ 1,170,689
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**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Reporting entity - The Parkersburg Utility Board (the Utility Board) serves the residents of Parkersburg, West Virginia (the City) and is governed by a board comprised of five members, one of whom is the Mayor of the City, and not less than one of whom is a registered professional engineer. The remaining board members are citizens and residents of the City. With the exception of the Mayor, all board members are appointed by the City Council. The Utility Board has the power to fix and maintain a separate budget and has full and complete authority for the supervision, management, control, and operation of the system. Although the City Council approves rates for user fees and the issuance of debt, the Utility Board has fiscal responsibility for the payment of long-term debt.

Based on criteria established by the Governmental Accounting Standards Board (GASB), the Utility Board is considered a component unit of the City.

Measurement focus, basis of accounting, and financial statement presentation - The financial statements of the Utility Board have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accounts of the Utility Board are organized into fund types, each of which is considered to be a separate accounting entity. The major fund categories for the fund financial statements are:

Proprietary fund category

Proprietary Funds are reported using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included in its Statement of Net Position.

Enterprise Fund Type: Enterprise Funds are used to report activities (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 the periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES
(Continued)

Fiduciary fund category

Fiduciary Funds are used to report assets held by the Utility Board in a trustee or agency capacity for others and therefore cannot be used to support the Utility Board's own programs. Fiduciary funds are accounted for in essentially the same manner as proprietary funds.

Pension Trust Fund Type: Pension Trust Funds report the activities of the old retirement system, which accumulates resources for pension benefit payments to qualified employees.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer accounts are charges to customers for sales and services. Operating expenses for the water and sewer accounts include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 certain 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.

Budgets - The Utility Board is not required to prepare an annual budget by state statute and therefore, a statement detailing budgeted versus actual activity is not presented.

Cash and cash equivalents - For purposes of the Statement of Cash Flows, the Utility Board considers all cash accounts and all highly liquid investments available for current use with an original maturity of twelve months or less when purchased to be cash and cash equivalents.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES
(Continued)

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

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

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

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 stock, or warrants and rights to purchase such securities. Pension funds have different rules concerning the purchase of marketable debt securities.

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 ten percent of the total assets of the total pension fund assets and (2) at no time can the equity portion of the portfolio exceed fifty percent of the total portfolio.

Investments are carried at fair value which is based upon quoted market price. Realized gains and losses are recognized and reported as a component of investment income when proceeds of the sale differ from historical costs. Unrealized gains and losses are recognized and reported as a component of investment income when fair value differs from historical costs.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES
(Continued)

Investment risk is categorized as follows:

Custodial Credit Risk - The risk that, in the event of the failure of the counterparty to a transaction, the Utility Board will not be able to recover the value of the investment or the collateral securities that are in the possession of an outside party.

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

Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment.

Accounts receivable - Accounts receivable are reported net of an estimated allowance for doubtful accounts. Management establishes an allowance for estimated uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$734,985 as of June 30, 2014.

Inventory - Inventory is valued at cost based on the first-in, first-out method.

Restricted assets - Certain proceeds of the Utility Board's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

- 1) Reserve accounts are used to report resources set aside to make up potential future deficiencies in bond sinking funds.
- 2) Depreciation funds are used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.
- 3) Customer deposit accounts are used to report the segregation of returnable cash deposits from customers of the utility upon initial receipt of the service.

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

(Continued)

Capital assets - Capital assets are recorded at cost which includes labor, materials, services, and interest on funds used during construction and other indirect costs. Depreciation of all exhaustible capital assets used by the Utility Board is charged as an expense against operations and accumulated depreciation is reported on the Utility Board's Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life</u>
Land	None
Construction in progress	None
Buildings and systems	10-50 years
Equipment	3-25 years

Maintenance and repairs are expensed as incurred and major additions and improvements are capitalized. Gains or losses on dispositions of capital assets are included in current operations as realized.

Compensated absences - It is the Utility Board's current policy to permit employees to accumulate earned and unused vacation benefits. Vested or accumulated vacation and previously accumulated sick leave is recorded as an expense and a liability in the proprietary funds as the benefits accrue to employees.

Net position classification - As required by GASB, the Utility Board displays net position in three components:

- 1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- 3) Unrestricted - All other net position that does not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt."

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

(Continued)

Deferred inflows and outflows of resources - A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. The Utility Board accounts for deferred inflows and outflows of resources in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB No. 65, *Items Previously Reported as Assets and Liabilities*. There were no deferred inflows and outflows of resources as of June 30, 2014.

Pension plans - All eligible employees are covered under the West Virginia Public Employees Retirement System due to the Utility Board electing to be a participating public employer.

The Utility Board maintains a defined benefit pension plan that was discontinued when the Utility Board became a participating member of the West Virginia Public Employees Retirement System. The Plan is administered only for those employees that qualified for the Plan and no current employee may contribute or receive the benefits of the Plan.

Restricted resources - Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Recent statements issued by the Governmental Accounting Standards Board (GASB) - The GASB has issued Statements No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The Utility Board has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

NOTE 2 - BANK DEPOSITS AND INVESTMENTS

Bank deposits - Custodial credit risk for bank deposits is the risk that in the event of a bank failure, the Utility Board's deposits may not be returned to it. It is the Utility Board's policy for bank deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

Investments - Investment pools are under the custody of the Utility Board. Investing is performed in accordance with investment policies complying with State statutes.

Proprietary fund

The Utility Board has twenty (20) accounts with the Municipal Bond Commission totaling \$8,980,779 as of June 30, 2014. These funds are invested with the State of West Virginia Board of Treasury Investments (BTI) in the WV Government Money Market Pool as of June 30, 2014.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 - BANK DEPOSITS AND INVESTMENTS (Continued)

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI’s Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI’s Consolidated Fund.

WV Government Money Market Pool - Credit Risk

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

For the year ended June 30, 2014, the WV Government Market Pool has been rated AAAM by Standard & Poor’s. A fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 - BANK DEPOSITS AND INVESTMENTS (Continued)

The following table provides information on the credit ratings of the WV Government Money Market Pool's investments as of June 30, 2014.

Security Type	Credit Ratings		Carrying Value (In Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AA+	\$ 12,453	5.21%
U.S. treasury notes*	Aaa	AA+	37,016	15.49
U.S. treasury bills*	P-1	A-1+	3,000	1.26
U.S. agency discount notes	P-1	A-1+	122,056	51.08
Money market funds	Aaa	AAAm	29	0.01
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AA+	64,400	26.95
			\$ 238,954	100.00%

*U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

As of June 30, 2014, the WV Government Money Market Pool investments had a total carrying value of \$238,954,000, of which the Utility Board's ownership represents approximately 3.76%.

WV Government Money Market Pool - Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All of the BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 - BANK DEPOSITS AND INVESTMENTS (Continued)

The overall weighted average maturity (WAM) of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool as of June 30, 2014.

Security type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 64,400	1
U.S. treasury notes	37,016	67
U.S. treasury bills	3,000	73
U.S. agency discount notes	122,056	45
U.S. agency bonds	12,453	40
Money market funds	29	1
	<u>\$ 238,954</u>	<u>37</u>

WV Government Money Market Pool - Other Investment Risks

Other investment risks can include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of a BTI's Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts hold interests in foreign currency or interests valued in foreign currency.

Requests for additional financial information pertaining to the BTI may be sent to the Chief Financial Officer, West Virginia Board of Treasury Investments, 1900 Kanawha Boulevard East, Charleston, WV 25305.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Fiduciary fund

Type of Investments	Fair Value	Cost
Government agency bonds	\$ 589,738	\$ 619,235
Government backed/CMO securities	195,169	204,464
Certificates of deposit	262,848	266,735
	<u>\$ 1,047,755</u>	<u>\$ 1,090,434</u>

Credit risk

State law limits investments. It is the Utility Board's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2014, the following fiduciary fund's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

Type of Investments	Fair Value	Standard & Poor's and Fitch	Moody's Investment Services
Government agencies bond	<u>\$ 589,738</u>	AA+	AAA

Interest rate risk

As of June 30, 2014, the fiduciary fund had the following investments and maturities exposed to interest rate risk.

Type of Investments	Fair Value	Maturities (In Years)			
		Less than 1	1-5	6-10	More than 10
US Treasury obligations	\$ 589,738	\$ -	\$ -	\$ -	\$ 589,738
Government backed/CMO securities	195,169	-	-	-	195,169
Certificates of deposit	262,848	-	49,421	50,814	162,613
	<u>\$ 1,047,755</u>	<u>\$ -</u>	<u>\$ 49,421</u>	<u>\$ 50,814</u>	<u>\$ 947,520</u>

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 3 - CAPITAL ASSETS AND CAPITAL ASSETS NET OF DEPRECIATION

Capital assets activity for the year ended were as follows:

	Beginning Balance	Additions	Retirements	Transfers Net	Ending Balance
Nondepreciable capital assets					
Land	\$ 2,120,354	\$ 1,498	\$ -	\$ (748)	\$ 2,121,104
Construction in progress	6,532,277	-	-	(4,551,384)	1,980,893
 Total nondepreciable capital assets	 8,652,631	 1,498	 -	 (4,552,132)	 4,101,997
Depreciable capital assets					
Buildings and systems	52,003,159	102,223	-	(71,039)	52,034,343
Equipment	110,352,272	2,971,498	(44,327)	4,623,171	117,902,614
 Total depreciable capital assets at historical costs	 162,355,431	 3,073,721	 (44,327)	 4,552,132	 169,936,957
Less: accumulated depreciation					
Buildings and systems	17,490,025	1,095,992	-	-	18,586,017
Equipment	49,552,342	2,777,356	(37,270)	-	52,292,428
 Total accumulated depreciation	 67,042,367	 3,873,348	 (37,270)	 -	 70,878,445
 Depreciable capital assets, net	 95,313,064	 (799,627)	 (7,057)	 4,552,131	 99,058,511
 Capital assets, net	 \$ 103,965,695	 \$ (798,129)	 \$ (7,057)	 \$ -	 \$103,160,509

Depreciation expense was \$3,873,348 for the year ended June 30, 2014.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS

The following is a summary of long-term liability activity for the year ended June 30, 2014:

Business type activities

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Bonds Payable						
2003A Combined Revenue Bonds	\$ 2,490,813	\$ -	\$ 194,138	\$ 2,296,675	\$ 200,027	\$ 2,096,648
2003B Combined Revenue Bonds	2,130,209	-	149,943	1,980,266	157,440	1,822,826
2003D Combined Revenue Bonds	587,650	-	44,608	543,042	45,962	497,080
2003E Combined Revenue Bonds	2,696,019	-	210,665	2,485,354	214,910	2,270,444
2005A Combined Revenue Bonds	25,645,000	-	1,525,000	24,120,000	1,585,000	22,535,000
2006C Combined Revenue Bonds	11,365,000	-	1,205,000	10,160,000	1,265,000	8,895,000
2006D Combined Revenue Bonds	7,425,000	-	300,000	7,125,000	300,000	6,825,000
2006E Combined Revenue Bonds	3,483,001	-	145,756	3,337,245	145,756	3,191,489
2011A Combined Revenue Bonds	5,681,418	-	240,741	5,440,677	245,591	5,195,086
2012A Combined Revenue Bonds	4,992,995	738,705	214,938	5,516,762	286,585	5,230,177
Total bonds payable	<u>66,497,105</u>	<u>738,705</u>	<u>4,230,789</u>	<u>63,005,021</u>	<u>4,446,271</u>	<u>58,558,750</u>
Other long-term obligations						
Accrued compensated absences	221,342	206,037	187,411	239,968	210,162	29,806
Accrued post employment benefit liability	2,453,620	74,353	-	2,527,973		2,527,973
Customer advances for construction	587,180	57,257	156,956	487,481	-	487,481
Total other long-term obligations	<u>3,262,142</u>	<u>337,647</u>	<u>344,367</u>	<u>3,255,422</u>	<u>210,162</u>	<u>3,045,260</u>
Total long-term debt and obligations	<u>\$ 69,759,247</u>	<u>\$ 1,076,352</u>	<u>\$ 4,575,156</u>	<u>\$ 66,260,443</u>	<u>\$ 4,656,433</u>	<u>\$61,604,010</u>

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS (Continued)

2003A Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$4,000,000 and is payable in quarterly installments of \$66,673 including interest of 3.0%. The issue matures June 2024 and is secured by a first lien on the gross revenues of the Waterworks and Sewerage systems on parity with the other Series 2003 bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 266,691	\$ 200,027	\$ 66,664
2016	266,691	206,096	60,595
2017	266,691	212,349	54,342
2018	266,691	218,791	47,900
2019	266,691	225,429	41,262
2020-2024	1,333,459	1,233,983	99,476
	<u>\$ 2,666,914</u>	<u>\$ 2,296,675</u>	<u>\$ 370,239</u>

2003B Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$3,250,000 and is payable in annual varying installment amounts including interest of 5.0%. The issue matures October 2023 and is secured by a first lien on the gross revenues of the Waterworks and Sewerage systems on parity with the other Series 2003 bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 252,517	\$ 157,440	\$ 95,077
2016	252,321	165,312	87,009
2017	252,114	173,578	78,536
2018	251,897	182,257	69,640
2019	251,670	191,370	60,300
2020-2024	1,254,509	1,110,309	144,200
	<u>\$ 2,515,028</u>	<u>\$ 1,980,266</u>	<u>\$ 534,762</u>

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS (Continued)

2003D Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$926,000 and is payable in quarterly installments of \$15,435 including interest of 3.0%. The issue matures September 2024 and is secured by a first lien on the gross revenues of the Waterworks and Sewerage systems on parity with the other Series 2003 bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 61,739	\$ 45,962	\$ 15,777
2016	61,739	47,356	14,383
2017	61,739	48,793	12,946
2018	61,739	50,273	11,466
2019	61,739	51,798	9,941
2020-2024	308,695	283,540	25,155
2025	15,436	15,320	116
	<u>\$ 632,826</u>	<u>\$ 543,042</u>	<u>\$ 89,784</u>

2003E Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$4,326,705 and is payable in quarterly installments of \$65,753 including interest of 2.0%. Also, a 1% administration fee of \$5,835 is due quarterly. The issue matures December 2024 and is secured by a first lien on the gross revenues of the Waterworks and Sewerage systems on parity with the other Series 2003 bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 263,012	\$ 214,910	\$ 48,102
2016	263,012	219,241	43,771
2017	263,013	223,659	39,354
2018	263,012	228,165	34,847
2019	263,012	232,763	30,249
2020-2024	1,315,062	1,236,090	78,972
2025	131,506	130,526	980
	<u>\$ 2,761,629</u>	<u>\$ 2,485,354</u>	<u>\$ 276,275</u>

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS (Continued)

2005A Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$34,950,000 and is payable in varying installment dates and amounts including coupon interest rates from 3.0% to 5.0%. The issue matures August 2025 and is secured by a lien on the gross revenues of the Waterworks and Sewerage systems secondary to previously issued bonds.

The outstanding bonds of this issue and its maturity dates and coupon rates are as follows:

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
August 1, 2014	\$ 1,585,000	4.00%
August 1, 2015	1,650,000	4.00%
August 1, 2016	1,715,000	4.00%
August 1, 2017	1,785,000	4.00%
August 1, 2018	1,855,000	4.00%
August 1, 2019	1,930,000	5.00%
August 1, 2020	2,025,000	4.50%
August 1, 2021	2,120,000	4.50%
August 1, 2022	2,215,000	4.50%
August 1, 2023	2,315,000	4.25%
August 1, 2024	2,410,000	4.25%
August 1, 2025	<u>2,515,000</u>	4.25%
	<u>\$ 24,120,000</u>	

Future debt maturity retirement based on current financing arrangements is as follows:

<u>For the Year Ended June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,587,300	\$ 1,585,000	\$ 1,002,300
2016	2,587,600	1,650,000	937,600
2017	2,585,300	1,715,000	870,300
2018	2,585,300	1,785,000	800,300
2019	2,582,500	1,855,000	727,500
2020-2024	12,866,606	10,605,000	2,261,606
2025-2026	<u>5,136,544</u>	<u>4,925,000</u>	<u>211,544</u>
	<u>\$ 30,931,150</u>	<u>\$ 24,120,000</u>	<u>\$ 6,811,150</u>

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS (Continued)

2006C Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$17,425,000 and is payable in varying installment dates and amounts including coupon interest rates from 3.7% to 5.0%. The issue matures September 2020 and is secured by a lien on the gross revenues of the Waterworks and Sewerage systems secondary to previously issued bonds.

The outstanding bonds of this issue and its maturity dates and coupon rates are as follows:

Maturity Date	<u>Amount</u>	<u>Interest Rate</u>
September 1, 2014	\$ 1,265,000	5.00%
September 1, 2015	1,330,000	5.00%
September 1, 2016	1,395,000	4.00%
September 1, 2017	1,455,000	4.00%
September 1, 2018	1,510,000	4.00%
September 1, 2019	1,570,000	4.10%
September 1, 2020	<u>1,635,000</u>	4.10%
	<u>\$ 10,160,000</u>	

Future debt maturity retirement based on current financing arrangements is as follows:

<u>For the Year Ended June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,668,930	\$ 1,265,000	\$ 403,930
2016	1,669,055	1,330,000	339,055
2017	1,672,905	1,395,000	277,905
2018	1,675,905	1,455,000	220,905
2019	1,671,605	1,510,000	161,605
2020-2021	<u>3,337,738</u>	<u>3,205,000</u>	<u>132,738</u>
	<u>\$ 11,696,138</u>	<u>\$ 10,160,000</u>	<u>\$ 1,536,138</u>

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS (Continued)

2006D Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$9,000,000 and is payable in quarterly installments of \$75,000 with an interest rate of 0.0%, however, a 0.5% administration fee of \$5,672 is due quarterly. The issue matures March 2038 and is secured by a lien on the gross revenues of the Waterworks and Sewerage systems secondary to previously issued bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 300,000	\$ 300,000	\$ -
2016	300,000	300,000	-
2017	300,000	300,000	-
2018	300,000	300,000	-
2019	300,000	300,000	-
2020 - 2024	1,500,000	1,500,000	-
2025 - 2029	1,500,000	1,500,000	-
2030 - 2034	1,500,000	1,500,000	-
2035 - 2038	1,125,000	1,125,000	-
	<u>\$ 7,125,000</u>	<u>\$ 7,125,000</u>	<u>\$ -</u>

2006E Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$4,372,600 with the Utility Board drawing \$4,175,342 of these funds. The issue is payable in quarterly installments of \$36,439 with an interest rate of 0.0%, however, a 0.5% administration fee of \$2,756 is due quarterly. The issue matures June 2037 and is secured by a lien on the gross revenues of the Waterworks and Sewerage systems secondary to previously issued bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 145,756	\$ 145,756	\$ -
2016	145,756	145,756	-
2017	145,756	145,756	-
2018	145,756	145,756	-
2019	145,756	145,756	-
2020 - 2024	728,761	728,761	-
2025 - 2029	728,760	728,760	-
2030 - 2034	728,760	728,760	-
2035 - 2037	422,184	422,184	-
	<u>\$ 3,337,245</u>	<u>\$ 3,337,245</u>	<u>\$ -</u>

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS (Continued)

2011A Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$5,800,000. This issue is payable in quarterly installments of \$88,143 including interest of 2.0%. Also, a 1% administration fee of \$7,821 is due quarterly. The issue matures December 2032 and is secured by a lien on the gross revenues of the Waterworks and Sewerage systems secondary to previously issued bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 352,570	\$ 245,591	\$ 106,979
2016	352,571	250,541	102,030
2017	352,571	255,589	96,982
2018	352,572	260,740	91,832
2019	352,572	265,994	86,578
2020 - 2024	1,762,857	1,412,560	350,296
2025 - 2029	1,762,856	1,560,730	202,126
2030 - 2033	1,233,998	1,188,932	45,067
	<u>\$ 6,522,567</u>	<u>\$ 5,440,677</u>	<u>\$ 1,081,890</u>

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 4 - LONG-TERM DEBT AND OBLIGATIONS (Continued)

2012A Combined Waterworks and Sewerage System Revenue Bonds - This bond issue had an original issue amount of \$5,731,700. This issue is payable in quarterly installments of \$71,646 including interest of 0.0%, however, a 0.5% administration fee of \$3,627 is due quarterly. The issue matures September 2033 and is secured by a lien on the gross revenues of the Waterworks and Sewerage systems secondary to previously issued bonds.

Future debt maturity retirement based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 286,585	\$ 286,585	\$ -
2016	286,585	286,585	-
2017	286,585	286,585	-
2018	286,585	286,585	-
2019	286,585	286,585	-
2020 - 2024	1,432,925	1,432,925	-
2025 - 2029	1,432,925	1,432,925	-
2030 - 2034	1,217,987	1,217,987	-
	<u>\$ 5,516,762</u>	<u>\$ 5,516,762</u>	<u>\$ -</u>

Total future debt maturity for the Utility Board based on current financing arrangements is as follows:

For the Year Ended June 30,	Total	Principal	Interest
2015	\$ 6,185,100	\$ 4,446,271	\$ 1,738,829
2016	6,185,330	4,600,887	1,584,443
2017	6,186,674	4,756,309	1,430,365
2018	6,189,457	4,912,567	1,276,890
2019	6,182,130	5,064,695	1,117,435
2020 - 2024	25,840,612	22,748,168	3,092,443
2025 - 2029	10,708,027	10,293,261	414,766
2030 - 2034	4,680,745	4,635,679	45,067
2035 - 2038	1,547,184	1,547,184	-
	<u>\$ 73,705,259</u>	<u>\$ 63,005,021</u>	<u>\$ 10,700,238</u>

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 5 - EMPLOYEES RETIREMENT SYSTEM

The Utility Board elected to become a participating public employer under the West Virginia Public Employees Retirement System (PERS), a cost-sharing multi-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10, of the West Virginia State Code assigns the authority to establish and amend benefits provisions to the PERS Board of Trustees. The Utility Board's contribution to the West Virginia Public Employees Retirement System for the year ended June 30, 2014 was:

Total wages	\$ 3,336,598
Employer share 14.50%	483,807
Employee share 4.50%	150,147

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

	Public Employees' Retirement System (PERS)
Eligibility to Participate	All 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%
Utility Board's Contribution Rate	14.50%
Period Required to Vest	5 Years
Benefits and Eligibility for Distribution	A member who has attained age 60 and has earned 5 years or more of contributory service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred Retirement Portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 5 - EMPLOYEES RETIREMENT SYSTEM (Continued)

Trend information

Public Employees' Retirement System (PERS)		
<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2014	\$ 483,807	100%
2013	\$ 463,923	100%
2012	\$ 466,770	100%

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

NOTE 6 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan description - The Utility Board participates in the West Virginia Other Post-Employment Benefit (OPEB) Plan of the West Virginia Retiree Health Benefit Trust Fund (RHBT), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment healthcare benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assign the authority to establish and amend benefit provisions to the WVPEIA Finance Board. WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan, which can be obtained by contacting the Public Employees Insurance Agency at 601 57th Street S.E., Suite 2, Charleston, West Virginia, 25304, by visiting peia.wv.gov, or by calling 1-888-680-7342.

The West Virginia Legislature passed legislation to provide alternate funding sources for the RHBT OPEB unfunded liability. In addition, the PEIA Finance Board imposed limits on the retiree subsidy currently provided for PEIA premiums for retirees. Future increases in the subsidy will be limited to no more than 3% per year. These actions have had a material impact on the amounts billed by the RHBT to the Utility Board in the current year as well as an expected material impact on amounts billed in the future, resulting in decreases in the recorded OPEB liability.

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 6 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Funding policy - The Code requires the OPEB Plan to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the regulations of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State of West Virginia plan employers are billed per active health policy per month.

Trend information

Fiscal Year Ending June 30,	Annual OPEB Cost	Contributions Paid	Percentage Contributed	Net OPEB Obligation
2014	\$ 229,762	\$ 155,408	68%	\$ 2,527,973
2013	226,818	161,089	71%	2,453,620
2012	827,875	149,799	18%	2,387,891

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM AND PLANS (FIDUCIARY FUND)

Plan description, contribution information, and funding policies - The Utility Board maintains a Waterworks Pension Fund, administered by a five-member Board of Trustees. The pension fund is for the civil service employees of the former department of Waterworks of the City of Parkersburg. Assets of the system are held separately and may be used only for the payment of benefits to the members of the plan. Unless otherwise indicated, the pension information in this Note is provided as of the latest actuarial valuation, July 1, 2013.

Actuarial valuations are required to be performed once every three years per state statute. However, the actuarial valuations can be performed in shorter intervals at the discretion of the Utility Board.

Memberships of the plan are as follows:

Group	Participants
Active Employees	-
Retirees and Beneficiaries	7
Total	7

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM AND PLANS (FIDUCIARY FUND) (Continued)

The plan is a single-employer defined benefit pension plan. The following is a summary of funding policies, contribution methods, and benefit provisions:

	Waterworks Pension Fund
Determination of Contribution Requirements	Actuarially determined
Employer	Contributes the amount necessary to pay any unfunded portion
Plan Member	No contributions
Period Required to Vest	No active employees may participate in the plan. All fully vested participants are receiving benefits.
Post-Retirement Benefit Increases	Equal to the percentage increase in the Consumer Price Index, limited to 4.00% on the first \$15,000 of retirement benefits
Eligibility for Distribution	No active employees may participate in the plan nor are they eligible for distribution. There are no other vested retirees or beneficiaries other than those currently receiving benefits that are eligible for distributions.

PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM AND PLANS (FIDUCIARY FUND) (Continued)

Schedule of funding progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % Covered Payroll (b-a)/c
7/1/1998	\$ 498,676	\$ 2,306,589	\$ 1,807,913	21.62%	\$ -	N/A
7/1/2001	641,553	2,283,736	1,642,183	28.09%	-	N/A
7/1/2004	985,011	2,120,288	1,135,277	46.46%	-	N/A
7/1/2007	1,515,809	1,926,855	411,046	78.67%	-	N/A
7/1/2010	1,717,854	1,671,458	(46,396)	102.78%	-	N/A
7/1/2013	1,282,435	1,116,867	(165,568)	114.82%	-	N/A

Annual Required Contributions and Significant Assumptions	
Valuation date	7/1/2013
Actuarial cost method	Entry age normal
Amortization method	Plan is fully funded
Actuarial asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.25% per year net of expenses
Cost of living adjustments	CPI increase 3% per year
Rates of mortality	RP 2000 mortality table

Annual pension cost, net pension obligation and reserves

Current year annual pension costs are shown in the trend information. No annual contributions were required.

Reserves

There are no assets legally reserved for purposes other than the payment of plan members' benefits.

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM AND PLANS (FIDUCIARY FUND) (Continued)

Annual Pension Cost and Net Pension Obligation (NPO)

The Utility Board's annual pension cost and net pension obligation are as follows:

Annual pension cost	\$	-
Contributions		-
Interest on net pension obligation		-
		-
Net change in pension obligation		-
Net pension obligation at the beginning of the year		-
		-
Net pension obligation at the end of the year	\$	-

Trend information

Fiscal Year	Annual Pension Cost	Contributions Paid	Percentage Contributed	Net Pension Obligation
2014	\$ -	\$ -	100%	\$ -
2013	-	-	100%	-
2012	-	-	100%	-

NOTE 8 - RISK MANAGEMENT

The Utility Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Utility Board has obtained commercial insurance coverage for general liability, property damage, errors and omissions, and natural disasters. Such coverage is offered in exchange for a premium to a third-party insurance company. Any general liability or auto liability loss in excess of \$3,000,000, and public officials loss in excess of \$2,000,000, will be the responsibility of the Utility Board. Real and personal property inventory is covered for replacement cost subject to a signed Statement of Values. Scheduled automotive and maintenance equipment is covered for actual cash value.

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the Entity has obtained health, life, and prescription drug coverage for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the Utility Board has transferred its risks related to health, life, and prescription drug coverage.

The Utility Board is self-insured for losses and liabilities related to workers' compensation.

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 9 - COMMITMENT AND CONTINGENCIES

The Utility Board has entered into various agreements for construction, as well as engineering and architectural services in connection with the maintenance, operation, and expansion of its combined waterworks and sewerage systems. Commitments for future payments by the Utility Board under these construction and professional services contracts totaled approximately \$2,065,716 as of June 30, 2014.

The Utility Board's sewerage system is subject to federal and state requirements governing the collection, treatment, and discharge of pollutants, including the requirements of the United States Environmental Protection Agency and the West Virginia Division of Environmental Protection. The Utility Board currently holds all licenses and permits required for operation of the sewerage system. Pursuant to the National Pollutant Discharge Elimination System Water Pollution Control permits granted to the Utility Board to operate the sewerage system, the Utility Board is subject to certain compliance measures required to eliminate sewerage system overflows by October 31, 2020. More stringent or additional environmental requirements may substantially increase the cost of sewerage services by requiring changes in the design or operation of existing facilities as well as changes in location, design, construction, and operation of any new facilities. There is no assurance that the sewerage system facilities in operation or contemplated will always remain in compliance with regulations currently in effect or will always be in compliance with future regulations. Failure to comply with such requirements could result in the imposition of civil and criminal penalties.

NOTE 10 - DEBT SERVICE COVERAGE FACTOR

The Debt Service Coverage Factor has been calculated as follows:

Operating revenues	\$ 16,261,691
Operating expenses	<u>(11,626,065)</u>
Operating income	4,635,626
Less: administrative bond fees	(100,425)
Add: depreciation expense	3,873,348
Interest income	<u>43,341</u>
Amount available for debt service and capital expenditures	<u>8,451,890</u>
Maximum annual debt service	<u>6,189,457</u>
Calculated debt service coverage factor	<u>1.37</u>
Required debt service coverage factor	<u>\$ 1.20</u>

The management of the Utility Board believes it was in compliance with the provisions set forth in the Bond Ordinance.

**PARKERSBURG UTILITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 11 - RELATED PARTY TRANSACTIONS

The Utility Board includes garbage fees on the invoices for water and sewer services on behalf of the City of Parkersburg (the City). The Utility Board receives the payments and remits the funds received to the City on a monthly basis. The Utility Board had a balance due to the City of \$16,025 as of June 30, 2014.

From time to time, the Utility Board constructs water and sewer lines on behalf of the City. The Utility Board is reimbursed for their costs by the City and then the City donates the constructed lines, as a capital contribution, back to the Utility Board for maintaining. The Utility Board had no receivable from the City as of June 30, 2014.

NOTE 12 - DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

In preparing these financial statements, the Utility Board's management has evaluated subsequent events and transactions for potential recognition or disclosure through November 7, 2014, the date the financial statements were available to be issued.

REPORT REQUIRED BY FEDERAL OR STATE REGULATIONS



HarmanThompson Division

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 Board Members
Parkersburg Utility Board
Parkersburg, 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 business-type activities and the aggregate remaining fund information of the Parkersburg Utility Board, a component unit of the City of Parkersburg, West Virginia, as of and for the year ended June 30, 2014, and the related notes of the financial statements, which collectively comprise the Parkersburg Utility Board's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parkersburg Utility Board'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Parkersburg Utility Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parkersburg Utility Board'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.

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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 Parkersburg Utility Board'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.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Parkersburg, West Virginia
November 7, 2014