

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

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

FOR THE YEAR ENDED JUNE 30, 2010
RFP #10-074 (Monongalia County)

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**CITY OF MORGANTOWN, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2010**

Office	Name	Term
	Elective	
Mayor	William Bryne	07/01/09 - 06/30/11
Deputy Mayor	Don Spencer	07/01/09 - 06/30/11
Council Members:	Charlie Byrer	07/01/09 - 06/30/11
	Marti Shamberger	07/01/09 - 06/30/11
	Jennifer Selin	07/01/09 - 06/30/11
	Ron Bane	07/01/09 - 06/30/11
	John Gaddis	07/01/09 - 06/30/11
	Appointed	
City Manager	Dan Boroff	
Finance Director	Denise White	
City Clerk	Linda Little	
Staff Attorney	Stephen Fanok	

CITY OF MORGANTOWN, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

Coal Severance Fund
Community Development Block Grant
Board of Parks and Recreation Commissioners
Police Forfeiture
Special Grants
Local Law Enforcement Grant
Small Cities Block Grant
Property Auction
Dorsey's Knob Escrow
Life and Health Fund
Economic Development Grant

Capital Projects Funds

Capital Reserve Fund
Tax Increment Financing
Business Improvement District

Debt Service Funds

Tax Increment Financing Debt Service

PROPRIETARY FUND TYPES

Enterprise Funds

Airport
Parking Authority
Building Commission

FIDUCIARY FUND TYPES

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

CITY OF MORGANTOWN, WEST VIRGINIA
INDEX OF FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

DISCRETELY PRESENTED COMPONENT UNITS

Morgantown Utility Board

Morgantown Public Library

Library Expendable Trust

Capital Projects Funds

Library Excess Levy II

Capital Project – Clay Battelle Branch

Fiduciary Fund Types

Library Nonexpendable Trust

Library Endowment Fund



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morgantown Utility Board, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morgantown Utility Board, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of June 30, 2010, and the respective changes in financial position and, cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2011 on our consideration of the City of Morgantown, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morgantown, West Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements are not a required part of the financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Detruck & Bailloni, PLLC

March 15, 2011

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Primary Government</u>			<u>Component Unit</u>	
	<u>Governmental</u>	<u>Business</u>	<u>Total</u>	<u>Morgantown</u>	<u>Morgantown</u>
	<u>Activities</u>	<u>Type</u>		<u>Utility</u>	<u>Public</u>
		<u>Activities</u>		<u>Board</u>	<u>Library</u>
Assets					
Cash	\$ 4,999,914	\$ 453,727	\$ 5,453,641	\$ 3,987,322	\$ 347,979
Investment	2,255,181	966,374	3,221,555	6,452,085	2,209,100
Receivables	4,183,379	510,973	4,694,352	2,908,807	1,066
Internal balances	143,733	(143,733)	-0-	-0-	-0-
Inventory	42,635	99,237	141,872	724,906	-0-
Prepaid expenses	-0-	43,688	43,688	43,649	2,433
Restricted assets	2,392,948	1,629,730	4,022,678	38,709,416	-0-
Capital assets, net	22,156,518	53,026,449	75,182,967	131,347,584	2,517,014
Deferred financing costs	-0-	-0-	-0-	2,309,097	-0-
Other	-0-	975,000	975,000	40,258	-0-
Unamortized bond discount and issue costs	896,191	581,453	1,477,644	-0-	-0-
Total assets	<u>37,070,499</u>	<u>58,142,898</u>	<u>95,213,397</u>	<u>186,523,124</u>	<u>5,077,592</u>
Liabilities					
Accounts payable	644,760	530,998	1,175,758	6,593,830	21,971
Accrued payroll	529,043	145,957	675,000	633,424	85,492
Billing services payable	-0-	-0-	-0-	186,752	-0-
Disallowed charges payable	68,158	-0-	68,158	-0-	-0-
Accrued interest payable	70,942	6,162	77,104	38,251	-0-
Deferred revenue	-0-	6,950	6,950	81,814	-0-
Other accrued liabilities	-0-	-0-	-0-	74,731	-0-
Customer deposits	-0-	-0-	-0-	458,225	-0-
Accrued administrative costs on bonds	-0-	-0-	-0-	6,986	-0-
Non-current liabilities	-0-	-0-	-0-	-0-	-0-
Long-term liabilities					
Due within one year	260,744	849,266	1,110,010	2,090,912	-0-
Due in more than one year	<u>31,090,264</u>	<u>13,736,236</u>	<u>44,826,500</u>	<u>87,065,748</u>	<u>-0-</u>
Total liabilities	<u>32,663,911</u>	<u>15,275,569</u>	<u>47,939,480</u>	<u>97,230,673</u>	<u>107,463</u>
Net Assets					
Invested in capital assets, net of related debt	1,192,472	38,440,947	39,633,419	53,345,506	2,517,014
Restricted	2,392,948	1,629,730	4,022,678	4,026,476	-0-
Unrestricted	821,168	2,796,652	3,617,820	31,920,469	2,453,115
Total net assets	<u>\$ 4,406,588</u>	<u>\$ 42,867,329</u>	<u>\$ 47,273,917</u>	<u>\$ 89,292,451</u>	<u>\$ 4,970,129</u>

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets																						
	Program Revenues					Primary Government					Component Unit												
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Morgantown Utility Board	Morgantown Public Library														
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$												
Governmental Activities																							
General government	\$ 6,759,991	\$ 136,079	\$ 19,800	\$ -0-	\$ (6,604,112)	\$ -0-	\$ (6,604,112)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-		
Public safety	13,114,041	2,885,320	271,927	247,062	(9,709,732)	-0-	(9,709,732)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Highways and streets	4,439,312	173,313	-0-	-0-	(4,265,999)	-0-	(4,265,999)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Culture and recreation	3,686,664	1,323,415	372,964	-0-	(1,990,285)	-0-	(1,990,285)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Community development	7,459,166	-0-	484,556	2,495,481	(4,479,129)	-0-	(4,479,129)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Benefits payments	3,535,988	-0-	3,972,914	-0-	436,926	-0-	436,926	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Total governmental activities	38,995,162	4,518,127	5,122,161	2,742,543	(26,612,331)	-0-	(26,612,331)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Business-Type Activities																							
Airport	3,140,980	1,985,923	10,000	1,375,838	-0-	230,781	230,781	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Parking	2,225,594	2,214,285	-0-	-0-	-0-	(11,309)	(11,309)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Building commission	846,360	954,609	-0-	-0-	-0-	108,249	108,249	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Total business-type activities	6,212,934	5,154,817	10,000	1,375,838	-0-	327,721	327,721	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Total	\$ 45,208,096	\$ 9,672,944	\$ 5,132,161	\$ 4,118,381	(26,612,331)	327,721	(26,284,610)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Component Unit																							
Morgantown Utility Board	\$ 15,410,387	\$ 15,329,210	\$ -0-	\$ -0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Morgantown Public Library	1,496,646	46,218	1,403,314	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total component units	\$ 16,907,033	\$ 15,375,428	\$ 1,403,314	\$ -0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONTD)
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets									
	Program Revenues			Primary Government				Component Unit		
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Morgantown Utility Board	Morgantown Public Library		
General Revenues										
Taxes and licenses				\$ 18,925,524	\$ -0-	\$ 18,925,524	\$ -0-	\$ -0-		\$ -0-
Franchise fees				334,743	-0-	334,743				-0-
Interest and investment earnings				71,036	39,550	110,586	276,598			153,396
Gain (loss) on disposal of capital assets				-0-	-0-	-0-				-0-
Miscellaneous				173,514	-0-	173,514	299,923			20,410
Total general revenues				<u>19,504,817</u>	<u>39,550</u>	<u>19,544,367</u>	<u>576,521</u>			<u>173,806</u>
Change in net assets				(7,107,514)	367,271	(6,740,243)	495,344			126,692
Contributed capital				-0-	-0-	-0-	2,107,705			-0-
Operating transfers in (out)				(990,928)	990,928	-0-				-0-
Net change in net assets				(8,098,442)	1,358,199	(6,740,243)	2,603,049			126,692
Net assets – beginning				12,505,030	41,509,130	54,014,160	86,689,402			4,843,437
Net assets – ending				<u>\$ 4,406,588</u>	<u>\$ 42,867,329</u>	<u>\$ 47,273,917</u>	<u>\$ 89,292,451</u>			<u>\$ 4,970,129</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Primary Government</u>						<u>Component Unit</u>					
	<u>General Fund</u>	<u>Tax Incremental Financing Debt Service</u>	<u>Capital Reserve</u>	<u>Economic Development Grant</u>	<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Trust Funds</u>			
					<u>Governmental</u>	<u>Funds</u>			<u>Library</u>	<u>Trust</u>	<u>Other Governmental</u>	<u>Funds</u>
ASSETS												
Cash	\$ 645,871	\$ -	\$ 2,957,068	\$ 37,893	\$ 1,359,082	\$ 4,999,914	\$ 347,979	\$ -	\$ -	\$ 201,793	\$ 347,979	\$ 2,209,100
Investments	538,348	-	1,536,129	-	180,704	2,255,181	998,548	1,008,759	-	-	998,548	2,209,100
Receivables, net of allowances:												
Taxes	3,269,760	-	-	-	102,311	3,372,071	-	-	-	-	-	-
Accounts	261,634	-	7,726	-	4,641	274,001	-	-	-	-	-	-
Other	164,335	-	-	-	46,455	210,790	1,066	-	-	-	1,066	1,066
Grants	62,543	-	180,166	-	82,482	325,191	-	-	-	-	-	-
Interest	632	-	694	-	-	1,326	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Due from/(to) other funds	91,239	-	96,280	-	(43,786)	143,733	(324)	-	-	324	-	-
Inventory	42,635	-	-	-	-	42,635	-	-	-	-	-	-
Restricted assets	-	2,329,948	-	-	-	2,392,948	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	2,433	-	-	-	2,433	2,433
TOTAL ASSETS	\$ 5,076,997	\$ 2,392,948	\$ 4,778,063	\$ 37,893	\$ 1,731,889	\$ 14,017,790	\$ 1,349,702	\$ 1,008,759	\$ 202,117	\$ 2,560,578	\$ 2,560,578	\$ 2,560,578
LIABILITIES AND FUND BALANCES												
Liabilities												
Accounts payable	\$ 110,481	\$ 97,952	\$ 81,651	\$ -	\$ 354,676	\$ 644,760	\$ 21,971	\$ -	\$ -	\$ -	\$ 21,971	\$ 21,971
Accrued interest payable	-	70,942	-	-	-	70,942	-	-	-	-	-	-
Accrued payroll and compensated absences	467,363	-	-	-	61,680	529,043	85,492	-	-	-	85,492	85,492
Disallowed charges payable	-	-	-	-	68,158	68,158	-	-	-	-	-	-
Deferred revenue	500,808	-	161,394	-	115,305	777,507	-	-	-	-	-	-
Total liabilities	<u>1,078,652</u>	<u>168,894</u>	<u>243,045</u>	<u>-</u>	<u>599,819</u>	<u>2,090,410</u>	<u>107,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,463</u>	<u>107,463</u>
Fund Balances												
Reserved	-	2,392,948	-	-	-	2,392,948	-	-	-	-	-	-
Unreserved	<u>3,998,345</u>	<u>(168,894)</u>	<u>4,535,018</u>	<u>37,893</u>	<u>1,132,070</u>	<u>9,534,432</u>	<u>1,242,239</u>	<u>1,008,759</u>	<u>202,117</u>	<u>2,453,115</u>	<u>2,453,115</u>	<u>2,453,115</u>
Total fund balance	<u>3,998,345</u>	<u>2,224,054</u>	<u>4,535,018</u>	<u>37,893</u>	<u>1,132,070</u>	<u>11,927,380</u>	<u>1,242,239</u>	<u>1,008,759</u>	<u>202,117</u>	<u>2,453,115</u>	<u>2,453,115</u>	<u>2,453,115</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,076,997	\$ 2,392,948	\$ 4,778,063	\$ 37,893	\$ 1,731,889	\$ 14,017,790	\$ 1,349,702	\$ 1,008,759	\$ 202,117	\$ 2,560,578	\$ 2,560,578	\$ 2,560,578

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF FUND BALANCE SHEETS OF
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2010

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown Public Library</u></i>
Fund balance, fund level statement June 30, 2010	\$ 11,927,380	\$ 2,453,115
<p>The total fund balance of the City of Morgantown's governmental funds differs from net assets of the governmental activities reported on the Statement of Net Assets as follows:</p> <p>Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:</p>		
Accrued compensated absences	(1,114,468)	-0-
Obligations under capital lease	(2,009,046)	-0-
Net pension obligation	(6,152,494)	-0-
Bonds payable	(18,955,000)	-0-
Accrued other post employment benefits	(3,120,000)	-0-
<p>Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation.</p>	22,156,518	2,517,014
<p>Some assets do not provide current financial resources and are reported as deferred revenues in the fund level statements.</p>		
Unamortized bond discount and issue costs	896,191	-0-
Deferred revenue	<u>777,507</u>	<u>-0-</u>
Net assets of governmental activities	\$ <u>4,406,588</u>	\$ <u>4,970,129</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET ASSETS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Primary Government					Component Unit			Total	
	General Fund	Tax Increment Financing Debt Service	Capital Reserve	Economic Development Grant	Other Governmental Funds	Total Governmental Funds	Morgantown Public Library	Library Expendable Trust		Other Governmental Funds
Revenues	\$ 16,757,032	\$ -	\$ -	\$ -	\$ 875,075	\$ 17,632,107	\$ -	\$ -	\$ -	\$ -
Taxes and special assessments	310,794	-	-	-	-	310,794	-	-	-	-
Licenses and permits	2,533,877	-	-	-	1,323,415	3,857,292	55,921	-	-	55,921
Charges for services	623,166	-	-	-	27,669	650,835	-	-	-	-
Fines and forfeits	334,743	-	-	-	-	334,743	-	-	-	-
Franchise fees	31,395	2,889	26,903	-	9,849	71,036	27,469	25,318	7,425	60,212
Interest	19,800	-	484,556	-	173,066	677,422	33,128	-	80	33,208
Donations										
Intergovernmental	136,991	-	169,728	-	936,248	1,242,967	-	-	-	-
Federal	134,936	-	738,642	825,777	311,416	2,010,771	428,781	-	-	428,781
State	-	-	-	-	98,346	98,346	315,000	-	-	315,000
County	-	-	-	-	-	-	20,000	-	-	20,000
Board of Education	-	-	-	-	-	-	571,649	-	-	571,649
City	-	-	-	-	-	-	-	-	-	-
Contributions from employees	-	-	-	-	88,657	88,657	-	-	-	-
Contributions from employers	-	-	-	-	3,884,257	3,884,257	-	-	-	-
Gain (loss) on investments	-	-	-	-	-	-	24,472	59,871	-	84,343
Bond proceeds	-	1,894,891	-	-	-	1,894,891	-	-	-	-
Other	139,897	-	11,425	-	22,192	173,514	-	-	-	-
Total revenues	21,022,631	1,897,780	1,431,254	825,777	7,750,190	32,927,632	1,476,420	85,189	7,505	1,569,114

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET ASSETS - GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

	Primary Government						Component Unit			
	General Fund	Tax Incremental Financing Debt Service	Capital Reserve	Economic Development Grant	Other Governmental Funds		Morgantown Public Library	Library Expendable Trust	Other Governmental Funds	Total
					Total Governmental Funds	Governmental Funds				
Expenditures										
General government	\$ 4,505,216	\$ 8,348	\$ -	\$ -	\$ 875,075	\$ 4,658,942	\$ -	\$ 7,103	\$ -	\$ 7,103
Public safety	9,672,428	-	-	-	173,284	9,845,712	-	-	-	-
Highways and streets	4,045,203	-	-	-	-	4,045,203	-	-	-	-
Culture and recreation	542,616	-	-	-	3,276,914	3,819,530	1,509,229	-	-	1,509,229
Community development	-	1,651,586	4,024,088	825,777	771,968	7,273,419	-	-	-	-
Debt service	-	1,097,369	-	-	-	1,097,369	-	-	-	-
Benefit payments	-	-	-	-	3,535,988	3,535,988	-	-	-	-
Total expenditures	<u>18,765,463</u>	<u>2,757,303</u>	<u>4,024,088</u>	<u>825,777</u>	<u>7,903,532</u>	<u>34,276,163</u>	<u>1,509,229</u>	<u>7,103</u>	<u>-</u>	<u>1,516,332</u>
(Deficiency) excess of revenues (under) over expenditures	<u>2,257,168</u>	<u>(859,523)</u>	<u>(2,592,834)</u>	<u>-</u>	<u>(153,342)</u>	<u>(1,348,531)</u>	<u>(32,809)</u>	<u>78,086</u>	<u>7,505</u>	<u>52,782</u>
Other Financing Sources (Uses)										
Operating transfers in	-	1,085,492	2,259,072	-	1,579,904	4,924,468	9,710	-	-	9,710
Operating transfers (out)	<u>(3,223,029)</u>	<u>(332,391)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(1,359,976)</u>	<u>(5,915,396)</u>	<u>-</u>	<u>-</u>	<u>(9,710)</u>	<u>(9,710)</u>
Total other financing sources (uses)	<u>(3,223,029)</u>	<u>753,101</u>	<u>1,259,072</u>	<u>-</u>	<u>219,928</u>	<u>990,928</u>	<u>9,710</u>	<u>-</u>	<u>(9,710)</u>	<u>-</u>
Net changes in fund balances	<u>(965,861)</u>	<u>(106,422)</u>	<u>(1,333,762)</u>	<u>-</u>	<u>66,586</u>	<u>(2,339,459)</u>	<u>(23,099)</u>	<u>78,086</u>	<u>(2,205)</u>	<u>52,782</u>
Fund balance at beginning of year	<u>4,964,206</u>	<u>2,330,476</u>	<u>5,868,780</u>	<u>37,893</u>	<u>1,065,484</u>	<u>14,266,839</u>	<u>1,265,338</u>	<u>930,673</u>	<u>204,322</u>	<u>2,400,333</u>
Fund balance at end of year	<u>\$ 3,998,345</u>	<u>\$ 2,224,054</u>	<u>\$ 4,535,018</u>	<u>\$ 37,893</u>	<u>\$ 1,132,070</u>	<u>\$ 11,927,380</u>	<u>\$ 1,242,239</u>	<u>\$ 1,008,759</u>	<u>\$ 202,117</u>	<u>\$ 2,453,115</u>

The accompanying notes are an integral part of the combining financial statements.

CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET ASSETS OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown Public Library</u></i>
Net change in net assets – total governmental funds	\$ (2,339,459)	\$ 52,782
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the difference between capital outlays and depreciation in the current period.	1,338,883	73,910
Assets acquired by capital lease	(1,957,833)	-0-
Capital leases and bonds provide current financial resources to governmental funds, but entering into capital leases and bonds increase long-term liabilities in the Statement of Net Assets. Repayment of capital lease obligations and bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets, while proceeds are considered revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Assets.		
Repayment of obligation under capital lease	87,593	-0-
Repayment of bonds	135,000	-0-
Proceeds from bonds	(1,894,891)	-0-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in compensated absences	61,582	-0-
Increase in pension benefit obligation	(2,241,975)	-0-
Increase in accrued other post employment benefits	(1,566,000)	-0-
Decrease in unamortized bond discounts	(40,736)	-0-

CITY OF MORGANTOWN, WEST VIRGINIA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN NET ASSETS OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown Public Library</u></i>
<p>Some revenues reported in the Statement of Activities do not provide financial resources that are both available and measurable for use in current activities.</p>		
Change in deferred revenues	\$ <u>319,394</u>	\$ <u>-0-</u>
Change in Net Assets of Governmental Activities	\$ <u>(8,098,442)</u>	\$ <u>126,692</u>

The accompanying notes are an integral part of this statement.

BUSINESS TYPE ACTIVITIES

	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Total</u>

LIABILITIES AND NET ASSETS

Current Liabilities (payable from current assets)

Current portion obligation under capital lease	\$ 10,188	\$ 4,914	\$ -0-	\$ 15,102
Notes payable	-0-	-0-	9,909	9,909
Accounts payable	475,815	55,183	-0-	530,998
Deferred revenue	-0-	6,950	-0-	6,950
Accrued payroll	20,795	30,810	-0-	51,605
Accrued compensated absences	<u>43,234</u>	<u>51,118</u>	<u>-0-</u>	<u>94,352</u>
Total current liabilities (payable from current assets)	<u>550,032</u>	<u>148,975</u>	<u>9,909</u>	<u>708,916</u>

Current Liabilities (payable from restricted assets)

Revenue bonds payable	-0-	228,031	596,224	824,255
Interest payable	<u>-0-</u>	<u>-0-</u>	<u>6,162</u>	<u>6,162</u>
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>228,031</u>	<u>602,386</u>	<u>830,417</u>

Long-Term Liabilities (net of current portion)

Revenue bonds payable	-0-	4,549,786	8,515,446	13,065,232
Obligation under capital lease	444,027	214,169	-0-	658,196
Notes payable	<u>-0-</u>	<u>-0-</u>	<u>12,808</u>	<u>12,808</u>
Total long-term liabilities	<u>444,027</u>	<u>4,763,955</u>	<u>8,528,254</u>	<u>13,736,236</u>

Total liabilities	<u>994,059</u>	<u>5,140,961</u>	<u>9,140,549</u>	<u>15,275,569</u>
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Net Assets

Invested in capital assets, net of related debt	26,406,582	1,797,386	10,236,979	38,440,947
Restricted	14,060	727,029	888,641	1,629,730
Unrestricted	<u>(39,184)</u>	<u>1,304,298</u>	<u>1,531,538</u>	<u>2,796,652</u>
Total net assets	<u>26,381,458</u>	<u>3,828,713</u>	<u>12,657,158</u>	<u>42,867,329</u>

TOTAL LIABILITIES AND NET ASSETS

	\$ <u>27,375,517</u>	\$ <u>8,969,674</u>	\$ <u>21,797,707</u>	\$ <u>58,142,898</u>
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The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS TYPE ACTIVITIES			
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Total</u>
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	
Operating Revenues				
Charges for services	\$ 1,985,923	\$ 1,741,333	\$ 954,609	\$ 4,681,865
Fines	-0-	472,952	-0-	472,952
Grants	10,000	-0-	-0-	10,000
Total operating revenues	<u>1,995,923</u>	<u>2,214,285</u>	<u>954,609</u>	<u>5,164,817</u>
Operating Expenses				
Personal services	680,522	802,000	-0-	1,482,522
Purchases – fuel	977,382	-0-	-0-	977,382
Supplies	35,528	34,675	-0-	70,203
Liability insurance	49,903	34,947	-0-	84,850
Utilities	138,613	83,790	-0-	222,403
General and administrative	115,490	96,978	3,916	216,384
Depreciation	1,048,289	333,551	415,370	1,797,210
Maintenance	72,928	120,763	-0-	193,691
Rental lease	16,500	496,326	-0-	512,826
Total operating expenses	<u>3,135,155</u>	<u>2,003,030</u>	<u>419,286</u>	<u>5,557,471</u>
Operating (loss) income	(1,139,232)	211,255	535,323	(392,654)
Nonoperating Revenues (Expenses)				
Interest and dividends	94	18,657	831	19,582
Gain (loss) on investments	-0-	19,968	-0-	19,968
Interest and fiscal charges	-0-	(219,209)	(369,001)	(588,210)
Amortization of bond discount and issue costs	(5,825)	(3,355)	(58,073)	(67,253)
Total nonoperating revenues (expenses)	<u>(5,731)</u>	<u>(183,939)</u>	<u>(426,243)</u>	<u>(615,913)</u>
Change in net assets before nonoperating grants and operating transfers	(1,144,963)	27,316	109,080	(1,008,567)
Transfers (to)/from other funds	-0-	-0-	990,928	990,928
Nonoperating grants	<u>1,375,838</u>	<u>-0-</u>	<u>-0-</u>	<u>1,375,838</u>
Change in net assets	230,875	27,316	1,100,008	1,358,199
Total net assets – beginning	<u>26,150,583</u>	<u>3,801,397</u>	<u>11,557,150</u>	<u>41,509,130</u>
Total net assets – ending	\$ <u>26,381,458</u>	\$ <u>3,828,713</u>	\$ <u>12,657,158</u>	\$ <u>42,867,329</u>

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS TYPE ACTIVITIES			
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Total</u>
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	
Cash Flows From Operating Activities				
Receipts from customers	\$ 2,055,471	\$ 2,213,956	\$ 957,081	\$ 5,226,508
Payments to suppliers	(1,049,913)	(852,626)	(83,577)	(1,986,116)
Payments to employees	(689,686)	(791,547)	-0-	(1,481,233)
Net cash provided by (used in) operating activities	(315,872)	569,783	873,504	1,759,159
Cash Flows From Capital and Related Financing Activities				
Repayment of notes payable	-0-	-0-	(8,693)	(8,693)
Proceeds from revenue bonds	-0-	-0-	376,739	376,739
(Increase) decrease in restricted assets	(8,425)	43,085	(18,395)	16,265
Repayment of revenue bonds	-0-	(242,196)	(555,410)	(797,606)
Nonoperating grants	1,077,386	-0-	-0-	1,077,386
Acquisition of capital assets	(1,401,577)	(21,070)	(320,127)	(1,742,774)
Interest expense	-0-	(219,209)	(362,839)	(582,048)
Net cash (used in) provided by capital and related financing activities	(332,616)	(439,390)	(888,725)	(1,660,731)
Cash Flows From Investing Activities				
Change in value of investments	-0-	(34,325)	-0-	(34,325)
Interest income	94	38,844	832	39,770
Net cash provided by (used in) investing activities	94	4,519	832	5,445
Net (decrease) increase in cash	(16,650)	134,912	(14,389)	103,873
Cash at beginning of year	19,734	314,196	15,924	349,854
Cash at end of year	\$ 3,084	\$ 449,108	\$ 1,535	\$ 453,727

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS TYPE ACTIVITIES			<u>Total</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating (loss) income	\$ (1,139,232)	\$ 211,255	\$ 535,323	\$ (392,654)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,048,289	333,551	415,370	1,797,210
Nonoperating revenues	-0-	-0-	990,928	990,928
(Increase) decrease in:				
Accounts receivable	59,548	(329)	(997,528)	(938,309)
Inventory	(73,841)	-0-	-0-	(73,841)
Due from/(to) other funds	88,804	13,623	-0-	102,427
Prepaid expenses	5,826	-0-	-0-	5,826
Increase (decrease) in:				
Accounts payable	339,327	(5,720)	(70,589)	263,018
Deferred revenue	-0-	6,950	-0-	6,950
Accrued payroll	(3,685)	4,812	-0-	1,127
Accrued compensated absences	(9,164)	5,641	-0-	(3,523)
Net cash provided by (used in) operating activities	\$ <u>315,872</u>	\$ <u>569,783</u>	\$ <u>873,504</u>	\$ <u>1,759,159</u>

Supplemental schedule of non-cash transactions

On July 15, 2009, the Airport Authority entered into a capital lease obligation in the amount of \$454,215 for the acquisition of lighting upgrades and HVAC upgrades.

Only July 15, 2009, the Parking Authority entered into a capital lease obligation in the amount of \$219,083 for the acquisition of lighting upgrades.

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND – BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Difference</u>	<u>(GAAP</u>	<u>Budget</u>
					<u>Basis)</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Taxes (including interest and penalties)						
General property taxes	\$ 3,131,455	\$ 3,218,455	\$ 3,278,528	\$ 53,879	\$ 3,332,407	\$ 60,073
Other taxes – business and public service	<u>13,353,500</u>	<u>13,888,500</u>	<u>13,478,504</u>	<u>476,772</u>	<u>13,955,276</u>	<u>(409,996)</u>
Total taxes	16,484,955	17,106,955	16,757,032	530,651	17,287,683	(349,923)
Licenses and permits	315,000	315,000	310,794	-0-	310,794	(4,206)
Charges for services	2,520,255	2,588,255	2,533,877	-0-	2,533,877	(54,378)
Fines and forfeitures	700,000	635,000	623,166	-0-	623,166	(11,834)
Franchise fees	315,000	325,000	334,743	-0-	334,743	9,743
Contributions	52,000	64,800	19,800	-0-	19,800	(45,000)
Interest	80,000	60,000	31,395	-0-	31,395	(28,605)
Intergovernmental:						
Federal	297,000	306,000	136,991	-0-	136,991	(169,009)
State	-0-	-0-	134,936	-0-	134,936	134,936
Miscellaneous	<u>180,700</u>	<u>185,700</u>	<u>139,897</u>	<u>-0-</u>	<u>139,897</u>	<u>(45,803)</u>
Total revenues	<u>20,944,910</u>	<u>21,586,710</u>	<u>21,022,631</u>	<u>530,651</u>	<u>21,553,282</u>	<u>(564,079)</u>
Expenditures						
General government	4,667,661	4,890,354	4,505,216	2,079,905	6,585,121	385,138
Public safety	9,623,868	9,788,717	9,672,428	2,692,470	12,364,898	116,289
Highways and streets	4,046,572	4,177,716	4,045,203	416,038	4,461,241	132,513
Culture and recreation	<u>931,649</u>	<u>916,649</u>	<u>542,616</u>	<u>-0-</u>	<u>542,616</u>	<u>374,033</u>
Total expenditures	<u>19,269,750</u>	<u>19,773,436</u>	<u>18,765,463</u>	<u>5,188,413</u>	<u>23,953,876</u>	<u>1,007,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,675,160</u>	<u>1,813,274</u>	<u>2,257,168</u>	<u>(4,657,762)</u>	<u>(2,400,594)</u>	<u>443,894</u>
Other Financing Sources (Uses)						
Operating transfers in	629,107	59,107	-0-	-0-	-0-	(59,107)
Operating transfers (out)	<u>(3,451,625)</u>	<u>(3,349,068)</u>	<u>(3,223,029)</u>	<u>-0-</u>	<u>(3,223,029)</u>	<u>126,039</u>
Total other financing sources (uses)	<u>(2,822,518)</u>	<u>(3,289,961)</u>	<u>(3,223,029)</u>	<u>-0-</u>	<u>(3,223,029)</u>	<u>66,932</u>
Net change in fund balance	(1,147,358)	(1,476,687)	(965,861)	(4,657,762)	(5,623,623)	510,826
Fund balance at beginning of year	<u>1,147,358</u>	<u>1,476,687</u>	<u>4,964,206</u>	<u>10,370,554</u>	<u>15,334,760</u>	<u>3,487,519</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,998,345</u>	\$ <u>5,712,792</u>	\$ <u>9,711,137</u>	\$ <u>3,998,345</u>

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Explanation of Differences:

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

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
COAL SEVERANCE FUND – BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>(GAAP</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Differences</u>	<u>Basis)</u>	<u>Budget</u>
						<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Interest	\$ 400	\$ 400	\$ 349	\$ -0-	\$ 349	\$ (51)
Intergovernmental:						
State	<u>134,000</u>	<u>110,000</u>	<u>127,716</u>	<u>-0-</u>	<u>127,716</u>	<u>17,716</u>
Total revenues	<u>134,400</u>	<u>110,400</u>	<u>128,065</u>	<u>-0-</u>	<u>128,065</u>	<u>17,665</u>
Expenditures						
General government	<u>1,864</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>1,864</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of revenues over expenditures	<u>132,536</u>	<u>110,400</u>	<u>128,065</u>	<u>-0-</u>	<u>128,065</u>	<u>17,665</u>
Other Financing Sources (Uses)						
Operating transfers (out)	<u>(170,000)</u>	<u>(145,831)</u>	<u>(125,000)</u>	<u>-0-</u>	<u>(125,000)</u>	<u>(20,831)</u>
Total other financing sources (uses)	<u>(170,000)</u>	<u>(145,831)</u>	<u>(125,000)</u>	<u>-0-</u>	<u>(125,000)</u>	<u>(20,831)</u>
Net change in fund balance	<u>(37,464)</u>	<u>(35,431)</u>	<u>3,065</u>	<u>-0-</u>	<u>3,065</u>	<u>(3,166)</u>
Fund balance at beginning of year	<u>37,464</u>	<u>35,431</u>	<u>35,431</u>	<u>-0-</u>	<u>35,431</u>	<u>-0-</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>38,496</u>	\$ <u>-0-</u>	\$ <u>38,496</u>	\$ <u>(3,166)</u>

Explanation of Differences

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

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESONSIBILITIES
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Primary Government</u>				<u>Component Unit</u>		
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>	<u>Morgantown Public Library Nonexpendable Trust</u>	<u>Endowment Fund</u>	<u>Total</u>
Assets							
Cash	\$ 10,026	\$ 8,392	\$ 2,208	\$ 20,626	\$ -0-	\$ -0-	\$ -0-
Investments	11,566,912	8,995,762	31,281,714	51,844,388	39,696	7,827	47,523
Receivables:							
Contributions	490,018	433,398	93,070	1,016,486	-0-	-0-	-0-
Accrued interest	69,930	48,740	34,509	153,179	-0-	-0-	-0-
Total assets	<u>12,136,886</u>	<u>9,486,292</u>	<u>31,411,501</u>	<u>53,034,679</u>	<u>39,696</u>	<u>7,827</u>	<u>47,523</u>
Liabilities							
Accounts payable	<u>-0-</u>	<u>-0-</u>	<u>9,063</u>	<u>9,063</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>9,063</u>	<u>9,063</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Assets							
Held in trust	\$ <u>12,136,886</u>	\$ <u>9,486,292</u>	\$ <u>31,402,438</u>	\$ <u>53,025,616</u>	\$ <u>39,696</u>	\$ <u>7,827</u>	\$ <u>47,523</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2010**

	<u>Primary Government</u>				<u>Component Unit</u>		
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>	<u>Morgantown Public Library Nonexpendable Trust</u>	<u>Library Endowment Fund</u>	<u>Total</u>
Additions:							
Contributions:							
Employer	\$ 513,903	\$ 437,109	\$ 878,915	\$ 1,829,927	\$ -0-	\$ -0-	\$ -0-
Employee	206,336	159,538	635,128	1,001,002	-0-	-0-	-0-
Insurance premium tax allocation	490,018	433,398	-0-	923,416	-0-	-0-	-0-
Other	1,574	994	3,560	6,128	-0-	-0-	-0-
Total contributions	<u>1,211,831</u>	<u>1,031,039</u>	<u>1,517,603</u>	<u>3,760,473</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Investment income:							
Net appreciation in fair value of investments	669,137	515,989	2,595,956	3,781,082	2,564	844	3,408
Interest and dividends	<u>336,278</u>	<u>265,304</u>	<u>781,825</u>	<u>1,383,407</u>	<u>1,163</u>	<u>16</u>	<u>1,179</u>
Total investment income	<u>1,005,415</u>	<u>781,293</u>	<u>3,377,781</u>	<u>5,164,489</u>	<u>3,727</u>	<u>860</u>	<u>4,587</u>
Total additions	<u>2,217,246</u>	<u>1,812,332</u>	<u>4,895,384</u>	<u>8,924,962</u>	<u>3,727</u>	<u>860</u>	<u>4,587</u>
Deductions							
General and administrative	113,738	92,128	137,321	343,187	1,272	122	1,394
Contribution refunds	-0-	-0-	60,437	60,437	-0-	-0-	-0-
Benefit payments	<u>1,509,103</u>	<u>1,183,300</u>	<u>1,695,551</u>	<u>4,387,954</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total deductions	<u>1,622,841</u>	<u>1,275,428</u>	<u>1,893,309</u>	<u>4,791,578</u>	<u>1,272</u>	<u>122</u>	<u>1,394</u>
Net increase (decrease)	594,405	536,904	3,002,075	4,133,384	2,455	738	3,193
Net assets – beginning of year	<u>11,542,481</u>	<u>8,949,388</u>	<u>28,400,363</u>	<u>48,892,232</u>	<u>37,241</u>	<u>7,089</u>	<u>44,330</u>
Net assets – end of year	\$ <u>12,136,886</u>	\$ <u>9,486,292</u>	\$ <u>31,402,438</u>	\$ <u>53,025,616</u>	\$ <u>39,696</u>	\$ <u>7,827</u>	\$ <u>47,523</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies

The City of Morgantown, West Virginia complies with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2010.

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain significant changes in the statements include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using the full accrual basis of accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Basic Financial Statements – Government Wide Statements

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

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

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

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

Discretely Presented Component Units

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

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

Morgantown Utility Board
278 Greenbag Road
Morgantown, West Virginia 26507

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

Morgantown Public Library
373 Spruce Street
Morgantown, West Virginia 26505

A summary of the significant accounting policies of the City of Morgantown, West Virginia, is presented below.

(a) Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

(b) Government-Wide Financial Statements

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

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

Governmental Fund Types

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

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

Proprietary Fund Types

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

The City of Morgantown reports the following major governmental funds:

The Tax Increment Financing Debt Service, Life and Health, Capital Reserve, Economic Development Grant and General Fund.

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

The City of Morgantown reports the following major proprietary funds:

The Airport Fund, the Parking Authority Fund and the Building Commission Fund.

(d) **Fund Financial Statements**

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

Governmental Fund Types

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

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

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

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

Debt Service Funds: Debt Service funds are used to account for financial resources to be used for the repayment of long-term debt which are not financed by Proprietary Funds.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Proprietary Fund Types

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

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the City in a trustee or agency capacity.

Fiduciary funds are accounted for in essentially the same manner as proprietary funds.

(e) Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the City considers cash to be cash and cash equivalents.

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010**

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

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

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

(f) Receivables

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

Airport fund	\$ 10,948
General fund	\$ 266,106

Discretely Presented Component Unit

Estimated Credit Losses – The provision for losses on trade receivable is charged to operations in an amount sufficient to maintain the allowance for losses at a level considered adequate to cover estimated credit losses. The Morgantown Utility Board's charge-off policy is based on an account-by-account review. At June 30, 2010, the Morgantown Utility Board did a full review of trade accounts receivables and set a monthly allowance for bad debt charges. Generally, accounts are considered delinquent when they are 30 days contractually past due.

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

(g) Capital Assets

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The City of Morgantown records the purchase of capital assets used in governmental fund type operations as expenditures in the governmental funds.

The government-wide financial statements of the City of Morgantown are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net assets.

Depreciation of all exhaustible property, plant and equipment used by the proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

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

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010**

Discretely Presented Component Units

Morgantown Public Library

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

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

Morgantown Utility Board

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

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

(h) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Accrual Basis of Accounting

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

Government-Wide Financial Statements

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

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

(i) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balance represents tentative management plans that are subject to change.

(j) Budgets and Budgetary Accounting

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

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

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

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

(k) Encumbrances – Fund Financial Statements

Encumbrance accounting is used for the General Fund and special revenue funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

(l) Inventories

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

Discretely Presented Component Unit

Morgantown Utility Board

The supplies inventory is valued on average cost basis.

(m) Amortization

Debt discount and expense on bonds is amortized on the straight-line method from the date of issuance to the date of maturity. Amortization of debt discount and issue costs for fiscal year ended June 30, 2010 was \$67,253.

Discretely Presented Component Unit

Morgantown Utility Board

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

(n) Compensated Absences

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

Accumulated Sick Leave

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

Discretely Presented Component Unit

Morgantown Utility Board

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

(o) **Self Insurance**

The City is self-insured for employees life and health benefits. The operating funds are charged premiums by the City insurance fund, which is accounted for as a special revenue fund fund. The fund balance has been reserved for payment of future claims including any claims incurred and not yet reported at June 30, 2010.

(p) **Pension Plans**

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

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

Discretely Presented Component Unit
Morgantown Utility Board

Pension Plan

Plan Description – The Board contributes to the City of Morgantown, WV Employee's Retirement and Benefit Fund (the Plan).

Funding Policy – Plan members are required to contribute 6% of their annual covered salary and the Board is required to contribute an actuarially determined rate. The 2010 rate is 8.29% of annual covered payroll. The Board's contributions to the Plan for the years ended June 30, 2010, 2009 and 2008, was \$478,911, \$475,353 and \$522,183, equal to the required contributions.

Deferred Compensation Plan – Employees are eligible to participate in an IRC Section 457 Deferred Compensation Plan. The maximum amount which may be deferred is the lesser of 100% of an employee's salary or \$16,500, for 2010 and beyond, plus \$5,000 catch-up for employees over fifty years of age. The Board provides no match for participant's contributions. All amounts which are deferred remain solely the property of the Board and are subject to its generally creditors.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Morgantown Public Library

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

(q) Use of Estimates

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

(r) Interfund Activity

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

(s) Equity Classification

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

- a. 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.
- b. Restricted net assets – Consists of net assets 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.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

(t) Restricted Assets

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

(u) Operating and Nonoperating Revenue

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

2. Reconciliation of Government-Wide and Fund Financial Statements

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

3. Deposits and Investments

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

Deposits

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2010. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

<u>Non-Pooled Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
General fund	\$ 2,195,474	\$ 126,140	\$ 2,069,334	\$ -0-	\$ 645,871
Special revenue funds	1,178,939	205,444	973,495	-0-	1,213,874
Debt service funds	2,292,619	250,000	2,042,619	-0-	2,292,619
Capital project funds	894,510	53,570	840,940	-0-	3,140,169
Enterprise funds	<u>1,341,369</u>	<u>304,874</u>	<u>1,036,495</u>	<u>-0-</u>	<u>1,356,428</u>
Total deposits	\$ <u>7,902,911</u>	\$ <u>940,028</u>	\$ <u>6,962,883</u>	\$ <u>-0-</u>	\$ <u>8,648,961</u>

	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Fiduciary funds	\$ <u>20,626</u>	\$ <u>20,626</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>20,626</u>

Discretely Presented Component Units
Morgantown Public Library

<u>Non-Pooled Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
General fund	\$ <u>407,532</u>	\$ <u>351,215</u>	\$ <u>-0-</u>	\$ <u>56,317</u>	\$ <u>347,979</u>

Morgantown Utility Board

The carrying amount of the Board's cash deposits was \$3,987,322 at June 30, 2010. The bank balance at June 30, 2010 was \$4,151,682 which was fully covered by Federal Deposit Insurance Coverage or collateralized with securities held by the pledging institution's trust department.

The cash and investments at June 30, 2010 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash deposits		
Demand deposits	\$ 3,987,322	\$ 3,987,322
Cash and investments with fiscal agents		
Cash	11,740,803	11,740,803
Certificates of deposit	27,577,350	27,577,350
Investment agreements		
Fixed income	4,319,541	4,434,752
Equities	<u>1,429,382</u>	<u>1,408,596</u>
Total cash and investments	\$ <u>49,054,398</u>	\$ <u>49,148,823</u>

Note that the Board held \$1,350 in petty cash at June 30, 2010.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

Interest Rate Risk

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

Credit Risk

The Board has a deposit for custodial credit risk beyond the requirements of the State Statute.

West Virginia law requires that deposits be insured or be protected by eligible securities pledged to and deposited either with Board or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percent</u>
AAA	\$ 2,748,307	62.0%
AA+	159,411	3.6%
AA	485,553	10.9%
AA-	151,415	3.4%
A	167,739	3.8%
Not rated	<u>722,327</u>	<u>16.3%</u>
 Total	 \$ <u>4,434,752</u>	 <u>100.0%</u>

Concentration of Credit Risk

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

Investments

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2010. The categories are described as follows:

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

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

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

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Money Market	\$ 109,304	\$ -0-	\$ -0-	\$ 109,304	\$ 109,304
Certificates of deposit	2,841,595	-0-	-0-	2,841,595	2,841,595
Mutual funds	<u>370,985</u>	<u>-0-</u>	<u>-0-</u>	<u>370,985</u>	<u>374,370</u>
Total investments	\$ <u>3,321,884</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	3,321,884	3,325,269
Investments in municipal bond commission				<u>727,029</u>	<u>727,029</u>
Total investments				4,048,913	\$ <u>4,052,298</u>
Total deposits				<u>8,648,961</u>	
Total deposits and investments				\$ <u>12,697,874</u>	

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

Cash	\$ 5,453,641
Investments	4,022,678
Restricted assets	<u>3,221,555</u>
	\$ <u>12,697,874</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2010, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market Funds	\$ 109,304	AAA	AAA
Mutual funds	<u>370,985</u>	AAA	AAA
	<u>\$ 480,289</u>		

Interest Rate Risk

As of June 30, 2010, the City had the following amounts exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of Deposit	\$ <u>2,841,595</u>	\$ <u>2,841,595</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**Discretely Presented Component Units
*Morgantown Public Library***

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Money Market	\$ 1,070,161	\$ -0-	\$ -0-	\$ 1,070,161	\$ 1,070,161	\$ -0-
Mutual Funds	506,293	-0-	-0-	506,293	515,603	(9,310)
U.S. Government Obligations	105,751	-0-	-0-	105,751	102,361	3,390
Corporate Stocks	109,756	-0-	-0-	109,756	99,536	10,220
Corporate Bonds	<u>417,139</u>	<u>-0-</u>	<u>-0-</u>	<u>417,139</u>	<u>399,508</u>	<u>17,631</u>
Total investments	<u>\$ 2,209,100</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,209,100</u>	<u>\$ 2,187,169</u>	<u>\$ 21,931</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2010, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair</u> <u>Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard &</u> <u>Poor's and</u> <u>Fitch</u>	<u>Moody's</u> <u>Investment</u> <u>Services</u>
Money Market Funds	\$ 1,070,161	N/A	N/A
Mutual Funds	506,293	Unknown	Unknown
U.S. Government Obligations	105,751	Unknown	Unknown
Corporate Stocks	109,756	N/A	N/A
Corporate Bonds	<u>417,139</u>	Unknown	Unknown
	\$ <u>2,209,100</u>		

Interest Rate Risk

As of June 30, 2010, the Library had the following investments and maturities exposed to interest rate risk.

	<u>Fair</u> <u>Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
U.S. Government obligations	\$ 105,751	\$ -0-	\$ -0-	\$ 105,751	\$ -0-
Corporate Bonds	<u>417,139</u>	<u>-0-</u>	<u>417,139</u>	<u>-0-</u>	<u>-0-</u>
	\$ <u>522,890</u>	\$ <u>-0-</u>	\$ <u>417,139</u>	\$ <u>105,751</u>	\$ <u>-0-</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

Fiduciary Funds

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>
Money Market	\$ 1,978,408	\$ -0-	\$ -0-	\$ 1,978,408	\$ 1,978,408
Corporate Stocks	25,433,158	-0-	-0-	25,433,158	25,505,101
Corporate Bonds	8,618,241	-0-	-0-	8,618,241	8,174,862
U.S. Government Obligations	<u>15,814,581</u>	<u>-0-</u>	<u>-0-</u>	<u>15,814,581</u>	<u>15,250,175</u>
 Total investments	 \$ <u>51,844,388</u>	 \$ <u>-0-</u>	 \$ <u>-0-</u>	 \$ <u>51,844,388</u>	 \$ <u>50,908,546</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2010, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money market	\$ 1,978,408	AAA	AAA
Corporate stocks	25,433,158	A-AAA	A-AAA
Corporate bonds	8,618,241	A-AAA	A-AAA
U.S. Government obligations	<u>15,814,581</u>	A-AAA	A-AAA
	 \$ <u>51,844,388</u>		

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Interest Rate Risk

As of June 30, 2010, the Library had the following investments and maturities exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Government Obligations	\$ 15,814,581	\$ 498,526	\$ 5,737,031	\$ 4,625,668	\$ 4,953,356
Corporate bonds	<u>8,618,241</u>	<u>-0-</u>	<u>3,957,846</u>	<u>4,066,522</u>	<u>593,873</u>
	<u>\$ 24,432,822</u>	<u>\$ 498,526</u>	<u>\$ 9,694,877</u>	<u>\$ 8,692,190</u>	<u>\$ 5,547,229</u>

Discretely Presented Component Units
Morgantown Public Library

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Cost</u>
Money Market	\$ 12,774	\$ -0-	\$ -0-	\$ 12,774	\$ 12,774
Mutual Funds	<u>34,749</u>	<u>-0-</u>	<u>-0-</u>	<u>34,749</u>	<u>42,000</u>
Total investments	<u>\$ 47,523</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 47,523</u>	<u>\$ 54,774</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2010, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 12,774	A-AAA	A-AAA
Mutual Funds	<u>34,749</u>	A-AAA	A-AAA
	<u>\$ 47,523</u>		

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

4. **Property Taxes**

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

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

The levy rates levied by the City of Morgantown, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2010 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Expense</u>	<u>Current</u>
Class I	\$	-0-	12.50¢
Class II		295,255,992	25.00¢
Class IV		570,797,413	50.00¢

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

5. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 1,483,738	\$ -0-	\$ -0-	\$ 1,483,738
Construction in process	<u>3,062,079</u>	<u>10,570</u>	<u>185,273</u>	<u>2,887,376</u>
Total nondepreciable capital assets	<u>4,545,817</u>	<u>10,570</u>	<u>185,273</u>	<u>4,371,114</u>
Depreciable capital assets				
Land improvements	1,020,407	107,877	-0-	1,128,284
Buildings	9,889,217	2,381,436	-0-	12,270,653
Infrastructure	6,508,817	-0-	-0-	6,508,817
Machinery and equipment	2,904,749	195,407	-0-	3,100,156
Vehicles	<u>5,905,084</u>	<u>525,657</u>	<u>-0-</u>	<u>6,430,741</u>
Totals at historical cost	<u>26,228,274</u>	<u>3,210,377</u>	<u>-0-</u>	<u>29,438,651</u>
Less: Accumulated depreciation				
Land improvements	548,142	51,427	-0-	599,569
Buildings	2,662,737	468,729	-0-	3,131,466
Infrastructure	570,736	336,297	-0-	907,033
Machinery and equipment	1,924,745	301,734	-0-	2,226,479
Vehicles	<u>4,250,096</u>	<u>538,604</u>	<u>-0-</u>	<u>4,788,700</u>
Total accumulated depreciation	<u>9,956,456</u>	<u>1,696,791</u>	<u>-0-</u>	<u>11,653,247</u>
Total depreciable capital assets, net	<u>16,271,818</u>	<u>1,513,586</u>	<u>-0-</u>	<u>17,785,404</u>
Governmental activities capital assets, net	\$ <u>20,817,635</u>	\$ <u>1,524,156</u>	\$ <u>185,273</u>	\$ <u>22,156,518</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Enterprise Activities				
Nondepreciable capital assets				
Land	\$ 2,975,486	\$ 4,650,352	\$ -0-	\$ 7,625,838
Construction in process	<u>3,584,665</u>	<u>-0-</u>	<u>3,398,778</u>	<u>185,887</u>
Total nondepreciable capital assets	<u>6,560,151</u>	<u>4,540,352</u>	<u>3,398,778</u>	<u>7,811,725</u>
Depreciable capital assets				
Land improvements	667,500	76,973	-0-	744,473
Buildings	22,319,848	-0-	-0-	22,319,848
Structures and improvements	39,030,040	365,370	-0-	39,395,410
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>3,372,704</u>	<u>713,329</u>	<u>-0-</u>	<u>4,086,033</u>
Total at historical cost	<u>65,481,057</u>	<u>1,155,672</u>	<u>-0-</u>	<u>66,636,729</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Less: Accumulated depreciation				
Land improvements	\$ 51,355	\$ 14,591	\$ -0-	\$ 65,946
Buildings	6,363,133	472,808	-0-	6,835,941
Structures and improvements	11,427,695	1,170,155	-0-	12,597,850
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>1,691,648</u>	<u>139,655</u>	<u>-0-</u>	<u>1,831,303</u>
Total accumulated depreciation	<u>19,624,796</u>	<u>1,797,209</u>	<u>-0-</u>	<u>21,422,005</u>
Total depreciable capital assets, net	<u>45,856,261</u>	<u>(641,537)</u>	<u>-0-</u>	<u>45,214,724</u>
Enterprise activities capital assets, net	\$ <u>52,416,412</u>	\$ <u>4,008,815</u>	\$ <u>3,398,778</u>	\$ <u>53,026,449</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 396,508
Public safety	634,276
Highways and streets	414,237
Culture and recreation	<u>251,770</u>
Total depreciation expense	\$ <u>1,696,791</u>

Discretely Presented Component Units
Morgantown Public Library

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Nondepreciable capital assets				
Construction in process	\$ 995	\$ -0-	\$ 995	\$ -0-
Total nondepreciable capital asset	<u>995</u>	<u>-0-</u>	<u>995</u>	<u>-0-</u>
Depreciable capital assets				
Buildings	2,893,463	130,107	41,784	2,981,786
Books and videos	289,586	43,175	11,790	320,971
Machinery and equipment	<u>4,763,675</u>	<u>217,894</u>	<u>146,049</u>	<u>4,835,520</u>
Total at historical cost	<u>7,946,724</u>	<u>391,176</u>	<u>199,623</u>	<u>8,138,277</u>
Less: Accumulated depreciation				
Buildings	1,074,194	59,753	4,596	1,129,351
Books and videos	155,904	21,129	11,790	165,243
Machinery and equipment	<u>4,274,516</u>	<u>198,202</u>	<u>146,049</u>	<u>4,326,669</u>
Total accumulated depreciation	<u>5,504,614</u>	<u>279,084</u>	<u>162,435</u>	<u>5,621,263</u>
Total depreciable capital assets, net	<u>2,442,110</u>	<u>112,092</u>	<u>37,188</u>	<u>2,517,014</u>
Governmental activities capital assets, net	\$ <u>2,443,105</u>	\$ <u>112,092</u>	\$ <u>38,183</u>	\$ <u>2,517,014</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Morgantown Utility Board

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers to Utility Plant</u>	<u>Ending</u> <u>Balance</u>
Water Utility				
Plant	\$ 65,190,543	\$ 1,271,296	\$(88,070)	\$ 66,373,769
CIP	3,148,309	7,403,861	(1,271,296)	9,280,874
Sewer Utility				
Plant	89,900,822	2,570,349	(1,573,204)	90,897,967
CIP	10,075,466	8,776,434	(2,570,349)	16,281,551
Storm water Utility				
Plant	15,415,162	1,103,181	(6,686)	16,511,657
CIP	<u>8,229,236</u>	<u>558,575</u>	<u>(1,103,181)</u>	<u>7,684,630</u>
TOTAL	<u>191,959,538</u>	<u>21,683,696</u>	<u>(6,612,786)</u>	<u>207,030,448</u>
Less: Accumulated Depreciation				
Water Utility	(25,843,798)	(1,351,116)	89,475	(27,105,439)
Sewer Utility	(44,783,149)	(2,126,184)	449,454	(46,459,879)
Storm water Utility	(1,799,399)	(318,130)	<u>6,687</u>	<u>(2,110,842)</u>
Total Accumulated Depreciation	<u>(72,426,346)</u>	<u>(3,795,430)</u>	<u>545,616</u>	<u>(75,676,160)</u>
Total Net Capital Assets	<u>\$ 119,533,192</u>	<u>\$ 17,888,266</u>	<u>\$(6,067,170)</u>	<u>\$ 131,354,288</u>
Depreciation expense charged to operations		<u>\$ 3,795,430</u>		

6. Long-Term Debt

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
Governmental Activities						
Bonds Payable						
2006A TIF bonds	\$ 5,775,000	\$ -0-	\$ 135,000	\$ 5,640,000	\$ 140,000	\$ 5,500,000
2007 TIF bonds	3,000,000	-0-	-0-	3,000,000	-0-	3,000,000
2007A TIF bonds	8,420,109	194,891	-0-	8,615,000	-0-	8,615,000
2010 TIF bonds	-0-	<u>1,700,000</u>	-0-	<u>1,700,000</u>	-0-	<u>1,700,000</u>
Total bonds payable	<u>17,195,109</u>	<u>1,894,891</u>	<u>135,000</u>	<u>18,955,000</u>	<u>140,000</u>	<u>18,815,000</u>
Other long-term debt						
Compensated absences	1,176,050	-0-	61,582	1,114,468	-0-	1,114,468
Obligation under capital lease	138,806	1,957,833	87,593	2,009,046	120,744	1,888,302
Net pension obligation	3,910,519	2,241,975	-0-	6,152,494	-0-	6,152,494
Accrued other post employment benefits	<u>1,554,000</u>	<u>1,566,000</u>	-0-	<u>3,120,000</u>	-0-	<u>3,120,000</u>
Total other long-term debt	<u>6,779,375</u>	<u>5,765,808</u>	<u>149,175</u>	<u>12,396,008</u>	<u>120,744</u>	<u>12,275,264</u>
Total long-term debt – governmental activities	<u>\$ 23,974,484</u>	<u>\$ 7,660,699</u>	<u>\$ 284,175</u>	<u>\$ 31,351,008</u>	<u>\$ 260,744</u>	<u>\$ 31,090,264</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

TIF Bonds

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

2006A TIF Bonds

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 140,000	\$ 272,380	\$ 412,380
2012	150,000	266,360	416,360
2013	155,000	259,610	414,610
2014	160,000	252,635	412,635
2015	170,000	245,435	415,435
2016 – 2020	965,000	1,102,465	2,067,465
2021 – 2025	1,225,000	848,110	2,073,110
2026 – 2030	1,550,000	520,690	2,070,690
2031 – 2033	<u>1,125,000</u>	<u>114,500</u>	<u>1,239,500</u>
Total	\$ <u>5,640,000</u>	\$ <u>3,882,185</u>	\$ <u>9,522,185</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

2007 TIF Bonds

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -0-	\$ 170,700	\$ 170,700
2012	-0-	170,700	170,700
2013	-0-	170,700	170,700
2014	-0-	170,700	170,700
2015	-0-	170,700	170,700
2016 – 2020	-0-	853,500	853,500
2021 – 2025	-0-	853,500	853,500
2026 – 2030	-0-	853,500	853,500
2031 – 2033	<u>3,000,000</u>	<u>512,100</u>	<u>3,512,100</u>
 Total	 \$ <u>3,000,000</u>	 \$ <u>3,926,100</u>	 \$ <u>6,926,100</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

2007A TIF Bonds

The 2007A TIF bonds were issued subordinate to the 2006 TIF bonds, and were issued to provide funds to finance the costs of certain private capital improvements with the City's designated TIF riverfront district area. Proceeds from the bonds provided additional financing for the Riverfront Event Center Project No. 1. The bonds are payable solely from the property taxes generated in associated with the increased assessed values of property within the TIF district area. The bonds do not constitute a general obligation, or pledge of the full faith and credit of the City of Morgantown. The bonds bear interest of 8.00%, with interest only payments due quarterly and principal and interest due in June 2033. As of June 30, 2010, the city has only drawn \$8,615,000 of these bonds with the balance expected to be drawn during the subsequent fiscal year. The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -0-	\$ 689,200	\$ 689,200
2012	-0-	689,200	689,200
2013	-0-	689,200	689,200
2014	-0-	689,200	689,200
2015	-0-	689,200	689,200
2016 – 2020	-0-	3,446,000	3,446,000
2021 - 2025	-0-	3,446,000	3,446,000
2026 - 2030	-0-	3,446,000	3,446,000
2031 – 2033	<u>8,615,000</u>	<u>2,067,600</u>	<u>10,682,600</u>
 Total	 \$ <u>8,615,000</u>	 \$ <u>15,851,600</u>	 \$ <u>24,466,600</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

2010 TIF Bonds

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -0-	\$ 89,441	\$ 89,441
2012	-0-	93,330	93,330
2013	-0-	93,330	93,330
2014	-0-	93,330	93,330
2015	-0-	93,330	93,330
2016 – 2020	-0-	466,650	466,650
2021 – 2025	-0-	466,650	466,650
2026 – 2030	-0-	466,650	466,650
2031 – 2035	-0-	466,650	466,650
2036 – 2038	<u>1,700,000</u>	<u>279,990</u>	<u>1,979,990</u>
Total	\$ <u>1,700,000</u>	\$ <u>2,609,351</u>	\$ <u>4,309,351</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 140,000	\$ 1,221,721	\$ 1,361,721
2012	150,000	1,219,590	1,369,590
2013	155,000	1,212,840	1,367,840
2014	160,000	1,205,865	1,365,865
2015	170,000	1,198,665	1,368,665
2016 – 2020	965,000	5,868,615	6,833,615
2021 – 2025	1,225,000	5,614,260	6,839,260
2026 – 2030	1,550,000	5,286,840	6,836,840
2031 – 2035	12,740,000	3,160,850	15,900,850
2036 – 2038	<u>1,700,000</u>	<u>279,990</u>	<u>1,979,990</u>
Total	\$ <u>18,955,000</u>	\$ <u>26,269,236</u>	\$ <u>45,224,236</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

Obligation Under Capital Leases

The Board of Parks and Recreation Commissioners of the City of Morgantown entered into a capital lease on November 10, 2005 to finance the acquisition of equipment. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	
2011	\$ 55,281
Less: Amount representing interest	<u>4,068</u>
	51,213
Less: Current maturities	<u>51,213</u>
Non-current maturities	\$ <u>-0-</u>

The Board of Parks and Recreation Commissioners of the City of Morgantown entered into a capital lease to finance the acquisition of lighting upgrades, boiler upgrades and roustan ice plant at the City's ice rink. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	
2011	\$ 74,246
2012	73,129
2013	75,532
2014	79,599
2015	79,891
2016 – 2020	474,149
2021 – 2025	<u>492,041</u>
	1,348,587
Less: Amount representing interest	<u>372,747</u>
	975,840
Less: Current maturities	<u>34,656</u>
Non-current maturities	\$ <u>941,184</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

The General Fund of the City of Morgantown entered into a capital lease to finance the acquisition of various lighting upgrades and energy efficient equipment and upgrades. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2010:

Fiscal Year Ending June 30,

2011	\$ 74,714
2012	73,590
2013	76,008
2014	80,101
2015	80,394
2016 – 2020	477,137
2021 – 2025	<u>495,146</u>
	1,357,090
Less: Amount representing interest	<u>375,097</u>
	981,993
Less: Current maturities	<u>34,875</u>
	\$ <u>947,118</u>
Non-current maturities	

The following is a schedule of future minimum lease payments required under all governmental fund capital leases and the present value of the net minimum lease payments at June 30, 2010:

Fiscal Year Ending June 30,

2011	\$ 204,241
2012	146,719
2013	151,540
2014	159,700
2015	160,285
2016 – 2020	951,286
2021 – 2025	<u>987,187</u>
	2,760,958
Less: Amount representing interest	<u>751,912</u>
	2,009,046
Less: Current maturities	<u>120,744</u>
	\$ <u>1,888,302</u>
Non-current maturities	

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

The following is a summary of bonds payable at June 30, 2010:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
Business-Type Activities						
Bonds payable:						
2003 Municipal Building Lease Revenue Refunding Bonds	\$ 5,560,000	\$ -0-	\$ 415,000	\$ 5,145,000	\$ 425,000	\$ 4,720,000
2008A Municipal Building Lease Revenue Bonds	3,730,341	376,739	140,410	3,966,670	171,224	3,795,446
2002 Parking Revenue Bonds	<u>5,020,013</u>	<u>-0-</u>	<u>242,196</u>	<u>4,777,817</u>	<u>228,031</u>	<u>4,549,786</u>
Total bonds payable	<u>14,310,354</u>	<u>376,739</u>	<u>797,606</u>	<u>13,889,487</u>	<u>824,255</u>	<u>13,065,232</u>
Other long-term debt						
Notes payable	31,410	-0-	8,693	22,717	9,909	12,808
Obligation under capital lease	<u>-0-</u>	<u>673,298</u>	<u>-0-</u>	<u>673,298</u>	<u>15,102</u>	<u>658,196</u>
Total other long-term debt	<u>31,410</u>	<u>673,298</u>	<u>8,693</u>	<u>696,015</u>	<u>25,011</u>	<u>671,004</u>
Total long-term debt – governmental activities	\$ <u>14,341,764</u>	\$ <u>1,050,037</u>	\$ <u>806,299</u>	\$ <u>14,585,502</u>	\$ <u>849,266</u>	\$ <u>13,736,236</u>

2003 Municipal Building Lease Revenue Refunding Bond

This issue was authorized to refinance the \$9,490,000, 1996 City of Morgantown Municipal Building Lease Revenue Refunding Bonds. The bonds were issued bearing interest of 2.00%-4.00% payable semiannually on the first day of January and the first day of July of each year.

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 425,000	\$ 193,715	\$ 618,715
2012	445,000	180,965	625,965
2013	455,000	165,390	620,390
2014	470,000	149,465	619,465
2015	485,000	132,545	617,545
2016-2019	<u>2,865,000</u>	<u>333,200</u>	<u>3,198,200</u>
Total	\$ <u>5,145,000</u>	\$ <u>1,155,280</u>	\$ <u>6,300,280</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

The 2003 bonds are secured by the lease rentals derived from the lease of the public safety and parking building to the City pursuant to the lease, and from funds on deposit in the reserve account.

As required by the 2003 bond ordinance, a sinking fund has been established with WesBanco Trust Investment Services. Monies in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Payments are required to be made into the sinking fund to pay interest which will mature and become due on the next succeeding interest payment date. The balance in the sinking fund account with the Wesbanco Trust Investment Services at June 30, 2010 was \$860,969.

2008A Municipal Building Lease Revenue Bond

This issue was authorized to finance the construction of the North Side Fire Station. The bonds were issued bearing interest of 4.05% payable monthly. The bonds were issued in the amount \$4,500,000.

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 171,224	\$ 157,495	\$ 328,719
2012	178,289	150,430	328,719
2013	185,645	143,074	328,719
2014	193,305	135,414	328,719
2015	201,281	127,438	328,719
2016 – 2020	1,138,045	505,550	1,643,595
2021 – 2025	1,393,016	250,579	1,643,595
2026 – 2027	<u>505,865</u>	<u>17,327</u>	<u>523,192</u>
Total	\$ <u>3,966,670</u>	\$ <u>1,487,307</u>	\$ <u>5,453,977</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

The 2008A bonds are secured by the lease rentals derived from the lease of the station to the City pursuant to the lease, and from funds on deposit in the reserve account.

As required by the 2008A bond ordinance, a sinking fund has been established. Monies in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Payments are required to be made into the sinking fund to pay interest and principal which will mature and become due on the next succeeding payment date. The balance in the sinking fund account at June 30, 2010 was \$27,667.

2002 Parking Revenue Bonds

This issue was authorized to finance the acquisition, construction and equipping of a new motor vehicle parking facility. The bonds were issued bearing interest of a variable rate per annum equal to 75% of the Federal Home Loan Bank Rate for 5-year maturity with a 20-year amortization, plus 2%. The bonds are payable in 42 semiannual installments on January 1 and July 1.

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 228,031	\$ 213,549	\$ 441,580
2012	238,408	203,172	441,580
2013	249,257	192,323	441,580
2014	260,600	180,980	441,580
2015	271,943	169,637	441,580
2016-2020	1,503,394	704,506	2,207,900
2021-2025	1,875,218	332,682	2,207,900
2026	<u>150,966</u>	<u>11,410</u>	<u>162,376</u>
Total	\$ <u>4,777,817</u>	\$ <u>2,008,259</u>	\$ <u>6,786,076</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010**

The 2002 bonds are secured by the revenues of the Parking Authority and a statutory mortgage lien on the Parking Authority system.

Notes Payable

Building Commission

Huntington National Bank

6.00%: installment obligation; payable in monthly installments of \$906. Repayment at June 30, 2010 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 9,909	\$ 1,093	\$ 11,002
2012	10,520	482	11,002
2013	<u>2,288</u>	<u>18</u>	<u>2,306</u>
	<u>\$ 22,717</u>	<u>\$ 1,593</u>	<u>\$ 24,310</u>

Discretely Presented Component Unit

Morganton Utility Board

1995 Bonds Payable

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

2000A Bonds Payable

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

2000B Bonds Payable

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

2001A Bonds Payable

The Board issued \$3,812,470 in a combined waterworks and sewerage system revenue bonds on February 8, 2001, for the acquisition and construction of extensions, additions, betterments and improvements of the waterworks portion of the existing public combined waterworks and sewerage system. The bonds mature quarterly on March 1, June 1, September 1, and December 1 of each year commencing June 1, 2002. The bonds will bear no interest until after February 28, 2002. Effective March 1, 2002, the bonds will bear interest at a rate of 3% per annum and will be paid quarterly on March 1, June 1, September 1, and December 1 of each year commencing June 1, 2002. The bonds were issued to the West Virginia Development Authority and mature December 1, 2015. Annualized payments of \$339,402 are required.

2006A Bonds Payable

The Board issued bonds of \$6,410,000 in a combined waterworks and sewerage system revenue bonds on June 30, 2006, for the acquisition and construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined waterworks and sewerage system. \$6,026,618 has been drawn on these bonds toward construction. The construction will be completed in fall 2009. The bonds bear interest rates of 3% with a 20 year term. The payments will be \$97,416 quarterly, commencing September 2009.

2007 Bonds Payable

The Board issued bonds of \$8,500,000 in a combined waterworks and sewerage system revenue bonds on June 30, 2007, for the acquisition and construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined waterworks and sewerage system. \$8,362,281 has been drawn on these bonds toward construction. The construction is expected to be completed in fall of 2009. The bonds bear interest rates of 3% with a 20 year term. The payments will be \$106,698 quarterly, commencing September 2009.

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

2010 Bonds Payable

The Board issued on January 28, 2010, (1) Combined Utility System Revenue bonds, Series 2010A (Direct Payment Build America Bonds), in the original aggregate principal amount of \$37,950,000; (2) Combined Utility System Revenue Bonds, Series 2010B (West Virginia SRF Program), in the original aggregate principal amount of \$81,600; (3) Combined Utility System Revenue Bonds, Series 2010C (West Virginia SRF Program/ARRA), in the original aggregate principal amount of \$15,203,668; (4) Combined Utility System Revenue Bonds, Series 2010D (West Virginia DWTRF Program), in the original aggregate principal amount \$9,317,286; (5) Combined Utility System Revenue Bonds, Series 2010E (West Virginia DWTRF Program/ARRA), in the original aggregate principal amount of \$100,000, and (6) Combined Utility System Revenue Bonds, Series 2010F (Bank Qualified) in the original aggregate principal amount of \$7,250,000, (collectively the "Series 2010 Bonds") for the acquisition and construction of the extension, additions, betterments and improvements of the waterworks portion of the existing public combined waterworks and sewerage system. The DWTRF bonds bear interest rates of 2% with a 20 year term, the SRF bonds bear interest rates of 3% with a 20 year term, the 2010F bonds will bear interest rates of 6.31% with a 21.858 year term and 2010 F will bear interest rates of 2.73% with a 5.932 year term. The payments are estimated annually to be \$4,230,261, commencing June 2012.

Long-term debt activity for the year ended June 30, 2010 was as follows:

	<u>Beginning</u>	<u>Payments</u>	<u>Proceeds</u>	<u>Ending</u>	<u>Current Portion</u>
Morgantown 1992	\$ 2,630,000	\$ (725,000)	\$ -0-	\$ 1,905,000	\$ 745,000
Morgantown 1995	591,991	(86,155)	-0-	505,836	97,351
Morgantown 2000A	5,416,620	(323,384)	-0-	5,093,236	323,381
Morgantown 2000B	1,996,930	(65,476)	-0-	1,931,454	65,476
Morgantown 2001A	1,997,567	(282,636)	-0-	1,714,931	291,208
Morgantown 2006A	6,026,618	(268,736)	120,146	5,878,028	274,151
Morgantown 2007A	8,362,281	(288,528)	137,719	8,211,472	294,345
Morgantown 2010A	-0-	-0-	37,950,000	37,950,000	-0-
Morgantown 2010C	-0-	-0-	6,286,298	6,286,298	-0-
Morgantown 2010D	-0-	-0-	1,275,823	1,275,823	-0-
Morgantown 2010E	-0-	-0-	-0-	-0-	-0-
Morgantown 2010F	-0-	-0-	7,250,000	7,250,000	-0-
Total	\$ 27,022,007	\$ (2,039,915)	\$ 53,019,986	\$ 78,002,078	\$ 2,090,912

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Maturities of the Board's debt for the years subsequent to June 30, 2010 are as follows:

Annual Principal Payment Requirements

	<u>1992</u> <u>Issue</u> <u>Principal</u>	<u>1995</u> <u>Issue</u> <u>Principal</u>	<u>2000A</u> <u>Issue</u> <u>Principal</u>	<u>2000B</u> <u>Issue</u> <u>Principal</u>	<u>2001A</u> <u>Issue</u> <u>Principal</u>	<u>2006A</u> <u>Issue</u> <u>Principal</u>	<u>2007</u> <u>Issue</u> <u>Principal</u>
2011	\$ 745,000	\$ 97,351	\$ 323,381	\$ 65,476	\$ 291,208	\$ 274,151	\$ 294,345
2012	770,000	97,351	323,380	65,476	300,045	279,676	300,274
2013	390,000	97,351	323,380	65,476	307,123	285,311	345,754
2014	-0-	97,351	323,380	65,476	309,148	291,060	392,547
2015	-0-	97,351	323,380	65,476	328,191	296,924	400,458
2016-2020	-0-	19,081	1,616,900	327,380	179,216	1,576,817	2,125,632
2021-2025	-0-	-0-	1,616,900	327,380	-0-	1,742,219	2,349,703
2026-2030	-0-	-0-	242,535	327,380	-0-	1,131,870	2,002,759
2031-2035	-0-	-0-	-0-	327,380	-0-	-0-	-0-
2036-2040	-0-	-0-	-0-	294,554	-0-	-0-	-0-
Total	\$ <u>1,905,000</u>	\$ <u>505,836</u>	\$ <u>5,093,236</u>	\$ <u>1,931,454</u>	\$ <u>1,714,931</u>	\$ <u>5,878,028</u>	\$ <u>8,211,472</u>

Annual Interest Payment Requirements

	<u>1992</u> <u>Issue</u> <u>Interest</u>	<u>1995</u> <u>Issue</u> <u>Interest</u>	<u>2000A</u> <u>Issue</u> <u>Interest</u>	<u>2000B</u> <u>Issue</u> <u>Interest</u>	<u>2001A</u> <u>Issue</u> <u>Interest</u>	<u>2006A</u> <u>Issue</u> <u>Interest</u>	<u>2007</u> <u>Issue</u> <u>Interest</u>
2011	\$ 48,825	\$ 4,730	\$ -0-	\$ -0-	\$ 48,192	\$ 115,513	\$ 132,451
2012	26,213	3,845	-0-	-0-	39,357	109,989	126,520
2013	4,388	2,941	-0-	-0-	30,254	104,353	135,161
2014	-0-	2,020	-0-	-0-	20,875	98,604	142,490
2015	-0-	1,080	-0-	-0-	11,211	92,739	134,580
2016-2020	-0-	120	-0-	-0-	2,522	371,502	548,454
2021-2025	-0-	-0-	-0-	-0-	-0-	206,097	322,482
2026-2030	-0-	-0-	-0-	-0-	-0-	37,121	82,673
Total	\$ <u>79,426</u>	\$ <u>14,736</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>152,411</u>	\$ <u>1,135,918</u>	\$ <u>1,624,811</u>

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

Obligations Under Capital Lease

The Airport Authority of the City of Morgantown entered into a capital lease to finance the acquisition of lighting upgrades and HVAC upgrades. The lease qualified as a capital lease for the accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under the capital lease and the present value of the net minimum lease payments at June 30, 2010.

Fiscal Year Ending June 30,	
2011	\$ 34,359
2012	34,039
2013	35,157
2014	37,050
2015	37,186
2016 – 2020	220,698
2021 – 2024	<u>209,498</u>
	607,987
Less: Amount representing interest	<u>153,772</u>
	454,215
Less: Current maturities	<u>10,188</u>
Non-current maturities	\$ <u>444,027</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

The Parking Authority of the City of Morgantown entered into a capital lease to finance the acquisition of lighting upgrades. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under the capital lease and the present value of the net minimum lease payments at June 30, 2010:

Fiscal Year Ending June 30,	
2011	\$ 16,669
2012	16,418
2013	16,957
2014	17,870
2015	17,935
2016 – 2020	106,450
2021 – 2024	<u>110,468</u>
	302,767
Less: Amount representing interest	<u>83,684</u>
	219,083
Less: Current maturities	<u>4,914</u>
Non-current maturities	\$ <u>214,169</u>

The following is a schedule of future minimum lease payments required under all capital leases and the present value of the net minimum lease payments at June 30, 2010:

Fiscal Year Ending June 30,	
2011	\$ 51,028
2012	50,457
2013	52,114
2014	54,920
2015	55,121
2016 – 2020	327,148
2021 – 2024	<u>319,966</u>
	910,754
Less: Amount representing interest	<u>237,456</u>
	673,298
Less: Current maturities	<u>15,102</u>
Non-current maturities	\$ <u>658,196</u>

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

7. Employees Retirement System

West Virginia Public Employment Retirement System

The City maintains three separate employee contributing pension plans. These plans cover firemen, police officers, and substantially all other full-time civilian employees with the exception of the Board of Park Commissioners employees who are covered by the West Virginia Public Employees Retirement System. The West Virginia Employees' Retirement System is funded through employer contributions of 11.0% of payroll and member contributions of 4.5% of payroll.

The City's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2010 is as follows:

	<i>Primary Government</i>	<i>Component Unit Morgantown Public Library</i>
Total wages	\$ 689,382	\$ 578,158
Employer share 11.00%	\$ 75,832	\$ 63,598
Employee share 4.50%	\$ 31,022	\$ 26,017

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

<u>Public Employees' Retirement System (PERS)</u>	
Eligibility to participate	All City full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Employers's contribution rate	11.00%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contribution service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

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

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

8. Employee Retirement System and Plans

Plan Descriptions. Contribution Information

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

The Policemen's Pension and Relief Fund (PPRF) provides retirement benefits for substantially all full-time police employees. Unless otherwise indicated, PPRF information in this Note is provided as of the latest actuarial valuation, July 1, 2009.

The Firemen's Pension and Relief Fund (FPRF) provides retirement benefits for substantially all full-time fire employees. Unless otherwise indicated, FPRF information in this Note is provided as the latest actuarial valuation, July 1, 2009.

The Employees Pension and Relief Fund (ERF) provides retirement benefits for substantially all full-time permanent employees not covered by other plans. Unless otherwise indicated, ERF information in this Note is provided as of the latest actuarial valuation, July 1, 2008.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Memberships of the plans are as follows:

Group	PPRF	FPRF	ERF	Totals
Active employees:				
Fully vested and nonvested	59	47	269	375
Vested terminated benefits	-0-	-0-	8	8
Retirees and beneficiaries currently receiving benefits	<u>54</u>	<u>52</u>	<u>94</u>	<u>200</u>
Total	<u>113</u>	<u>99</u>	<u>371</u>	<u>583</u>

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

	PPRF	FPRF	ERF
Governing authority	City Council Ordinance	City Council Ordinance	City Council Ordinance
Determination of contribution requirements	Actuarially determined	Actuarially determined	Actuarially determined
Employer	Contribute annually an amount which, together with contributions from the members and the allocable portion of the state premium tax fund, will be sufficient to meet the normal cost of the fund and amortize any unfunded actuarial accrued liability. Municipalities may utilize an alternative contribution method which allows the municipality to contribute no less than 107% of the prior years contribution provided the actuary certifies in writing that the fund will be solvent over the next 15 years under this method. In no event can the employer contribution be less than the normal cost as determined by the actuary.		Contribute annually an amount sufficient to meet the normal cost of the fund and amortize the actuarial deficit over a period of 22 years.
Plan members	7% of covered payroll	7% of covered payroll	6.00% of covered payroll
Period Required to Vest	20 years of service but no later than the date the participant reaches 65.		The latter of the date the participant attains age 60 and 10 years of service credit, or attains age 55 and age plus years of Service Credit total 85.
Post-retirement Benefit	Cost of living adjustment after two years of retirement. Adjustment calculated on the first \$15,000 of the total annual benefit multiplied by the Consumer Price Index (not to exceed 4%). Cost of Living adjustment calculated thereafter on a cumulative basis.		Annual Cost of Living adjustments is the lesser of 3% or the annual consumer price index multiplied by 50%; provided that the municipality's contribution for the year is less than 6% of the participating payroll.
Provisions for:			
Diability benefits	Yes	Yes	Yes
Death benefits	Yes	Yes	Yes

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

Annual Required Contributions and Significant Actuarial Assumptions

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

	Policemen's and Firemen's Pension & Relief Fund	Employees Pension and Relief Fund
Valuation Date	7/1/07	7/1/08
Actuarial Cost Method	Projected Unit Credit	Aggregate entry age
Amortization Method	Level % Open	
Amortization Period	30 year (level percentage)	
Actuarial asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	6.5%	7.5%
Projected salary increases	5%	5%
Post retirement benefit increases	None	None
Inflation	3%	3%
Cost of living adjustments	3%	None

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

Reserves

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

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

Annual pension cost	\$ 1,812,558
Contributions made	<u>870,507</u>
Increase in net pension obligation	942,051
Net pension obligation at beginning of year	<u>853,252</u>
 Net pension obligation at end of year	 \$ <u>1,795,303</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 1,812,558	\$ 870,507	\$ 1,795,303
2009	1,102,239	406,613	778,366
2008	1,000,298	1,877,633	82,741

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>GASB Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Payroll [(b-a)/c]</u>
07/01/2004	\$ 11,192,360	\$ 25,964,649	\$ 14,772,289	43.1%	\$ 2,356,504	627%
07/01/2005	11,192,360	25,964,649	14,772,289	43.1%	2,356,604	627%
07/01/2006	8,054,815	23,313,655	15,258,840	34.5%	1,904,137	801%
07/01/2007	10,626,102	23,967,730	13,341,628	44.3%	1,991,611	670%
07/01/2008	10,127,559	24,686,762	14,559,203	41.0%	2,051,359	710%
07/01/2009	8,951,158	25,728,239	16,777,081	34.8%	2,200,751	762%

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

Annual pension cost	\$ 2,028,343
Contributions made	<u>1,003,921</u>
Increase in net pension obligation	1,024,422
Net pension obligation at beginning of year	<u>2,617,836</u>
 Net pension obligation at end of year	 \$ <u>3,642,258</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 2,028,343	\$1,003,921	\$ 3,642,258
2009	1,187,345	480,283	2,534,668
2008	1,076,612	448,862	1,827,606

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>GASB Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Payroll [(b-a)/c]</u>
07/01/2004	\$ 11,192,360	\$ 25,964,649	\$ 14,772,289	43.1%	\$ 2,356,504	627%
07/01/2005	11,192,360	25,964,649	14,772,289	43.1%	2,356,504	627%
07/01/2006	11,192,360	25,964,649	14,772,289	43.1%	2,356,504	627%
07/01/2007	13,647,736	27,570,688	13,922,952	49.5%	2,631,965	529%
07/01/2008	12,992,382	28,397,809	15,405,427	45.8%	2,710,924	568%
07/01/2009	11,543,478	30,172,724	18,629,246	38.3%	2,899,944	642%

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

	<u>Employees Pension and Relief Fund</u>
Annual required contribution (ARC) for the year ended June 30, 2010	\$ 1,137,893
Interest on net pension obligation (NPO)	(27,194)
Adjustments to NPO	<u>38,211</u>
Annual pension cost	1,148,910
Employer contributions for the year ended June 30, 2010	<u>1,031,462</u>
Increase (decrease) to NPO	117,448
Net pension obligation (asset) at July 1, 2009	<u>597,485</u>
Net pension obligation (asset) at June 30, 2010	\$ <u>714,933</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Employee's Pension and Relief Fund

Schedules of Funding Progress

<u>Valuation Date</u>	<u>Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Payroll</u>	<u>Unfunded as a Percent of Payroll</u>
July 1, 1998	\$ 20,779,869	\$ 19,508,628	\$(1,271,241)	106.52%	\$ 5,738,083	(22.15)%
July 1, 1999	21,423,244	20,148,565	(1,274,679)	106.33%	6,045,799	(21.08)%
July 1, 2000	22,373,424	21,820,359	(553,065)	102.53%	6,649,840	(8.32)%
July 1, 2001	23,139,686	23,239,107	99,421	99.57%	7,209,208	1.38%
July 1, 2002	23,698,070	24,736,061	1,037,991	95.80%	7,651,974	13.57%
July 1, 2003	24,430,332	26,264,966	1,834,634	93.01%	8,039,148	22.82%
July 1, 2004	25,507,836	27,507,737	1,999,901	92.73%	8,166,525	24.49%
July 1, 2005	27,187,677	29,210,252	2,022,575	93.08%	8,545,358	23.67%
July 1, 2006	28,946,598	31,520,796	2,574,198	91.83%	8,996,728	28.61%
July 1, 2007	31,548,708	33,766,569	2,217,856	93.43%	9,907,727	22.20%
July 1, 2008	33,672,207	36,171,756	2,499,549	93.09%	10,385,815	24.07%
July 1, 2009	33,858,501	38,757,618	4,899,117	87.36%	10,994,139	44.19%

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2010	\$ 1,148,910	90%
2009	875,570	87%
2008	810,248	100%
2007	773,719	100%

Deferred Compensation Plan

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010**

Other Postemployment Benefits

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

Accrued Other Post Employment Benefits

Plan description/contribution information

The City maintains a single employer health insurance plan that covers substantially all eligible full-time employees as well as certain current and future retirees of the system. The accrued other post employment benefits (OPEB) provides retirement health insurance benefits for substantially all full-time employees. Unless otherwise indicated, information in this Note is provided as of the latest actuarial valuation, January 1, 2009.

Annual Required Contributions and Significant Actuarial Assumptions:

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

Valuation Date	1/1/2009
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Open
Amortization Period	30 Years
Actuarial asset valuation method	Market Value
Actuarial Assumptions:	
Investment rate of return	4%
Salary Scale	2.5%
Medical Trend Rate	9% graded down to 5%

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

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

Annual Required Contribution	\$ 2,259,000
Interest on net OPEB obligation	62,000
Adjustment to annual required contribution	(64,000)
Annual OPEB cost	2,257,000
Contributions made	(691,000)
Increase in net OPEB obligation	1,566,000
Net OPEB obligation – beginning of year	<u>1,554,000</u>
Net OPEB obligation – end of year	\$ <u>3,120,000</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 2,257,000	30.62%	\$ 3,120,000
2009	2,154,000	27.00%	1,554,000
2008	N/A	N/A	N/A

8. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2010 for fund financial:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 91,239	\$ -0-
Special Revenue Funds		
Board of Parks and Recreation	-0-	23,220
Capital Project Funds		
Capital reserve	96,280	-0-
Business Improvement District	-0-	20,566
Enterprise Funds		
Airport fund	-0-	130,214
Parking Authority	<u>-0-</u>	<u>13,519</u>
	\$ <u>187,519</u>	\$ <u>187,519</u>

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

Discretely Presented Component Unit

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Morgantown Public Library	\$ -0-	\$ 324
Capital Project Clay Battelle Branch	<u>324</u>	<u>-0-</u>
	\$ <u>324</u>	\$ <u>324</u>

9. Contingent Liabilities

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

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

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

10. Restricted

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

11. Debt Service Coverage

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2010:

Total revenues	\$ 2,214,285
Interest and dividend income	<u>38,625</u>
Adjusted gross revenues	2,252,910
Total expenses	<u>2,003,030</u>
	249,880
Add: Depreciation expense	<u>496,326</u>
Amount available for debt service and capital expenditures	\$ <u>746,206</u>
Maximum annual debt service	\$ <u>441,580</u>
Calculated debt service coverage factor	1.69
Required debt service coverage factor	1.10

Based on this calculation, it appears that the Parking Authority was in compliance with the provisions set forth in its bond ordinance as of June 30, 2010.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010**

12. Lease of Property

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

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

On January 1, 2009, the Board of Parks and Recreation Commissioners of the City of Morgantown entered into an operating lease for the lease of certain real estate located in the First Ward of the City of Morgantown. The lease is for sixty four months expiring on April 30, 2012 and requires a monthly rental payment of \$8,333. The following is a summary of future lease payment requirements.

<u>Fiscal Year</u>	
2011	\$ 99,996
2012	<u>83,330</u>
	\$ <u>183,326</u>

On July 1, 2008, the City of Morgantown Building Commission entered into a lease agreement with Mermaid Limited Liability Company for the lease of the event center. This lease is for a period of 10 years and requires Mermaid Limited Liability Company to remit payments of \$8,333, to begin 12 months after the date the event center opens for public use. The facility was completed and open for public use in March 2010.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010**

The balance receivable is as follows:

<u>Fiscal Year Ended June 30,</u>	
2011	\$ 25,000
2012	100,000
2013	100,000
2014	100,000
2015	100,000
2016	100,000
2017	100,000
2018	100,000
2019	100,000
2020	100,000
2021	<u>75,000</u>
	 \$ <u>1,000,000</u>

13. Deficit Fund Balance

It was noted during our audit that the Board of Parks and Recreation Fund had a deficit fund balance of \$87,540. The elimination of this deficit fund balance is dependent on increasing revenues and decreasing expenses for this fund.

14. Subsequent Events

The City has considered all subsequent events through March 15, 2011, the date the financial statements were made available.

Effective January 1, 2011, the City of Morgantown has made changes to its employee health benefit plan that will effect current employees and retirees. In addition, the changes will require that employee spouses to take other group health coverage if the other coverage is available.

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS-
 JUNE 30, 2010

	<i>Primary Government</i>			<i>Component Unit</i>
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Morgantown Public Library Capital Projects Funds</u>
ASSETS				
Cash	\$ 1,175,981	\$ 183,101	\$ 1,359,082	\$ -0-
Investments	180,704	-0-	180,704	201,793
Receivables (net of allowances for uncollectibles)				
Taxes	-0-	102,311	102,311	-0-
Accounts	4,641	-0-	4,641	-0-
Other	46,455	-0-	46,455	-0-
Grants	82,482	-0-	82,482	-0-
Due from/(to) other funds	(23,220)	(20,566)	(43,786)	324
TOTAL ASSETS	\$ 1,467,043	\$ 264,846	\$ 1,731,889	\$ 202,117
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 354,676	\$ -0-	\$ 354,676	\$ -0-
Accrued payroll and compensated absences	61,680	-0-	61,680	-0-
Disallowed charges payable	68,158	-0-	68,158	-0-
Deferred revenues	<u>16,875</u>	<u>98,430</u>	<u>115,305</u>	<u>-0-</u>
Total liabilities	<u>501,389</u>	<u>98,430</u>	<u>599,819</u>	<u>-0-</u>
Fund Balances				
Unreserved	<u>965,654</u>	<u>166,416</u>	<u>1,132,070</u>	<u>202,117</u>
Total fund balances	<u>965,654</u>	<u>166,416</u>	<u>1,132,070</u>	<u>202,117</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,467,043	\$ 264,846	\$ 1,731,889	\$ 202,117

The accompanying notes are an integral part of the combining financial statements.

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS-
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Primary Government</u>			<i>Component Unit</i>
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Morgantown Public Library Capital Projects Funds</u>
Revenues				
Charges for services	\$ 1,323,415	\$ -0-	\$ 1,323,415	\$ -0-
Fines and forfeits	27,669	-0-	27,669	-0-
Interest	8,660	1,189	9,849	7,425
Donations	173,066	-0-	173,066	80
Taxes	-0-	875,075	875,075	-0-
Intergovernmental:				
Federal	900,988	35,260	936,248	-0-
State	311,416	-0-	311,416	-0-
County	98,346	-0-	98,346	-0-
Contributions from employees	88,657	-0-	88,657	-0-
Contributions from employers	3,884,257	-0-	3,884,257	-0-
Other	22,192	-0-	22,192	-0-
Total revenues	<u>6,838,666</u>	<u>911,524</u>	<u>7,750,190</u>	<u>7,505</u>
Expenditures				
General government	139,555	5,823	145,378	-0-
Public safety	173,284	-0-	173,284	-0-
Culture and recreation	3,276,914	-0-	3,276,914	-0-
Community development	727,057	44,911	771,968	-0-
Benefit payments	<u>3,535,988</u>	<u>-0-</u>	<u>3,535,988</u>	<u>-0-</u>
Total expenditures	<u>7,852,798</u>	<u>50,734</u>	<u>7,903,532</u>	<u>-0-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,014,132)</u>	<u>860,790</u>	<u>(153,342)</u>	<u>7,505</u>

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Primary Government</u>			<i>Component Unit</i>
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Morgantown Public Library Capital Projects Funds</u>
Other Financing Sources (Uses)				
Operating transfers in	\$ 1,579,904	\$ -0-	\$ 1,579,904	\$ -0-
Operating transfers (out)	(525,000)	(834,976)	(1,359,976)	(9,710)
Total other financing sources (uses)	<u>1,054,904</u>	<u>(834,976)</u>	<u>219,928</u>	<u>(9,710)</u>
 (Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	 40,772	 25,814	 66,586	 (2,205)
 Fund balance beginning of year	 <u>924,882</u>	 <u>140,602</u>	 <u>1,065,484</u>	 <u>204,322</u>
 Fund balance end of year	 \$ <u>965,654</u>	 \$ <u>166,416</u>	 \$ <u>1,132,070</u>	 \$ <u>202,117</u>

The accompanying notes are an integral part of the combining financial statements.

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

JUNE 30, 2010

	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block</u> <u>Grant</u>	<u>Life and</u> <u>Health</u> <u>Fund</u>	<u>Police</u> <u>Forfeiture</u>	<u>Special</u> <u>Grants</u>	<u>Local Law</u> <u>Enforcement</u> <u>Grant</u>	<u>Small</u> <u>Cities</u> <u>Block</u> <u>Grant</u>	<u>Property</u> <u>Auction</u>	<u>Board of</u> <u>Parks and</u> <u>Recreation</u>	<u>Total</u>
Cash	\$ 2,173	\$ 3,441	\$ 649,255	\$ 189,245	\$ -0-	\$ 142,254	\$ 393	\$ 11,256	\$ 177,964	\$ 1,175,981
Investments	-0-	77,957	-0-	-0-	-0-	-0-	-0-	-0-	102,747	180,704
Receivables (net of allowances for uncollectibles)										
Accounts	36,323	-0-	3,428	-0-	-0-	-0-	-0-	1,213	-0-	4,641
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	10,132	46,455
Grants	-0-	77,718	-0-	-0-	4,764	-0-	-0-	-0-	-0-	82,482
Due from/(to) other funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(23,220)	(23,220)
TOTAL ASSETS	\$ 38,496	\$ 159,116	\$ 652,683	\$ 189,245	\$ 4,764	\$ 142,254	\$ 393	\$ 12,469	\$ 267,623	\$ 1,467,043
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -0-	\$ 74,192	\$ 59,020	\$ -0-	\$ 4,764	\$ 4,724	\$ -0-	\$ -0-	\$ 211,976	\$ 354,676
Accrued payroll and compensated absences	-0-	3,526	-0-	-0-	-0-	-0-	-0-	-0-	58,154	61,680
Disallowed charges payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	68,158	68,158
Deferred revenue	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	16,875	16,875
Total liabilities	<u>-0-</u>	<u>77,718</u>	<u>59,020</u>	<u>-0-</u>	<u>4,764</u>	<u>4,724</u>	<u>-0-</u>	<u>-0-</u>	<u>355,163</u>	<u>501,389</u>
Fund Balances										
Reserved	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unreserved	38,496	81,398	593,663	189,245	-0-	137,530	393	12,469	(87,540)	965,654
Total fund balance	<u>38,496</u>	<u>81,398</u>	<u>593,663</u>	<u>189,245</u>	<u>-0-</u>	<u>137,530</u>	<u>393</u>	<u>12,469</u>	<u>(87,540)</u>	<u>965,654</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,496	\$ 159,116	\$ 652,683	\$ 189,245	\$ 4,764	\$ 142,254	\$ 393	\$ 12,469	\$ 267,623	\$ 1,467,043

The accompanying notes are an integral part of the combining financial statements.

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Coal Severance Fund	Community Development Block Grant	Life and Health Fund	Police Forfeiture	Special Grants	Local Law Enforcement Grant	Small Cities Block Grant	Property Auction	Board of Parks and Recreation	Total
Revenues										
Charges for services	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,323,415	\$ 1,323,415
Fines and forfeits	-0-	-0-	-0-	27,669	-0-	-0-	-0-	-0-	-0-	27,669
Interest	349	596	3,223	1,552	-0-	416	-0-	-0-	2,524	8,660
Donations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	173,066	173,066
Intergovernmental:										
Federal	-0-	653,926	-0-	-0-	-0-	247,062	-0-	-0-	-0-	900,988
State	127,716	-0-	-0-	-0-	72,148	-0-	-0-	-0-	111,552	311,416
County	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	98,346	98,346
Contributions from employees	-0-	-0-	88,657	-0-	-0-	-0-	-0-	-0-	-0-	88,657
Contributions from employers	-0-	-0-	3,884,257	-0-	-0-	-0-	-0-	-0-	-0-	3,884,257
Other	-0-	-0-	22,192	-0-	-0-	-0-	-0-	-0-	-0-	22,192
Total revenues	<u>128,065</u>	<u>654,522</u>	<u>3,998,329</u>	<u>29,221</u>	<u>72,148</u>	<u>247,478</u>	<u>-0-</u>	<u>-0-</u>	<u>1,708,903</u>	<u>6,838,666</u>
Expenditures										
General government	-0-	-0-	139,555	-0-	-0-	-0-	-0-	-0-	-0-	139,555
Public safety	-0-	-0-	-0-	44,450	-0-	128,834	-0-	-0-	-0-	173,284
Culture and recreation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,276,914	3,276,914
Community development	-0-	654,909	-0-	-0-	72,148	-0-	-0-	-0-	-0-	727,057
Benefit payments	-0-	-0-	3,535,988	-0-	-0-	-0-	-0-	-0-	-0-	3,535,988
Total expenditures	<u>-0-</u>	<u>654,909</u>	<u>3,675,543</u>	<u>44,450</u>	<u>72,148</u>	<u>128,834</u>	<u>-0-</u>	<u>-0-</u>	<u>3,276,914</u>	<u>7,852,798</u>
(Deficiency) excess of revenues (under) over expenditures	<u>128,065</u>	<u>(387)</u>	<u>322,786</u>	<u>(15,229)</u>	<u>-0-</u>	<u>118,644</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,568,011)</u>	<u>(1,014,132)</u>

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
 SPECIAL REVENUE FUNDS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block</u> <u>Block Grant</u>	<u>Life and</u> <u>Health</u> <u>Fund</u>	<u>Police</u> <u>Forfeiture</u>	<u>Special</u> <u>Grants</u>	<u>Local Law</u> <u>Enforcement</u> <u>Grant</u>	<u>Small</u> <u>Cities</u> <u>Block</u> <u>Grant</u>	<u>Property</u> <u>Auction</u>	<u>Board of</u> <u>Parks and</u> <u>Recreation</u>	<u>Total</u>
Other Financing Sources (Uses)										
Operating transfers in	\$ -0-	\$ -0-	\$ -0-	\$ 49,472	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,530,432	\$ 1,579,904
Operating transfers (out)	(125,000)	-0-	(400,000)	-0-	-0-	-0-	-0-	-0-	-0-	(525,000)
Total other financing sources (uses)	(125,000)	-0-	(400,000)	49,472	-0-	-0-	-0-	-0-	1,530,432	1,054,904
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	3,065	(387)	(77,214)	34,243	-0-	118,644	-0-	-0-	(37,579)	40,772
Fund balance beginning of year	<u>35,431</u>	<u>81,785</u>	<u>670,877</u>	<u>155,002</u>	<u>-0-</u>	<u>18,886</u>	<u>393</u>	<u>12,469</u>	<u>(49,961)</u>	<u>924,882</u>
Fund balance end of year	<u>\$ 38,496</u>	<u>\$ 81,398</u>	<u>\$ 593,663</u>	<u>\$ 189,245</u>	<u>\$ -0-</u>	<u>\$ 137,530</u>	<u>\$ 393</u>	<u>\$ 12,469</u>	<u>\$ (87,540)</u>	<u>\$ 965,654</u>

The accompanying notes are an integral part of the combining financial statements.

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS -
 CAPITAL PROJECT FUNDS
 JUNE 30, 2010

	<i>Primary Government</i>			<i>Component Unit</i>		
				<i>Morgantown Public Library</i>		
	<u>Business</u>	<u>Tax</u>		<u>Library</u>	<u>Capital</u>	
	<u>Improvement</u>	<u>Increment</u>	<u>Total</u>	<u>Excess</u>	<u>Project</u>	
	<u>District</u>	<u>Financing</u>		<u>Levy II</u>	<u>Clay Battelle</u>	<u>Total</u>
					<u>Branch</u>	
ASSETS						
Cash	\$ 36,931	\$ 146,170	\$ 183,101	\$ -0-	\$ -0-	\$ -0-
Investments	-0-	-0-	-0	-0-	201,793	201,793
Taxes receivable	-0-	102,311	102,311	-0-	-0-	-0-
Due from/(to) other funds	(20,566)	-0-	(20,566)	-0-	324	324
TOTAL ASSETS	\$ <u>16,365</u>	\$ <u>248,481</u>	\$ <u>264,846</u>	\$ <u>-0-</u>	\$ <u>202,117</u>	\$ <u>202,117</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Deferred revenues	\$ -0-	\$ 98,430	\$ 98,430	\$ -0-	\$ -0-	\$ -0-
Total liabilities	<u>-0-</u>	<u>98,430</u>	<u>98,430</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances						
Unreserved	<u>16,365</u>	<u>150,051</u>	<u>166,416</u>	<u>-0-</u>	<u>202,117</u>	<u>202,117</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>16,365</u>	\$ <u>248,481</u>	\$ <u>264,846</u>	\$ <u>-0-</u>	\$ <u>202,117</u>	\$ <u>202,117</u>

The accompanying notes are an integral part of the combining financial statements.

CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<i>Primary Government</i>			<i>Component Unit</i>		
	<u>Business</u>	<u>Tax</u>	<u>Total</u>	<i>Morgantown Public Library</i>		
	<u>Improvement</u>	<u>Increment</u>		<u>Library</u>	<u>Capital</u>	<u>Total</u>
	<u>District</u>	<u>Financing</u>		<u>Excess</u>	<u>Project</u>	
				<u>Levy II</u>	<u>Clay Battelle</u>	
				<u>Branch</u>		
Revenues						
Interest	\$ 150	\$ 1,039	\$ 1,189	\$ 20	\$ 7,405	\$ 7,425
Donations	-0-	-0-	-0-	-0-	80	80
Taxes	18,376	856,699	875,075	-0-	-0-	-0-
Intergovernmental:						
Federal	<u>35,260</u>	<u>-0-</u>	<u>35,260</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenues	<u>53,786</u>	<u>857,738</u>	<u>911,524</u>	<u>20</u>	<u>7,485</u>	<u>7,505</u>
Expenditures						
General government	110	5,713	5,823	-0-	-0-	-0-
Community development	<u>44,911</u>	<u>-0-</u>	<u>44,911</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>45,021</u>	<u>5,713</u>	<u>50,734</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>8,765</u>	<u>852,025</u>	<u>860,790</u>	<u>20</u>	<u>7,485</u>	<u>7,505</u>
Other Financing Sources (Uses)						
Operating transfers (out)	<u>-0-</u>	<u>(834,976)</u>	<u>(834,976)</u>	<u>(9,710)</u>	<u>-0-</u>	<u>(9,710)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>(834,976)</u>	<u>(834,976)</u>	<u>(9,710)</u>	<u>-0-</u>	<u>(9,710)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	8,765	17,049	25,814	(9,690)	7,485	(2,205)
Fund balance beginning of year	<u>7,600</u>	<u>133,002</u>	<u>140,602</u>	<u>9,690</u>	<u>194,632</u>	<u>204,322</u>
Fund balance end of year	\$ <u>16,365</u>	\$ <u>150,051</u>	\$ <u>166,416</u>	\$ <u>-0-</u>	\$ <u>202,117</u>	\$ <u>202,117</u>

The accompanying notes are an integral part of the combining financial statements.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City of Morgantown, West Virginia's basic financial statements and have issued our report thereon dated March 15, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Morgantown, West Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Morgantown, West Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Morgantown, West Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Municipal Officials of the City of Morgantown, West Virginia, others within the entity and federal and state awarding agencies and pass-through entities and the West Virginia State Auditor's Office Chief Inspector Division and is not intended to be and should not be used by anyone other than these specified parties.

Detrick + Boutwell, PLLC

March 15, 2011



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

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

Compliance

We have audited the City of Morgantown, West Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Morgantown, West Virginia's major federal programs for the year ended June 30, 2010. The City of Morgantown, West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express an opinion on the City of Morgantown, West Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Morgantown, West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Morgantown, West Virginia's compliance with those requirements.

In our opinion, the City of Morgantown, West Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Morgantown, West Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit we considered the City of Morgantown, West Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Morgantown, West Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Municipal Officials of the City of Morgantown, West Virginia, others within the entity, federal and state awarding agencies and pass-through entities and the West Virginia State Auditor's Office Chief Inspector's Division and is not intended to be and should not be used by anyone other than these specified parties.

Detrick A. Bartlett, Ph.D.

March 15, 2011

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Morgantown, West Virginia.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Morgantown, West Virginia which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for the City of Morgantown, West Virginia expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133* are reported in this schedule.
7. The programs tested as major programs are the United States Federal Aviation Administration, ARRA – Airport Improvement Program – CFDA Number 20.106; United States Federal Aviation Administration – Airport Improvement Program – CFDA 20.106; Department of Housing and Urban Development – Community Development Block Grant/Entitlement Grants – CFDA Number 14.218.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City of Morgantown, West Virginia was not determined to be a low risk auditee.

B. Findings - Financial Statements Audit

There were no findings identified in the financial statements audit.

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>(Deferred) Revenue at July 1, 2009</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/Expenditures</u>	<u>(Deferred) Revenue at June 30, 2010</u>
Department of Transportation						
National Highway Traffic Safety Administration Department of Transportation State and Community Highway Safety	20.600	F06-HS05-402	\$ -0-	\$ 15,360	\$ 15,360	\$ -0-
National Highway Traffic Safety Administration West Virginia Department of Transportation Alcohol Open Container Requirement	20.607	F10HS-18	\$ -0-	11,950	11,950	-0-
Federal Aviation Administration ARRA - Airport Improvement Program	20.106	3-54-0015-031-2010	-0-	154,467	154,467	-0-
Airport Improvement Program	20.106	3-54-0015-029-2008	-0-	622,193	622,193	-0-
Airport Improvement Program	20.106	3-54-0015-030-2009	-0-	365,493	365,493	-0-
Airport Improvement Program	20.106	3-54-0015-026-2005	-0-	139,690	139,690	-0-
Airport Improvement Program	20.106	3-54-0015-027-2006	-0-	1,487	1,487	-0-
ARRA - Airport Improvement Program	20.106	3-54-0015-032-2010	-0-	42,955	42,955	-0-
Federal Highway Administration						
West Virginia Department of Transportation - Division of Highways	20.205	U331-MOR/GA	-0-	35,260	35,260	-0-
Highway Planning and Construction Grant	20.205	TEA-OH22(001)D	-0-	12,299	12,299	-0-
United States Department of Justice						
Office of Justice Programs, Bureau of Justice Assistance	16.738	2009-SB-B9-1434	-0-	247,062	109,892	(137,170)
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.607		-0-	2,421	2,421	-0-
Bulletproof Vest Partnership Program						

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>(Deferred) Revenue at July 1, 2009</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>(Deferred) Revenue at June 30, 2010</u>
United States Department of Justice (cont'd)						
<u>Office of Justice Programs, Bureau of Justice Assistance –</u>						
<u>State of West Virginia Division of Criminal Justice Services</u>						
Edward Byrne Memorial Formula Grant Program	16.579		\$ -0-	\$ 23,251	\$ 23,251	\$ -0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	12,271	12,271	-0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	14,738	14,738	-0-
<u>ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories</u>						
	16.803	09-RAJ-08	-0-	64,500	64,500	-0-
Department of Energy						
<u>ARRA – Energy Efficiency and Conservation Block Grant Program</u>	81.128	DE-RW0000105	-0-	150,500	150,500	-0-
Department of Housing and Urban Development						
<u>Community Planning and Development, Department of Housing and Urban Development</u>						
<u>Community Development Block Grant/Entitlement Grants</u>	14.218		-0-	653,296	653,296	-0-

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

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

**CITY OF MORGANTOWN, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program CFDA 20.106 – Fiscal Year Ended June 30, 2009; United States Department of Transportation – Federal Highway Administration – Highway Planning and Construction Grant – CFDA 20.205 – Fiscal Year Ended June 30, 2009; United States Department of Housing and Urban Development – Community Planning and Development Program – CFDA 14.218 – Fiscal Year Ended June 30, 2009.

There were no prior audit findings.

CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2010

Balance June 30, 2009	\$ 2,339
Revenues received:	
Passenger facility charges	38,105
Interest income	3
Disbursements:	
Capital Projects	<u>30,502</u>
Balance June 30, 2010	\$ <u>9,945</u>

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



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

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

Compliance

We have audited the compliance of the City of Morgantown, West Virginia with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express an opinion on the City of Morgantown, West Virginia's compliance based on our audit.

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

In our opinion, City of Morgantown, West Virginia complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

Detrick & Baitlein, PLLC

March 15, 2011