

**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, 2011
RFP #10-074 (Monongalia County)

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**CITY OF MORGANTOWN, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2011**

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	Terrence Moore	
Finance Director	Joseph R. Sabatelli	
City Clerk	Linda Little	
Staff Attorney	Stephen Fanok	

CITY OF MORGANTOWN, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

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
Life and Health Fund

Capital Projects Funds

Capital Reserve Fund
Tax Increment Financing
Business Improvement District
Economic Development Grant
Airport Access Road
Board of Parks and Recreation
Capital Projects

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, 2011

DISCRETELY PRESENTED COMPONENT UNITS

Morgantown Utility Board

Morgantown Public Library
Library Expendable Trust

Capital Projects Funds
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, 2011, 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, 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, 2011, and the respective changes in financial position and, cash flows, where applicable thereof and the respective budgetary comparison for the General Fund and the Coal Severance Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012 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 should be considered in 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morgantown, West Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by

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

J. Strick • Bartlett, PLLC

February 13, 2012

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Primary Government</u>			<u>Component Unit</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>	<u>Morgantown</u> <u>Utility</u> <u>Board</u>	<u>Morgantown</u> <u>Public</u> <u>Library</u>
Assets					
Cash	\$ 5,148,744	\$ 381,322	\$ 5,530,066	\$ 2,194,229	\$ 345,399
Investment	1,646,769	1,024,268	2,671,037	7,023,085	1,017,959
Receivables	4,358,240	1,191,149	5,549,389	1,827,391	-0-
Internal balances	414,598	(414,598)	-0-	-0-	-0-
Inventory	60,445	40,618	101,063	845,939	-0-
Prepaid expenses	4,826	37,863	42,689	48,118	3,500
Restricted assets	743,484	1,633,009	2,376,493	13,239,643	1,431,663
Capital assets, net	21,403,821	52,276,586	73,680,407	166,935,801	2,599,041
Deferred financing costs	-0-	-0-	-0-	2,289,691	-0-
Accrued utility revenue	-0-	-0-	-0-	1,061,883	-0-
Other, net	-0-	-0-	-0-	36,438	-0-
Unamortized bond discount and issue costs	855,455	520,027	1,375,482	-0-	-0-
Total assets	<u>34,636,382</u>	<u>56,690,244</u>	<u>91,326,626</u>	<u>195,502,218</u>	<u>5,397,562</u>
Liabilities					
Accounts payable	456,302	404,635	860,937	3,866,935	23,184
Accrued payroll	677,872	56,821	734,693	432,927	47,208
Billing services payable	-0-	-0-	-0-	185,884	-0-
Disallowed charges payable	68,158	-0-	68,158	-0-	-0-
Accrued interest payable	495,566	5,853	501,419	34,583	-0-
Deferred revenue	58,364	-0-	58,364	65,558	-0-
Other accrued liabilities	-0-	-0-	-0-	120,353	-0-
Customer deposits	-0-	-0-	-0-	536,563	-0-
Accrued administrative costs on bonds	-0-	-0-	-0-	6,913	-0-
Non-current liabilities	-0-	-0-	-0-	-0-	-0-
Long-term liabilities					
Due within one year	223,179	983,661	1,206,840	2,128,512	1,558
Due in more than one year	35,493,661	12,776,850	48,270,511	96,207,893	40,755
Total liabilities	<u>37,473,102</u>	<u>14,227,820</u>	<u>51,700,922</u>	<u>103,586,121</u>	<u>112,705</u>
Net Assets					
Invested in capital assets, net of related debt	19,515,519	38,602,739	58,118,258	79,241,567	2,556,728
Restricted	300,789	1,633,009	1,933,798	2,083,775	1,431,663
Unrestricted	(22,653,028)	2,226,676	(20,426,352)	10,590,755	1,296,466
Total net assets	<u>\$ (2,836,720)</u>	<u>\$ 42,462,424</u>	<u>\$ 39,625,704</u>	<u>\$ 91,916,097</u>	<u>\$ 5,284,857</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets <i>Primary Government</i>			<i>Component Unit</i>	
		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	\$ 6,603,199	\$ 378,935	\$ -0-	\$ -0-	\$(6,224,264)	\$ -0-	\$(6,224,264)	\$ -0-	\$ -0-
Public safety	12,560,982	3,004,090	324,849	5,574	(9,226,469)	-0-	(9,226,469)	-0-	-0-
Highways and streets	4,351,595	-0-	-0-	-0-	(4,351,595)	-0-	(4,351,595)	-0-	-0-
Culture and recreation	3,736,525	1,289,272	242,031	30,928	(2,174,294)	-0-	(2,174,294)	-0-	-0-
Community development	5,447,748	-0-	577,173	1,059,005	(3,811,570)	-0-	(3,811,570)	-0-	-0-
Benefits payments	<u>3,360,798</u>	<u>-0-</u>	<u>4,360,652</u>	<u>-0-</u>	<u>999,854</u>	<u>-0-</u>	<u>999,854</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>36,060,847</u>	<u>4,672,297</u>	<u>5,504,705</u>	<u>1,095,507</u>	<u>(24,788,338)</u>	<u>-0-</u>	<u>(24,788,338)</u>	<u>-0-</u>	<u>-0-</u>
Business-Type Activities									
Airport	3,607,010	2,284,452	-0-	848,670	-0-	(473,888)	(473,888)	-0-	-0-
Parking	2,569,637	2,483,843	15,000	-0-	-0-	(70,794)	(70,794)	-0-	-0-
Building commission	<u>876,741</u>	<u>950,693</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>73,952</u>	<u>73,952</u>	<u>-0-</u>	<u>-0-</u>
Total business-type activities	<u>7,053,388</u>	<u>5,718,988</u>	<u>15,000</u>	<u>848,670</u>	<u>-0-</u>	<u>(470,730)</u>	<u>(470,730)</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>43,114,235</u>	\$ <u>10,391,285</u>	\$ <u>5,519,705</u>	\$ <u>1,944,177</u>	(24,788,338)	(470,730)	(25,259,068)	-0-	-0-
Component Unit									
Morgantown Utility Board	\$ 16,389,365	\$ 15,574,960	\$ -0-	\$ -0-	-0-	-0-	-0-	(814,405)	-0-
Morgantown Public Library	<u>1,501,585</u>	<u>46,762</u>	<u>1,569,285</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>114,462</u>
Total component units	<u>\$ 17,890,950</u>	<u>\$ 15,621,722</u>	<u>\$ 1,569,285</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(814,405)</u>	<u>114,462</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>			<u>Component Unit</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Morgantown Utility Board</u>	<u>Morgantown Public Library</u>
General Revenues									
Taxes and licenses					\$ 19,618,201	\$ -0-	\$ 19,618,201	\$ -0-	\$ -0-
Franchise fees					367,485	-0-	367,485	-0-	-0-
Interest and investment earnings					30,094	65,825	95,919	667,390	237,080
Gain (loss) on disposal of capital assets					-0-	-0-	-0-	-0-	-0-
Miscellaneous					<u>299,224</u>	<u>-0-</u>	<u>299,224</u>	<u>742,940</u>	<u>7,059</u>
Total general revenues					<u>20,315,004</u>	<u>65,825</u>	<u>20,380,829</u>	<u>1,410,330</u>	<u>244,139</u>
Change in net assets					(4,473,334)	(404,905)	(4,878,239)	595,925	358,601
Contributed capital					<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,027,721</u>	<u>-0-</u>
Net change in net assets					(4,473,334)	(404,905)	(4,878,239)	2,623,646	358,601
Net assets – beginning					<u>1,636,614</u>	<u>42,867,329</u>	<u>44,503,943</u>	<u>89,292,451</u>	<u>4,926,256</u>
Net assets – ending					<u>\$ (2,836,720)</u>	<u>\$ 42,462,424</u>	<u>\$ 39,625,704</u>	<u>\$ 91,916,097</u>	<u>\$ 5,284,857</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<i>Primary Government</i>							<i>Component Unit</i>			
	<u>General Fund</u>	<u>Coal Severance</u>	<u>Capital Reserve</u>	<u>Life and Health</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS											
Cash	\$ 1,087,029	\$ 59,629	\$ 2,337,210	\$ 1,044,334	\$ -0-	\$ 620,542	\$ 5,148,744	\$ 345,399	\$ -0-	\$ -0-	\$ 345,399
Investments	-0-	-0-	1,543,648	-0-	-0-	103,121	1,646,769	811,077	-0-	206,882	1,017,959
Receivables, net of allowances:											
Taxes	3,738,523	-0-	-0-	-0-	-0-	259,847	3,998,370	-0-	-0-	-0-	-0-
Accounts	212,448	-0-	11,098	3,715	-0-	13,183	240,444	-0-	-0-	-0-	-0-
Other	-0-	-0-	-0-	-0-	-0-	3,559	3,559	-0-	-0-	-0-	-0-
Grants	64,639	-0-	17,080	-0-	-0-	33,662	115,381	-0-	-0-	-0-	-0-
Interest	-0-	-0-	486	-0-	-0-	-0-	486	-0-	-0-	-0-	-0-
Due from/(to) other funds	359,565	-0-	342,587	-0-	-0-	(287,554)	414,598	(324)	-0-	324	-0-
Inventory	60,445	-0-	-0-	-0-	-0-	-0-	60,445	-0-	-0-	-0-	-0-
Restricted assets	-0-	-0-	-0-	-0-	743,484	-0-	743,484	265,360	1,166,033	-0-	1,431,393
Prepaid expenses	4,826	-0-	-0-	-0-	-0-	-0-	4,826	3,500	-0-	-0-	3,500
TOTAL ASSETS	\$ 5,527,475	\$ 59,629	\$ 4,252,109	\$ 1,048,049	\$ 743,484	\$ 746,360	\$ 12,377,106	\$ 1,425,012	\$ 1,166,033	\$ 207,206	\$ 2,798,251
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ 221,749	\$ -0-	\$ 135,673	\$ -0-	\$ -0-	\$ 98,880	\$ 456,302	\$ 23,184	\$ -0-	\$ -0-	\$ 23,184
Accrued interest payable	-0-	-0-	-0-	-0-	495,566	-0-	495,566	-0-	-0-	-0-	-0-
Accrued payroll and compensated absences	547,978	-0-	-0-	-0-	-0-	129,894	677,872	47,208	-0-	-0-	47,208
Disallowed charges payable	-0-	-0-	-0-	-0-	-0-	68,158	68,158	-0-	-0-	-0-	-0-
Deferred revenue	635,846	-0-	-0-	-0-	-0-	75,126	710,972	-0-	-0-	-0-	-0-
Total liabilities	<u>1,405,573</u>	<u>-0-</u>	<u>135,673</u>	<u>-0-</u>	<u>495,566</u>	<u>372,058</u>	<u>2,408,870</u>	<u>70,392</u>	<u>-0-</u>	<u>-0-</u>	<u>70,392</u>
Fund Balances											
Restricted	-0-	-0-	-0-	-0-	247,918	52,871	300,789	265,630	1,166,033	-0-	1,431,663
Assigned	60,445	59,629	4,116,436	1,048,049	-0-	774,624	6,059,183	97,561	-0-	207,206	304,767
Unassigned	4,061,457	-0-	-0-	-0-	-0-	(453,193)	3,608,264	991,699	-0-	-0-	991,699
Total fund balances	<u>4,121,902</u>	<u>59,629</u>	<u>4,116,436</u>	<u>1,048,049</u>	<u>247,918</u>	<u>374,302</u>	<u>9,968,236</u>	<u>1,354,890</u>	<u>1,166,033</u>	<u>207,206</u>	<u>2,728,129</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,527,475	\$ 59,629	\$ 4,252,109	\$ 1,048,049	\$ 743,484	\$ 746,360	\$ 12,377,106	\$ 1,425,012	\$ 1,166,033	\$ 207,206	\$ 2,798,251

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

**CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF FUND BALANCE SHEETS OF
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown Public Library</u></i>
Fund balance, fund level statement June 30, 2011	\$ 9,968,236	\$ 2,728,129
<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	(1,076,834)	-0-
Obligations under capital lease	(1,888,302)	(42,313)
Net pension obligation	(9,949,704)	-0-
Bonds payable	(18,780,000)	-0-
Accrued other post employment benefits	(4,022,000)	-0-
Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation.	21,403,821	2,599,041
<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	855,455	-0-
Deferred revenue	<u>652,608</u>	<u>-0-</u>
Net assets of governmental activities	\$ (<u>2,836,720</u>)	\$ <u>5,284,857</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN NET ASSETS - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Primary Government</u>							<u>Component Unit</u>				<u>Total</u>
	<u>General Fund</u>	<u>Coal Severance</u>	<u>Capital Reserve</u>	<u>Life and Health</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>		
Revenues												
Taxes and special assessments	\$ 17,838,307	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,156,117	\$ 18,994,424	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
Licenses and permits	362,093	-0-	-0-	-0-	-0-	-0-	362,093	-0-	-0-	-0-	-0-	
Charges for services	2,649,877	-0-	-0-	-0-	-0-	1,289,272	3,939,149	-0-	-0-	-0-	-0-	
Fines and forfeits	615,740	-0-	-0-	-0-	-0-	85,830	701,570	46,762	-0-	-0-	46,762	
Franchise fees	367,485	-0-	-0-	-0-	-0-	-0-	367,485	-0-	-0-	-0-	-0-	
Investment income	8,682	245	13,079	3,172	2,207	2,709	30,094	67,046	164,985	5,049	237,080	
Donations	12,000	-0-	504,578	-0-	-0-	154,313	670,891	14,629	-0-	40	14,669	
Intergovernmental:												
Federal	208,260	-0-	23,566	-0-	-0-	1,105,275	1,337,101	-0-	-0-	-0-	-0-	
State	75,893	145,888	11,767	-0-	-0-	65,768	299,316	415,378	-0-	-0-	415,378	
County	-0-	-0-	-0-	-0-	-0-	109,718	109,718	940,204	-0-	-0-	940,204	
Contributions from employees	-0-	-0-	-0-	104,732	-0-	-0-	104,732	-0-	-0-	-0-	-0-	
Contributions from employers	-0-	-0-	-0-	4,255,920	-0-	-0-	4,255,920	-0-	-0-	-0-	-0-	
Other	96,463	-0-	31,999	17,896	65,934	86,932	299,224	7,059	-0-	-0-	7,059	
Total revenues	<u>22,234,800</u>	<u>146,133</u>	<u>584,989</u>	<u>4,381,720</u>	<u>68,141</u>	<u>4,055,934</u>	<u>31,471,717</u>	<u>1,491,078</u>	<u>164,985</u>	<u>5,089</u>	<u>1,661,152</u>	

**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, 2011**

	<u>Primary Government</u>						<u>Component Unit</u>				<u>Total</u>
	<u>General Fund</u>	<u>Coal Severance</u>	<u>Capital Reserve</u>	<u>Life and Health</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	
Expenditures											
General government	\$ 4,893,683	\$ -0-	\$ -0-	\$ 166,536	\$ 19,554	\$ 1,871	\$ 5,081,644	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Public safety	10,346,782	-0-	-0-	-0-	-0-	183,546	10,530,328	-0-	-0-	-0-	-0-
Highways and streets	4,088,202	-0-	-0-	-0-	-0-	-0-	4,088,202	-0-	-0-	-0-	-0-
Culture and recreation	605,888	-0-	-0-	-0-	-0-	3,032,179	3,638,067	1,378,427	7,711	-0-	1,386,138
Community development	-0-	-0-	2,198,126	-0-	1,556,160	1,414,208	5,168,494	-0-	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	-0-	1,563,328	-0-	1,563,328	-0-	-0-	-0-	-0-
Benefit payments	-0-	-0-	-0-	3,360,798	-0-	-0-	3,360,798	-0-	-0-	-0-	-0-
Total expenditures	<u>19,934,555</u>	<u>-0-</u>	<u>2,198,126</u>	<u>3,527,334</u>	<u>3,139,042</u>	<u>4,631,804</u>	<u>33,430,861</u>	<u>1,378,427</u>	<u>7,711</u>	<u>-0-</u>	<u>1,386,138</u>
(Deficiency) excess of revenues (under) over expenditures	<u>2,300,245</u>	<u>146,133</u>	<u>(1,613,137)</u>	<u>854,386</u>	<u>(3,070,901)</u>	<u>(575,870)</u>	<u>(1,959,144)</u>	<u>112,651</u>	<u>157,274</u>	<u>5,089</u>	<u>275,014</u>
Other Financing Sources (Uses)											
Operating transfers in	54,500	-0-	1,344,555	-0-	1,094,765	1,507,133	4,000,953	-0-	-0-	-0-	-0-
Operating transfers (out)	(2,231,188)	(125,000)	(150,000)	(400,000)	-0-	(1,094,765)	(4,000,953)	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>(2,176,688)</u>	<u>(125,000)</u>	<u>1,194,555</u>	<u>(400,000)</u>	<u>1,094,765</u>	<u>412,368</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	123,557	21,133	(418,582)	454,386	(1,976,136)	(163,502)	(1,959,144)	112,651	157,274	5,089	275,014
Fund balances at beginning of year	<u>3,998,345</u>	<u>38,496</u>	<u>4,535,018</u>	<u>593,663</u>	<u>2,224,054</u>	<u>537,804</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>
Fund balances at end of year	\$ <u>4,121,902</u>	\$ <u>59,629</u>	\$ <u>4,116,436</u>	\$ <u>1,048,049</u>	\$ <u>247,918</u>	\$ <u>374,302</u>	\$ <u>9,968,236</u>	\$ <u>1,354,890</u>	\$ <u>1,166,033</u>	\$ <u>207,206</u>	\$ <u>2,728,129</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET ASSETS OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown Public Library</u></i>
Net change in net assets – total governmental funds	\$ (1,959,144)	\$ 275,014
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.	(219,429)	82,027
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	120,744	1,560
Repayment of bonds	175,000	-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	37,634	-0-
Increase in pension benefit obligation	(1,779,933)	-0-
Increase in accrued other post employment benefits	(902,000)	-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, 2011

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown Public Library</u></i>
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Some revenues reported in the Statement of Activities do not provide financial resources that are both available and measurable for use in current activities.

Change in deferred revenues	\$ <u>94,530</u>	\$ <u>-0-</u>
Change in Net Assets of Governmental Activities	\$ <u>(4,473,334)</u>	\$ <u>358,601</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Business Type Activities</u>				<u>Component Unit</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	<u>Total</u>	<u>Morgantown Utility Board</u>
ASSETS					
Current Assets					
Cash	\$ 56,223	\$ 307,433	\$ 17,666	\$ 381,322	\$ 2,194,229
Investments	-0-	1,024,268	-0-	1,024,268	-0-
Receivables, net of allowances:					
Accounts	114,757	1,148	100,757	216,662	1,792,416
Grants	90,961	-0-	-0-	90,961	-0-
Interest	-0-	193	-0-	193	34,975
Inventory	40,618	-0-	-0-	40,618	845,939
Due from/(to) other funds	(350,452)	(64,146)	-0-	(414,598)	-0-
Deposits and prepayments	-0-	-0-	-0-	-0-	48,118
Accrued utility revenue	-0-	-0-	-0-	-0-	1,061,883
Prepaid expenses	5,825	-0-	-0-	5,825	-0-
Total current assets	<u>(42,068)</u>	<u>1,268,896</u>	<u>118,423</u>	<u>1,345,251</u>	<u>5,977,560</u>
Noncurrent Assets					
Restricted assets	<u>22,914</u>	<u>759,019</u>	<u>851,076</u>	<u>1,633,009</u>	<u>13,239,643</u>
Capital Assets					
Land	50,050	1,484,399	6,091,462	7,625,911	1,450,727
Intangible plant	-0-	-0-	-0-	-0-	376,834
Land improvements	-0-	-0-	744,473	744,473	-0-
Building	6,223,857	-0-	16,095,991	22,319,848	21,320,690
Structures and improvements	30,777,451	8,884,741	-0-	39,662,192	-0-
Water transmission and distribution system	-0-	-0-	-0-	-0-	50,735,401
Sewer and storm collection system	-0-	-0-	-0-	-0-	65,501,738
Treatment plant equipment	-0-	-0-	-0-	-0-	30,877,264
Office furniture, equipment and computer system	-0-	-0-	-0-	-0-	2,473,985
Vehicles and heavy equipment	-0-	-0-	-0-	-0-	4,408,999
Leasehold improvements	-0-	90,965	-0-	90,965	-0-
Machinery and equipment	1,922,111	1,331,126	1,094,319	4,347,556	-0-
Construction in progress	799,995	-0-	-0-	799,995	68,869,108
Less: Accumulated depreciation	<u>(13,115,180)</u>	<u>(5,080,446)</u>	<u>(5,118,728)</u>	<u>(23,314,354)</u>	<u>(79,078,945)</u>
Net capital assets	<u>26,658,284</u>	<u>6,710,785</u>	<u>18,907,517</u>	<u>52,276,586</u>	<u>166,935,801</u>
Other Assets					
Prepaid expenses	32,038	-0-	-0-	32,038	-0-
Accounts receivable	-0-	-0-	883,333	883,333	-0-
Investments	-0-	-0-	-0-	-0-	7,023,085
Deferred financing costs	-0-	-0-	-0-	-0-	2,289,691
Other net	-0-	-0-	-0-	-0-	36,438
Unamortized bond discount and issue costs	-0-	41,934	478,093	520,027	-0-
Total other assets	<u>32,038</u>	<u>41,934</u>	<u>1,361,426</u>	<u>1,435,398</u>	<u>9,349,214</u>
TOTAL ASSETS	\$ <u>26,671,168</u>	\$ <u>8,780,634</u>	\$ <u>21,238,442</u>	\$ <u>56,690,244</u>	\$ <u>195,502,218</u>

	Business Type Activities			Total	Component Unit
	Airport Fund	Parking Authority	Building Commission		Morgantown Utility Board
LIABILITIES AND NET ASSETS					
Current Liabilities (payable from current assets)					
Current portion obligation under capital lease	\$ 16,131	\$ 7,781	\$ -0-	\$ 23,912	\$ -0-
Notes payable	-0-	-0-	10,240	10,240	-0-
Accounts payable	254,535	150,100	-0-	404,635	3,866,935
Deferred revenue	-0-	-0-	-0-	-0-	65,558
Accrued payroll	19,244	37,577	-0-	56,821	432,927
Billing services collected payable	-0-	-0-	-0-	-0-	185,884
Other accrued liabilities	-0-	-0-	-0-	-0-	120,353
Accrued compensated absences	<u>36,656</u>	<u>50,008</u>	<u>-0-</u>	<u>86,664</u>	<u>-0-</u>
Total current liabilities (payable from current assets)	<u>326,566</u>	<u>245,466</u>	<u>10,240</u>	<u>582,272</u>	<u>4,671,657</u>
Current Liabilities (payable from restricted assets)					
Revenue bonds payable	-0-	238,408	624,437	862,845	-0-
Current portion of long term debt	-0-	-0-	-0-	-0-	2,128,512
Interest payable	<u>-0-</u>	<u>-0-</u>	<u>5,853</u>	<u>5,853</u>	<u>-0-</u>
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>238,408</u>	<u>630,290</u>	<u>868,698</u>	<u>2,128,512</u>
Long-Term Liabilities (net of current portion)					
Revenue bonds payable	-0-	4,286,421	7,863,187	12,149,608	85,565,723
Obligation under capital lease	421,953	203,521	-0-	625,474	-0-
Notes payable	-0-	-0-	1,768	1,768	-0-
Customer deposits	-0-	-0-	-0-	-0-	536,563
Accrued administrative costs on bonds	-0-	-0-	-0-	-0-	6,913
Accrued interest on bonds	-0-	-0-	-0-	-0-	28,226
Interest on customer assets	-0-	-0-	-0-	-0-	6,357
Advances on construction	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,642,170</u>
Total long-term liabilities (net of current portion)	<u>421,953</u>	<u>4,489,942</u>	<u>7,864,955</u>	<u>12,776,850</u>	<u>96,785,952</u>
Total liabilities	<u>748,519</u>	<u>4,973,816</u>	<u>8,505,485</u>	<u>14,227,820</u>	<u>103,586,121</u>
Net Assets					
Invested in capital assets, net of related debt	26,220,200	1,974,654	10,407,885	38,602,739	79,241,567
Restricted	22,914	759,019	851,076	1,633,009	2,083,775
Unrestricted	(320,465)	1,073,145	1,473,996	2,226,676	10,590,755
Total net assets	<u>25,922,649</u>	<u>3,806,818</u>	<u>12,732,957</u>	<u>42,462,424</u>	<u>91,916,097</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 26,671,168	\$ 8,780,634	\$ 21,238,442	\$ 56,690,244	\$ 195,502,218

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

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Business Type Activities</u>			<u>Total</u>	<u>Component Unit</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>		<u>Morgantown Utility Board</u>
Operating Revenues					
Charges for services	\$ 2,284,452	\$ 1,878,401	\$ 950,693	\$ 5,113,546	\$ 15,574,960
Fines	-0-	605,442	-0-	605,442	-0-
Grants	<u>15,000</u>	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>	<u>-0-</u>
Total operating revenues	<u>2,299,452</u>	<u>2,483,843</u>	<u>950,693</u>	<u>5,733,988</u>	<u>15,574,960</u>
Operating Expenses					
Personal services	721,956	972,935	-0-	1,694,891	-0-
Purchases – fuel	1,330,560	-0-	-0-	1,330,560	-0-
Supplies	16,000	32,077	-0-	48,077	-0-
Liability insurance	59,718	33,464	-0-	93,182	-0-
Utilities	136,014	93,165	-0-	229,179	-0-
General and administrative	118,669	108,046	9,864	236,579	-0-
Depreciation	1,074,795	353,705	463,849	1,892,349	-0-
Maintenance	115,295	241,970	-0-	357,265	-0-
Rental lease	28,178	513,614	-0-	541,792	-0-
Water operating expenses	-0-	-0-	-0-	-0-	6,295,982
Sewer operating expenses	-0-	-0-	-0-	-0-	7,010,670
Storm water utility operating expenses	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,087,952</u>
Total operating expenses	<u>3,601,185</u>	<u>2,348,976</u>	<u>473,713</u>	<u>6,423,874</u>	<u>14,394,604</u>
Operating (loss) income	(<u>1,301,733</u>)	<u>134,867</u>	<u>476,980</u>	(<u>689,886</u>)	<u>1,180,356</u>
Nonoperating Revenues (Expenses)					
Interest and dividends	79	17,620	1,847	19,546	667,390
Gain (loss) on investments	-0-	46,279	-0-	46,279	-0-
Interest and fiscal charges	-0-	(217,306)	(344,955)	(562,261)	(1,994,761)
Other revenue	-0-	-0-	-0-	-0-	742,940
Amortization of bond discount and issue costs	(<u>5,825</u>)	(<u>3,355</u>)	(<u>58,073</u>)	(<u>67,253</u>)	<u>-0-</u>
Total nonoperating revenues (expenses)	(<u>5,746</u>)	(<u>156,762</u>)	(<u>401,181</u>)	(<u>563,689</u>)	(<u>584,431</u>)
Change in net assets before nonoperating grants and operating transfers	(1,307,479)	(21,895)	75,799	(1,253,575)	595,925
Nonoperating grants	848,670	-0-	-0-	848,670	-0-
Contributed capital	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,027,721</u>
Change in net assets	(458,809)	(21,895)	75,799	(404,905)	2,623,646
Total net assets – beginning	<u>26,381,458</u>	<u>3,828,713</u>	<u>12,657,158</u>	<u>42,867,329</u>	<u>89,292,451</u>
Total net assets – ending	\$ <u>25,922,649</u>	\$ <u>3,806,818</u>	\$ <u>12,732,957</u>	\$ <u>42,462,424</u>	\$ <u>91,916,097</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Business Type Activities</u>			<u>Total</u>	<u>Component Unit</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>		<u>Morgantown Utility Board</u>
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,256,106	\$ 2,483,561	\$ 966,603	\$ 5,706,270	\$ 15,570,951
Payments to suppliers	(2,035,085)	(1,208,286)	(9,864)	(3,253,235)	(6,184,894)
Payments to employees	(441,857)	(642,734)	-0-	(1,084,591)	(4,869,133)
Net cash provided by (used in) operating activities	<u>(220,836)</u>	<u>632,541</u>	<u>956,739</u>	<u>1,368,444</u>	<u>4,516,924</u>
Cash Flows from Capital and Related Financing Activities					
Repayment of notes payable	-0-	-0-	(10,709)	(10,709)	-0-
Repayment of obligation under capital lease	(16,131)	(7,781)	-0-	(23,912)	-0-
Proceeds from revenue bonds	-0-	-0-	-0-	-0-	11,773,609
(Increase) decrease in restricted assets	(8,854)	(31,990)	37,565	(3,279)	25,469,773
Repayment of revenue bonds	-0-	(252,988)	(624,046)	(877,034)	(2,081,452)
Decrease in advances on construction	-0-	-0-	-0-	-0-	(356,077)
Nonoperating grants	1,171,164	-0-	-0-	1,171,164	-0-
Acquisition of capital assets	(872,283)	(270,203)	-0-	(1,142,486)	(39,199,072)
Customer deposits including interest	-0-	-0-	-0-	-0-	78,355
Other nonoperating income	-0-	-0-	-0-	-0-	570,472
Change in other assets net	-0-	-0-	-0-	-0-	3,820
Interest expense	-0-	(217,306)	(345,265)	(562,571)	(1,998,446)
Net cash provided by (used in) capital and related financing activities	<u>273,896</u>	<u>(780,268)</u>	<u>(942,455)</u>	<u>(1,448,827)</u>	<u>(5,739,018)</u>
Cash Flows from Investing Activities					
Change in value of investments	-0-	(57,894)	1,847	(56,047)	-0-
Proceeds from sale of investments	-0-	-0-	-0-	-0-	1,408,702
Purchase of investments	-0-	-0-	-0-	-0-	(2,645,439)
Investment income	<u>79</u>	<u>63,946</u>	<u>-0-</u>	<u>64,025</u>	<u>665,738</u>
Net cash provided by (used in) investing activities	<u>79</u>	<u>6,052</u>	<u>1,847</u>	<u>7,978</u>	<u>(570,999)</u>
Net (decrease) increase in cash	53,139	(141,675)	16,131	(72,405)	(1,793,093)
Cash at beginning of year	<u>3,084</u>	<u>449,108</u>	<u>1,535</u>	<u>453,727</u>	<u>3,987,322</u>
Cash at end of year	\$ <u>56,223</u>	\$ <u>307,433</u>	\$ <u>17,666</u>	\$ <u>381,322</u>	\$ <u>2,194,229</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

	Business Type Activities				Component Unit
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	<u>Total</u>	<u>Morgantown Utility Board</u>
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:					
Operating (loss) income	\$ (1,301,733)	\$ 134,867	\$ 476,980	\$ (689,886)	\$ 1,180,356
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,074,795	353,705	463,849	1,892,349	3,660,907
(Increase) decrease in:					
Accounts receivable	(43,346)	(282)	15,910	(27,718)	39,369
Inventory	58,619	-0-	-0-	58,619	(121,033)
Due from/(to) other funds	220,238	50,627	-0-	270,865	-0-
Deposits and prepayments	-0-	-0-	-0-	-0-	(4,469)
Accrued utility revenue	-0-	-0-	-0-	-0-	(18,184)
Increase (decrease) in:					
Accounts payable	(221,280)	94,917	-0-	(126,363)	(48,023)
Deferred revenue	-0-	(6,950)	-0-	(6,950)	(16,256)
Accrued payroll	(1,551)	6,767	-0-	5,216	(200,497)
Accrued compensated absences	(6,578)	(1,110)	-0-	(7,688)	-0-
Billing service payable	-0-	-0-	-0-	-0-	(868)
Other current accrued liabilities	-0-	-0-	-0-	-0-	45,622
Net cash provided by (used in) operating activities	<u>\$ (220,836)</u>	<u>\$ 632,541</u>	<u>\$ 956,739</u>	<u>\$ 1,368,444</u>	<u>\$ 4,516,924</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND – BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>GAAP Difference</u>	<u>Amounts (GAAP Basis)</u>	<u>With Final Budget Favorable (Unfavorable)</u>
Revenues						
Taxes (including interest and penalties):						
General property taxes	\$ 3,389,489	\$ 3,476,500	\$ 3,339,323	\$ (50,769)	\$ 3,288,554	\$ (137,177)
Other taxes – business and public service	<u>14,595,500</u>	<u>13,669,500</u>	<u>14,300,933</u>	<u>401,420</u>	<u>14,702,353</u>	<u>631,433</u>
Total taxes	<u>17,984,989</u>	<u>17,146,000</u>	<u>17,640,256</u>	<u>350,651</u>	<u>17,990,907</u>	<u>494,256</u>
Licenses and permits	315,000	343,500	362,093	-0-	362,093	18,593
Charges for services	2,657,715	2,692,886	2,649,756	(17,819)	2,631,937	(43,130)
Fines and forfeitures	650,000	600,000	622,052	11,628	633,680	22,052
Franchise fees	325,000	355,200	356,505	10,980	367,485	1,305
Contributions	53,000	53,000	12,000	-0-	12,000	(41,000)
Interest	65,000	8,500	8,682	-0-	8,682	182
Intergovernmental:						
Federal	311,738	311,738	208,260	-0-	208,260	(103,478)
State	-0-	-0-	75,893	-0-	75,893	75,893
Miscellaneous	<u>203,700</u>	<u>183,054</u>	<u>150,963</u>	<u>-0-</u>	<u>150,963</u>	<u>(32,091)</u>
Total revenues	<u>22,566,142</u>	<u>21,693,878</u>	<u>22,086,460</u>	<u>355,440</u>	<u>22,441,900</u>	<u>392,582</u>
Expenditures						
General government	5,524,594	5,242,762	4,951,427	896,009	5,847,436	291,335
Public safety	10,220,626	10,313,481	10,306,782	2,070,654	12,377,436	6,699
Highways and streets	4,174,071	4,135,049	4,088,202	263,393	4,351,595	46,847
Culture and recreation	<u>2,014,890</u>	<u>2,014,890</u>	<u>2,008,092</u>	<u>70,000</u>	<u>2,078,092</u>	<u>6,798</u>
Total expenditures	<u>21,934,181</u>	<u>21,706,182</u>	<u>21,354,503</u>	<u>3,300,056</u>	<u>24,654,559</u>	<u>351,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>631,961</u>	<u>(12,304)</u>	<u>731,957</u>	<u>(2,944,616)</u>	<u>(2,212,659)</u>	<u>744,261</u>
Other Financing Sources (Uses)						
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers (out)	<u>(1,855,000)</u>	<u>(811,239)</u>	<u>(811,239)</u>	<u>-0-</u>	<u>(811,239)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(1,855,000)</u>	<u>(811,239)</u>	<u>(811,239)</u>	<u>-0-</u>	<u>(811,239)</u>	<u>-0-</u>
Net change in fund balance	(1,223,039)	(823,543)	(79,282)	(2,944,616)	(3,023,898)	744,261
Fund balance at beginning of year	<u>1,223,039</u>	<u>823,543</u>	<u>871,907</u>	<u>7,510,209</u>	<u>8,382,116</u>	<u>48,364</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>792,625</u>	\$ <u>4,565,593</u>	\$ <u>5,358,218</u>	\$ <u>792,625</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, 2011**

Explanation of Differences:

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
COAL SEVERANCE FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Differences</u>	<u>(GAAP</u>	<u>Budget</u>
					<u>Basis)</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Interest	\$ 400	\$ 400	\$ 245	\$ -0-	\$ 245	\$(155)
Intergovernmental:						
State	<u>100,000</u>	<u>125,000</u>	<u>145,888</u>	<u>-0-</u>	<u>145,888</u>	<u>20,888</u>
Total revenues	<u>100,400</u>	<u>125,400</u>	<u>146,133</u>	<u>-0-</u>	<u>146,133</u>	<u>20,733</u>
Expenditures						
General government	<u>400</u>	<u>2,573</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,573</u>
Total expenditures	<u>400</u>	<u>2,573</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,573</u>
Excess of revenues over expenditures	<u>100,000</u>	<u>122,827</u>	<u>146,133</u>	<u>-0-</u>	<u>146,133</u>	<u>23,306</u>
Other Financing Sources (Uses)						
Operating transfers (out)	<u>(100,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-0-</u>	<u>(125,000)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-0-</u>	<u>(125,000)</u>	<u>-0-</u>
Net change in fund balance	-0-	(2,173)	21,133	-0-	21,133	23,306
Fund balance at beginning of year	<u>-0-</u>	<u>2,173</u>	<u>38,496</u>	<u>-0-</u>	<u>38,496</u>	<u>36,323</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>59,629</u>	\$ <u>-0-</u>	\$ <u>59,629</u>	\$ <u>59,629</u>

Explanation of Differences

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
 FIDUCIARY RESONSIBILITIES
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<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	\$ 1,565	\$ 1,545	\$ 2,214	\$ 5,324	\$ -0-	\$ -0-	\$ -0-
Investments	12,800,278	10,008,480	36,068,407	58,877,165	42,655	9,318	51,973
Receivables:							
Contributions	495,129	409,687	144,793	1,049,609	-0-	-0-	-0-
Accrued interest	<u>65,996</u>	<u>46,561</u>	<u>28,430</u>	<u>140,987</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets	<u>13,362,968</u>	<u>10,466,273</u>	<u>36,243,844</u>	<u>60,073,085</u>	<u>42,655</u>	<u>9,318</u>	<u>51,973</u>
Liabilities							
Accounts payable	<u>-0-</u>	<u>200</u>	<u>4,524</u>	<u>4,724</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>-0-</u>	<u>200</u>	<u>4,524</u>	<u>4,724</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Assets							
Held in trust	\$ <u>13,362,968</u>	\$ <u>10,466,073</u>	\$ <u>36,239,320</u>	\$ <u>60,068,361</u>	\$ <u>42,655</u>	\$ <u>9,318</u>	\$ <u>51,973</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2011**

	<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>
Additions:							
Contributions:							
Employer	\$ 549,877	\$ 469,893	\$ 1,151,765	\$ 2,171,535	\$ -0-	\$ -0-	\$ -0-
Employee	223,629	167,393	666,796	1,057,818	-0-	-0-	-0-
Insurance premium tax allocation	495,129	409,687	-0-	904,816	-0-	-0-	-0-
Other	181	408	17,923	18,512	-0-	-0-	-0-
Total contributions	<u>1,268,816</u>	<u>1,047,381</u>	<u>1,836,484</u>	<u>4,152,681</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Investment income:							
Net appreciation in fair value of investments	741,047	551,952	2,297,897	3,590,896	3,123	1,445	4,568
Gain (loss) on sale of investments	657,818	528,511	2,242,027	3,428,356	-0-	-0-	-0-
Interest and dividends	342,619	267,458	782,129	1,392,206	990	181	1,171
Total investment income	<u>1,741,484</u>	<u>1,347,921</u>	<u>5,322,053</u>	<u>8,411,458</u>	<u>4,113</u>	<u>1,626</u>	<u>5,739</u>
Total additions	<u>3,010,300</u>	<u>2,395,302</u>	<u>7,158,537</u>	<u>12,564,139</u>	<u>4,113</u>	<u>1,626</u>	<u>5,739</u>
Deductions							
General and administrative	115,754	91,097	139,852	346,703	1,154	135	1,289
Contribution refunds	11,897	4,869	94,705	111,471	-0-	-0-	-0-
Benefit payments	1,656,567	1,319,555	2,087,098	5,063,220	-0-	-0-	-0-
Total deductions	<u>1,784,218</u>	<u>1,415,521</u>	<u>2,321,655</u>	<u>5,521,394</u>	<u>1,154</u>	<u>135</u>	<u>1,289</u>
Net increase (decrease)	1,226,082	979,781	4,836,882	7,042,745	2,959	1,491	4,450
Net assets – beginning 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>
Net assets – end of year	<u>\$ 13,362,968</u>	<u>\$ 10,466,073</u>	<u>\$ 36,239,320</u>	<u>\$ 60,068,361</u>	<u>\$ 42,655</u>	<u>\$ 9,318</u>	<u>\$ 51,973</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011.

In February 2009, Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for periods that begin after June 15, 2010. The objective of GASB 54 is to enhance the usefulness of fund balance information by 1) clarifying existing governmental fund type definitions and 2) providing clearer fund balance classifications that can be more consistently applied. The City of Morgantown, West Virginia implemented GASB 54 for the year ended June 30, 2011.

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).

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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

Discretely Presented Component Units

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

The *Morgantown Utility Board* serves all the citizens of the City of Morgantown.

The *Morgantown Public Library* serves City of Morgantown, West Virginia.

Complete financial statements for each of the individual component units can be obtained at the entity's administrative offices.

(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.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

Proprietary Fund Types

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

The City of Morgantown reports the following major governmental funds:

The Tax Increment Financing Debt Service, Life and Health, Capital Reserve, Coal Severance 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.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

Investment risk is categorized as follows:

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

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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

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	\$ 288,673

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011, 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.

(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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

(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.

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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.

(i) Budgets and Budgetary Accounting

All municipalities within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms for the General and Coal Severance Funds and submit these for approval to the State 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.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

(j) 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.

(k) Inventories

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

Discretely Presented Component Unit

Morgantown Utility Board

The supplies inventory is valued on average cost basis.

(l) Amortization

Debt discount 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, 2011 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.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

(m) Compensated Absences

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

Accumulated Sick Leave

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

Discretely Presented Component Unit

Morgantown Utility Board

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

(n) Self Insurance

The City is self-insured for employees life and health benefits. The operating funds are charged premiums by the City insurance fund, which is accounted for as a special revenue fund fund. The fund balance has been reserved for payment of future claims including any claims incurred and not yet reported at June 30, 2011.

(o) Pension Plans

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

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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 2011 rate is 10.35% of annual covered payroll. The Board's contributions to the Plan for the years ended June 30, 2011, 2010 and 2009, was \$646,270, \$478,911 and \$475,353, 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 2011 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.

Morgantown Public Library

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

(p) Use of Estimates

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

(q) 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.

(r) Equity Classification

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

Government-wide net assets are divided into three components:

- a. Invested in capital assets, net of related debt – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. Restricted net assets – Consists of net assets that are restricted by the City's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributions.
- c. Unrestricted net assets – All other net assets are reported in this category.

In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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

(s) 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.

(t) 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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	
General fund	\$ 1,172,266	\$ 57,563	\$ 1,114,703	\$ -0-	\$ 1,087,029	
Special revenue funds	1,630,975	136,286	1,494,689	-0-	1,514,337	
Debt service funds	743,484	250,000	493,484	-0-	743,484	
Capital project funds	2,547,906	114,735	2,433,171	-0-	2,547,378	
Enterprise funds	<u>348,390</u>	<u>89,236</u>	<u>259,154</u>	<u>-0-</u>	<u>404,237</u>	
Total deposits	<u>\$ 6,443,021</u>	<u>\$ 647,820</u>	<u>\$ 5,795,201</u>	<u>\$ -0-</u>	<u>\$ 6,296,465</u>	
		<u>Bank Balance</u>	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>
Fiduciary funds		<u>\$ 5,324</u>	<u>\$ 5,324</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,324</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Discretely Presented Component Units
Morgantown Public Library

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
General fund	\$ <u>359,156</u>	\$ <u>251,062</u>	\$ <u>-0-</u>	\$ <u>108,094</u>	\$ <u>345,399</u>

Morgantown Utility Board

The carrying amount of the Board's cash deposits was \$2,194,229 at June 30, 2011. The bank balance at June 30, 2011 was \$2,614,177 which was fully covered by Federal Deposit Insurance Coverage or collateralized with securities held by the pledging institution's trust department.

Total cash and investments at June 30, 2011 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash deposits		
Demand deposits	\$ 2,194,229	\$ 2,194,229
Cash and Investments with Fiscal Agents		
Cash	10,975,291	10,975,291
Certificates of deposit	3,000,000	3,000,000
Investment agreements		
Fixed income	4,442,922	4,541,665
Equities	<u>1,451,549</u>	<u>1,745,772</u>
Total cash and investments	\$ <u>22,063,991</u>	\$ <u>22,456,957</u>

Note that the Board held \$1,350 in petty cash at June 30, 2011.

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Credit Risk

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

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

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percent</u>
AAA	\$ 1,762,045	38.8%
AA+	155,080	3.4%
AA	483,929	10.7%
A	166,839	3.7%
Not rated	<u>1,973,772</u>	<u>43.4%</u>
Total	\$ <u>4,541,665</u>	<u>100.0%</u>

Concentration of Credit Risk

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

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2011. The categories are described as follows:

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

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

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

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Money Market	\$ 893,565	\$ -0-	\$ -0-	\$ 893,565	\$ 893,565	\$ -0-
Certificates of deposit	2,214,542	-0-	-0-	2,214,542	2,214,542	-0-
Mutual funds	<u>414,005</u>	<u>-0-</u>	<u>-0-</u>	<u>414,005</u>	<u>383,693</u>	<u>30,312</u>
Total investments	\$ <u>3,522,112</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	3,522,112	3,491,800	\$ <u>30,312</u>
Investments in municipal bond commission				<u>759,019</u>	<u>759,019</u>	
Total investments				4,281,131	\$ <u>4,250,819</u>	
Total deposits				<u>6,296,465</u>		
Total deposits and investments				\$ <u>10,577,596</u>		

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

Cash	\$ 5,530,066
Restricted assets	2,376,493
Investments	<u>2,671,037</u>
	\$ <u>10,577,596</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011, 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	\$ 893,565	AAA	AAA
Mutual Funds	<u>414,005</u>	AAA	AAA
	<u>\$ 1,307,570</u>		

Interest Rate Risk

As of June 30, 2011, the City had the following amounts exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of deposit	\$ <u>2,214,542</u>	\$ <u>2,214,542</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>
Corporate stocks	\$ 457,990	\$ -0-	\$ -0-	\$ 457,990	\$ 354,854	\$ 103,136
Certificates of deposit	945,288	-0-	-0-	945,288	926,000	19,288
Corporate bonds	56,851	-0-	-0-	56,851	50,130	6,721
Mutual funds	879,744	-0-	-0-	879,744	845,229	34,515
Money market	<u>109,749</u>	<u>-0-</u>	<u>-0-</u>	<u>109,749</u>	<u>109,749</u>	<u>-0-</u>
Total investments	\$ <u>2,449,622</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	2,449,622	\$ <u>2,285,962</u>	\$ <u>163,660</u>
Total deposits				<u>345,399</u>		
Total deposits and investments				<u>\$ 2,795,021</u>		

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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

Cash	\$ 345,399
Restricted assets	1,431,663
Investments	<u>1,017,959</u>
	<u>\$ 2,795,021</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, 2011, 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>
Corporate stocks	\$ 457,990	N/A	N/A
Certificates of deposit	945,288	N/A	N/A
Corporate bonds	56,851	AAA	AAA
Mutual funds	879,744	AAA	AAA
Money market	<u>109,749</u>	N/A	N/A
	<u>\$ 2,449,622</u>		

Interest Rate Risk

As of June 30, 2011, the Library had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of deposit	\$ 945,288	\$ 122,527	\$ 822,761	\$ -0-	\$ -0-
Corporate bonds	<u>56,851</u>	<u>-0-</u>	<u>56,851</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 1,002,139</u>	<u>\$ 122,527</u>	<u>\$ 879,612</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Fiduciary Funds

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Money Market	\$ 2,174,805	\$ -0-	\$ -0-	\$ 2,174,805	\$ 2,174,805	\$ -0-
Corporate stocks	31,057,550	-0-	-0-	31,057,550	27,105,073	3,952,477
Corporate bonds	11,050,851	-0-	-0-	11,050,851	10,696,695	354,156
International bonds	166,764	-0-	-0-	166,764	158,625	8,139
Municipal bonds	180,519	-0-	-0-	180,519	189,644	(9,125)
U.S. Government obligations	<u>14,246,676</u>	<u>-0-</u>	<u>-0-</u>	<u>14,246,676</u>	<u>9,373,092</u>	<u>4,873,584</u>
 Total investments	 \$ <u>58,877,165</u>	 \$ <u>-0-</u>	 \$ <u>-0-</u>	 \$ <u>58,877,165</u>	 \$ <u>49,697,934</u>	 \$ <u>9,179,231</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, 2011, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money market	\$ 2,174,805	AAA	AAA
Corporate stocks	31,057,550	AAA-A	AAA-A
Corporate bonds	11,050,851	AAA-A	AAA-A
International bonds	166,764	AA	AA
Municipal bonds	180,519	AA	AA
U.S. Government obligations	<u>14,246,676</u>	AAA-BBB+	AAA-BBB+
	 \$ <u>58,877,165</u>		

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Interest Rate Risk

As of June 30, 2011, the City had the following investments and maturities exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Corporate bonds	\$ 11,050,851	\$ 1,204,286	\$ 2,899,191	\$ 4,717,007	\$ 2,230,367
International bonds	166,764	-0-	166,764	-0-	-0-
Municipal bonds	180,519	180,519	-0-	-0-	-0-
U.S. Government obligations	<u>14,246,676</u>	<u>1,119,100</u>	<u>4,754,124</u>	<u>3,656,807</u>	<u>4,716,645</u>
	<u>\$ 25,644,810</u>	<u>\$ 2,503,905</u>	<u>\$ 7,820,079</u>	<u>\$ 8,373,814</u>	<u>\$ 6,947,012</u>

Discretely Presented Component Units
Morgantown Public Library

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Money market	\$ 2,204	\$ -0-	\$ -0-	\$ 2,204	\$ 2,204	\$ -0-
Mutual funds	<u>49,769</u>	<u>-0-</u>	<u>-0-</u>	<u>49,769</u>	<u>52,224</u>	<u>(2,455)</u>
Total investments	<u>\$ 51,973</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 51,973</u>	<u>\$ 54,428</u>	<u>\$ (2,455)</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to State of West Virginia Code. As of June 30, 2011, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>
		<u>Standard & Poor's and Fitch</u>
		<u>Moody's Investment Services</u>
Money market	\$ 2,204	A-AAA
Mutual funds	<u>49,769</u>	A-AAA
	<u>\$ 51,973</u>	

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

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 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		298,292,388	25.00¢
Class IV		619,996,586	50.00¢

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

5. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2011 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>1,395,797</u>	<u>711,620</u>	<u>-0-</u>	<u>2,107,417</u>
Total nondepreciable capital assets	<u>2,879,535</u>	<u>711,620</u>	<u>-0-</u>	<u>3,591,155</u>
Depreciable capital assets				
Land improvements	979,876	21,578	-0-	1,001,454
Buildings	11,673,072	-0-	-0-	11,673,072
Infrastructure	6,672,548	-0-	-0-	6,672,548
Machinery and equipment	4,301,921	17,095	-0-	4,319,016
Vehicles	<u>6,431,741</u>	<u>238,884</u>	<u>-0-</u>	<u>6,670,625</u>
Totals at historical cost	<u>30,059,158</u>	<u>277,557</u>	<u>-0-</u>	<u>30,336,715</u>
Less: Accumulated depreciation				
Land improvements	549,142	30,875	-0-	580,017
Buildings	2,896,858	336,929	-0-	3,233,787
Infrastructure	946,460	239,604	-0-	1,186,064
Machinery and equipment	2,170,446	242,075	-0-	2,412,521
Vehicles	<u>4,752,537</u>	<u>359,123</u>	<u>-0-</u>	<u>5,111,660</u>
Total accumulated depreciation	<u>11,315,443</u>	<u>1,208,606</u>	<u>-0-</u>	<u>12,524,049</u>
Total depreciable capital assets, net	<u>18,743,715</u>	<u>(931,049)</u>	<u>-0-</u>	<u>17,812,666</u>
Governmental activities capital assets, net	<u>\$ 21,623,250</u>	<u>\$ (219,429)</u>	<u>\$ -0-</u>	<u>\$ 21,403,821</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Enterprise Activities				
Nondepreciable capital assets				
Land	\$ 7,625,838	\$ 73	\$ -0-	\$ 7,625,911
Construction in process	<u>185,887</u>	<u>614,108</u>	<u>-0-</u>	<u>799,995</u>
Total nondepreciable capital assets	<u>7,811,725</u>	<u>614,181</u>	<u>-0-</u>	<u>8,425,906</u>
Depreciable capital assets				
Land improvements	744,473	-0-	-0-	744,473
Buildings	22,319,848	-0-	-0-	22,319,848
Structures and improvements	39,395,410	266,782	-0-	39,662,192
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>4,086,033</u>	<u>261,523</u>	<u>-0-</u>	<u>4,347,556</u>
Total at historical cost	<u>66,636,729</u>	<u>528,305</u>	<u>-0-</u>	<u>67,165,034</u>
Less: Accumulated depreciation				
Land improvements	65,946	16,228	-0-	82,174
Buildings	6,835,941	557,969	-0-	7,393,910
Structures and improvements	12,597,850	1,097,801	-0-	13,695,651
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>1,831,303</u>	<u>220,351</u>	<u>-0-</u>	<u>2,051,654</u>
Total accumulated depreciation	<u>21,422,005</u>	<u>1,892,349</u>	<u>-0-</u>	<u>23,314,354</u>
Total depreciable capital assets, net	<u>45,214,724</u>	<u>(1,364,044)</u>	<u>-0-</u>	<u>43,850,680</u>
Enterprise activities capital assets, net	\$ <u>53,026,449</u>	\$ (<u>749,863</u>)	\$ <u>-0-</u>	\$ <u>52,276,586</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 258,100
Public safety	412,871
Highways and streets	269,640
Culture and recreation	<u>267,995</u>
 Total depreciation expense	 \$ <u>1,208,606</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>995</u>	\$ <u>-0-</u>
Total nondepreciable capital asset	<u>-0-</u>	<u>-0-</u>	<u>995</u>	<u>-0-</u>
Depreciable capital assets				
Buildings	2,981,786	-0-	-0-	2,981,786
Books and videos	320,971	389,316	141,048	569,239
Machinery and equipment	<u>4,835,520</u>	<u>5,500</u>	<u>-0-</u>	<u>4,841,020</u>
Total at historical cost	<u>8,138,277</u>	<u>394,816</u>	<u>141,048</u>	<u>8,392,045</u>
Less: Accumulated depreciation				
Buildings	1,129,351	61,178	-0-	1,190,529
Books and videos	165,243	229,051	141,048	253,246
Machinery and equipment	<u>4,326,669</u>	<u>22,560</u>	<u>-0-</u>	<u>4,349,229</u>
Total accumulated depreciation	<u>5,621,263</u>	<u>312,789</u>	<u>141,048</u>	<u>5,793,004</u>
Total depreciable capital assets, net	<u>2,517,014</u>	<u>82,027</u>	<u>-0-</u>	<u>2,599,041</u>
Governmental activities capital assets, net	\$ <u>2,517,014</u>	\$ <u>82,027</u>	\$ <u>-0-</u>	\$ <u>2,599,041</u>

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	\$ 66,373,769	\$ 1,241,166	\$(61,022)	\$ 67,553,913
Construction in process	9,277,170	31,460,222	(1,241,167)	39,496,225
Sewer Utility				
Plant	90,894,967	2,222,528	(146,018)	92,971,477
Construction in process	16,281,551	7,330,102	(2,222,528)	21,389,125
Storm Water Utility				
Plant	16,511,657	109,621	(1,030)	16,620,248
Construction in process	<u>7,684,630</u>	<u>408,748</u>	<u>(109,620)</u>	<u>7,983,758</u>
TOTAL	<u>207,023,744</u>	<u>42,772,387</u>	<u>(3,781,385)</u>	<u>246,014,746</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers to Utility Plant</u>	<u>Ending Balance</u>
Less: Accumulated Depreciation				
Water Utility	\$(27,105,439)	\$(1,304,502)	\$ 89,612	\$(28,320,329)
Sewer Utility	(46,459,879)	(2,011,601)	152,004	(48,319,476)
Storm Water Utility	(2,110,842)	(329,328)	1,030	(2,439,140)
Total Accumulated Depreciation	<u>(75,676,160)</u>	<u>(3,645,431)</u>	<u>242,646</u>	<u>(79,078,945)</u>
 Total Net Capital Assets	 \$ <u>131,347,584</u>	 \$ <u>39,126,956</u>	 \$(<u>3,538,739</u>)	 \$ <u>166,935,801</u>
 Depreciation expense charged to operations		 \$ <u>3,645,431</u>		

6. Long-Term Debt

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Governmental Activities						
Bonds Payable						
2006A TIF bonds	\$ 5,640,000	\$ -0-	\$ 140,000	\$ 5,500,000	\$ 150,000	\$ 5,350,000
2007 TIF bonds	3,000,000	-0-	-0-	3,000,000	-0-	3,000,000
2007A TIF bonds	8,615,000	-0-	-0-	8,615,000	-0-	8,615,000
2010 TIF bonds	<u>1,700,000</u>	<u>-0-</u>	<u>35,000</u>	<u>1,665,000</u>	<u>-0-</u>	<u>1,665,000</u>
Total bonds payable	<u>18,955,000</u>	<u>-0-</u>	<u>175,000</u>	<u>18,780,000</u>	<u>150,000</u>	<u>18,630,000</u>
Other long-term debt						
Compensated absences	1,114,468	-0-	37,634	1,076,834	-0-	1,076,834
Obligation under capital lease	2,009,046	-0-	120,744	1,888,302	73,179	1,815,123
Net pension obligation	8,169,771	1,779,933	-0-	9,949,704	-0-	9,949,704
Accrued other post employment benefits	<u>3,120,000</u>	<u>902,000</u>	<u>-0-</u>	<u>4,022,000</u>	<u>-0-</u>	<u>4,022,000</u>
Total other long-term debt	<u>14,413,285</u>	<u>2,681,933</u>	<u>158,378</u>	<u>16,936,840</u>	<u>73,179</u>	<u>16,863,661</u>
 Total long-term debt – governmental activities	 \$ <u>33,368,285</u>	 \$ <u>2,681,933</u>	 \$ <u>333,378</u>	 \$ <u>35,716,840</u>	 \$ <u>223,179</u>	 \$ <u>35,493,661</u>
 Component Unit						
Morgantown Public Library						
Obligation under capital lease	\$ <u>43,873</u>	\$ <u>-0-</u>	\$ <u>1,560</u>	\$ <u>42,313</u>	\$ <u>1,558</u>	\$ <u>40,755</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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>
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	175,000	237,785	412,785
2017 – 2021	1,010,000	1,056,670	2,066,670
2022 – 2026	1,285,000	789,310	2,074,310
2027 – 2031	1,625,000	443,750	2,068,750
2032 – 2033	<u>770,000</u>	<u>58,250</u>	<u>828,250</u>
 Total	 \$ <u>5,500,000</u>	 \$ <u>3,609,805</u>	 \$ <u>9,109,805</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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>
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	-0-	170,700	170,700
2017 – 2021	-0-	853,500	853,500
2022 – 2026	-0-	853,500	853,500
2027 – 2031	-0-	853,500	853,500
2032 – 2033	<u>3,000,000</u>	<u>341,400</u>	<u>3,341,400</u>
 Total	 \$ <u>3,000,000</u>	 \$ <u>3,755,400</u>	 \$ <u>6,755,400</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011, 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>
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	-0-	689,200	689,200
2017 – 2021	-0-	3,446,000	3,446,000
2022 - 2026	-0-	3,446,000	3,446,000
2027 - 2031	-0-	3,446,000	3,446,000
2032 – 2033	<u>8,615,000</u>	<u>1,378,400</u>	<u>9,993,400</u>
Total	\$ <u>8,615,000</u>	\$ <u>15,162,400</u>	\$ <u>23,777,400</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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>
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	-0-	93,330	93,330
2017 – 2021	-0-	466,650	466,650
2022 – 2026	-0-	466,650	466,650
2027 – 2031	-0-	466,650	466,650
2032 – 2036	-0-	466,650	466,650
2037 – 2038	<u>1,665,000</u>	<u>186,660</u>	<u>1,851,660</u>
Total	\$ <u>1,665,000</u>	\$ <u>2,519,910</u>	\$ <u>4,184,910</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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>
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	175,000	1,191,015	1,366,015
2017 – 2021	1,010,000	5,822,820	6,832,820
2022 – 2026	1,285,000	5,135,460	6,420,460
2027 – 2031	1,625,000	5,209,900	6,834,900
2032 – 2036	12,385,000	2,244,700	14,629,700
2037 – 2038	<u>1,665,000</u>	<u>186,660</u>	<u>1,851,660</u>
Total	\$ <u>18,780,000</u>	\$ <u>24,627,515</u>	\$ <u>43,407,515</u>

Obligation Under Capital Leases

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, 2011:

<u>Fiscal Year Ending June 30,</u>	
2012	\$ 73,129
2013	75,532
2014	79,599
2015	79,891
2016	88,956
2017 – 2021	489,314
2022 – 2025	<u>387,919</u>
	1,274,340
Less: Amount representing interest	<u>333,156</u>
	941,184
Less: Current maturities	<u>38,304</u>
Non-current maturities	\$ <u>902,880</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011:

Fiscal Year Ending June 30,

2012	\$ 73,590
2013	76,008
2014	80,101
2015	80,395
2016	89,517
2017 – 2021	492,398
2022 – 2025	<u>390,364</u>
	1,282,373
Less: Amount representing interest	<u>335,255</u>
	947,118
Less: Current maturities	<u>34,875</u>
	912,243
Non-current maturities	\$ <u>912,243</u>

The following is a schedule of future minimum lease payments required under all governmental fund capital leases and the present value of the net minimum lease payments at June 30, 2011:

Fiscal Year Ending June 30,

2012	\$ 146,719
2013	151,540
2014	159,700
2015	160,286
2016	178,473
2017 – 2021	981,712
2022 – 2025	<u>778,283</u>
	2,556,713
Less: Amount representing interest	<u>668,411</u>
	1,888,302
Less: Current maturities	<u>73,179</u>
	1,815,123
Non-current maturities	\$ <u>1,815,123</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011

Component Unit – Morgantown Public Library

The Morgantown Public Library entered into a capital lease to finance the acquisition of various lighting upgrades and energy efficient equipment and upgrades. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2011:

Fiscal Year Ending June 30,

2012	\$ 3,288
2013	3,396
2014	3,578
2015	3,592
2016	3,999
2017 – 2021	21,998
2022 – 2024	<u>17,439</u>
	57,290
Less: Amount representing interest	<u>14,977</u>
	42,313
Less: Current maturities	<u>1,558</u>
	\$ <u>40,755</u>
Non-current maturities	

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

The following is a summary of bonds payable at June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Business-Type Activities						
Bonds payable:						
2003 Municipal Building Lease Revenue Refunding Bonds	\$ 5,145,000	\$ -0-	\$ 425,000	\$ 4,720,000	\$ 445,000	\$ 4,275,000
2008A Municipal Building Lease Revenue Bonds	3,966,670	-0-	199,046	3,767,624	179,437	3,588,187
2002 Parking Revenue Bonds	<u>4,777,817</u>	<u>-0-</u>	<u>252,988</u>	<u>4,524,829</u>	<u>238,408</u>	<u>4,286,421</u>
Total bonds payable	<u>13,889,487</u>	<u>-0-</u>	<u>877,034</u>	<u>13,012,453</u>	<u>862,845</u>	<u>12,149,608</u>
Other long-term debt						
Notes payable	22,717	-0-	10,709	12,008	10,240	1,768
Obligation under capital lease	<u>673,298</u>	<u>-0-</u>	<u>23,912</u>	<u>649,386</u>	<u>23,912</u>	<u>625,474</u>
Total other long-term debt	<u>696,015</u>	<u>-0-</u>	<u>34,621</u>	<u>661,394</u>	<u>34,152</u>	<u>627,242</u>
Total long-term debt – governmental activities	\$ <u>14,585,502</u>	\$ <u>-0-</u>	\$ <u>911,655</u>	\$ <u>13,673,847</u>	\$ <u>896,997</u>	\$ <u>12,776,850</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>
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	505,000	114,600	619,600
2017-2019	<u>2,360,000</u>	<u>218,600</u>	<u>2,578,600</u>
Total	\$ <u>4,720,000</u>	\$ <u>961,565</u>	\$ <u>5,681,565</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 was \$850,681.

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>
2012	\$ 179,437	\$ 149,282	\$ 328,719
2013	186,840	141,879	328,719
2014	194,549	134,170	328,719
2014	202,577	126,142	328,719
2016	210,935	117,784	328,719
2017 – 2021	1,192,631	450,964	1,643,595
2022 – 2026	1,459,832	183,763	1,643,595
2027	<u>140,823</u>	<u>1,465</u>	<u>142,288</u>
Total	\$ <u>3,767,624</u>	\$ <u>1,305,449</u>	\$ <u>5,073,073</u>

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, 2011 was \$395.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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>
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	283,286	158,294	441,580
2017-2021	1,798,023	409,877	2,207,900
2022-2026	<u>1,423,312</u>	<u>322,640</u>	<u>1,745,952</u>
Total	\$ <u>4,524,829</u>	\$ <u>1,636,923</u>	\$ <u>6,161,752</u>

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

3.25%: installment obligation; payable in monthly installments of \$873. Repayment at June 30, 2011 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,240	\$ 239	\$ 10,479
2013	<u>1,768</u>	<u>7</u>	<u>1,775</u>
Total	\$ <u>12,008</u>	\$ <u>246</u>	\$ <u>12,254</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Discretely Presented Component Unit
Morganton Utility Board

1992 Bonds Payable

The Board issued \$11,900,000 in a combined water and sewer revenue bond on September 15, 1992. This bond matures quarterly starting March 1, 1993, until December 1, 2012. This bond bears an interest rate of 3% per annum and is payable quarterly on March 1, June 1, September 1, and December 1 of each year. Annualized payments of \$792,100 are required.

1995 Bonds Payable

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

2000A Bonds Payable

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

2000B Bonds Payable

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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/ARRA), in the original aggregate principal amount of \$81,600; (3) Combined Utility System Revenue Bonds, Series 2010C (West Virginia SRF Program), 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 2010F 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. Amortization is approximated in the following tables.

Long-term debt activity for the year ended June 30, 2011 was as follows:

	<u>Beginning</u>	<u>Payments</u>	<u>Proceeds</u>	<u>Ending</u>	<u>Current Portion</u>
Morgantown 1992	\$ 1,905,000	\$ (745,000)	\$ -0-	\$ 1,160,000	\$ 770,000
Morgantown 1995	505,836	(87,891)	-0-	417,945	89,661
Morgantown 2000A	5,093,236	(323,381)	-0-	4,769,855	323,380
Morgantown 2000B	1,931,454	(65,476)	-0-	1,865,978	65,476
Morgantown 2001A	1,714,931	(291,208)	-0-	1,423,723	300,045
Morgantown 2006A	5,878,028	(274,151)	-0-	5,603,877	279,676
Morgantown 2007A	8,211,472	(294,345)	-0-	7,917,127	300,274
Morgantown 2010A	37,950,000	-0-	-0-	37,950,000	-0-
Morgantown 2010C	6,286,298	-0-	5,760,677	12,046,975	-0-
Morgantown 2010D	1,275,823	-0-	5,912,932	7,188,755	-0-
Morgantown 2010E	-0-	-0-	100,000	100,000	-0-
Morgantown 2010F	<u>7,250,000</u>	<u>-0-</u>	<u>-0-</u>	<u>7,250,000</u>	<u>-0-</u>
Total	\$ <u>78,002,078</u>	\$ <u>(2,081,452)</u>	\$ <u>11,773,609</u>	\$ <u>87,694,235</u>	\$ <u>2,128,512</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

Maturities of the Board's debt for the years subsequent to June 30, 2011 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>
2012	\$ 770,000	\$ 89,661	\$ 323,380	\$ 65,476	\$ 300,045	\$ 279,676	\$ 300,274
2013	390,000	91,468	323,380	65,476	309,148	285,311	345,754
2014	-0-	93,312	323,380	65,476	318,528	291,060	392,547
2015	-0-	95,191	323,380	65,476	328,191	296,924	400,458
2016	-0-	48,313	323,380	65,476	167,811	302,907	408,617
2017-2021	-0-	-0-	1,616,900	327,380	-0-	1,608,591	2,169,482
2022-2026	-0-	-0-	1,536,055	327,380	-0-	1,777,326	2,397,051
2027-2031	-0-	-0-	-0-	327,380	-0-	762,082	1,502,944
2032-2036	-0-	-0-	-0-	327,380	-0-	-0-	-0-
2037-2040	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>229,078</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>1,160,000</u>	\$ <u>417,945</u>	\$ <u>4,769,855</u>	\$ <u>1,865,978</u>	\$ <u>1,423,723</u>	\$ <u>5,603,877</u>	\$ <u>7,917,127</u>
			<u>2010A</u> <u>Issue</u> <u>Principal</u>	<u>2010C</u> <u>Issue</u> <u>Principal*</u>	<u>2010D</u> <u>Issue</u> <u>Principal*</u>	<u>2010E</u> <u>Issue</u> <u>Principal</u>	<u>2010F</u> <u>Issue</u> <u>Principal</u>
2012			\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2013			-0-	472,855	286,454	3,075	975,000
2014			-0-	641,580	388,667	4,171	990,000
2015			-0-	654,508	396,498	4,256	1,005,000
2016			-0-	667,696	404,489	4,341	1,030,000
2017-2021			3,570,000	3,545,804	2,148,036	23,054	3,250,000
2022-2026			6,795,000	3,917,744	2,373,356	25,473	-0-
2027-2031			8,130,000	4,328,698	2,622,307	28,144	-0-
2032-2036			9,925,000	1,151,342	697,479	7,486	-0-
2037-2040			<u>9,530,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total			\$ <u>37,950,000</u>	\$ <u>15,380,227</u>	\$ <u>9,317,286</u>	\$ <u>100,000</u>	\$ <u>7,250,000</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

*This is the scheduled amortization from the bond agreement. This assumes that the entire available amount will be drawn-down.

Annual Interest Payment Requirements

	<u>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>
2012	\$ 48,825	\$ 4,730	\$ -0-	\$ -0-	\$ 48,192	\$ 115,513	\$ 132,451
2013	30,601	3,845	-0-	-0-	39,357	109,989	126,520
2014	-0-	2,941	-0-	-0-	30,254	104,353	135,161
2015	-0-	2,020	-0-	-0-	20,875	98,604	142,490
2016	-0-	1,443	-0-	-0-	11,211	86,756	126,511
2017-2021	-0-	-0-	-0-	-0-	-0-	339,725	505,706
2022-2026	-0-	-0-	-0-	-0-	-0-	170,992	278,136
2027-2031	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>14,878</u>	<u>47,955</u>
Total	\$ <u>79,426</u>	\$ <u>14,979</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>149,889</u>	\$ <u>1,040,810</u>	\$ <u>1,494,930</u>

	<u>2010A (Net)</u> <u>Issue</u> <u>Interest</u>	<u>2010C</u> <u>Issue</u> <u>Interest*</u>	<u>2010D</u> <u>Issue</u> <u>Interest*</u>	<u>2010E</u> <u>Issue</u> <u>Interest</u>	<u>2010F</u> <u>Issue</u> <u>Interest</u>
2012	\$ 1,481,275	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2013	1,481,275	228,347	138,332	1,485	180,060
2014	1,481,275	293,356	177,714	1,907	172,748
2015	1,481,275	280,427	169,882	1,823	155,535
2016	1,481,275	267,239	161,892	1,738	135,585
2017-2021	7,330,976	1,128,872	683,867	7,340	113,175
2022-2026	6,490,509	756,933	458,547	4,922	155,403
2027-2031	5,191,676	345,979	209,593	2,250	-0-
2032-2036	3,438,600	17,328	10,497	111	-0-
2037-2040	<u>1,249,340</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>31,107,476</u>	\$ <u>3,318,481</u>	\$ <u>2,010,324</u>	\$ <u>21,576</u>	\$ <u>912,506</u>

*This is the scheduled interest payment from the bond agreement. This assumes that the entire available amount will be drawn-down.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011.

Fiscal Year Ending June 30,	
2012	\$ 34,039
2013	35,157
2014	37,050
2015	37,186
2016	41,406
2017– 2021	227,756
2022 – 2024	<u>180,561</u>
	593,155
Less: Amount representing interest	<u>155,071</u>
	438,084
Less: Current maturities	<u>16,131</u>
	421,953
Non-current maturities	\$ <u>421,953</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011:

<u>Fiscal Year Ending June 30,</u>	
2012	\$ 16,417
2013	16,958
2014	17,870
2015	17,936
2016	19,971
2017 – 2021	109,854
2022 – 2024	<u>87,090</u>
	286,096
Less: Amount representing interest	<u>74,794</u>
	211,302
Less: Current maturities	<u>7,781</u>
Non-current maturities	\$ <u>203,521</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, 2011:

<u>Fiscal Year Ending June 30,</u>	
2012	\$ 50,456
2013	52,115
2014	54,920
2015	55,122
2016	61,377
2017 – 2021	337,610
2022 – 2024	<u>267,651</u>
	879,251
Less: Amount representing interest	<u>229,865</u>
	649,386
Less: Current maturities	<u>23,912</u>
Non-current maturities	\$ <u>625,474</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011**

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 12.5% 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, 2011 is as follows:

	<i>Component Unit</i>	
	<i>Primary Government</i>	<i>Morgantown Public Library</i>
Total wages	\$ 1,228,999	\$ 775,972
Covered wages	\$ 697,616	\$ 622,959
Employer share 12.50%	\$ 87,202	\$ 77,870
Employee share 4.50%	\$ 31,393	\$ 28,033

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

<u>Public Employees' Retirement System (PERS)</u>	
Eligibility to participate	All City full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Employer's contribution rate	12.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contribution service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011**

	<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, 2010.

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, 2010.

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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	7/1/2010	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	5%	7.5%
Projected salary increases	5%	5%
Post retirement benefit increases	None	None
Inflation	4%	3%
Cost of living adjustments	3%	None

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

Reserves

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

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

Annual required contribution	\$ 1,623,468
Interest on short-term	163,129
Adjustment to annual required contribution	<u>(124,513)</u>
Annual pension cost	1,662,084
Contributions made	<u>856,087</u>
Increase in net pension obligation	805,997
Net pension obligation at beginning of year	<u>3,239,093</u>
Net pension obligation at end of year	\$ <u>4,045,090</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 1,662,084	52%	\$ 4,045,090
2010	\$ 1,785,138	49%	\$ 3,239,093
2009	\$ 1,609,785	53%	\$ 2,347,955
2008	\$ 1,476,056	57%	\$ 1,584,757
2007	\$ 1,583,727	51%	\$ 943,025

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

Annual required contribution	\$ 2,099,878
Interest on short-term	238,125
Adjustment to annual required contribution	(181,755)
Annual pension cost	2,156,248
Contributions made	<u>1,045,006</u>
Increase in net pension obligation	1,111,242
Net pension obligation at beginning of year	<u>4,762,508</u>
 Net pension obligation at end of year	 \$ <u>5,873,750</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 2,156,248	50%	\$ 5,873,750
2010	\$ 2,009,665	50%	\$ 4,762,508
2009	\$ 1,759,060	54%	\$ 3,756,764
2008	\$ 1,570,898	59%	\$ 2,953,485
2007	\$ 1,598,924	57%	\$ 2,313,958

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Employee's Pension an Relief Fund

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

	<u>Employees Pension and Relief Fund</u>
Annual required contribution (ARC) for the year ended June 30, 2011	\$ 1,261,182
Interest on net pension obligation (NPO)	(10,851)
Adjustments to NPO	<u>15,247</u>
Annual pension cost	1,265,578
Employer contributions for the year ended June 30, 2011	<u>1,151,765</u>
Increase (decrease) to NPO	113,813
Net pension obligation (asset) at July 1, 2010	(<u>144,677</u>)
Net pension obligation (asset) at June 30, 2011	\$ (<u>30,864</u>)

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2011	\$ 1,261,182	91%
2010	\$ 1,137,893	81%
2009	\$ 860,984	88%
2008	\$ 810,248	110%
2007	\$ 773,719	111%

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

Deferred Compensation Plan

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

Other Postemployment Benefits

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

Accrued Other Post Employment Benefits

Plan description/contribution information

The City maintains a single employer health insurance plan that covers substantially all eligible full-time employees as well as certain current and future retirees of the system. The accrued other post employment benefits (OPEB) provides retirement health insurance benefits for substantially all full-time employees. Unless otherwise indicated, information in this Note is provided as of the latest actuarial valuation, July 1, 2010.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Annual Required Contributions and Significant Actuarial Assumptions:

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

Valuation Date	7/1/2010
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	2.5%
Salary Scale	2.5%
Medical Trend Rate	8.5% graded down to 5%

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

Annual Required Contribution	\$ 1,684,000
Interest on net OPEB obligation	125,000
Adjustment to annual required contribution	(130,000)
Annual OPEB cost	1,679,000
Contributions made	(777,000)
Increase in net OPEB obligation	902,000
Net OPEB obligation – beginning of year	<u>3,120,000</u>
 Net OPEB obligation – end of year	 \$ <u>4,022,000</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 1,679,000	46.28%	\$ 4,022,000
2010	\$ 2,257,000	30.62%	\$ 3,120,000
2009	\$ 2,154,000	27.00%	\$ 1,554,000

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

8. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2011 for fund financial:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 359,565	\$ -0-
Special Revenue Funds		
Board of Parks and Recreation	-0-	89,067
Capital Project Funds		
Capital reserve	342,587	-0-
Business Improvement District	-0-	20,566
Airport access road	-0-	174,983
Board of Parks and Recreation	-0-	2,938
Enterprise Funds		
Airport fund	-0-	350,452
Parking Authority	<u>-0-</u>	<u>64,146</u>
	<u>\$ 702,152</u>	<u>\$ 702,152</u>
 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>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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.

11. Debt Service Coverage

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2011:

Total revenues	\$ 2,483,843
Interest and dividend income	<u>17,620</u>
Adjusted gross revenues	2,501,463
Total expenses	<u>2,348,976</u>
	152,487
Add: Depreciation expense	<u>353,705</u>
Amount available for debt service and capital expenditures	\$ <u>506,192</u>
Maximum annual debt service	\$ <u>441,580</u>
Calculated debt service coverage factor	1.15
Required debt service coverage factor	1.10

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011.

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.

Fiscal Year

2012

\$ 83,330

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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011**

The balance receivable is as follows:

Fiscal Year Ended June 30,

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>83,333</u>
	 \$ <u>983,333</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 \$278,210 and the Airport Access Road Fund had a deficit fund balance of \$174,983. The elimination of these deficit fund balances is dependent on increasing revenues and decreasing expenses for these funds.

14. Subsequent Events

The City has considered all subsequent events through February 13, 2012, the date the financial statements were made available.

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MORGANTOWN, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

1. Schedules of Funding Progress

Firemen's Pension and Relief Fund

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2006	\$ 8,054,815	\$ 23,313,655	\$ 15,258,840	34.5%	\$ 1,904,137	801%
7/1/2007	\$ 10,626,102	\$ 23,967,730	\$ 13,341,628	44.3%	\$ 1,991,611	670%
7/1/2008	\$ 10,127,559	\$ 24,686,762	\$ 14,559,203	41.0%	\$ 2,051,359	710%
7/1/2009	\$ 8,951,158	\$ 25,728,239	\$ 16,777,081	34.8%	\$ 2,200,751	762%

Policemen's Pension and Relief Fund

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2006	\$ 11,192,360	\$ 25,964,649	\$ 14,772,289	43.1%	\$ 2,356,504	627%
7/1/2007	\$ 13,647,736	\$ 27,570,688	\$ 13,922,952	49.5%	\$ 2,631,965	529%
7/1/2008	\$ 12,992,382	\$ 28,397,809	\$ 15,405,427	45.8%	\$ 2,710,924	568%
7/1/2009	\$ 11,543,478	\$ 30,172,724	\$ 18,629,246	38.3%	\$ 2,899,944	642%

Employee's Pension and Relief Fund

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

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

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<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>
ASSETS				
Cash	\$ 410,374	\$ 210,168	\$ 620,542	\$ 206,882
Investments	-0-	103,121	103,121	-0-
Receivables (net of allowances for uncollectibles)				
Taxes	-0-	259,847	259,847	-0-
Accounts	13,183	-0-	13,183	-0-
Other	3,559	-0-	3,559	-0-
Grants	14,196	19,466	33,662	-0-
Due from/(to) other funds	(89,067)	(198,487)	(287,554)	<u>324</u>
TOTAL ASSETS	\$ <u>352,245</u>	\$ <u>394,115</u>	\$ <u>746,360</u>	\$ <u>207,206</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 68,646	\$ 30,234	\$ 98,880	\$ -0-
Accrued payroll and compensated absences	129,894	-0-	129,894	-0-
Disallowed charges payable	68,158	-0-	68,158	-0-
Deferred revenues	<u>13,500</u>	<u>61,626</u>	<u>75,126</u>	<u>-0-</u>
Total liabilities	<u>280,198</u>	<u>91,860</u>	<u>372,058</u>	<u>-0-</u>
Fund Balances				
Restricted	52,871	-0-	52,871	-0-
Assigned	297,386	477,238	774,624	207,206
Unassigned	(278,210)	(174,983)	(453,193)	<u>-0-</u>
Total fund balances	<u>72,047</u>	<u>302,255</u>	<u>374,302</u>	<u>207,206</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>352,245</u>	\$ <u>394,115</u>	\$ <u>746,360</u>	\$ <u>207,206</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	<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	\$ 1,289,272	\$ -0-	\$ 1,289,272	\$ -0-
Fines and forfeits	85,830	-0-	85,830	-0-
Investment income	1,255	1,454	2,709	5,049
Donations	93,863	60,450	154,313	40
Taxes	-0-	1,156,117	1,156,117	-0-
Intergovernmental:				
Federal	749,153	356,122	1,105,275	-0-
State	46,190	19,578	65,768	-0-
County	109,718	-0-	109,718	-0-
Other	<u>-0-</u>	<u>86,932</u>	<u>86,932</u>	<u>-0-</u>
Total revenues	<u>2,375,281</u>	<u>1,680,653</u>	<u>4,055,934</u>	<u>5,089</u>
Expenditures				
General government	-0-	1,871	1,871	-0-
Public safety	183,546	-0-	183,546	-0-
Culture and recreation	2,594,895	437,284	3,032,179	-0-
Community development	<u>784,752</u>	<u>629,456</u>	<u>1,414,208</u>	<u>-0-</u>
Total expenditures	<u>3,563,193</u>	<u>1,068,611</u>	<u>4,631,804</u>	<u>-0-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,187,912)</u>	<u>612,042</u>	<u>(575,870)</u>	<u>5,089</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, 2011

	<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	\$ 953,912	\$ 553,221	\$ 1,507,133	\$ -0-
Operating transfers (out)	<u>-0-</u>	<u>(1,094,765)</u>	<u>(1,094,765)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>953,912</u>	<u>(541,544)</u>	<u>412,368</u>	<u>-0-</u>
 (Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing (uses)	 (234,000)	 70,498	 (163,502)	 5,089
 Fund balance beginning of year	 <u>306,047</u>	 <u>231,757</u>	 <u>537,804</u>	 <u>202,117</u>
Fund balance end of year	\$ <u>72,047</u>	\$ <u>302,255</u>	\$ <u>374,302</u>	\$ <u>207,206</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING FUND BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS -
SPECIAL REVENUE FUNDS
JUNE 30, 2011**

	<u>Economic Development Grant</u>	<u>Community Development Grant</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Property Auction</u>	<u>Board of Parks and Recreation</u>	<u>Total</u>
ASSETS									
Cash	\$ 37,893	\$ 2,967	\$ 231,881	\$ -0-	\$ 55,613	\$ 393	\$ 11,256	\$ 70,371	\$ 410,374
Receivables (net of allowances for uncollectibles)									
Accounts	-0-	11,970	-0-	-0-	-0-	-0-	1,213	-0-	13,183
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,559	3,559
Grants	-0-	14,196	-0-	-0-	-0-	-0-	-0-	-0-	14,196
Due from/(to) other funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(89,067)</u>	<u>(89,067)</u>
TOTAL ASSETS	\$ <u>37,893</u>	\$ <u>29,133</u>	\$ <u>231,881</u>	\$ <u>-0-</u>	\$ <u>55,613</u>	\$ <u>-0-</u>	\$ <u>12,469</u>	\$ <u>(15,137)</u>	\$ <u>352,245</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -0-	\$ 10,535	\$ 187	\$ -0-	\$ 2,742	\$ -0-	\$ -0-	\$ 55,182	\$ 68,646
Accrued payroll and compensated absences	-0-	3,661	-0-	-0-	-0-	-0-	-0-	126,233	129,894
Disallowed charges payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	68,158	68,158
Deferred revenue	-0-	-0-	-0-	-0-	-0-	-0-	-0-	13,500	13,500
Total liabilities	<u>-0-</u>	<u>14,196</u>	<u>187</u>	<u>-0-</u>	<u>2,742</u>	<u>-0-</u>	<u>-0-</u>	<u>263,073</u>	<u>280,198</u>
Fund Balances									
Restricted	-0-	-0-	-0-	-0-	52,871	-0-	-0-	-0-	52,871
Assigned	37,893	14,937	231,694	-0-	-0-	393	12,469	-0-	297,386
Unassigned	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(278,210)	(278,210)
Total fund balances	<u>37,893</u>	<u>14,937</u>	<u>231,694</u>	<u>-0-</u>	<u>52,871</u>	<u>393</u>	<u>12,469</u>	<u>(278,210)</u>	<u>72,047</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>37,893</u>	\$ <u>29,133</u>	\$ <u>231,881</u>	\$ <u>-0-</u>	\$ <u>55,613</u>	\$ <u>-0-</u>	\$ <u>12,469</u>	\$ <u>(15,137)</u>	\$ <u>352,245</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Economic</u> <u>Development</u> <u>Grant</u>	<u>Community</u> <u>Development</u> <u>Grant</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 Cities</u> <u>Block Grant</u>	<u>Property</u> <u>Auction</u>	<u>Board of</u> <u>Parks and</u> <u>Recreation</u>	<u>Total</u>
Revenues									
Charges for services	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,289,272	\$ 1,289,272
Fines and forfeits	-0-	-0-	85,830	-0-	-0-	-0-	-0-	-0-	85,830
Interest	-0-	146	593	-0-	143	-0-	-0-	373	1,255
Donations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	93,863	93,863
Intergovernmental:									
Federal	-0-	702,883	-0-	-0-	46,270	-0-	-0-	-0-	749,153
State	-0-	-0-	-0-	15,262	-0-	-0-	-0-	30,928	46,190
County	-0-	-0-	-0-	-0-	-0-	-0-	-0-	109,718	109,718
Total revenues	<u>-0-</u>	<u>703,029</u>	<u>86,423</u>	<u>15,262</u>	<u>46,413</u>	<u>-0-</u>	<u>-0-</u>	<u>1,524,154</u>	<u>2,375,281</u>
Expenditures									
Public safety	-0-	-0-	52,474	-0-	131,072	-0-	-0-	-0-	183,546
Culture and recreation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,594,895	2,594,895
Community development	-0-	769,490	-0-	15,262	-0-	-0-	-0-	-0-	784,752
Total expenditures	<u>-0-</u>	<u>769,490</u>	<u>52,474</u>	<u>15,262</u>	<u>131,072</u>	<u>-0-</u>	<u>-0-</u>	<u>2,594,895</u>	<u>3,563,193</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>(66,461)</u>	<u>33,949</u>	<u>-0-</u>	<u>(84,659)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,070,741)</u>	<u>(1,187,912)</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, 2011**

	<u>Economic Development Grant</u>	<u>Community Development Grant</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Property Auction</u>	<u>Board of Parks and Recreation</u>	<u>Total</u>
Other Financing Sources (Uses)									
Operating transfers in	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>8,500</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>945,412</u>	\$ <u>953,912</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>8,500</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>945,412</u>	<u>953,912</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing (uses)	-0-	(66,461)	42,449	-0-	(84,659)	-0-	-0-	(125,329)	(234,000)
Fund balance beginning of year	<u>37,893</u>	<u>81,398</u>	<u>189,245</u>	<u>-0-</u>	<u>137,530</u>	<u>393</u>	<u>12,469</u>	<u>(152,881)</u>	<u>306,047</u>
Fund balance end of year	\$ <u>37,893</u>	\$ <u>14,937</u>	\$ <u>231,694</u>	\$ <u>-0-</u>	\$ <u>52,871</u>	\$ <u>393</u>	\$ <u>12,469</u>	\$ <u>(278,210)</u>	\$ <u>72,047</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS –
 NONMAJOR GOVERNMENTAL FUNDS –
 CAPITAL PROJECT FUNDS
 JUNE 30, 2011

	<i>Primary Government</i>					<i>Component Unit</i>
	<u>Business Improvement District</u>	<u>Airport Access Road</u>	<u>Board of Parks and Recreation</u>	<u>Tax Increment Financing</u>	<u>Total</u>	<u>Morgantown Public Library Capital Project Clay Battelle Branch</u>
ASSETS						
Cash	\$ 125,995	\$ -0-	\$ 82,642	\$ 1,531	\$ 210,168	\$ -0-
Investments	-0-	-0-	103,121	-0-	103,121	206,882
Taxes receivable	-0-	-0-	-0-	259,847	259,847	-0-
Grants receivable	19,466	-0-	-0-	-0-	19,466	-0-
Due from/(to) other funds	(20,566)	(174,983)	(2,938)	-0-	(198,487)	324
TOTAL ASSETS	\$ <u>124,895</u>	\$ <u>(174,983)</u>	\$ <u>182,825</u>	\$ <u>261,378</u>	\$ <u>394,115</u>	\$ <u>207,206</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 24,332	\$ -0-	\$ 5,902	\$ -0-	\$ 30,234	\$ -0-
Deferred revenues	-0-	-0-	-0-	61,626	61,626	-0-
Total liabilities	<u>24,332</u>	<u>-0-</u>	<u>5,902</u>	<u>61,626</u>	<u>91,860</u>	<u>-0-</u>
Fund Balances						
Assigned	100,563	-0-	176,923	199,752	477,238	207,206
Unassigned	-0-	(174,983)	-0-	-0-	(174,983)	-0-
Total fund balance	<u>100,563</u>	<u>(174,983)</u>	<u>176,923</u>	<u>199,752</u>	<u>302,255</u>	<u>207,206</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>124,895</u>	\$ <u>(174,983)</u>	\$ <u>182,825</u>	\$ <u>261,378</u>	\$ <u>394,115</u>	\$ <u>207,206</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Primary Government</i>					<i>Component Unit</i>
	<u>Business</u>	<u>Airport</u>	<u>Board of</u>	<u>Tax</u>	<u>Total</u>	<i>Morgantown Public Library</i>
	<u>Improvement</u>	<u>Access</u>	<u>Parks and</u>	<u>Increment</u>		<u>Capital Project</u>
	<u>District</u>	<u>Road</u>	<u>Recreation</u>	<u>Financing</u>		<u>Clay Battelle</u>
						<u>Branch</u>
Revenues						
Investment income	\$ 294	\$ -0-	\$ 685	\$ 475	\$ 1,454	\$ 5,049
Donations	22,000	-0-	38,450	-0-	60,450	40
Taxes	10,255	-0-	-0-	1,145,862	1,156,117	-0-
Intergovernmental:						
Federal	356,122	-0-	-0-	-0-	356,122	-0-
State	-0-	-0-	19,578	-0-	19,578	-0-
Other	-0-	-0-	<u>86,932</u>	-0-	<u>86,932</u>	-0-
Total revenues	<u>388,671</u>	<u>-0-</u>	<u>145,645</u>	<u>1,146,337</u>	<u>1,680,653</u>	<u>5,089</u>
Expenditures						
General government	-0-	-0-	-0-	1,871	1,871	-0-
Culture and recreation	-0-	-0-	437,284	-0-	437,284	-0-
Community development	<u>454,473</u>	<u>174,983</u>	<u>-0-</u>	<u>-0-</u>	<u>629,456</u>	<u>-0-</u>
Total expenditures	<u>454,473</u>	<u>174,983</u>	<u>437,284</u>	<u>1,871</u>	<u>1,068,611</u>	<u>-0-</u>
(Deficiency) excess of revenues (under) over expenditures	(<u>65,802</u>)	(<u>174,983</u>)	(<u>291,639</u>)	<u>1,144,466</u>	<u>612,042</u>	<u>5,089</u>
Other Financing Sources						
(Uses)						
Operating transfers in	150,000	-0-	403,221	-0-	553,221	-0-
Operating transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,094,765)</u>	<u>(1,094,765)</u>	<u>-0-</u>
Total other financings sources (uses)	<u>150,000</u>	<u>-0-</u>	<u>403,221</u>	<u>(1,094,765)</u>	<u>(541,544)</u>	<u>-0-</u>
Excess (deficiency) of revenues and other financing sources over (under expenditures and other financing (uses)	84,198	(174,983)	111,582	49,701	70,498	5,089
Fund balance beginning of year	<u>16,365</u>	<u>-0-</u>	<u>65,341</u>	<u>150,051</u>	<u>231,757</u>	<u>202,117</u>
Fund balance end of year	\$ <u>100,563</u>	\$ <u>(174,983)</u>	\$ <u>176,923</u>	\$ <u>199,752</u>	\$ <u>302,255</u>	\$ <u>207,206</u>

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



Tetrick & Bartlett, PLLC

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Consultants

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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 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, 2011, which collectively comprise the City of Morgantown, West Virginia's basic financial statements and have issued our report thereon dated February 13, 2012. 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.

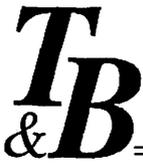
Compliance and Other Matters

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. However, this report is a matter of public record.

Dutrick + Battista, PLLC

February 13, 2012



**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, 2011. 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, 2011.

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

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. However, this report is a matter of public record.

Delrick • Barwick, Ph.D.

February 13, 2012

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 Department of Transportation, Federal Aviation Administration, ARRA – Airport Improvement Program – CFDA Number 20.106; United States Department of Transportation, Federal Highway Administration, Highway Planning and Construction – CFDA Number 20.205; United States 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, 2011**

<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, 2011</u>
United States Department of Transportation						
<u>National Highway Traffic Safety Administration</u>						
<u>West Virginia Department of Transportation</u>						
Alcohol Open Container Requirements	20.607	F10HS-18	\$ -0-	\$ 33,050	\$ 33,050	\$ -0-
Alcohol Open Container Requirements	20.607	F11HS-18-154	-0-	16,972	16,972	-0-
<u>Federal Aviation Administration</u>						
ARRA – Airport Improvement Program	20.106	3-54-0015-031-2010	-0-	194,247	194,247	-0-
Airport Improvement Program	20.106	3-54-0015-030-2009	-0-	45,232	45,232	-0-
ARRA – Airport Improvement Program	20.106	3-54-0015-032-2010	-0-	566,602	566,602	-0-
<u>Federal Highway Administration</u>						
<u>West Virginia Department of Transportation –</u>						
<u>Division of Highways</u>						
Highway Planning and Construction	20.205	U331-MOR/GA	-0-	356,122	356,122	-0-
Highway Planning and Construction	20.205	TEA-OH22(001)D	-0-	23,566	23,566	-0-
			<u>-0-</u>	<u>1,235,791</u>	<u>1,235,791</u>	<u>-0-</u>
United States Department of Justice						
<u>Bureau of Justice Assistance</u>						
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program /Grants to States and Territories	16.803	2009-SB-B9-1434	(137,170)	-0-	86,201	(50,969)
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	2010-DJ-BX-0408	-0-	46,270	44,871	(1,399)
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	2009-DV-BX-0505	-0-	12,037	12,037	-0-
Bulletproof Vest Partnership Program	16.607		-0-	2,421	2,421	-0-

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

<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, 2011</u>
United States Department of Justice (cont'd)						
<u>Bureau of Justice Assistance</u>						
<u>State of West Virginia Division of Criminal Justice Services</u>						
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	\$ -0-	\$ 2,400	\$ 2,400	\$ -0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	13,739	13,739	-0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	5,215	5,215	-0-
Edward Byrne Memorial Formula Grant Program	16.579	09-JAG-06	-0-	56,250	56,250	-0-
<u>Office of Community Oriented Policy Services</u>						
ARRA – Public Safety Partnership and Community Policing Grant	16.710	2010RKWX008	-0-	66,176	66,176	-0-
			<u>(137,170)</u>	<u>204,508</u>	<u>289,310</u>	<u>(52,368)</u>
United States Department of Housing and Urban Development						
<u>Office of Community Planning and Development</u>						
Community Development Block Grant/Entitlement Grants	14.218	B-11-MC-54-0007	-0-	702,883	702,883	-0-
Total federal funding			<u>\$(137,170)</u>	<u>\$ 2,143,182</u>	<u>\$ 2,227,984</u>	<u>\$ (52,368)</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

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

**CITY OF MORGANTOWN, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

United States Department of Transportation – Federal Aviation Administration – ARRA – Airport Improvement Grant – CFDA 20.106 – Fiscal Year Ended June 30, 2010; United States Department of Transportation – Federal Aviation Administration – Airport Improvement Grant – CFDA 20.106 – Fiscal Year Ended June 30, 2010; United States Department of Housing and Urban Development – Community Development Block Grant/Entitlement Grants – CFDA 14.218 – Fiscal Year Ended June 30, 2010

There were no prior audit findings.

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2011**

Balance June 30, 2010	\$ 7,213
Revenues received:	
Passenger facility charges	38,105
Interest income	3
Disbursements:	
Capital Projects	<u>26,578</u>
Balance June 30, 2011	\$ <u>18,743</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, 2011. 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, 2011.

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.

J. Patrick Baughman, Ph.D.

February 13, 2012