

**AUDIT REPORT OF  
MORGANTOWN, WEST VIRGINIA  
A CLASS II MUNICIPALITY IN MONONGALIA COUNTY  
For the Fiscal Year Ended June 30, 2008**

**AUDIT REPORT OF  
THE CITY OF MORGANTOWN, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FUNDS INCLUDED IN REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**GOVERNMENTAL FUND TYPES**

**MAJOR FUNDS**

General  
Coal Severance Tax  
Board of Parks and Recreation  
Life and Health  
Capital Escrow  
Economic Development Grant  
Tax Increment Financing Debt Service

**PROPRIETARY FUND TYPE**

**MAJOR FUNDS**

Airport  
Parking Authority  
Building Commission

**NONMAJOR FUNDS**

*Special Revenue Funds*

Police Forfeiture  
Special Grants  
Local Law Enforcement Grant  
Small Cities Block Grant  
Property Auction  
Community Development Block Grant

*Capital Project Funds*

Business Improvement District  
Tax Increment Financing

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FUNDS INCLUDED IN REPORT (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**FIDUCIARY FUND TYPE**

*Pension Funds*

Policemen's Pension and Relief  
Firemen's Pension and Relief  
Employees Retirement and Benefits

**COMPONENT UNITS**

*Discretely Presented*

Utility Board  
Library

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*INTRODUCTORY SECTION*

**CITY OF MORGANTOWN, WEST VIRGINIA  
MUNICIPAL OFFICIALS  
For the Fiscal Year Ended June 30, 2008**

OFFICE		NAME	TERM
		<u>Elective</u>	
Mayor:	Ward 5	Ron Justice	07-01-07 / 06-30-09
Council Members:	Ward 1	Ron Bane	07-01-07 / 06-30-09
	Ward 2	James Manilla (Resigned)	07-01-07 / 05-20-08
		John Gaddis (Appointed)	06-17-08 / 06-30-09
	Ward 3	Charlie Byrer	07-01-07 / 06-30-09
	Ward 4	Jenny Selin	07-01-07 / 06-30-09
	Ward 6	William Byrne	07-01-07 / 06-30-09
	Ward 7	Don Spencer	07-01-07 / 06-30-09
		<u>Appointive</u>	
City Manager:		Dan Boroff	
Finance Director:		Denise White	
City Clerk:		Linda Little	
Municipal Attorney:		Stephen Fanok	

*FINANCIAL SECTION*

# State of West Virginia

Glen B. Gainer III  
State Auditor and  
Chief Inspector

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## *INDEPENDENT AUDITOR'S REPORT*

Honorable Mayor and Council  
Municipality of Morgantown  
Morgantown, West Virginia 26505

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morgantown, West Virginia (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity'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 in 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 and the report by other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The City has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. The Schedule of Funding Progress of the Policemen's Pension and Firemen's Pension and Relief Funds on page 66, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consists principally of inquiries of management regarding the methods and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor funds, the Library, a discretely presented component unit financial statements, the Schedule of Rate Covenant Compliance and the Schedule of Passenger Facility Charges are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose 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 basic financial statements of City of Morgantown. The combining and individual nonmajor funds, the discretely presented component unit financial statements, the Schedule of Rate Covenant Compliance, the Schedule of Passenger Facility Charges, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,



Glen B. Gainer, III  
West Virginia State Auditor

July 31, 2009

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Utility Board	Library
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 8,746,122	\$ 830,725	\$ 9,576,847	\$ 255,369	\$ 432,259
Investments	625,629	655,962	1,281,591	5,762,946	2,183,931
Receivables:					
Accounts	226,027	122,089	348,116	990,197	--
Accrued interest / dividends	--	326	326	36,583	--
Taxes	3,393,559	--	3,393,559	--	--
Other	19,518	54,489	74,007	606,884	--
Loans	34,041	--	34,041	--	--
Grants	777,346	192,062	969,408	--	--
Other fees	--	--	--	--	102
Internal balances	25,012	( 25,012)	--	--	--
Due from:					
Component units	16,011	--	16,011	--	--
Accrued utility revenue	--	--	--	906,315	--
Inventory, at cost	66,995	45,765	112,760	660,898	--
Prepaid expenses	--	55,339	55,339	475,569	2,083
Restricted assets:					
Regular account	--	1,351,681	1,351,681	288,955	--
Reserve account	--	306,178	306,178	--	--
Restricted for construction	5,523,228	--	5,523,228	--	--
Restricted for debt service	774,675	--	774,675	--	--
Capital assets:					
Nondepreciable:					
Land	1,483,738	7,978,176	9,461,914	--	--
Construction in progress	444,676	--	444,676	18,753,257	--
Depreciable:					
Buildings	9,756,228	17,315,756	27,071,984	--	2,893,463
Structures and improvements	976,776	9,415,516	10,392,292	--	--
Infrastructure	6,508,817	29,955,080	36,463,897	--	--
Transmission and distribution	--	--	--	163,028,710	--
Machinery and equipment	7,819,306	2,330,306	10,149,612	--	259,289
Books and videos	--	--	--	--	4,735,850
Less: accumulated depreciation	( 8,997,919)	( 17,942,058)	( 26,939,977)	( 68,611,828)	( 5,423,730)
Other debits:					
Other	--	--	--	16,489	--
Unamortized bond issue costs	940,222	259,399	1,199,621	209,973	--
<b>Total assets</b>	<b>\$ 39,160,007</b>	<b>\$ 52,901,779</b>	<b>\$ 92,061,786</b>	<b>\$ 123,380,317</b>	<b>\$ 5,083,247</b>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Utility Board</u>	<u>Library</u>
<b>LIABILITIES</b>					
Current liabilities payable from current assets:					
Accounts payable	\$ 1,584,425	\$ 371,059	\$ 1,955,484	\$ 3,022,993	\$ 12,674
Payroll payable	501,143	43,550	544,693	573,749	32,543
Other accrued expenses	19,420	401	19,821	82,399	--
Billing services payable	--	--	--	187,096	--
Leases payable	125,194	--	125,194	--	--
Compensated absences payable	--	87,082	87,082	--	43,126
Accrued revenue bond/note interest payable	36,994	--	36,994	26,520	--
Accrued administration costs on bonds	--	--	--	5,906	--
Interest on customer deposits	--	--	--	6,226	--
Advances on construction	--	--	--	10,989,700	--
Customer deposits	--	--	--	400,707	--
Deferred revenues:					
Charges for services	10,087	--	10,087	114,312	--
Business & occupation taxes	48,884	--	48,884	--	--
Unearned revenue	23,625	--	23,625	--	--
Other deferred revenues	--	52,500	52,500	--	--
Due to:					
Other governments	--	--	--	--	63
Noncurrent liabilities due within one year:					
Bonds payable	--	535,000	535,000	1,743,031	--
TIF Bonds payable	130,000	--	130,000	--	--
Notes payable	--	8,711	8,711	--	--
Noncurrent liabilities due in more than one year:					
Bonds payable	--	10,302,784	10,302,784	21,973,602	--
TIF Bonds payable	9,006,859	--	9,006,859	--	--
Notes payable	--	31,373	31,373	--	--
Leases payable	126,008	--	126,008	--	--
Net pension obligation payable	1,910,347	--	1,910,347	--	--
Compensated absences payable	1,112,338	--	1,112,338	--	--
<b>Total liabilities</b>	<b>14,635,324</b>	<b>11,432,460</b>	<b>26,067,784</b>	<b>39,126,241</b>	<b>88,406</b>

See accompanying notes to the financial statements. 5

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Utility Board</u>	<u>Library</u>
<b>NET ASSETS</b>					
Invested in capital assets (net of related debt)	\$ 8,566,567	\$ 38,174,908	\$ 46,741,475	\$ 82,181,377	\$ 2,464,872
Restricted for:					
Debt service	737,681	1,657,859	2,395,540	288,955	--
Capital projects	5,523,228	--	5,523,228	--	--
Unrestricted	<u>9,697,207</u>	<u>1,636,552</u>	<u>11,333,759</u>	<u>1,783,744</u>	<u>2,529,969</u>
Total net assets	<u>24,524,683</u>	<u>41,469,319</u>	<u>65,994,002</u>	<u>84,254,076</u>	<u>4,994,841</u>
Total liabilities and net assets	<u>\$ 39,160,007</u>	<u>\$ 52,901,779</u>	<u>\$ 92,061,786</u>	<u>\$ 123,380,317</u>	<u>\$ 5,083,247</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2008**

Net (Expense) Revenues and  
Changes in Net Assets

	Program Revenues				Net (Expense) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Utility Board	Library
<b>Functions / Programs</b>									
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 3,920,803	\$ 1,864,721	\$ 1,337,263	\$ --	\$ (718,819)	\$ --	\$ (718,819)	\$ --	\$ --
Public safety	8,174,530	2,987,285	--	--	(5,187,245)	--	(5,187,245)	--	--
Streets and transportation	3,452,396	--	--	--	(3,452,396)	--	(3,452,396)	--	--
Administrative and general	16,314	--	--	--	(16,314)	--	(16,314)	--	--
Culture and recreation	3,214,643	--	102,200	--	(3,112,443)	--	(3,112,443)	--	--
Benefits paid	2,448,256	--	3,266,934	--	818,678	--	818,678	--	--
Interest on long-term debt	437,985	--	--	--	(437,985)	--	(437,985)	--	--
Economic development	4,100,138	--	109,534	--	(3,990,604)	--	(3,990,604)	--	--
Disposition to developer	1,713,809	--	--	--	(1,713,809)	--	(1,713,809)	--	--
Loss on capital contributions	7,004,743	--	--	3,273,066	(3,731,677)	--	(3,731,677)	--	--
<b>Total governmental activities</b>	<b>34,483,617</b>	<b>4,852,006</b>	<b>4,815,931</b>	<b>3,273,066</b>	<b>(21,542,614)</b>	<b>--</b>	<b>(21,542,614)</b>	<b>--</b>	<b>--</b>
Business-type activities:									
Airport	3,813,434	2,966,880	--	3,666,868	--	2,820,314	2,820,314	--	--
Parking Authority	1,730,427	2,122,636	--	--	--	392,209	392,209	--	--
Building Commission	4,317,475	9,322	--	8,265,899	--	3,957,746	3,957,746	--	--
<b>Total business-type activities</b>	<b>9,861,336</b>	<b>5,098,838</b>	<b>--</b>	<b>11,932,767</b>	<b>--</b>	<b>7,170,269</b>	<b>7,170,269</b>	<b>--</b>	<b>--</b>
<b>Total primary government</b>	<b>\$ 44,344,953</b>	<b>\$ 9,950,844</b>	<b>\$ 4,815,931</b>	<b>\$ 15,205,833</b>	<b>(21,542,614)</b>	<b>7,170,269</b>	<b>(14,372,345)</b>	<b>--</b>	<b>--</b>
<b>Component units:</b>									
Utility Board	14,873,049	13,602,708	--	2,019,655	--	--	--	749,314	--
Library	2,146,561	40,093	1,261,553	--	--	--	--	--	(844,915)
<b>Total component units</b>	<b>\$ 17,019,610</b>	<b>\$ 13,642,801</b>	<b>\$ 1,261,553</b>	<b>\$ 2,019,655</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>749,314</b>	<b>(844,915)</b>
General revenues:									
Ad valorem property taxes					3,691,988	--	3,691,988	--	--
Business & occupation tax					12,590,113	--	12,590,113	--	--
Alcoholic beverages tax					654,478	--	654,478	--	--
Utility services tax					877,335	--	877,335	--	--
Hotel occupancy tax					744,792	--	744,792	--	--
Animal tax					4,652	--	4,652	--	--
Gas and oil severance tax					26,689	--	26,689	--	--
Amusement tax					142,992	--	142,992	--	--
Coal severance tax					101,419	--	101,419	--	--
Unrestricted investment earnings					649,030	92,334	741,364	589,766	23,599
Refunds					73,290	--	73,290	--	--
Reimbursement					289,718	--	289,718	--	3,757
Miscellaneous					191,056	--	191,056	--	--
Transfers					(641,589)	641,589	--	19,149	--
<b>Total general revenues and transfers</b>					<b>19,395,963</b>	<b>733,923</b>	<b>20,129,886</b>	<b>608,915</b>	<b>27,356</b>
Change in net assets					(2,146,651)	7,904,192	5,757,541	1,358,229	(817,559)
Net assets - beginning, as restated Note IV.1					26,671,334	33,565,127	60,236,461	82,895,847	5,812,400
Net assets - ending					<b>\$ 24,524,683</b>	<b>\$ 41,469,319</b>	<b>\$ 65,994,002</b>	<b>\$ 84,254,076</b>	<b>\$ 4,994,841</b>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2008**

	General	Coal Severance Tax	Board of Parks and Recreation	Life and Health	Capital Escrow
<b>ASSETS</b>					
<b>Current:</b>					
Cash and cash equivalents	\$ 2,665,501	\$ 13,309	\$ 219,272	\$ 638,418	\$ 4,611,869
Investments	--	--	--	--	579,636
Receivables:					
Taxes	3,382,229	--	--	--	--
Accounts	218,035	--	6,779	--	--
Grants	19,964	--	--	--	65,893
Loans	--	--	--	--	--
Other	14,262	--	2,500	2,756	--
Due from:					
Other funds	29,415	--	15,026	--	58,610
Component units	--	--	--	--	16,011
Inventory, at cost	66,995	--	--	--	--
Restricted for construction	--	--	--	--	--
Restricted for debt service	--	--	--	--	--
Total assets	\$ 6,396,401	\$ 13,309	\$ 243,577	\$ 641,174	\$ 5,332,019
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	78,669	--	174,406	312,173	349,364
Payroll payable	408,137	--	93,006	--	--
Other accrued expenses	6,301	--	2,144	--	10,975
Accrued interest payable	--	--	--	--	--
Due to:					
Other funds	--	--	3,211	--	15,026
Deferred revenues:					
Taxes	124,723	--	--	--	--
Charges for services	10,087	--	--	--	--
Business & occupation taxes	48,884	--	--	--	--
Other deferred revenue	--	--	23,625	--	--
Total liabilities	676,801	--	296,392	312,173	375,365

See accompanying notes to the financial statements.

<u>Economic Development Grant</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 39,493	\$ --	\$ 558,260	\$ 8,746,122
--	--	45,993	625,629
--	--	11,330	3,393,559
--	--	1,213	226,027
508,813	--	182,676	777,346
--	--	34,041	34,041
--	--	--	19,518
--	--	--	103,051
--	--	--	16,011
--	--	--	66,995
--	5,523,228	--	5,523,228
--	774,675	--	774,675
<u>\$ 548,306</u>	<u>\$ 6,297,903</u>	<u>\$ 833,513</u>	<u>\$ 20,306,202</u>
510,414	--	159,399	1,584,425
--	--	--	501,143
--	--	--	19,420
--	36,994	--	36,994
--	--	59,802	78,039
--	--	5,763	130,486
--	--	--	10,087
--	--	--	48,884
--	--	--	23,625
<u>510,414</u>	<u>36,994</u>	<u>224,964</u>	<u>2,433,103</u>

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2008**

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Board of Parks and Recreation</u>	<u>Life and Health</u>	<u>Capital Escrow</u>
<b>Fund balances:</b>					
Reserved for:					
Debt service	\$       --	\$       --	\$       --	\$       --	\$       --
Capital projects	--	--	--	--	--
Unreserved, reported in:					
General fund	5,719,600	--	--	--	--
Special revenue funds	--	13,309	( 52,815)	329,001	--
Capital projects funds	--	--	--	--	4,956,654
	<u>5,719,600</u>	<u>13,309</u>	<u>( 52,815)</u>	<u>329,001</u>	<u>4,956,654</u>
 Total fund balances	 <u>5,719,600</u>	 <u>13,309</u>	 <u>( 52,815)</u>	 <u>329,001</u>	 <u>4,956,654</u>
 Total liabilities and fund balances	 <u>\$ 6,396,401</u>	 <u>\$ 13,309</u>	 <u>\$ 243,577</u>	 <u>\$ 641,174</u>	 <u>\$ 5,332,019</u>

See accompanying notes to the financial statements.

<u>Economic Development Grant</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ 737,681	\$ --	\$ 737,681
--	5,523,228	--	5,523,228
--	--	--	5,719,600
37,892	--	178,256	505,643
--	--	430,293	5,386,947
<u>37,892</u>	<u>6,260,909</u>	<u>608,549</u>	<u>17,873,099</u>
<u>\$ 548,306</u>	<u>\$ 6,297,903</u>	<u>\$ 833,513</u>	<u>\$ 20,306,202</u>

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2008**

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Total fund balances on the governmental fund's balance sheet	\$ 17,873,099
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds (Note IV.C.).	17,991,622
Other long-term assets, i.e. bond issue costs, that are not available to pay for current-year expenditures and, therefore, are deferred in the funds. This amount represents unamortized bond issue costs.	940,222
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. This amount represents deferred taxes.	130,486
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note IV.F.).	
Bonds payable	( 9,136,859)
Leases payable	( 251,202)
Compensated absences payable	( 1,112,338)
Net pension obligation	<u>( 1,910,347)</u>
Net assets of governmental activities	<u>\$ 24,524,683</u>

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Board of Parks and Recreation</u>	<u>Life and Health</u>	<u>Capital Escrow</u>
<b>REVENUES</b>					
Taxes:					
Ad valorem property taxes	\$ 3,158,213	\$ --	\$ --	\$ --	\$ --
Business & occupation tax	12,590,113	--	--	--	--
Alcoholic beverages tax	654,478	--	--	--	--
Utility services tax	877,335	--	--	--	--
Hotel occupancy tax	744,792	--	--	--	--
Animal tax	4,652	--	--	--	--
Gas and oil severance tax	26,689	--	--	--	--
Amusement tax	142,992	--	--	--	--
Coal severance tax	--	101,419	--	--	--
Licenses and permits	424,070	--	--	--	--
Intergovernmental:					
Federal	--	--	141,275	--	110,413
State	162,015	--	5,547	--	24,320
Local	52,289	--	163,481	--	--
Charges for services	2,323,376	--	1,074,464	--	5,878
Fines and forfeits	689,065	--	--	--	--
Interest and investment earnings	210,603	1,326	16,689	30,201	82,555
Refunds	--	--	--	--	--
Reimbursements	200,384	--	89,334	--	--
Franchise fees	296,010	--	--	--	--
Contributions and donations	8,000	--	102,002	3,266,943	109,534
Miscellaneous	123,022	--	5,973	62,061	--
<b>Total revenues</b>	<b>22,688,098</b>	<b>102,745</b>	<b>1,598,765</b>	<b>3,359,205</b>	<b>332,700</b>
<b>EXPENDITURES</b>					
Current:					
General government	4,054,569	--	--	201,114	--
Public safety	8,803,181	--	--	--	--
Streets and transportation	3,216,224	--	--	--	--
Administrative and general	--	--	--	--	--
Culture and recreation	726,206	--	2,256,583	--	--
Benefits paid	--	--	--	2,448,256	--
Capital projects	--	--	756,534	--	--
Questioned costs	--	--	36,915	--	--
Economic development	--	--	--	--	2,659,408

<u>Economic Development Grant</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ --	\$ 736,214	\$ 3,894,427
--	--	--	12,590,113
--	--	--	654,478
--	--	--	877,335
--	--	--	744,792
--	--	--	4,652
--	--	--	26,689
--	--	--	142,992
--	--	--	101,419
--	--	--	424,070
--	--	655,489	907,177
3,273,066	--	14,623	3,479,571
--	--	--	215,770
4,800	--	--	3,408,518
--	--	34,343	723,408
--	280,925	26,731	649,030
--	--	73,290	73,290
--	--	--	289,718
--	--	--	296,010
--	--	--	3,486,479
--	--	--	191,056
<u>3,277,866</u>	<u>280,925</u>	<u>1,540,690</u>	<u>33,180,994</u>
--	--	500	4,256,183
--	--	87,439	8,890,620
--	--	--	3,216,224
--	16,314	--	16,314
--	--	14,623	2,997,412
--	--	--	2,448,256
--	2,121,017	194,202	3,071,753
--	--	--	36,915
367,123	104,347	472,404	3,603,282

**CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2008**

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Board of Parks and Recreation</u>	<u>Life and Health</u>	<u>Capital Escrow</u>
Debt service:					
Principal	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	--	--	--	--	--
Bond issuance costs	--	--	--	--	--
Total expenditures	<u>16,800,180</u>	<u>--</u>	<u>3,050,032</u>	<u>2,649,370</u>	<u>2,659,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,887,918</u>	<u>102,745</u>	<u>( 1,451,267)</u>	<u>709,835</u>	<u>( 2,326,708)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	--	--	1,325,847	--	4,365,518
Transfers (out)	( 5,617,081)	( 105,000)	( 10,873)	( 400,000)	( 250,000)
Bonds issued	--	--	--	--	--
Donations	--	--	--	--	--
Total other financing sources (uses)	<u>( 5,617,081)</u>	<u>( 105,000)</u>	<u>1,314,974</u>	<u>( 400,000)</u>	<u>4,115,518</u>
Net change in fund balances	270,837	( 2,255)	( 136,293)	309,835	1,788,810
Fund balances - beginning, as restated Note IV.I	<u>5,448,763</u>	<u>15,564</u>	<u>83,478</u>	<u>19,166</u>	<u>3,167,844</u>
Fund balances - ending	<u>\$ 5,719,600</u>	<u>\$ 13,309</u>	<u>\$ ( 52,815)</u>	<u>\$ 329,001</u>	<u>\$ 4,956,654</u>

<u>Economic Development Grant</u>	<u>Tax Increment Financing Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ 125,000	\$ --	\$ 125,000
--	437,985	--	437,985
<u>--</u>	<u>596,107</u>	<u>--</u>	<u>596,107</u>
<u>367,123</u>	<u>3,400,770</u>	<u>769,168</u>	<u>29,696,051</u>
<u>2,910,743</u>	<u>(3,119,845)</u>	<u>771,522</u>	<u>3,484,943</u>
--	604,733	92,338	6,388,436
(42,338)	--	(604,733)	(7,030,025)
--	3,269,300	--	3,269,300
<u>(2,860,223)</u>	<u>(98,092)</u>	<u>--</u>	<u>(2,958,315)</u>
<u>(2,902,561)</u>	<u>3,775,941</u>	<u>(512,395)</u>	<u>(330,604)</u>
8,182	656,096	259,127	3,154,339
<u>29,710</u>	<u>5,604,813</u>	<u>349,422</u>	<u>14,718,760</u>
<u>\$ 37,892</u>	<u>\$ 6,260,909</u>	<u>\$ 608,549</u>	<u>\$ 17,873,099</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2008**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	3,154,339
Capital outlays are reported as an expenditure in the governmental funds, but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year.		2,607,029
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year (Note IV.C.).		( 958,972)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets (Note II.).		( 5,767,946)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents deferred taxes.		( 202,439)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note II.B.).		( 2,475,911)
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 (Note II.).		1,497,249
Change in net assets of governmental activities	\$	( 2,146,651)

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Taxes:						
Ad valorem property taxes \$	3,000,646	\$ 3,230,646	\$ 3,158,213	\$ 155,990	\$ 3,314,203	\$ 83,557
Business & occupation tax	10,737,500	11,917,500	12,590,113	127,058	12,717,171	799,671
Alcoholic beverages tax	280,000	670,000	654,478	23,107	677,585	7,585
Utility services tax	810,000	844,500	877,335	(29,167)	848,168	3,668
Hotel occupancy tax	700,000	735,000	744,792	(9,539)	735,253	253
Animal tax	4,500	4,500	4,652	--	4,652	152
Gas and oil severance tax	20,000	20,000	26,689	--	26,689	6,689
Amusement tax	134,000	134,000	142,992	--	142,992	8,992
Licenses and permits	289,500	359,500	424,070	--	424,070	64,570
Intergovernmental:						
Federal	207,806	257,806	--	--	--	(257,806)
State	--	5,000	162,015	19,964	181,979	176,979
Local	--	1,000	52,289	--	52,289	51,289
Charges for services	2,086,343	2,173,421	2,323,376	125,398	2,448,774	275,353
Fines and forfeits	710,000	710,000	689,065	--	689,065	(20,935)
Interest earnings	150,000	190,000	210,603	--	210,603	20,603
Reimbursements	184,400	234,400	200,384	--	200,384	(34,016)
Franchise fees	260,000	290,000	296,010	--	296,010	6,010
Contributions and donations	94,138	102,138	8,000	--	8,000	(94,138)
Miscellaneous	29,735	39,735	123,022	--	123,022	83,287
<b>Total revenues</b>	<b>19,698,568</b>	<b>21,919,146</b>	<b>22,688,098</b>	<b>412,811</b>	<b>23,100,909</b>	<b>1,181,763</b>
<b>EXPENDITURES</b>						
Current:						
General government	3,830,454	4,135,102	4,054,569	12,051	4,066,620	68,482
Public safety	8,786,381	8,955,842	8,803,181	--	8,803,181	152,661
Streets and transportation	3,486,553	3,580,959	3,216,224	--	3,216,224	364,735
Culture and recreation	350,000	891,757	726,206	--	726,206	165,551
<b>Total expenditures</b>	<b>16,453,388</b>	<b>17,563,660</b>	<b>16,800,180</b>	<b>12,051</b>	<b>16,812,231</b>	<b>751,429</b>
Excess (deficiency) of revenues over (under) expenditures	3,245,180	4,355,486	5,887,918	400,760	6,288,678	1,933,192

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers (out)	\$ (4,221,247)	\$ (5,929,719)	\$ (5,617,081)	\$ --	\$ (5,617,081)	\$ 312,638
Proceeds from the sale of assets	<u>2,500</u>	<u>2,500</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,500)</u>
Total other financing sources (uses)	<u>(4,218,747)</u>	<u>(5,927,219)</u>	<u>(5,617,081)</u>	<u>--</u>	<u>(5,617,081)</u>	<u>310,138</u>
Net change in fund balance	(973,567)	(1,571,733)	270,837	400,760	671,597	2,243,330
Fund balances - beginning, as restated Note IV.I.	<u>973,567</u>	<u>1,571,733</u>	<u>5,448,763</u>	<u>(3,877,030)</u>	<u>1,571,733</u>	<u>--</u>
Fund balances - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,719,600</u>	<u>\$ (3,476,270)</u>	<u>\$ 2,243,330</u>	<u>\$ 2,243,330</u>

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - COAL SEVERANCE TAX FUND**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Taxes:						
Coal severance tax	\$ 90,000	\$ 90,000	\$ 101,419	\$ --	\$ 101,419	\$ 11,419
Interest earnings	1,500	1,500	1,326	--	1,326	( 174)
Total revenues	91,500	91,500	102,745	--	102,745	11,245
<b>EXPENDITURES</b>						
Current:						
General government	1,721	2,064	--	--	--	2,064
Total expenditures	1,721	2,064	--	--	--	2,064
Excess (deficiency) of revenues over (under) expenditures	89,779	89,436	102,745	--	102,745	13,309
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers (out)	( 90,000)	( 105,000)	( 105,000)	--	( 105,000)	--
Total other financing sources (uses)	( 90,000)	( 105,000)	( 105,000)	--	( 105,000)	--
Net change in fund balance	( 221)	( 15,564)	( 2,255)	--	( 2,255)	13,309
Fund balances - beginning	221	15,564	15,564	--	15,564	--
Fund balances - ending	\$ --	\$ --	\$ 13,309	\$ --	\$ 13,309	\$ 13,309

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2008**

	Business-type Activities - Enterprise Funds			
	Airport	Parking Authority	Building Commission	Totals
<b>ASSETS</b>				
Current:				
Cash and cash equivalents	\$ 135,260	\$ 695,254	\$ 211	\$ 830,725
Investments	--	655,962	--	655,962
Receivables:	--	--	--	
Accounts	121,383	706	--	122,089
Accrued interest	--	326	--	326
Other	54,489	--	--	54,489
Grants	192,062	--	--	192,062
Inventory, at cost	45,765	--	--	45,765
Prepaid expenses	55,339	--	--	55,339
	<u>604,298</u>	<u>1,352,248</u>	<u>211</u>	<u>1,956,757</u>
Noncurrent assets:				
Restricted:				
Regular account	--	463,183	888,498	1,351,681
Reserve account	--	306,178	--	306,178
	<u>--</u>	<u>769,361</u>	<u>888,498</u>	<u>1,657,859</u>
Capital assets:				
Nondepreciable:				
Land	50,050	1,484,326	6,443,800	7,978,176
Depreciable:				
Buildings	5,314,575	--	12,001,181	17,315,756
Structures and improvements	--	8,748,016	667,500	9,415,516
Infrastructure	29,955,080	--	--	29,955,080
Machinery and equipment	1,229,852	932,004	168,450	2,330,306
Less: accumulated depreciation	( 9,980,701)	( 4,062,094)	( 3,899,263)	( 17,942,058)
	<u>26,568,856</u>	<u>7,102,252</u>	<u>15,381,668</u>	<u>49,052,776</u>
Other debits:				
Unamortized bond issue costs	--	51,998	207,401	259,399
	<u>--</u>	<u>51,998</u>	<u>207,401</u>	<u>259,399</u>
Total other debits	<u>--</u>	<u>51,998</u>	<u>207,401</u>	<u>259,399</u>
Total assets	<u>\$ 27,173,154</u>	<u>\$ 9,275,859</u>	<u>\$ 16,477,778</u>	<u>\$ 52,926,791</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2008**

	Business-type Activities - Enterprise Funds			Totals
	Airport	Parking Authority	Building Commission	
<b>LIABILITIES</b>				
Current liabilities payable from current assets:				
Accounts payable	\$ 305,700	\$ 63,990	\$ 1,369	\$ 371,059
Payroll payable	20,550	23,000	--	43,550
Other accrued expenses	401	--	--	401
Compensated absences payable	44,233	42,849	--	87,082
Due to:				
Other funds	--	--	25,012	25,012
	370,884	129,839	26,381	527,104
Total current liabilities payable from current assets				
Deferred revenues:				
Other deferred revenues	52,500	--	--	52,500
	52,500	--	--	52,500
Total deferred revenues				
Noncurrent liabilities due within one year:				
Revenue bonds payable	--	130,000	405,000	535,000
Notes payable	--	--	8,711	8,711
	--	130,000	413,711	543,711
Total noncurrent liabilities due within one year				
Noncurrent liabilities due in more than one year:				
Bonds payable	--	5,099,529	5,203,255	10,302,784
Notes payable	--	--	31,373	31,373
	--	5,099,529	5,234,628	10,334,157
Total noncurrent liabilities due in more than one year				
Total liabilities	423,384	5,359,368	5,674,720	11,457,472

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2008**

	Business-type Activities - Enterprise Funds			
	Airport	Parking Authority	Building Commission	Totals
	<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	\$ 26,568,856	\$ 1,872,723	\$ 9,733,329	\$ 38,174,908
Restricted for debt service	-	769,361	888,498	1,657,859
Unrestricted	180,914	1,274,407	181,231	1,636,552
Total net assets	26,749,770	3,916,491	10,803,058	41,469,319
Total liabilities and net assets	\$ 27,173,154	\$ 9,275,859	\$ 16,477,778	\$ 52,926,791

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	Business-type Activities - Enterprise Funds			
	Airport	Parking Authority	Building Commission	Totals
Operating revenues:				
Sales and services to customers	\$ 2,966,880	\$ 1,647,243	\$ 9,322	\$ 4,623,445
Fines and forfeits	--	475,393	--	475,393
	2,966,880	2,122,636	9,322	5,098,838
Operating expenses:				
Personal services	581,002	638,611	--	1,219,613
Contractual services	32,415	52,423	--	84,838
Administrative and general	115,787	87,185	1,500	204,472
Rents	--	11,000	--	11,000
Bad debt expense	--	--	449,678	449,678
Miscellaneous	4,493	7,939	--	12,432
Lease rental expense	--	157,429	--	157,429
Fuel and oil	1,970,446	--	--	1,970,446
Liability insurance	48,678	38,238	--	86,916
Materials and supplies	48,116	27,467	--	75,583
Utilities	128,711	77,284	--	205,995
Depreciation	801,426	328,093	324,803	1,454,322
Maintenance	76,535	60,765	--	137,300
Amortization	5,825	3,355	53,727	62,907
	3,813,434	1,489,789	829,708	6,132,931
Operating income (loss)	( 846,554)	632,847	( 820,386)	( 1,034,093)
Nonoperating revenues (expenses):				
Interest revenue	4,863	74,805	42,883	122,551
Loss on investment	--	( 30,217)	--	( 30,217)
Disposition to developer	--	--	( 3,261,806)	( 3,261,806)
Interest and fiscal charges	--	( 240,638)	( 225,961)	( 466,599)
	4,863	( 196,050)	( 3,444,884)	( 3,636,071)

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	Business-type Activities - Enterprise Funds			Totals
	Airport	Parking Authority	Building Commission	
Income (loss) before operating transfers and contributions	\$ ( 841,691)	\$ 436,797	\$ ( 4,265,270)	\$ ( 4,670,164)
Capital contributions	3,666,868	--	8,265,899	11,932,767
Transfers in	32,156	--	956,333	988,489
Transfers(out)	--	( 337,828)	( 9,072)	( 346,900)
Change in net assets	2,857,333	98,969	4,947,890	7,904,192
Net assets at beginning of year	23,892,437	3,817,522	5,855,168	33,565,127
Net assets at end of year	\$ 26,749,770	\$ 3,916,491	\$ 10,803,058	\$ 41,469,319

See accompanying notes to the financial statements.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	Business-type Activities - Enterprise Funds			Totals
	Airport	Parking Authority	Building Commission	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 4,052,729	\$ 2,122,325	\$ 9,322	\$ 6,184,376
Cash paid for goods and services	( 3,572,205)	( 565,806)	( 424,797)	( 4,562,808)
Cash paid to employees	( 581,002)	( 638,611)	--	( 1,219,613)
Net cash provided (used) by operating activities	( 100,478)	917,908	( 415,475)	401,955
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	32,156	--	956,333	988,489
Transfers (out)	--	( 337,828)	( 9,072)	( 346,900)
Net cash provided (used) by noncapital financing activities	32,156	( 337,828)	947,261	641,589
<b>Cash flows from capital and related financing activities:</b>				
Capital contributions	3,666,868	--	8,265,899	11,932,767
Purchases of capital assets	( 3,753,460)	( 107,532)	--	( 3,860,992)
Acquisition and construction of capital assets	--	--	( 5,004,093)	( 5,004,093)
Principal paid on capital debt	--	( 200,943)	( 403,165)	( 604,108)
Disposition of assets to developer	--	--	( 3,261,806)	( 3,261,806)
Interest paid on capital debt	--	( 240,638)	( 225,961)	( 466,599)
Net cash provided (used) by capital and related financing activities	( 86,592)	( 549,113)	( 629,126)	( 1,264,831)
<b>Cash flows from investing activities:</b>				
Loss on sale of investments	--	( 30,217)	--	( 30,217)
Interest received	4,863	74,805	42,883	122,551
Net cash provided (used) by investing activities	4,863	44,588	42,883	92,334
Net increase (decrease) in cash and cash equivalents	( 150,051)	75,555	( 54,457)	( 128,953)
Cash and cash equivalents, July 1, (including \$1,660,627 in restricted accounts)	285,311	1,389,060	943,166	2,617,537
Cash and cash equivalents, June 30, (including \$1,657,859 in restricted accounts)	\$ 135,260	\$ 1,464,615	\$ 888,709	\$ 2,488,584

See accompanying notes to the financial statements. 26

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	Business-type Activities - Enterprise Funds			
	Airport	Parking Authority	Building Commission	Totals
	<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ ( 846,554)	\$ 632,847	\$ ( 820,386)	\$ ( 1,034,093)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	801,426	328,093	324,803	1,454,322
Amortization	5,825	3,355	53,727	62,907
Decrease (increase) in accounts receivable	( 76,353)	15	--	( 76,338)
Decrease (increase) in grants receivable	1,216,691	--	--	1,216,691
Decrease (increase) in accrued interest receivable	--	( 326)	--	( 326)
Decrease (increase) in lease receivable	( 54,489)	--	--	( 54,489)
Increase (decrease) in accounts payable	( 1,122,541)	13,154	1,369	( 1,108,018)
Increase (decrease) in refunds payable	( 4,150)	( 14,220)	25,012	6,642
Increase (decrease) in payroll payable	3,507	4,634	--	8,141
Increase (decrease) in other accrued expenses	401	--	--	401
Increase (decrease) in contracts payable	( 24,241)	( 49,644)	--	( 73,885)
Net cash provided by operations	<u>\$ ( 100,478)</u>	<u>\$ 917,908</u>	<u>\$ ( 415,475)</u>	<u>\$ 401,955</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2008**

	Pension Trust Funds		
	Policemen's Pension and Relief	Firemen's Pension and Relief	Employee's Retirement and Benefit
<b>ASSETS</b>			
Non-pooled cash	\$ 760,883	\$ 505,183	\$ 100,148
Total cash	760,883	505,183	100,148
Investments, at fair value:			
Commercial paper	--	--	1,044,687
Federal government securities	6,000,736	4,521,895	6,709,364
Collateralized mortgage obligations	--	--	4,462,977
Common stock	5,673,979	4,588,281	15,022,244
Corporate bonds	--	--	4,097,697
Total investments	11,674,715	9,110,176	31,336,969
Receivables:			
Interest	74,276	56,120	--
Insurance surtax	482,508	456,081	--
Accounts receivable	--	--	92,058
Other	--	--	9,807
Total receivables	556,784	512,201	101,865
Total assets	\$ 12,992,382	\$ 10,127,560	\$ 31,538,982
<b>LIABILITIES</b>			
Accounts payable	--	--	4,183
Due to: other funds	9,807	--	--
Total liabilities	9,807	--	4,183
<b>NET ASSETS</b>			
Net assets held in trust for pension benefits	\$ 12,982,575	\$ 10,127,560	\$ 31,534,799

(1) A schedule of funding progress for each plan is presented in the Required Supplementary Information section of this report.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2008**

	Pension Trust Funds		
	Policemen's Pension and Relief	Firemen's Pension and Relief	Employee's Retirement and Benefit
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 448,863	\$ 378,244	\$ 898,077
Plan members	190,924	146,725	616,761
Insurance premium surtax	482,508	456,080	--
Other	453,045	896,584	--
<b>Total contributions</b>	<b>1,575,340</b>	<b>1,877,633</b>	<b>1,514,838</b>
Investment income:			
Net increase (decrease) in fair value of investments	( 1,172,298)	( 1,523,254)	( 2,311,604)
Interest and dividends	457,785	356,722	1,142,720
Miscellaneous	2,066	1,400	--
<b>Net investment income</b>	<b>( 712,447)</b>	<b>( 1,165,132)</b>	<b>( 1,168,884)</b>
<b>Total additions</b>	<b>862,893</b>	<b>712,501</b>	<b>345,954</b>
<b>DEDUCTIONS</b>			
Benefits	1,359,466	1,115,451	1,447,974
Administrative expenses	129,917	95,593	139,583
Refunds of contributions	38,671	--	110,191
Miscellaneous	--	--	5
<b>Total deductions</b>	<b>1,528,054</b>	<b>1,211,044</b>	<b>1,697,753</b>
<b>Change in net assets</b>	<b>( 665,161)</b>	<b>( 498,543)</b>	<b>( 1,351,799)</b>
Net assets held in trust for pension benefits:			
Beginning of year	13,647,736	10,626,103	32,886,598
<b>End of year</b>	<b>\$ 12,982,575</b>	<b>\$ 10,127,560</b>	<b>\$ 31,534,799</b>

(1) A schedule of funding progress for each plan is presented in the Required Supplementary Information section of this report.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

The services provided by the government and accounted for within these financial statements include public safety, streets, health and sanitation services, cultural and recreational programs, and other governmental services.

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.

*Blended Component Units*

The entities below are legally separate from the City and meet GAAP criteria for component units. These entities are blended with the primary government because they provide services entirely or almost entirely to the City.

The Morgantown Building Commission serves the City of Morgantown, West Virginia, and is governed by a board comprised of three members appointed by the City for a term of five years each. The Building Commission acquires property and issues debt on behalf of the City. The City of Morgantown Building Commission is reported as an enterprise fund.

The Morgantown Board of Parks and Recreation serves City of Morgantown, West Virginia, and is governed by a board comprised of seven members appointed by the City for a term of six years each. The Morgantown Board of Parks and Recreation provides recreation facilities for the City and is reported as a special revenue fund.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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*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 and is governed by a board comprised of five members appointed by the City for a term of five years each. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The Morgantown Public Library serves all citizens of City of Morgantown and is governed by a five member board appointed by the City. The City provides financial support to the library annually.

Complete financial statements for the Morgantown Utility Board can be obtained at the entity's administrative offices. The fund financial statements for the Morgantown Library is included in supplementary information of this report.

*Jointly Governed Organizations*

The City, in conjunction with Monongalia County has created the Morgantown Transit Authority. The Authority is composed of six members with three members appointed by the City of Morgantown, three members appointed by Monongalia County and one member jointly appointed.

**B. Government-Wide and Fund Financial Statements**

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

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Combining financial statements for the nonmajor governmental funds are included as supplementary information.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

The government reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

The *Life and Health fund*, a special revenue fund, accounts for funds designated for insurance benefits for employees of the City.

The *Capital Escrow fund*, a capital projects fund, accounts for funds designated for capital projects within the City.

The *Board of Parks and Recreation*, a special revenue fund, accounts for funds for recreational activities.

The *Economic Development Grant fund*, a special revenue fund, accounts for grant funds to be utilized for economic development within the City.

The *Tax Increment Financing Debt Service fund*, a debt service fund, accounts for debts related to Tax Increment Financing projects and districts within the City.

The government reports the following major proprietary funds:

The *Airport fund* serves the citizens of the City of Morgantown by providing air services to the region. This fund accounts for the receipts and expenses of operating this facility. The operating budget, rates for user charges, and bond issuance authorizations are approved by the government's elected council.

The *Building Commission* acquires property and issues debt on behalf of the City.

The *Parking Authority* is governed by a five member board appointed by city council and serves the citizens of the City of Morgantown by providing parking facilities and services to the city. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are

Additionally, the government reports the following fund type:

The *pension trust funds* account for the activities of three different employee retirement funds, which accumulates resources for pension benefit payments to qualified employees. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of

The City of Morgantown, West Virginia follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with GASB Pronouncements in both the government-wide and proprietary fund financial statements.

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

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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

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

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value. The composition of investments and fair values are presented in Note IV.A.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the State of West Virginia; obligations of the federal mortgage association; indebtedness 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 by Standard & Poor and/or Moody's as A or higher; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the S.E.C. which have fund assets over three hundred million dollars.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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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 five percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

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

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

## **2. Receivables and Payables**

### *Interfund Transactions*

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

### *Trade Receivables*

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

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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*Property Tax Receivable*

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are 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 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the City per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2008 were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense
Class I	\$        --	12.5 cents
Class II	\$ 6,015,000	25.0 cents
Class IV	\$ 34,600,429	50.0 cents

**3. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. Restricted Assets**

Certain assets of the TIF Debt Service Fund are classified as restricted assets because their use is restricted by bond agreements.

Certain proceeds of the Parking Authority and Building Commission enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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The "reserve" account is used to report resources set aside to make up potential future deficiencies in the regular account.

The "restricted for construction" is used to report those proceeds of revenue bond that are restricted for use in construction.

The "restricted for debt service" account is used to report those proceeds of revenue bond that are restricted for use in repayment of bonds.

**5. Capital Assets and Depreciation**

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

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

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

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

Assets	Years
Buildings	20 - 50
Structures and improvements	10 - 20
Infrastructure	20 - 65
Machinery and equipment	5 - 25
Books and Videos	3-5

**6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick leave benefits. All vacation and compensatory pay is accrued when incurred in the government-wide and proprietary fund financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

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Employees are paid one-third of their accumulated sick leave in excess of 720 hours annually in June. Upon cessation of employment, employees hired prior to June 15, 1993, are entitled to receive one-half of their accumulated sick leave, calculated at their current rate of pay, up to the amount that was accrued as of June 15, 1993. Employees hired after that date do not receive payment for accumulated sick leave at cessation of employment. The estimated sick leave to be paid to employees upon termination is included in the liability for compensated absences.

It is the Library's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick leave benefits. All vacation and compensatory pay is accrued when incurred in the government-wide and governmental fund financial statements in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

Sick leave is accrued at 15 days per year to be accrued on a per pay period basis to a maximum of 90 days for full time employees of the Library. Employees are given the option of being paid one-sixth of their accumulated sick leave for said calendar year (the remaining thereof shall accrue) or accruing the full amount of unused sick leave. No employee who has used more than 12 days of sick leave during said calendar year shall be entitled to the payment of one-sixth of accumulated sick leave for the calendar year. Upon termination from employment an employee shall be paid for one-fourth of the accumulated sick leave up to a maximum of five days. For part-time staff this benefit is pro-rated. The estimated sick leave to be paid to employees upon termination is included in the liability for compensated absences.

#### **7. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **8. Fund Equity**

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

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that, "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets." The details of this \$5,767,946 difference are as follows:

Dispositions of capital assets decreases net assets in the statement of activities, but do not appear in the governmental funds because they are not financial uses.	
Loss on capital contribution	\$ (4,046,428)
Disposition to developer	( 1,713,809)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.	
	<u>\$ (7,709)</u>
Net adjustment to increase net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	
	<u><u>\$ (5,767,946)</u></u>

Another element of that reconciliation states that, "The issuance of long-term debt (i.e. bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities." The details of this \$2,475,911 difference are as follows:

Debt issued or incurred:	
Proceeds from TIF financing	\$ (3,269,300)
Bond issue costs	596,107
Amortization expense	
Bond issue costs	( 28,876)
Bond discount	( 3,256)
Principal repayments:	
TIF repayments	125,000
Capital lease	104,414
	<u>104,414</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	
	<u><u>\$ (2,475,911)</u></u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Another element of that reconciliation states that "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." The details of this \$1,497,249 difference are as follows:

Compensated absences	\$ (431,010)
Net pension obligation	<u>(1,066,239)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (1,497,249)</u></u>

The Morgantown Public Library statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that, "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets." The details of this \$(827,296) difference are as follows:

Capital outlays are reported as an expenditure in the governmental funds, but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year.	\$ 208,125
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year.	(1,001,611)
Dispositions of capital assets decreases net assets in the statement of activities, but do not appear in the governmental funds because they are not financial uses.	<u>\$ (33,810)</u>
Net adjustment to increase net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (827,296)</u></u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal year end.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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The City of Morgantown, West Virginia prepares its budget on the modified accrual basis less receivables and deferred revenues related to general property taxes in the General fund and on the cash basis of accounting for the Coal Severance Tax fund. Therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for both the General and Coal Severance Tax Funds.

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

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

<u>Amount</u>	<u>Description</u>
\$ 304,648	General Government Expenditure Increase
169,461	Public Safety Expenditure Increase
94,406	Streets and Transportation Expenditure Increase
541,757	Culture and Recreation Expenditure Increase
1,708,472	Transfers Out Expenditure Increase

Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**B. Deficit Fund Equity**

The Board of Parks and Recreation had a deficit fund balance of \$52,815 as of June 30, 2008.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At year end, the government had the following investments:

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
<b>Primary Government</b>			
Certificates of deposits	\$ 825,708	n/a	n/a
Money market	236,557	Not rated	Not rated
Mutual funds	7,021,284	AAA	AAA
Corporate Bonds	1,597	Not available	Not available
Common Stock	144,348	n/a	n/a
Total	<u>\$ 8,229,494</u>		

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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*Interest Rate Risk*

	0-3 years	4-7 years	7-10 years
Certificates of deposits	\$ 825,708	\$ --	\$ --
Money market	236,557	--	--
Mutual funds	7,021,284	--	--
Corporate Bonds	--	--	1,597
<b>Total</b>	<b>\$ 8,083,549</b>	<b>\$ --</b>	<b>\$ 1,597</b>

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Investment Services
<b>Policemen's Pension and Relief</b>			
U.S. Federal Securities	\$ 6,000,736	AAA	AAA
Common Stock	5,673,979	n/a	n/a
<b>Total</b>	<b>\$ 11,674,715</b>		

*Interest Rate Risk*

	0-3 years	4-7 years	7-10 years	Over 10 years
U.S. Government Securities	\$ 2,961,010	\$ 2,413,638	\$ 474,047	\$ 152,041
<b>Total</b>	<b>\$ 2,961,010</b>	<b>\$ 2,413,638</b>	<b>\$ 474,047</b>	<b>\$ 152,041</b>

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Investment Services
<b>Firemen's Pension and Relief</b>			
U.S. Federal Securities	\$ 4,521,895	AAA	AAA
Common Stock	4,588,281	n/a	n/a
<b>Total</b>	<b>\$ 9,110,176</b>		

*Interest Rate Risk*

	0-3 years	4-7 years	7-10 years	Over 10 years
U.S. Federal Securities	\$ 2,368,469	\$ 1,641,329	\$ 429,089	\$ 83,008
<b>Total</b>	<b>\$ 2,368,469</b>	<b>\$ 1,641,329</b>	<b>\$ 429,089</b>	<b>\$ 83,008</b>

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Investment Services
<b>Employees Pension and Relief</b>			
U.S. Federal Securities	\$ 6,709,364	AAA	AAA
Mortgage Backed Securities	4,462,977	Not rated	Not rated
Mutual Funds	1,044,687	Not rated	Not rated
Corporate Bonds	4,097,697	AAA to A-	AAA to A-
Common Stock	15,022,244	n/a	n/a
<b>Total</b>	<b>\$ 31,336,969</b>		

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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*Interest Rate Risk*

	0-3 years	4-7 years	7-10 years	Over 10 years
U.S. Federal Securities	\$ --	\$ 162,056	\$ 1,680,354	\$ 4,866,954
Mortgage Backed Securities	5,179	4,125	8,809	4,444,864
Mutual Funds	1,044,687	--	--	--
Corporate Bonds	549,444	1,324,006	1,857,541	366,706
<b>Total</b>	<b>\$ 1,599,310</b>	<b>\$ 1,490,187</b>	<b>\$ 3,546,704</b>	<b>\$ 9,678,524</b>

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Investment Services
<b>Morgantown Library</b>			
U.S. Federal Securities	\$ 400,566	AAA	AAA
Mutual Funds	721,719	Not rated	Not rated
Collateralized Mortgage Obligation	155,036	Not available	Not available
Certificates of Deposit	361,700	n/a	n/a
Corporate Bonds	50,445	Not available	Not available
Common Stock	494,465	n/a	n/a
<b>Total</b>	<b>\$ 2,183,931</b>		

*Interest Rate Risk*

	0-3 years
U.S. Federal Securities	\$ 400,566
Mutual funds	721,719
Collateralized Mortgage Obligation	155,036
Certificates of Deposit	361,700
Corporate Bonds	50,445
<b>Total</b>	<b>\$ 1,689,466</b>

*Interest Rate Risk*

The City has adopted state code policies for its investments.

*Credit Risk*

State law limit investments as described in Note I.D.1. It's the government's policy to limit its investments to those allowed in West Virginia State Code. As of June 30, 2008, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

*Concentration of Credit Risk*

The government has adopted West Virginia State code as its policy for concentration of credit risk. In accordance with GASB Statement No.40, *Deposit and Investment Risk Disclosures*, requires disclosure when the investment in any one issuer equals or exceeds 5% of the total amount of investments. At year end, the government had the following investments held with these issuers:

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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<u>Issuer</u>	<u>Fair Value</u>	<u>Percent</u>
Morgan Stanley Prime INSTL # 301	\$ 6,286,605	84%

Morgantown Public Library

Morgantown Public Library's investment policies vary. One investment agreement contains stipulations for asset allocations of 0% to 10% in cash equivalents, 40% to 60% in fixed income and 40% to 60% in equities. The quality of fixed income shall be no less than investment grade as rated by Moody's (Baa) and S&P (BBB+) rating services at the time of purchase. No more than 10% of the fixed income portfolio can be invested in any one issue except for U. S. Treasury and Agency obligations. No more than five percent of the total equity portfolio shall be invested in an individual issue and no more than ten percent invested in any one industry. A separate investment agreement states the agent is to use discretion with respect to the investment of income cash and principal cash balances in U.S. Treasuries and governmental Agency Securities, money market funds and other cash equivalents investments that the agent deems appropriate for the account. The agent may also use discretion with respect to the exercise or sale of subscription rights or other rights of similar nature.

Custodial Credit Risk

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government's policy for custodial credit risk is in accordance with State Code. At year end, the primary government's and fiduciary funds' bank balances were \$11,950,920. Of the bank balance, \$69,600 was exposed to credit risk because it was uncollateralized.

For investments, the government could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government's policy for custodial credit risk for investments is in accordance with West Virginia State Code. At year end, the cash portion of the primary government's and fiduciary funds' investment balances were \$1,920,784. The entire balance is secured or collateralized.

For deposits, the Library could be exposed to risk in the event of a bank failure where the Library's deposits may not be returned. The Library's policy for custodial credit risk is in accordance with State Code. At year end, the Library's bank balances were \$432,259. The entire balance was collateralized either by FDIC or through additional securities.

For investments, the Library could be exposed to risk in the event of the failure of the counterparty where the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library's policy for custodial credit risk for investments is in accordance with West Virginia State Code. At year end, the cash portion of the Library's investment balances were \$560,555. The entire balance is secured or collateralized.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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A reconciliation of cash and investments as shown on the Statement of Net Assets of the primary government and Statement of Net Assets of the Fiduciary Funds as well as the Statement of Net Assets of the Library are as follows:

	Primary Government and Fiduciary	Library
Cash and cash equivalents	\$ 11,950,920	\$ 432,259
Investments - collateralized and secured	60,351,354	2,183,931
Total	\$ 72,302,274	\$ 2,616,190
Cash and cash equivalents	\$ 10,943,061	\$ 432,259
Cash and cash equivalents-restricted	1,007,859	--
Investments	53,403,451	2,183,931
Investments-restricted	6,947,903	--
Total	\$ 72,302,274	\$ 2,616,190

**B. Receivables**

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

	<u>General</u>	<u>Board of Parks and Recreation</u>	<u>Life and Health</u>	<u>Capital Escrow</u>	<u>Economic Development Grant</u>
Receivables:					
Accounts	\$ 786,847	\$ 6,779	\$ --	\$ --	\$ --
Taxes	3,382,229	--	--	--	--
Other	14,262	--	--	--	--
Grants	19,964	--	--	65,893	508,813
Fees	--	2,500	2,756	--	--
	4,203,302	9,279	2,756	65,893	508,813
Gross Receivables					
Less: Allowance for Uncollectible	( 568,812)	--	--	--	--
Net Total					
Receivables	\$ 3,634,490	\$ 9,279	\$ 2,756	\$ 65,893	\$ 508,813

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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	Airport	Parking Authority	Other and Nonmajor Fund	Fiduciary Funds	Total
Receivables:					
Accounts	\$ 121,383	\$ 706	\$ 1,213	\$ 92,058	\$ 1,008,986
Accrued interest	--	326	--	130,396	130,722
Taxes	--	--	11,330	--	3,393,559
Other	54,489	--	--	9,807	78,558
Loans	--	--	34,041	--	34,041
Grants	192,062	--	182,676	--	969,408
Fees	--	--	--	--	5,256
Insurance premium surtax	--	--	--	938,589	938,589
Gross Receivables	<u>367,934</u>	<u>1,032</u>	<u>229,260</u>	<u>1,170,850</u>	<u>6,559,119</u>
Less: Allowance for Uncollectible	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>( 568,812)</u>
Net Total Receivables	<u>\$ 367,934</u>	<u>\$ 1,032</u>	<u>\$ 229,260</u>	<u>\$ 1,170,850</u>	<u>\$ 5,990,307</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connections with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (general fund)	\$ 130,486
Total deferred/unearned revenue for governmental funds	\$ 130,486

Other receivables for the Morgantown Public Library are \$102.

### C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,288,282	\$ 957,665	\$ (5,762,209)	\$ 1,483,738
Construction in progress	1,420,385	2,721,498	(3,697,207)	444,676
Total capital assets not being depreciated	<u>7,708,667</u>	<u>3,679,163</u>	<u>(9,459,416)</u>	<u>1,928,414</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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Capital assets being depreciated:				
Buildings and improvements	\$ 8,726,389	\$ 1,029,839	\$ --	\$ 9,756,228
Structures and improvements	927,184	49,592	--	976,776
Machinery and equipment	7,587,966	409,733	( 178,393)	7,819,306
Infrastructure	5,829,654	679,163	--	6,508,817
Total accumulated depreciation	<u>( 8,209,632)</u>	<u>( 958,972)</u>	<u>170,685</u>	<u>( 8,997,919)</u>
Total capital assets being depreciated, net	<u>14,861,561</u>	<u>1,209,355</u>	<u>( 7,708)</u>	<u>16,063,208</u>
Governmental activities capital assets, net, as restated, Note IV.I	<u>\$ 22,570,228</u>	<u>\$ 4,888,518</u>	<u>\$ (9,467,124)</u>	<u>\$ 17,991,622</u>

The June 30, 2007, capital assets ending balance included the capital assets for the Morgantown Library. The primary government capital assets and net assets were restated to remove the assets owned by the Morgantown Library as shown in Note IV.I. Furthermore, the capital assets for the Morgantown Library are now presented in the discretely presented component unit (Morgantown Library).

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,974,083	\$ 5,004,093	\$ --	\$ 7,978,176
Construction in progress	12,927,473	6,460,290	( 19,387,763)	--
Total capital assets, not being depreciated	<u>15,901,556</u>	<u>11,464,383</u>	<u>( 19,387,763)</u>	<u>7,978,176</u>
Capital assets being depreciated:				
Buildings	16,796,612	519,144	--	17,315,756
Structures and improvements	9,415,516	--	--	9,415,516
Infrastructure	13,793,291	16,161,789	--	29,955,080
Machinery and equipment	2,222,774	107,532	--	2,330,306
Less: accumulated depreciation	<u>( 16,487,737)</u>	<u>( 1,454,321)</u>	<u>--</u>	<u>( 17,942,058)</u>
Total capital assets being depreciated, net	<u>25,740,456</u>	<u>15,334,144</u>	<u>--</u>	<u>41,074,600</u>
Business-type activities capital assets, net	<u>\$ 41,642,012</u>	<u>\$ 26,798,527</u>	<u>(\$ 19,387,763)</u>	<u>\$ 49,052,776</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 87,921
Public safety	350,149
Streets and transportation	236,172
Culture and recreation	284,730
Total depreciation expense-governmental activities	<u>\$ 958,972</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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Business-type activities:	
Airport	\$ 801,426
Parking	328,093
Building Commission	<u>324,802</u>
Total depreciation expense-business-type activities	<u><u>\$ 1,454,321</u></u>

Construction in Progress

The government has active construction projects as of June 30, 2008. The projects include street repairs, lighting for streets, recreation facilities and a new fire station. At year end, the amounts for governmental activities spent-to-date are as follows:

<u>Project</u>	<u>Spent-to-Date</u>
Marilla Renovations	\$ 39,943
Dorsey Knob Log Cabin	62,969
Middle High Street	315,530
Walnut Street	19,554
Pleasant Street Lights	6,680
Total Spent-to-date	<u><u>\$ 444,676</u></u>

**Discretely Presented Component Units**

Activity related to capital assets for the Morgantown Public Library for the fiscal year ended June 30, 2008 was as follows:

	<u>Beginning</u> Balances	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> Balance
Capital assets, being depreciated:				
Buildings	\$ 2,893,463	\$ --	\$ --	\$ 2,893,463
Books and videos	4,733,502	191,004	( 188,656)	4,735,850
Machinery and equipment	242,168	17,121	--	259,289
Less: accumulated depreciation	<u>( 4,576,965)</u>	<u>( 1,001,611)</u>	<u>154,846</u>	<u>( 5,423,730)</u>
Total capital assets being depreciated	<u>3,292,168</u>	<u>( 793,486)</u>	<u>( 33,810)</u>	<u>2,464,872</u>
Total capital assets, net	<u><u>\$ 3,292,168</u></u>	<u><u>\$ (793,486)</u></u>	<u><u>\$ (33,810)</u></u>	<u><u>\$ 2,464,872</u></u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
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**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2008, is as follows:

*Interfund receivables/payables:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Board of Parks and Recreation	\$ 3,211
General	Nonmajor Governmental Funds	2,704
General	Building Commission	23,500
Capital Escrow	Building Commission	1,512
Capital Escrow	Nonmajor Governmental Funds	57,098
Employee Pension	Police Pension	9,807
Board of Parks and Recreation	Capital Reserve	15,026
	Total	<u>\$ 112,858</u>

*Interfund transfers:*

	<u>Transfers In</u>					
	<u>Other Nonmajor</u>	<u>Capital Reserve</u>	<u>Board of Parks</u>	<u>Airport</u>	<u>Building Commission</u>	<u>TIF Debt Service</u>
Transfers out:						
General fund	\$ --	\$ 3,851,446	\$ 1,125,847	\$ 32,156	\$ 607,632	\$ --
Board of Parks	--	--	--	--	10,873	--
Parking	--	--	--	--	337,828	--
Building Commission	--	9,072	--	--	--	--
Coal Severance	--	105,000	-	--	--	--
Capital Escrow	50,000	--	200,000	--	--	--
Life and Health	--	400,000	--	--	--	--
Economic development	42,338	--	--	--	--	--
Other nonmajor	--	--	--	--	--	604,733
Total Transfers	<u>\$ 92,338</u>	<u>\$ 4,365,518</u>	<u>\$ 1,325,847</u>	<u>\$ 32,156</u>	<u>\$ 956,333</u>	<u>\$ 604,733</u>

Transfers In

Total

Transfers

Transfers out:	
General fund	\$ 5,617,081
Board of Parks	10,873
Parking	337,828
Building Commission	9,072
Coal Severance	105,000
Capital Reserve	250,000
Life and Health	400,000
Economic development	42,338
Other Nonmajor	<u>604,733</u>
Total Transfers	<u>\$ 7,376,925</u>

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Interfund transfers provide appropriations to subsidize the funds to support the programs and activities of the government.

*Interfund receivables/payables component unit:*

Receivable Fund	Payable Fund	Amount
General	Morgantown Utility Board	\$ 16,011

**E. Leases**

*Capital Leases*

The government has entered into lease agreements as lessee for financing the acquisition of a Zamboni machine, a HVAC system for the Wiles Hill Elementary School Building and other recreational equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery, equipment and vehicles	\$ 446,824
Less: accumulated depreciation	( 109,296)
Total	\$ 337,528

Assets acquired through capital leases for governmental activities were estimated since the history of these lease assets could not be converted upon implementation. The accumulated depreciation for these assets was also estimated.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

Year Ending June 30	Governmental Activities
2009	\$ 125,194
2010	93,486
2011	55,280
Total minimum lease payments	\$ 273,960
Less: amount representing interest	( 22,758)
Present value of minimum lease payments	\$ 251,202

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**F. Long-term Debt**

*Notes Payable*

The City entered into a loan agreement with Huntington National Bank to finance the acquisition of property at Marilla Park.

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2008
<b>Business-type activities:</b>					
Municipal Building Commission	2013	6%	\$ 60,000	\$ 19,916	\$ 40,084
Total notes payable			<u>\$ 60,000</u>	<u>\$ 19,916</u>	<u>\$ 40,084</u>

Debt service requirements to maturity are as follows:

Year Ended	Business-type Activities	
	Principal	Interest
2009	\$ 8,711	\$ 2,165
2010	9,248	1,628
2011	9,818	1,058
2012	10,425	452
2013	1,882	14
Totals	<u>\$ 40,084</u>	<u>\$ 5,317</u>

*Tax Increment Financing (TIF) Revenue 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 TIF Riverfront district area. 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. Annual debt service requirements to maturity for the tax increment financing bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 130,000	\$ 283,775	\$ 413,775
2010	135,000	278,185	413,185
2011	140,000	272,380	412,380
2012	150,000	266,360	416,360
2013	155,000	259,610	414,610
2014 - 2018	885,000	1,186,795	2,071,795
2019 - 2023	1,110,000	957,310	2,067,310
2024 - 2028	1,410,000	662,480	2,072,480
2029 - 2033	1,752,559	277,250	2,029,809
Total	<u>\$ 5,867,559</u>	<u>\$ 4,444,145</u>	<u>\$ 10,311,704</u>

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*Tax Increment Pledged Revenue*

The City has pledged future tax increment revenue to repay \$6,180,000 in tax increment financing revenue bonds issued in 2006. Proceeds from the bonds provided 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 total principal and interest remaining to be paid on the bonds is \$10,349,145. Principal and interest for the current year and tax increment property taxes within the district were \$414,088 and \$725,765 respectively.

During the current fiscal year, the City of Morgantown issued subordinate Tax Increment Financing (TIF) revenue bonds to provide funds to finance the costs of certain private capital improvements within the City's designated TIF Riverfront district area. 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. The bonds do not constitute a general obligation, or pledge of the full faith and credit of the City of Morgantown. Annual debt service requirements to maturity for the tax increment financing bonds are not presented, as only \$269,300 of the total \$8,615,000 issuance have been drawn.

The City has pledged future tax increment revenue to repay \$8,615,000 in tax increment revenue bonds issued in 2007, subordinate to the tax increment revenue bonds issued in 2006 as described above. Proceeds from the bonds will provide financing for the Riverfront Event Center Project No.1. All incremental tax revenues derived from the Riverfront TIF District not required to service the debt on the 2006 bonds will be used to retire the subordinate bonds.

The City of Morgantown has issued Tax Increment Financing (TIF) revenue bonds to provide funds to finance the costs of certain private capital improvements within the City's designated TIF Falling Run district area. 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. The bonds do not constitute a general obligation, or pledge of the faith and credit of the City of Morgantown. Annual debt service requirements to maturity for the tax increment financing bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ --	\$ 170,700	\$ 170,700
2010	--	170,700	170,700
2011	--	170,700	170,700
2012	--	170,700	170,700
2013	--	170,700	170,700
2014 - 2018	--	853,500	853,500
2019 - 2023	--	853,500	853,500
2024 - 2028	--	853,500	853,500
2029 - 2033	3,000,000	853,500	3,853,500
Total	<u>\$ 3,000,000</u>	<u>\$ 4,267,500</u>	<u>\$ 7,267,500</u>

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Tax Increment Pledged Revenue

The City has pledged future tax increment revenue to repay \$3,000,000 in tax increment financing revenue bonds issued in 2007. Proceeds from the bonds provided financing for the Falling Run project. This is a private/public partnership project undertaken to economically revitalize the an area adjacent to the West Virginia University campus known as Falling Run. The bonds are payable solely from the tax increment property taxes assessed and collected in the district area. In the current year, revenue collections of \$10,449 were insufficient to pay the interest due, requiring the interest payment to be made from reserve funds. The total principal and interest remaining to be paid on the bonds is \$7,267,500. Principal and interest for the current year and tax increment property taxes within the district were \$111,903 and \$53,563 respectively.

Revenue Bonds

The 2002 Parking Authority Revenue Bonds were 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 semi-annual installments on January 1 and July 1.

The City issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service. The 2003 Municipal Building Lease Revenue Refunding Bonds were authorized to refinance the \$9,490,000, 1996 City of Morgantown Municipal Building Lease Revenue Refunding Bonds. The 2003 bonds are secured by the lease rentals derived from the lease of the public safety and parking building of 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 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, 2008 was \$888,498. Revenue Bonds outstanding, net of unamortized issuance costs of \$259,399 at year end are as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2008
<b>Business-type activities:</b>					
Municipal Building Commission	2109	2-4%	\$ 9,490,000	\$ 3,881,745	\$ 5,608,255
Parking Authority	2033	variable	6,000,000	770,471	5,229,529
Total revenue bonds			\$ 15,490,000	\$ 4,652,216	\$ 10,837,784

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Revenue bond debt service requirements to maturity are as follows:

Year Ended	Business-type Activities	
	Principal	Interest
2009	\$ 535,000	\$ 467,998
2010	550,000	449,736
2011	565,000	432,610
2012	590,000	414,873
2013	615,000	382,485
2014 - 2018	3,340,000	1,647,191
2019 - 2023	2,290,000	955,424
2024 - 2028	1,270,000	623,728
2029 - 2033	1,439,529	84,981
Totals	<u>\$ 11,194,529</u>	<u>\$ 5,459,026</u>

The 2003 Municipal Building Commission revenue bonds are reflected net of unamortized loss on refunding of \$329,319 and unamortized bond discount of \$27,426.

**Changes in Long-term Liabilities**

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
TIF bonds payable	\$ 6,180,000	\$ 3,269,300	\$ (125,000)	\$ 9,324,300	\$ 130,000
Less:					
Unamortized bond issue costs	( 190,697)	--	3,256	( 187,441)	--
Total bonds payable	<u>5,989,303</u>	<u>3,269,300</u>	<u>( 121,744)</u>	<u>9,136,859</u>	<u>130,000</u>
Capital leases	355,616	--	( 104,414)	251,202	125,194
Net pension obligation	2,976,586	--	( 1,066,239)	1,910,347	--
Compensated absences	<u>1,543,348</u>	<u>--</u>	<u>( 431,010)</u>	<u>1,112,338</u>	<u>--</u>
Governmental activities					
Long-term liabilities	<u>\$ 10,864,853</u>	<u>\$ 3,269,300</u>	<u>\$ ( 1,723,407)</u>	<u>\$ 12,410,746</u>	<u>\$ 255,194</u>

	Business-type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 11,790,472	\$ --	\$ (595,943)	\$ 11,194,529	\$ 535,000
Less: deferred amounts:					
Loss on refunding	( 360,382)	--	31,063	( 329,319)	--
Unamortized discount	<u>( 30,038)</u>	<u>--</u>	<u>2,612</u>	<u>( 27,426)</u>	<u>--</u>
Total bonds payable	<u>11,400,052</u>	<u>--</u>	<u>( 562,268)</u>	<u>10,837,784</u>	<u>535,000</u>
Notes payable	48,249	--	( 8,166)	40,083	8,711
Compensated absences	<u>160,967</u>	<u>--</u>	<u>( 73,885)</u>	<u>87,082</u>	<u>--</u>
Business-type activities					
Long-term liabilities	<u>\$ 11,609,268</u>	<u>\$ --</u>	<u>\$ (644,319)</u>	<u>\$ 10,964,949</u>	<u>\$ 543,711</u>

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**G. Restricted Assets**

The balances of the restricted asset accounts for the primary government are as follows:

	Governmental Activities	Business-type Activities
Revenue bond operations and maintenance account	\$ --	\$ 1,657,859
Restricted for construction	5,523,228	--
Restricted for debt service	774,675	--
Total restricted assets	<u>\$ 6,297,903</u>	<u>\$ 1,657,859</u>

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

For the year ended June 30, 2008, the State of West Virginia contributed estimated payments on behalf of the governments public safety employees as follows:

Plan	Amount
Policemen's Pension and Relief Fund	\$ 482,508
Firemen's Pension and Relief Fund	456,080
Total	<u>\$ 938,588</u>

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

**I. Prior Period Adjustments**

The following net assets required restatement at the beginning of the year as follows:

	Governmental Activities
Net assets, as previously stated	\$ 33,070,847
Add:	
Prior year bonds payable	( 5,989,303)
Reserve for construction	5,160,902
Reserve for debt service	443,911
Unamortized bond issue costs	247,200
Police forfeiture fund	38,621
Deduct:	
Morgantown Library, Net	( 5,759,007)
Prior deferred receivables	( 541,837)
Net assets, restated	<u>\$ 26,671,334</u>

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The Public Library, Library Expendable Trust, Library Excess Levy II, Capital Project Clay Battelle Branch, Library Nonexpendable Trust and the Library Endowment Funds were presented in prior years as special revenue funds. These funds have been reclassified as a single discretely presented component unit which required the prior year ending fund balance for these special revenue funds to be restated to zero.

The following fund balances of the primary government required restatement at the beginning of the year as follows:

	General Fund	Public Library	Library Expendable Trust	Library Excess Levy II	Capital Project Clay Battelle Branch
Fund balances, as previously stated	\$ 5,461,232	\$ 1,244,673	\$ 1,126,948	\$ 10,797	\$ 86,418
Deduct:					
Checking account balance	( 12,469)	--	--	--	--
Net Assets	--	( 1,244,673)	( 1,126,948)	( 10,797)	( 86,418)
Fund balances, restated	<u>\$ 5,448,763</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
			Library	Library	
	Property	Police	Nonexpendable	Endowment	
	Auction	Forfeiture	Trust	Fund	
Fund balances, as previously stated	\$ --	\$ 58,379	\$ 45,209	\$ 6,187	
Add:					
Checking account balance	12,469	38,621	--	--	
Deduct:					
Net assets	--	--	( 45,209)	( 6,187)	
Fund balances, restated	<u>\$ 12,469</u>	<u>\$ 97,000</u>	<u>\$ --</u>	<u>\$ --</u>	

The Morgantown Utility Board has not previously been presented as a discretely presented component unit. Furthermore, the Library was presented as various special revenue funds. Both the Morgantown Utility Board and the Morgantown Library are now presented as discretely presented component units and required restatement to present their beginning net assets.

The following net assets of the discretely presented component units were restated at the beginning of the year as follows:

	Morgantown Utility Board	Morgantown Library
Net assets, as previously stated	\$ --	\$ --
Add:		
Net assets	82,895,847	5,812,400
Net assets, restated	<u>\$ 82,895,847</u>	<u>\$ 5,812,400</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
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**J. Lease of Property**

**Operating Leases:**

On April 30, 2007, 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 recover \$90,720 which is the cost of the docks expended by the City of Morgantown. The following is an annual schedule of estimated future rentals on operating leases as of June 30, 2008:

Year Ended	Operating Leases
2009	\$ 7,560
2010	7,560
2011	7,560
2012	7,560
2013	7,560
2014-2019	37,800
2020-2021	15,120
	\$ 90,720

On January 1, 2007, the Board of Parks and Recreation Commission 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 in April 30, 2012 and requires a monthly rental payment of \$8,333. The following is a summary of future lease payments:

Fiscal Year	Governmental Activities
2009	\$ 99,996
2010	99,996
2011	99,996
2012	83,330
Totals	\$ 383,318

**V. OTHER INFORMATION**

**A. Risk Management**

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with St. Paul's Travelers for umbrella (property and general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): West Virginia utilizes a single private insurance company, Brick Street Insurance, to provide workers' compensation coverage to all employers in the state. Other private insurance companies may begin to offer coverage to private sector employers beginning July 1, 2008, and to government employers July 1, 2012. For the most part, all employers in the State, including governmental entities, must have coverage. The cost of all coverage, as determined by Brick Street, is paid by the employers. The WCF risk pool retains the risk related to the compensation of injured employees under the program.

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

**B. Subsequent Events**

On July 1, 2008, the Morgantown Building Commission (lessor) entered into a lease agreement with Mermaid, LLC (lessee) for \$1,000,000 at zero percent interest for the Riverfront Event Center project. Payments for the lease agreement will commence in the next fiscal year.

**C. 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.

It was discovered that amounts received from the Corporation for National and Community Service to fund the BOPARC Retired Senior Volunteer Program (RSVP) were expended for disallowed and fraudulent purposes during the years of 2006 through 2008. The potential liability for repayment to the grantor agency is estimated at approximately \$50,000. However, the City has filed a fidelity loss claim with its insurance carrier, which is expected to reimburse the City for this fraud loss.

The amount of other, if any, 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.

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.

**D. 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.

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**E. Other Post-employment Benefits**

In addition to the pension benefits described in Note VI, the government provides post retirement health benefits for certain retirees and their dependents.

The City of Morgantown offers life insurance and health care benefits to employees that begin receiving pension benefits immediately upon cessation of employment. Retirees contribute a monthly amount based on age and family status, which monthly amount covers approximately 10%-20% of the actual cost of the coverage. The City of Morgantown subsidizes the remaining portion of the retiree's coverage. The amount of the liability for these post-employment health care benefits has not yet been determined. However, in accordance with GASB Statement No. 45, the City of Morgantown has contracted with an actuarial firm to perform the valuation to determine the amount of this liability, which will be reported in the subsequent fiscal year as required.

**VI. EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

*VI.A.1. Plan Descriptions, Contribution Information, and Finding Policies*

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, 2007.

*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 of the latest actuarial valuation, July 1, 2007.

*The Employees Retirement and Benefits Fund (ERBF)* provides retirement benefits for substantially all full-time municipal employees. Unless otherwise indicated, ERBF information in this Note is provided as of the latest actuarial valuation, July 1, 2007.

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 and FPRF's board. For additional information relating to basis of accounting and reported investment values, see Notes I.C., I.D.1. and IV.I.

Memberships of the plans are as follows:

<u>Group</u>	<u>PPRF</u>	<u>FPRF</u>	<u>ERBF</u>	<u>Totals</u>
Active Employees	58	47	273	378
Vested Terminated Benefits	--	--	7	7
Retirees and Beneficiaries Currently				
Receiving Benefits	48	53	95	196
Total	<u>106</u>	<u>100</u>	<u>375</u>	<u>581</u>

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

	Policemen's Pension & Relief <u>Fund</u>	Firemen's Pension & Relief <u>Fund</u>
Determination of contribution requirements:	Actuarially determined	Actuarially determined
Employer:	Contributes 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 actuarial deficiency over a period of not more than forty years in accordance with West Virginia State code §8-22-10. However, municipalities may utilize an alternative contribution method which allows the City to contribute no less than 107% of the prior year contribution provided the actuary certifies in writing that the fund will be solvent over the next 15 years under this method as authorized by West Virginia State code §8-22-20c(1). In no event can the employer contribution be less than the normal cost as determined by the actuary. The City contributes 107% of the prior year's contributions for both the police and fire pension plans.	
Plan Members:	7% of covered payroll	7% of covered payroll
Period Required to Vest:	20 Years of service but no later than the participant reaches age 65.	
Post-Retirement Benefit Increases:	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.	
Eligibility for Distribution:	20 years of service, but no later than the date the participant reaches age 65.	
Provisions for:		
Disability Benefits	Yes	Yes
Death Benefits	Yes	Yes

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	Employees Retirement & Benefit <u>Fund</u>
Determination of contribution requirements:	Actuarially determined
Employer:	Contribute annual an amount sufficient to meet the normal cost of the fund and amortize the actuarial deficit over a period of 22 years
Plan Members:	6% of covered payroll
Period Required to Vest:	35 years of service or whose age plus years of service equals 85.
Post-Retirement Benefit Increases:	Annual cost of living adjustments is the lesser of 3% or the annual consumer price index multiplied by 50%; provided that the City's contributions for the year is less than 6% of the participating payroll
Eligibility for Distribution:	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
Provisions for:	
Disability Benefits	Yes
Death Benefits	Yes

*Annual Required Contributions and Significant Actuarial Assumptions*

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

	Policemen's Pension & Relief <u>Fund</u>	Firemen's Pension & Relief <u>Fund</u>
Valuation Date:	7/01/07	7/01/07
Actuarial Cost Method:	Projected Unit Credit	Projected Unit Credit
Amortization Method:	Level Percentage Open	Level Percentage Open
Amortization Period:	40 Years (Level Percentage)	40 Years (Level Percentage)
Actuarial Asset Valuation Method:	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	6.5%	6.5%
Projected Salary Increases	25.5% per year (0-2) 4.25% thereafter	25.5% per year (0-1) 4.25% thereafter
Post Retirement Benefit Increases	None	None
Inflation	3.00%	3.00%
Cost of Living Adjustments	\$15,000 of annual pension is increased by the lesser of inflation and 4%, but 75% of purchasing power is maintained.	\$15,000 of annual pension is increased by the lesser of inflation and 4%, but 75% of purchasing power is maintained.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
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	Employees Retirement & Benefit Fund
Valuation Date:	7/01/07
Actuarial Cost Method:	Aggregate entry age
Amortization Method:	Aggregate costs
Amortization Period:	40 years
Actuarial Asset Valuation Method:	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	5% per year
Post Retirement Benefit Increases	None
Inflation	3.00%
Cost of Living Adjustments	None

*VI.A.2. Annual Pension Cost, Net Pension Obligation and Reserves*

Current year annual pension costs for the PPRF and FPRF are shown in the trend information provided in VI.A.4. The annual required contributions were not made by the municipality to both the PPRF or FPRF. The net pension obligation is listed in VI.A.3.

Reserves

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

*VI.A.3 Annual Pension Cost and Net Pension Obligation (NPO)*

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

	PPRF	FPRF
Annual required contribution	\$ 1,119,184	\$ 1,014,862
Interest on short-term	139,580	57,605
Adjustment to annual required contribution	( 182,152)	( 72,168)
Annual pension cost	1,076,612	1,000,299
Contributions made	448,862	378,244
Other contributions	1,126,477	1,499,389
Increase(decrease) in net pension obligation	( 498,727)	( 877,334)
Net pension obligation at beginning of the year	2,326,333	960,075
Net pension obligation at the end of the year	\$ 1,827,606	\$ 82,741

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

*VI.A.4. Trend Information*

Policemen's Pension and Relief Fund (PPRF)

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2008	\$ 1,139,972	62%	\$ 1,827,606
2007	\$ 1,126,555	48%	\$ 2,326,333
2006	\$ 1,073,468	66%	\$ 1,619,274
2005	\$ 575,963	47%	\$ 1,214,992

Firemen's Pension and Relief Fund (FPRF)

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2008	\$ 1,049,852	100%	\$ 82,741
2007	\$ 1,137,493	31%	\$ 960,075
2006	\$ 1,090,158	100%	\$ 172,801
2005	\$ 648,802	84%	\$ 501,483

Employees Retirement and Benefit Fund (ERBF)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2008	\$ 810,248	100%
2007	\$ 773,719	100%
2006	\$ 660,556	100%
2005	\$ 605,140	100%

*VI.A.5. Funding Progress*

Policemen's Pension and Relief Fund (PPRF)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/07	\$ 13,647,736	\$ 27,570,688	\$ 13,922,952	50%	\$ 2,631,695	529%

Firemen's Pension and Relief Fund (FPRF)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/07	\$ 10,626,102	\$ 23,967,730	\$ 13,341,628	44%	\$ 1,991,611	670%

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

<u>Employees Retirement and Benefit Fund (ERBF)</u>						UAAL
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	as a % covered payroll (b-a)/c
7/1/07	\$ 31,548,708	\$ 33,766,564	\$ 2,217,856	93%	\$ 9,990,727	22%

The Schedule of Funding Progress included in the required supplementary information immediately following the notes indicates the actuarial value of the plan assets is decreasing for the PPRF and increasing for the FPRF and Employees Retirement and Benefits plan over time relative to the actuarial accrued liability.

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

**Public Employees Retirement System (PERS)**

The City of Morgantown, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of Board of Parks and Recreation and Library employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

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%
City's contribution rate	10.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008**

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Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

*VI.B.2. Trend Information*

Public Employees Retirement System (PERS)

Fiscal Year	Primary		Percentage Contributed
	Government	Library	
	Annual Pension Cost	Annual Pension Cost	
2008	\$ 62,811	\$ 53,370	100%
2007	\$ 58,356	\$ 49,397	100%

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees Retirement System, 4101 MacCorkle Ave S.E., Charleston, WV 25304.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF MORGANTOWN, WEST VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2008**

**I. SCHEDULES OF FUNDING PROGRESS**

**Policemen's Pension and Relief Fund (PPRF)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/99	\$ 8,917,439	\$ 17,938,530	\$ 9,021,091	49.71%	\$ 1,693,720	533%
7/1/01	9,114,415	19,158,075	10,043,660	47.57%	1,829,390	549%
7/1/03	8,881,104	20,666,967	11,785,863	42.97%	2,143,167	550%
7/1/06	11,192,360	25,964,649	14,772,289	43.11%	2,356,504	627%
7/1/07	13,647,736	27,570,688	13,922,952	49.50%	2,631,965	529%

**Firemen's Pension and Relief Fund (FPRF)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/99	\$ 4,460,224	\$ 16,653,720	\$ 12,193,496	26.78%	\$ 1,362,460	895%
7/1/01	4,072,513	17,309,972	13,237,459	23.53%	1,454,817	910%
7/1/03	3,476,692	18,045,351	14,568,659	19.27%	1,654,125	881%
7/1/06	8,054,815	23,313,655	15,258,840	34.55%	1,904,137	801%
7/1/07	10,626,102	23,967,730	13,341,628	44.34%	1,991,611	670%

**Employees' Retirement and Benefit**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
07/01/04	\$ 25,507,836	\$ 27,507,737	\$ 1,999,901	92.7%	\$ 8,166,525	24%
07/01/05	27,187,677	29,210,252	2,022,575	93.1%	8,545,358	24%
07/01/06	28,946,598	31,520,796	2,574,198	91.8%	8,996,728	29%
07/01/07	31,548,708	33,766,564	2,217,856	93.4%	9,907,727	22%

***SUPPLEMENTARY INFORMATION***

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF RATE COVENANT COMPLIANCE  
For the Fiscal Year Ended June 30, 2008**

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- I. The City of Morgantown, West Virginia is subject to rate covenant compliance associated with the issuance of the Series 2002 Parking Authority Bonds. Specifically, the City must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"...The issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered... to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 110% of the maximum amount payable in any year for principal and interest, if any on the Bonds, and so long as there exists in the Series 2002 bond reserve account at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or succeeding year..."

The following schedule summarizes the provisions for the fiscal year ended June, 30, 2008.

**Rate Covenant**

<u>Net Gross</u>	<u>Maximum</u>		<u>Percentage</u>
<u>Revenues</u>	<u>Amount</u>	<u>Annual</u>	<u>Required</u>
<u>Revenues</u>	<u>Debt Service</u>	<u>Percentage</u>	<u>Required</u>
\$ 671,050	\$ 379,683	177%	110%

As of June 30, 2008, the City was in compliance with the provisions of the 2002 Parking Authority revenue bond covenant which require revenues to be 110% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the 2002 Parking Authority revenue bond covenant require that assets to be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one tenth of one twelve of the highest debt service payment in any given year. The City deposited \$769,361 in the revenue and reserve account to comply with the bond provisions.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SCHEDULE OF PASSENGER FACILITY CHARGES**  
**For the Fiscal Year Ended June 30, 2008**

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Balance June 30, 2007	\$ 3,279
Revenues received:	
Passenger facility charges	19,060
Interest income	12
Disbursements:	
Infrastructure	<u>19,334</u>
Balance June 30, 2008	<u>\$ 3,017</u>

**MORGANTOWN PUBLIC LIBRARY**  
**GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET ASSETS - LIBRARY**  
**June 30, 2008**

	General Library	Expendable Trust	Excess Levy II	Other Nonmajor Governmental Funds	Total	Adjustments	Statement of Net Assets
<b>ASSETS</b>							
<b>Current:</b>							
Cash and cash equivalents	\$ 325,716	\$ 71,783	\$ 21,155	\$ 13,605	\$ 432,259	\$ --	\$ 432,259
Investments	1,006,892	999,673	--	177,366	2,183,931	--	2,183,931
Receivables - net:							
Other fees	102	--	--	--	102	--	102
Internal Balances	9,460	--	(11,574)	2,114	--	--	--
Prepaid expenses	2,083	--	--	--	2,083	--	2,083
Capital assets:							
Depreciable:							
Buildings	--	--	--	--	--	2,893,463	2,893,463
Machinery and equipment	--	--	--	--	--	259,289	259,289
Books and Videos	--	--	--	--	--	4,735,850	4,735,850
Less: accumulated depreciation	--	--	--	--	--	(5,423,730)	(5,423,730)
 Total assets	 <u>\$ 1,344,253</u>	 <u>\$ 1,071,456</u>	 <u>\$ 9,581</u>	 <u>\$ 193,085</u>	 <u>\$ 2,618,375</u>	 <u>\$ 2,464,872</u>	 <u>\$ 5,083,247</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Current liabilities payable							
from current assets:							
Accounts payable	12,674	--	--	--	12,674	--	12,674
Payroll payable	32,543	--	--	--	32,543	--	32,543
Compensated absences payable	43,126	--	--	--	43,126	--	43,126
Due to:							
Other governments	63	--	--	--	63	--	63
 Total liabilities	 <u>88,406</u>	 <u>--</u>	 <u>--</u>	 <u>--</u>	 <u>88,406</u>	 <u>--</u>	 <u>88,406</u>
<b>Fund balances:</b>							
Unreserved, reported in:							
General fund	1,255,847	--	--	--	1,255,847	(1,255,847)	--
Special revenue funds	--	1,071,456	--	8,620	1,080,076	(1,080,076)	--
Capital projects funds	--	--	9,581	143,785	153,366	(153,366)	--
Permanent fund	--	--	--	40,680	40,680	(40,680)	--
 Total fund balances	 <u>1,255,847</u>	 <u>1,071,456</u>	 <u>9,581</u>	 <u>193,085</u>	 <u>2,529,969</u>	 <u>(2,529,969)</u>	 <u>--</u>
 Total liabilities and fund balances	 <u>\$ 1,344,253</u>	 <u>\$ 1,071,456</u>	 <u>\$ 9,581</u>	 <u>\$ 193,085</u>	 <u>\$ 2,618,375</u>		
<b>NET ASSETS</b>							
Invested in capital assets (net of related debt)						2,464,872	2,464,872
Unrestricted						2,529,969	2,529,969
 Total net assets						 <u>\$ 4,994,841</u>	 <u>\$ 4,994,841</u>

**MORGANTOWN PUBLIC LIBRARY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE /**  
**STATEMENT OF ACTIVITIES - LIBRARY**  
**For the Fiscal Year Ended June 30, 2008**

	General Library	Expendable Trust	Excess Levy II	Other Nonmajor Governmental Funds	Total Governmental Funds	Adjustments	Statement of Activities
<b>EXPENDITURES / EXPENSES</b>							
Current:							
Culture and recreation	\$ 1,309,538	\$ 7,438	\$ 1,890	\$ 399	\$ 1,319,265	\$ 827,296	\$ 2,146,561
Total expenditures / expenses	<u>1,309,538</u>	<u>7,438</u>	<u>1,890</u>	<u>399</u>	<u>1,319,265</u>	<u>827,296</u>	<u>2,146,561</u>
<b>PROGRAM REVENUES</b>							
Charges for services	<u>25,151</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>25,151</u>	<u>--</u>	<u>25,151</u>
Net program expense						<u>--</u>	<u>(2,121,410)</u>
<b>GENERAL REVENUES</b>							
Intergovernmental:							
State	376,341	--	--	10,800	387,141	--	387,141
Local	805,196	--	--	40,000	845,196	--	845,196
Fines and forfeits	14,942	--	--	--	14,942	--	14,942
Interest and investment earnings	72,954	(48,054)	674	(1,975)	23,599	--	23,599
Reimbursements	3,757	--	--	--	3,757	--	3,757
Contributions and donations	19,518	--	--	7,903	27,421	--	27,421
Miscellaneous	1,080	--	--	715	1,795	--	1,795
Transfers - internal activities	<u>1,773</u>	<u>--</u>	<u>--</u>	<u>(1,773)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total general revenues and transfers	<u>1,295,561</u>	<u>(48,054)</u>	<u>674</u>	<u>55,670</u>	<u>1,303,851</u>	<u>--</u>	<u>1,303,851</u>
Excess (deficiency) of revenues and transfers in over (under) expenditures and transfers out	11,174	(55,492)	(1,216)	55,271	9,737	(9,737)	--
Change in net assets						(817,559)	(817,559)
Fund Balance / Net Assets							
Beginning of year	<u>1,244,673</u>	<u>1,126,948</u>	<u>10,797</u>	<u>137,814</u>	<u>2,520,232</u>	<u>--</u>	<u>5,812,400</u>
End of year	<u>\$ 1,255,847</u>	<u>\$ 1,071,456</u>	<u>\$ 9,581</u>	<u>\$ 193,085</u>	<u>\$ 2,529,969</u>	<u>\$ --</u>	<u>\$ 4,994,841</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 102,535	\$ 455,725	\$ 558,260
Investments	45,993	--	45,993
Receivables:			
Taxes	--	11,330	11,330
Accounts	1,213	--	1,213
Grants	156,577	26,099	182,676
Loans	34,041	--	34,041
	<u>340,359</u>	<u>493,154</u>	<u>833,513</u>
Total assets	<u>\$ 340,359</u>	<u>\$ 493,154</u>	<u>\$ 833,513</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	159,399	--	159,399
Due to:			
Other funds	2,704	57,098	59,802
Deferred revenue:			
Taxes	--	5,763	5,763
	<u>162,103</u>	<u>62,861</u>	<u>224,964</u>
Total liabilities	<u>162,103</u>	<u>62,861</u>	<u>224,964</u>
<b>Fund balances:</b>			
Unreserved	<u>178,256</u>	<u>430,293</u>	<u>608,549</u>
Total fund balances	<u>178,256</u>	<u>430,293</u>	<u>608,549</u>
Total liabilities and fund balances	<u>\$ 340,359</u>	<u>\$ 493,154</u>	<u>\$ 833,513</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Taxes:			
Ad valorem property taxes	\$       --	\$ 736,214	\$ 736,214
Intergovernmental:			
Federal	513,141	142,348	655,489
State	14,623	--	14,623
Fines and forfeits	34,343	--	34,343
Interest earnings	4,133	22,598	26,731
Refunds	--	73,290	73,290
	<u>566,240</u>	<u>974,450</u>	<u>1,540,690</u>
<b>EXPENDITURES</b>			
Current:			
General government	--	500	500
Public safety	87,439	--	87,439
Culture and recreation	14,623	--	14,623
Capital projects	19,322	174,880	194,202
Economic development	472,279	125	472,404
Debt service:			
	<u>593,663</u>	<u>175,505</u>	<u>769,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 27,423)</u>	<u>798,945</u>	<u>771,522</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	--	92,338	92,338
Transfers (out)	--	( 604,733)	( 604,733)
	<u>--</u>	<u>( 512,395)</u>	<u>( 512,395)</u>
Total other financing sources (uses)	<u>--</u>	<u>( 512,395)</u>	<u>( 512,395)</u>
Net change in fund balances	( 27,423)	286,550	259,127
Fund balances - beginning, as restated Note IV.I	<u>205,679</u>	<u>143,743</u>	<u>349,422</u>
Fund balances - ending	<u>\$ 178,256</u>	<u>\$ 430,293</u>	<u>\$ 608,549</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2008**

	<u>Community Development Block Grant</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Property Auction</u>	<u>Total Special Revenue Funds</u>
<b>ASSETS</b>							
<b>Current:</b>							
Cash and cash equivalents	\$ 3,345	\$ 38,436	\$ --	\$ 49,105	\$ 393	\$ 11,256	\$ 102,535
Investments	45,993	--	--	--	--	--	45,993
Receivables:							
Accounts	--	--	--	--	--	1,213	1,213
Grants	153,749	--	2,828	--	--	--	156,577
Loans	34,041	--	--	--	--	--	34,041
Total assets	<u>\$ 237,128</u>	<u>\$ 38,436</u>	<u>\$ 2,828</u>	<u>\$ 49,105</u>	<u>\$ 393</u>	<u>\$ 12,469</u>	<u>\$ 340,359</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	154,278	2,293	2,828	--	--	--	159,399
Due to:							
Other funds	2,704	--	--	--	--	--	2,704
Total liabilities	<u>156,982</u>	<u>2,293</u>	<u>2,828</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>162,103</u>
<b>Fund balances:</b>							
Unreserved	<u>80,146</u>	<u>36,143</u>	<u>--</u>	<u>49,105</u>	<u>393</u>	<u>12,469</u>	<u>178,256</u>
Total fund balances	<u>80,146</u>	<u>36,143</u>	<u>--</u>	<u>49,105</u>	<u>393</u>	<u>12,469</u>	<u>178,256</u>
Total liabilities and fund balances	<u>\$ 237,128</u>	<u>\$ 38,436</u>	<u>\$ 2,828</u>	<u>\$ 49,105</u>	<u>\$ 393</u>	<u>\$ 12,469</u>	<u>\$ 340,359</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2008**

	Community Development Block Grant	Police Forfeiture	Special Grants	Local Law Enforcement Grant	Small Cities Block Grant	Property Auction	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>							
Intergovernmental:							
Federal	\$ 471,923	\$ --	\$ --	\$ 41,218	\$ --	\$ --	\$ 513,141
State	--	--	14,623	--	--	--	14,623
Fines and forfeits	--	34,343	--	--	--	--	34,343
Interest earnings	1,495	2,271	--	367	--	--	4,133
<b>Total revenues</b>	<u>473,418</u>	<u>36,614</u>	<u>14,623</u>	<u>41,585</u>	<u>--</u>	<u>--</u>	<u>566,240</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	--	78,149	--	9,290	--	--	87,439
Culture and recreation	--	--	14,623	--	--	--	14,623
Capital projects	--	19,322	--	--	--	--	19,322
Economic development	472,279	--	--	--	--	--	472,279
<b>Total expenditures</b>	<u>472,279</u>	<u>97,471</u>	<u>14,623</u>	<u>9,290</u>	<u>--</u>	<u>--</u>	<u>593,663</u>
Net change in fund balances	1,139	( 60,857)	--	32,295	--	--	( 27,423)
Fund balances - beginning as restated, Note IV.1	<u>79,007</u>	<u>97,000</u>	<u>--</u>	<u>16,810</u>	<u>393</u>	<u>12,469</u>	<u>205,679</u>
<b>Fund balances - ending</b>	<u>\$ 80,146</u>	<u>\$ 36,143</u>	<u>\$ --</u>	<u>\$ 49,105</u>	<u>\$ 393</u>	<u>\$ 12,469</u>	<u>\$ 178,256</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS**  
**June 30, 2008**

	Business Improvement <u>District</u>	Tax Increment <u>Financing</u>	Total Nonmajor Capital Projects <u>Funds</u>
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 91,680	\$ 364,045	\$ 455,725
Receivables:			
Taxes	--	11,330	11,330
Grants	<u>26,099</u>	<u>--</u>	<u>26,099</u>
Total assets	<u>117,779</u>	<u>375,375</u>	<u>493,154</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to:			
Other funds	57,098	--	57,098
Deferred revenue:			
Taxes	<u>--</u>	<u>5,763</u>	<u>5,763</u>
Total liabilities	<u>57,098</u>	<u>5,763</u>	<u>62,861</u>
<b>FUND BALANCES</b>			
Reserved for:			
Unreserved	<u>60,681</u>	<u>369,612</u>	<u>430,293</u>
Total fund balances	<u>60,681</u>	<u>369,612</u>	<u>430,293</u>
Total liabilities and fund balances	<u>\$ 117,779</u>	<u>\$ 375,375</u>	<u>\$ 493,154</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	Business Improvement <u>District</u>	Tax Increment <u>Financing</u>	Total Nonmajor Capital Projects <u>Funds</u>
<b>REVENUES</b>			
Taxes:			
Ad valorem property taxes	\$ --	\$ 736,214	\$ 736,214
Intergovernmental:			
Federal	142,348	--	142,348
Interest and investment earnings	294	22,304	22,598
Refunds	73,290	--	73,290
	<hr/>	<hr/>	<hr/>
Total revenues	215,932	758,518	974,450
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
General government	--	500	500
Capital projects	161,581	13,299	174,880
Economic development	125	--	125
	<hr/>	<hr/>	<hr/>
Total expenditures	161,706	13,799	175,505
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	54,226	744,719	798,945
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	50,000	42,338	92,338
Transfers (out)	--	( 604,733)	( 604,733)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	50,000	( 562,395)	( 512,395)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	104,226	182,324	286,550
	<hr/>	<hr/>	<hr/>
Fund balances - beginning, as restated Note IV.I	( 43,545)	187,288	143,743
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 60,681	\$ 369,612	\$ 430,293
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*ACCOMPANYING INFORMATION*

# State of West Virginia

Glen B. Gainer III  
State Auditor and  
Chief Inspector

Stuart T. Stickel, CPA  
Deputy Chief Inspector

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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*

Honorable Mayor and Council  
City of Morgantown  
Morgantown, West Virginia 26505

We have audited the financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morgantown, West Virginia (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon, dated July 31, 2009. Our report was modified to include a reference to 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. Other auditors performed the audit of the financial statements of the Morgantown Utility Board as described in our report on the City of Morgantown's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combinations of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting as items 2008-2 and 2008-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2008-2 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

We noted certain matters that we have reported to management of the City of Morgantown, West Virginia, in a separate letter dated July 31, 2009.

Honorable Mayor and Council  
City of Morgantown  
Page 3

The City's response to findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glen B. Gainer, III". The signature is written in a cursive style with a horizontal line at the end.

Glen B. Gainer, III  
West Virginia State Auditor

July 31, 2009

# State of West Virginia

Glen B. Gainer III  
State Auditor and  
Chief Inspector

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE PASSENGER FACILITY CHARGE PROGRAM

Honorable Mayor and Council  
City of Morgantown  
Morgantown, West Virginia 26505

### Compliance

We have audited the compliance of the City of Morgantown, West Virginia (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. In addition, we audited compliance with the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), for the year ending June 30, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. The passenger facility charge program is identified in the Passenger Facility Charge Revenue and Expenditures schedule which is included in the supplementary schedule of the audit report. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and the passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Morgantown Utility Board, a discretely presented component unit of the City, which expended \$7,566,435 in federal awards which is not included in the schedule during the year ended June 30, 2008. Our audit, described below, did not include the operations of this discretely presented component unit, because this entity engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with the 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*, and the Guide. Those standards and OMB Circular A-133, and the Guide 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'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 on the City's compliance with those requirements.

As described in item SA 2008-2 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Allowable Costs/Costs Principles that are applicable to its Retired and Senior Volunteer Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item SA 2008-1.

#### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA 2008-2 through SA 2008-5 to be significant deficiencies.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items SA 2008-2 and SA 2008-3 to be material weaknesses.

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Glen B. Gainer, III  
West Virginia State Auditor

July 31, 2009

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
<b>U. S. Department of Housing and Urban Development</b>			
Direct program:			
<u>Program Title</u>			
Community Development Block Grants-Entitlement Grants	14.218		\$ 471,923
<b>Total U. S. Department of Housing and Urban Development</b>			<u>471,923</u>
<b>U. S. Department of Interior</b>			
Direct program:			
<u>Program Title</u>			
Outdoor Recreation Acquisition, Development and Planning	15.916		<u>26,436</u>
<b>Total U. S. Department of Interior</b>			<u>26,436</u>
<b>U. S. Department of Justice</b>			
Direct Programs:			
<u>Program Title</u>			
Bulletproof Vest Partnership Program	16.607		6,334
Edward Byrne Memorial Justice Assistance Grant Program	16.738		8,540
Pass-through Programs From:			
West Virginia Department of Criminal Justice Services			
<u>Program Title</u>			
Edward Byrne Memorial Formula Grant Program	16.579	2007-DJ-BX-0073	112,000

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
Pass-through Programs From:			
West Virginia Department of Transportation			
<u>Program Title</u>			
Public Safety Partnership and Community Policing Grants	16.710	F07COPS-96	<u>\$ 85,500</u>
<b>Total U. S. Department of Justice</b>			<u>212,374</u>
<b>U.S. Department of Transportation</b>			
Direct Programs:			
<u>Program Title</u>			
Airport Improvement Program	20.106		3,560,464
Highway Planning and Construction	20.205		142,348
Pass-through Program From:			
West Virginia Department of Transportation			
<u>Program Title</u>			
State and Community Highway Safety	20.600	F08HS-18-402	<u>17,015</u>
<b>Total U.S. Department of Transportation</b>			<u>3,719,827</u>
<b>U.S. Corporation for National and Community Service</b>			
Direct Program:			
<u>Program Title</u>			
Retired and Senior Volunteer Program	94.002		<u>84,200</u>
<b>Total U.S. Corporation for National and Community Service</b>			<u>84,200</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u><u>\$ 4,514,760</u></u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2008**

---

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 - SUBRECIPIENT DISBURSEMENTS**

Of the federal expenditures presented in the schedule, the City provided federal awards to the subrecipient, Morgantown Housing Authority, as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
Community Development Block Grants - Entitlement Grants	14.218	\$ 78,651

**NOTE 3 - FEDERAL AWARDS AUDITED BY OTHER AUDITORS**

The federal awards of the Morgantown Utility Board, a discretely presented component unit, have been audited by other auditors who issued a separate report dated January 30, 2009.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2008**

---

**Section I - Summary of Auditor's Results**

---

**Financial Statements**

Type of auditor's report issued:	<u>Unqualified</u>
Internal Control over Financial Reporting:	
Material weaknesses identified?	<u>Yes</u>
Reportable condition(s) identified that are not considered to be material weakness(es)?	<u>Yes</u>
Non compliance material to the financial statements noted?	<u>Yes</u>

**Federal Awards**

Internal Control over Major Programs:

Material weaknesses identified?	<u>Yes</u>
Reportable condition(s) identified that is/are not considered to be material weakness(es)?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with § .510(a) of Circular A-133?	<u>Yes</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grants - Entitlement Grants
20.106	Airport Improvement Program
94.002	Retired and Senior Volunteer Program

Dollar threshold used to distinguish between Type A and Type B Program:	\$ 300,000
Auditee qualify as a low-risk auditee?	<u>No</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2008**

---

**Section II - Financial Statement Findings and Questioned Costs**

---

**Violation of Grant Agreement**  
**2008-1**

**CONDITION:**

It was determined during this examination that the municipal officials of Morgantown violated the grant agreement regarding the WV Public Theater and Marina project with the West Virginia Economic Development Authority (WVEDA). Specifically, the Municipality no longer holds title to land purchased in the amount of \$800,000 for the project as required by the agreement.

**CRITERIA:**

The Memorandum of Understanding and Grant Agreement Regarding Project No. 28 - City of Morgantown WV Public Theater and Marina states in part that:

“(13) Representations and Warranties of Grantee. Grantee hereby represents and warrants as follows:

...(d) Grantee shall be the owner of, and shall hold title to, the Project so long as any of the Bonds remain outstanding unless WVEDA, upon such terms and conditions agreeable to the WVEDA, approves in writing a change in ownership;...”

**CAUSE:**

The Municipality exchanged another parcel of land for the original land purchased without obtaining prior approval from the WVEDA.

**EFFECT:**

The WVEDA will withhold the remaining amount of the grant, \$1,010,966, until this issue is resolved to their satisfaction. Furthermore, if this violation of the grant agreement is not resolved to WVEDA's satisfaction they potentially could request that the entire amount of the grant, \$13,000,000, be refunded to them.

**RECOMMENDATION:**

The Municipality officials are directed to contact the WVEDA to determine the necessary actions needed in order to be in compliance with the grant agreement.

**AUDITED AGENCY'S RESPONSE:**

Engineering challenges and site limitations made it necessary for the City of Morgantown to relocate its planned Event Center from the original planned site, which was acquired with a West Virginia Economic Development Authority (WVEDA) grant, to an adjacent site owned by the project developer. The City received approval from the WVEDA to make this site change, and was under the assumption that when the WVEDA approved the site change, it implicitly approved the swapping of the land to effect that site change. However, the City is currently working with the WVEDA to rectify this oversight so that the project will be in compliance with the grant agreement.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2008**

---

**Investment Policies - Library Board**  
**2008-2**

**CONDITION:**

It was determined during our examination that the Morgantown Library Board did not implement the requirements of the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

**CRITERIA:**

Governmental Accounting Standards Board Statement No. 40 amends GASB Statement No. 3 to require the following additional disclosures related to deposit and investment risk:

- Credit risk, including custodial credit risk and concentrations of credit risk
- Interest rate risk
- Deposit and investment policies related to the applicable risks

**CAUSE:**

The Morgantown Library Board does have a formal policy to address the requirements of GASB Statement No. 40; however, the Library's investment policy allows for investing in debt securities rated below minimum state code rating requirements.

**EFFECT:**

The users of the financial statements are not provided with the necessary information to assess the risk related to the entity's investments. Furthermore, the Library is exposed to potential losses without having this control in place.

**RECOMMENDATION:**

The Board officials should review the requirements of GASB Statement No. 40 and adopt a formal policy to implement these requirements and to ensure the policy is within State code guidelines.

**AUDITED AGENCY'S RESPONSE:**

An investment policy addressing the requirements of GASB 40 will be formulated and presented to the Morgantown Public Library Board of Directors for consideration and approval at its next regular meeting.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2008**

---

**Segregation of Duties - Library Board  
2008-3**

**CONDITION:**

It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from the transactions were not assigned to different individuals.

**CRITERIA:**

Proper internal control dictates responsibility for approving, executing and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas.

**CAUSE:**

The size of the entity does not permit adequate segregation of duties.

**EFFECT:**

Internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner.

**RECOMMENDATION:**

The Library should distribute among the accounting staff the duties of approving, executing and recording transactions to the extent as being economically practicable.

**AUDITED AGENCY'S RESPONSE:**

The Morgantown Public Library is currently reviewing the procedures for approving, executing, and recording transactions to ensure that responsibility is distributed among different staff as economically practicable. This review and the resulting institution of new policies are scheduled to be in place within two months.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2008**

---

**Section III - Federal Award Findings and Questioned Costs**

---

**Davis - Bacon Compliance  
SA 2008-1**

**GENERAL INFORMATION:** The City of Morgantown receives federal grant funds for the Airport Improvement Program completing various construction projects at the municipal airport.

Grant Title: Airport Improvement Program  
Federal Agency: Department of Transportation

CFDA #: 20.106

**CONDITION:**

During our testing, it was noted that the City did not review certified payrolls to determine if the sub-contractors were properly paying the federal wage rate. Specifically, the City did not pay the federal wage rate to a sub-contractor for the position of electrician.

**CRITERIA:**

As stated in the Compliance Supplement for this program: "The requirements of the Davis-Bacon Act are applicable to construction work for airport development projects financed with grants under this program (49 USC 47112)." Furthermore 49 USC 47112 states in part that: "(b) Prevailing Wages. - A contract for more than \$2,000 involving labor for an airport development project carried out under a grant agreement under this subchapter must require contractors to pay labor minimum wage rates as determined by the Secretary of Labor under sections 3141-3144, 3146 and 3147 of title 40."

**QUESTIONED COSTS: \$10,568.46**

**CONTEXT:**

From the 23 certified payroll tested, eight certified payrolls did not pay the federal wage rate determination for the position of electrician during the time of construction.

**CAUSE:**

Proper policies were not in place to provide assurance that the contractors' payrolls were meeting the federal wage rate requirements.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2008**

---

**Davis - Bacon Compliance (continued)**

**SA 2008-1**

**EFFECT:**

The City was not in compliance with grant requirements to insure wages paid to construction workers were in accordance with the Davis Bacon Act.

**RECOMMENDATION:**

The Municipal officials should review the certified payrolls and correct the payments to those construction workers for the position of electrician to the federal wage rate at the time of construction.



**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2008**

---

**Allowable Costs/Costs Principles (continued)**

**SA 2008-2**

**EFFECT:**

The City was not in compliance with the Allowable Costs/Costs Principles as determined by the federal government for this particular program which necessitated a qualification of our opinion for this grant.

**RECOMMENDATION:**

The City should investigate all the activity of the Retired Senior Volunteer Program to determine what amounts are indeed not allowable, contact the appropriate agencies, and pursue the necessary actions for recovery of those funds.





**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2008**

---

**Davis - Bacon Reviews and On-Site Interviews  
SA 2008-5**

**GENERAL INFORMATION:** The City of Morgantown receives federal grant funds for the Airport Improvement Program completing various construction projects at the municipal airport.

Grant Title: Airport Improvement Program  
Federal Agency: Department of Transportation

CFDA #: 20.106

**CONDITION:**

During our testing, it was determined that the City had inadequate documentation to support the review certified payrolls to determine if the contractors were properly paying the federal wage rate. Specifically, the City contracts with a project engineer to review payrolls and to conduct on-site interviews to comply with the Davis-Bacon Act.

**CRITERIA:**

Proper procedures include evaluating contractor wage payments with applicable federal laws and regulations for the Davis-Bacon Act and to conduct on-site interviews with construction workers.

**QUESTIONED COSTS: Unknown**

**CONTEXT:**

Upon further discussions with the contracted engineering firm, the project engineer explained that on-site interviews were conducted within the fiscal period; however, documentation of those interviews were not maintained.

**CAUSE:**

Proper policies were not in place to provide assurance that the contractors' payrolls were meeting the federal requirements and on-site interviews were being conducted and documented.

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2008**

---

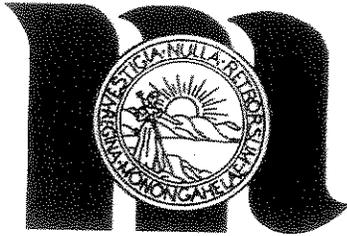
**Davis - Bacon Reviews and On-Site Interviews (continued)  
SA 2008-5**

**EFFECT:**

The City did not have adequate controls in place to insure proper documentation of wages paid to construction workers were in accordance with the Davis Bacon Act.

**RECOMMENDATION:**

The Municipal officials should establish policies and procedures to periodically review on a test basis certified payrolls for compliance with federal regulations. Evidence of the reviews and documentation of on-site interviews should be maintained by the City.



FINANCE DEPARTMENT

# The City of Morgantown

389 SPRUCE STREET  
MORGANTOWN, WEST VIRGINIA 26505  
(304) 284-7407

## City of Morgantown, West Virginia Corrective Action Plan For The Fiscal Year Ended June 30, 2008

Corrective action plan for all findings and questioned costs defined in §\_510(a) of OMB Circular No. A-133.

Reference Number: SA 2008-1  
Audit Finding Title: Davis-Bacon Compliance  
Contact Person: Robert E. Hammel, Airport Director  
Completion Date: June 17<sup>th</sup>, 2009

### **Corrective Action planned to be taken:**

The Airport Improvement Program (AIP) grant coordinator will insure that certified payrolls submitted by the primary/secondary contractors to the selected engineering firm are reviewed to confirm compliance with the applicable current wage rate for that specific trade. Additionally, Airport administration, in conjunction with its engineering firm, will review the eight payrolls identified in the audit as non-compliant with Federal wage rates and correct the payments made to those identified workers.

**Explanation of disagreement with finding:** N/A

Reference Number: SA 2008-2  
Audit Finding Title: Allowable Costs/Costs Principles  
Contact Person: Melissa Burch, BOPARC Associate Director for Business Services  
Completion Date: June 17<sup>th</sup>, 2009

### **Corrective Action planned to be taken:**

A full review of all materials related to this finding has been completed by the Board of Parks and Recreation Commissioners' (BOPARC) Associate Director for Business services and the City of Morgantown Finance Director. BOPARC and the City of Morgantown are working in coordination with the Office of the Inspector General, the Morgantown Police Department and Monongalia County Prosecuting Attorney's Office to take necessary action for prosecution and recovery of funds. The individual responsible for the fraudulent purchases has been arrested and a fidelity loss claim has been filed with the City's insurance carrier.

Any and all prior accounts, credit cards, and other authorizations the former RSVP staff person had access to have been closed or cancelled. All expenses related to the RSVP program will be processed according to the BOPARC procurement policies, which require all purchases to be approved using the established purchase order system. All purchase requests to be paid for using RSVP grant funds will be verified for compliance with the RSVP approved budget prior to authorization. Payments for purchases will be made by check after invoice is matched to purchase order and approved for payment.

**Explanation of disagreement with finding:** N/A

Reference Number: SA 2008-3  
Audit Finding Title: Check Signatures  
Contact Person: Melissa Burch, BOPARC Associate Director for Business Services  
Completion Date: June 17<sup>th</sup>, 2009

**Corrective Action planned to be taken:**

The RSVP Program and the BOPARC Senior Center will comply with all established BOPARC procedures for payment processing.

All Payments will be made by check and will be processed by the BOPARC accounts payable clerk only after verification that the purchase was properly authorized and goods or services ordered were satisfactorily received. All checks require two signatures, the Director of BOPARC and the City Finance Director. No ACH payments are authorized, and all bank statements will be reviewed by the Finance Director before forwarding to BOPARC administration for reconciliation.

**Explanation of disagreement with finding:** N/A

Reference Number: SA 2008-4  
Audit Finding Title: Segregation of Duties  
Contact Person: Melissa Burch, BOPARC Associate Director for Business Services  
Completion Date: June 17<sup>th</sup>, 2009

**Corrective Action planned to be taken:**

The BOPARC Senior Center and RSVP Program will adhere to established BOPARC policies and procedures relating to approving, executing, and recording transactions, as well as custody of assets.

All purchases over \$500 require approval of the BOPARC Director using the established purchase order system. Purchases under \$500 must be approved by the department head using the same purchase order system. All grant drawdown requests will be performed by the BOPARC Associate Director for Business Services after receiving proper documentation from the Senior Center Director detailing the use of the funds. All grant funds will be electronically deposited into a separate RSVP account. Disbursements of funds are by checks prepared by the BOPARC accounts payable clerk, requiring the signatures of the Director of BOPARC and the City Finance Director. Blank checks are kept secure in a safe and the signature stamp is kept secure by BOPARC Director and applied only after all printed checks are reviewed. All bank statements are mailed to the City Finance Director for review before being forwarded to BOPARC administration for reconciliation.

**Explanation of disagreement with finding:** N/A

Reference Number: SA 2008-5  
Audit Finding Title: Davis-Bacon Reviews and On-Site Interviews  
Contact Person: Robert E. Hammel, Airport Director  
Completion Date: June 17<sup>th</sup>, 2009

**Corrective Action planned to be taken:**

Morgantown Municipal Airport will insure that all project employees are interviewed in accordance with the provisions provided under the Davis-Bacon Act in regard to monthly interview requirements (10% of employees). Documentation of said interviews will be completed by the selected on-site project engineer using standard federal forms. Copies of such documentation will be provided to Airport administration for review and filing with other Airport Improvement Program grant documents. The Airport will also provide the selected engineering firm with a memorandum that highlights this particular audit deficiency to inform them that this requirement will be immediately implemented and emphasized during all contractor pre-construction meetings.

**Explanation of disagreement with finding:** N/A

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Fiscal Year Ended June 30, 2008**

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Status of Prior Year Audit Findings

There were no findings in the prior year; therefore, the status of prior year audit findings is not necessary.

# State of West Virginia

Glen B. Gainer III  
State Auditor and  
Chief Inspector

Stuart T. Stickel, CPA  
Deputy Chief Inspector

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## *MANAGEMENT LETTER*

Honorable Mayor and Council  
City of Morgantown  
Morgantown, West Virginia 26505

In accordance with Government Auditing Standards applicable to financial audits, we have audited the financial statements of the City of Morgantown (the City), as of and for the year ended June 30, 2008, and have issued our report thereon dated July 31, 2009.

*Government Auditing Standards* also require that we describe the scope of our testing of compliance with laws and regulations and internal control over financial reporting and report any irregularities, illegal acts, other material noncompliance and reportable conditions in internal control, related to major federal financial assistance programs. We have issued the required report dated July 31, 2009 for the year ended June 30, 2008.

We are also submitting for your consideration the following comments that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or significant deficiencies in internal control, we believe represent matters for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. We have already discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. If you have any questions, please do not hesitate to contact us.

Nonmaterial Compliance Matters

Unauthorized Expenditures

It was determined during this review that the officials of the City of Morgantown authorized expenditures for Christmas bonuses for municipal employees. Such expenditures are not authorized by state code. This is a misuse of the public funds, which are to be used solely for public purposes.

Recommendation

The municipal officials are directed to refrain from authorizing the expenditures of public funds for such unauthorized purposes.

Cash Management

It was determined during this audit that, although specific timeframes are not given in the grant agreements, the City did not always promptly reimburse vendors once grant monies were received. The federal funding for the Airport Improvement Program (CFDA # 20.106) and the Community Development Block Grant/State's Program (CFDA # 14.218) were not expended promptly after the money was deposited in the City's bank accounts. The Cash Management Act requires the recipient of federal funds to minimize the time period between the draw of federal monies and the actual disbursement.

Recommendation

The City should make every effort to ensure that proper cash management is practiced for federal funding received on a draw basis by paying vendors promptly to minimize the time period between the drawing of federal funds and the disbursement.

Nonmaterial Internal Control Matters

The City collects cash from parking garages and meters utilizing the same two employees without creating adequate segregation of duties.

Recommendation

The City should rotate at least one employee every other week for the collection of meters and parking garage revenues. This will increase internal controls over collections to help prevent mistakes or irregularities due to error or fraud.

Honorable Mayor and Council  
City of Morgantown  
Management Letter  
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#### Uncollateralized Deposits

It was determined during this audit that the City did not ensure that all deposits over the F.D.I.C. limits were adequately collateralized.

#### Recommendation

The City should ensure that all deposits over the F.D.I.C. limits are fully collateralized.

#### Negative Cash Balance - Building Commission

It was determined during this audit that the City's Building Commission reported a negative cash balance of \$109,147 within the bond trustee pay account as of June 30, 2008. The bond payment was made prior to transferring the funds from the reserve account. The transfer occurred the next day, July 1, 2008, which crossed fiscal years.

#### Recommendation

The City should ensure that the bond trustee transfers funds from the bond reserve account into the bond trustee pay account prior to making the bond payment.

#### Suggestions to Improve Operations

##### Central Pay Account for Federal Expenditures

The City utilizes a central pay account to process checks for the various departmental operations including those departments who administer federal programs. The central pay account does earn interest once the money is deposited into the account until the check has cleared the bank for payment. Although the interest is minimal, there is a potential that interest is being earned on federal money.

#### Recommendation

The City should ensure that interest is not earned on federal funding. This could be accomplished by opening a non-interest bearing central pay account for federal expenditures only.

Honorable Mayor and Council  
City of Morgantown  
Management Letter  
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#### Staffing Levels - Capital Assets

The City utilizes Excel spreadsheets to create depreciation schedules for those items purchased that meet the capitalization policy. While this is an adequate method to monitor and report the capital assets, it creates duplication of work since the necessary information is recorded within the accounting system. The City does have a capital asset module; however, the finance department needs additional trained staff to utilize the module.

#### Recommendation

The City should insure that staff is adequately trained in accounting to utilize the existing capital asset module and to help with higher level accounting functions.

#### Audit of the Morgantown Library

The Morgantown Library is a separate legal entity that has multiple funds and separate accounting functions from the City. The Library is a discretely presented component unit of the City and is substantial enough to warrant a separate audit.

#### Recommendation

The Morgantown Library should obtain a separate audit engagement so that the financial activity for the Library is reported in its own audit report.

#### Secured Revenue Collections - Municipal fees

The City employs clerks to collect municipal fees, including building permits, fire fees, and also tax payments at city hall. The area where the revenues are collected is open without any type of surveillance such as security cameras. Also, the area does not provide adequate protection for the employees from the public.

#### Recommendation

The Municipal officials should consider installing security cameras within areas of the city where employees collect revenues from the public. Also, the area within city hall should be examined to determine how this area could be altered to provide adequate protection for the employees from the public.

Honorable Mayor and Council  
City of Morgantown  
Management Letter  
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These comments are intended for the Council members, management, grantor agencies and federal awarding agencies, and are not intended to be and should not be used by anyone other than these specified parties.

In closing, on behalf of the audit staff, we appreciate the opportunity to present these comments and recommendations for your consideration. We would like to thank management for its hospitality, cooperation, positive attitude and openness to suggestion.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glen B. Gainer, III". The signature is written in a cursive style with a horizontal line at the end.

Glen B. Gainer, III  
West Virginia State Auditor

July 31, 2009