

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

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

FOR THE YEAR ENDED JUNE 30, 2009

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**CITY OF MORGANTOWN, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2009**

Office	Name	Term
	Elective	
Mayor	Ronald Justice	07/01/07 - 06/30/09
Deputy Mayor	Don Spencer	07/01/07 - 06/30/09
Council Members:	Charlie Byrer	07/01/07 - 06/30/09
	William Byrne	07/01/07 - 06/30/09
	Jennifer Selin	07/01/07 - 06/30/09
	Ron Bane	07/01/07 - 06/30/09
	John Gaddis	06/17/08 - 06/30/09
	Appointed	
City Manager	Dan Boroff	
Finance Director	Denise White	
City Clerk	Linda Little	
Staff Attorney	Stephen Fanok	

**CITY OF MORGANTOWN, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

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

Capital Projects Funds

Capital Reserve Fund
Tax Increment Financing
Business Improvement District

Debt Service Funds

Tax Increment Financing Debt Service

PROPRIETARY FUND TYPES

Enterprise Funds

Airport
Parking Authority
Building Commission

FIDUCIARY FUND TYPES

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

CITY OF MORGANTOWN, WEST VIRGINIA
INDEX OF FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

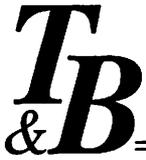
DISCRETELY PRESENTED COMPONENT UNITS

Morgantown Utility Board

Morgantown Public Library
Library Expendable Trust

Capital Projects Funds
Library Excess Levy II
Capital Project – Clay Battelle Branch

Fiduciary Fund Types
Library Nonexpendable Trust
Library Endowment Fund



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morgantown Utility Board, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morgantown Utility Board, is based on the report of the other auditors.

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

In our opinion, based on our audit of the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2010 on our consideration of the City of Morgantown, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The City of Morgantown, West Virginia, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morgantown, West Virginia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Morgantown, West Virginia. The combining and individual nonmajor fund financial statements and 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 8 to the financial statements, the City of Morgantown, West Virginia adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2009.

Detrick + Bartlett, PLLC

March 18, 2010

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Primary Government</u>			<u>Component Unit</u>	
	<u>Governmental</u>	<u>Business</u>	<u>Total</u>	<u>Morgantown</u>	<u>Morgantown</u>
	<u>Activities</u>	<u>Type</u> <u>Activities</u>		<u>Utility</u> <u>Board</u>	<u>Public</u> <u>Library</u>
Assets					
Cash	\$ 5,897,905	\$ 349,854	\$ 6,247,759	\$ 102,119	\$ 477,862
Investment	3,705,339	932,049	4,637,388	2,894,596	2,018,550
Receivables	6,784,068	249,431	7,033,499	2,690,193	12
Internal balances	41,306	(41,306)	-0-	-0-	-0-
Inventory	38,650	25,396	64,046	674,626	-0-
Prepaid expenses	-0-	49,514	49,514	42,730	2,075
Restricted assets	3,228,884	1,645,995	4,874,879	308,320	-0-
Capital assets, net	20,817,635	52,416,412	73,234,047	119,533,192	2,443,105
Other	-0-	-0-	-0-	8,875	-0-
Unamortized bond discount and issue costs	<u>936,927</u>	<u>642,882</u>	<u>1,579,809</u>	<u>196,962</u>	<u>-0-</u>
Total assets	<u>41,450,714</u>	<u>56,270,227</u>	<u>97,720,941</u>	<u>126,451,613</u>	<u>4,941,604</u>
Liabilities					
Accounts payable	4,227,455	270,980	4,498,435	508,240	13,203
Accrued payroll	539,648	50,478	590,126	589,520	84,963
Disallowed charges payable	68,158	-0-	68,158	-0-	-0-
Deferred revenue	135,939	-0-	135,939	98,071	-0-
Non-current liabilities	-0-	-0-	-0-	481,106	-0-
Long-term liabilities					
Due within one year	221,283	823,324	1,044,607	2,039,915	-0-
Due in more than one year	<u>23,753,201</u>	<u>13,616,315</u>	<u>37,369,516</u>	<u>36,045,361</u>	<u>-0-</u>
Total liabilities	<u>28,945,684</u>	<u>14,761,097</u>	<u>43,706,781</u>	<u>39,762,213</u>	<u>98,166</u>
Net Assets					
Invested in capital assets, net of related debt	20,678,829	38,074,648	58,753,477	92,511,185	2,443,105
Restricted	3,228,884	1,645,995	4,874,879	308,320	-0-
Unrestricted	<u>(11,402,683)</u>	<u>1,788,487</u>	<u>(9,614,196)</u>	<u>(6,130,105)</u>	<u>2,400,333</u>
Total net assets	<u>\$ 12,505,030</u>	<u>\$ 41,509,130</u>	<u>\$ 54,014,160</u>	<u>\$ 86,689,400</u>	<u>\$ 4,843,438</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>			<u>Component Unit</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Morgantown Utility Board</u>	<u>Morgantown Public Library</u>
Governmental Activities									
General government	\$ 6,749,639	\$ 661,682	\$ 50,048	\$ -0-	\$(6,037,909)	\$ -0-	\$(6,037,909)	\$ -0-	\$ -0-
Public safety	11,338,074	3,124,802	239,150	348,182	(7,625,940)	-0-	(7,625,940)	-0-	-0-
Highways and streets	4,271,460	-0-	-0-	345,296	(3,926,164)	-0-	(3,926,164)	-0-	-0-
Culture and recreation	3,926,053	1,469,291	368,184	-0-	(2,088,578)	-0-	(2,088,578)	-0-	-0-
Community development	18,482,182	-0-	480,433	5,152,225	(12,849,524)	-0-	(12,849,524)	-0-	-0-
Benefits payments	<u>2,614,712</u>	<u>3,524,291</u>	<u>-0-</u>	<u>-0-</u>	<u>909,579</u>	<u>-0-</u>	<u>909,579</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>47,382,120</u>	<u>8,780,066</u>	<u>1,137,815</u>	<u>5,845,703</u>	<u>(31,618,536)</u>	<u>-0-</u>	<u>(31,618,536)</u>	<u>-0-</u>	<u>-0-</u>
Business-Type Activities									
Airport	3,749,200	2,602,861	-0-	546,740	-0-	(599,599)	(599,599)	-0-	-0-
Parking	2,135,019	2,031,185	-0-	-0-	-0-	(103,834)	(103,834)	-0-	-0-
Building commission	<u>670,530</u>	<u>972,678</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>302,148</u>	<u>302,148</u>	<u>-0-</u>	<u>-0-</u>
Total business-type activities	<u>6,554,749</u>	<u>5,606,724</u>	<u>-0-</u>	<u>546,740</u>	<u>-0-</u>	<u>(401,285)</u>	<u>(401,285)</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>53,936,869</u>	\$ <u>14,386,790</u>	\$ <u>1,137,815</u>	\$ <u>6,392,443</u>	(31,618,536)	(401,285)	(32,019,821)	-0-	-0-
Component Unit									
Morgantown Utility Board	\$ 15,063,553	\$ 14,548,013	\$ -0-	\$ 2,664,711	-0-	-0-	-0-	2,149,171	-0-
Morgantown Public Library	<u>1,415,907</u>	<u>55,381</u>	<u>1,364,685</u>	<u>43,722</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>47,881</u>
Total component units	<u>\$ 16,479,460</u>	<u>\$ 14,603,394</u>	<u>\$ 1,364,685</u>	<u>\$ 2,708,433</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,149,171</u>	<u>47,881</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONTD)
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>			<u>Component Unit</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Morgantown Utility Board</u>	<u>Morgantown Public Library</u>
General Revenues									
Taxes and licenses					\$ 19,253,454	\$ -0-	\$ 19,253,454	\$ -0-	\$ -0-
Franchise fees					321,791	-0-	321,791	-0-	-0-
Interest and investment earnings					234,882	2,002	236,884	94,586	(152,464)
Gain (loss) on disposal of capital assets					-0-	-0-	-0-	-0-	2,479
Miscellaneous					<u>98,142</u>	<u>-0-</u>	<u>98,142</u>	<u>191,567</u>	<u>-0-</u>
Total general revenues					<u>19,908,269</u>	<u>2,002</u>	<u>19,910,271</u>	<u>286,153</u>	<u>(149,985)</u>
Change in net assets					(11,710,267)	(399,283)	(12,109,550)	2,435,324	(102,104)
Operating transfers in (out)					<u>9,072</u>	<u>(9,072)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in net assets					(11,701,195)	(408,355)	(12,109,550)	2,435,324	(102,104)
Net assets – beginning - restated					<u>24,206,225</u>	<u>41,917,485</u>	<u>66,123,710</u>	<u>84,254,076</u>	<u>4,945,542</u>
Net assets – ending					\$ <u>12,505,030</u>	\$ <u>41,509,130</u>	\$ <u>54,014,160</u>	\$ <u>86,689,400</u>	\$ <u>4,843,438</u>

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<i>Primary Government</i>						<i>Component Unit</i>			<i>Total</i>
	<u>General Fund</u>	<u>Tax Increment Financing Debt Service</u>	<u>Capital Reserve</u>	<u>Economic Development Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	
ASSETS										
Cash	\$ 355,107	\$ -0-	\$ 4,193,071	\$ 37,893	\$ 1,311,834	\$ 5,897,905	\$ 477,862	\$ -0-	\$ -0-	\$ 477,862
Investments	1,518,974	-0-	2,107,515	-0-	78,850	3,705,339	888,336	930,673	199,541	2,018,550
Receivables, net of allowances:										
Taxes	3,819,599	-0-	-0-	-0-	96,335	3,915,934	-0-	-0-	-0-	-0-
Accounts	76,899	-0-	-0-	-0-	3,767	80,666	-0-	-0-	-0-	-0-
Other	9,951	-0-	-0-	-0-	83,718	93,669	12	-0-	-0-	12
Grants	90,815	-0-	9,433	185,189	8,088	293,525	-0-	-0-	-0-	-0-
Interest	1,442	-0-	6,907	-0-	-0-	8,349	-0-	-0-	-0-	-0-
Bond proceeds	-0-	2,391,925	-0-	-0-	-0-	2,391,925	-0-	-0-	-0-	-0-
Due from/(to) other funds	53,770	-0-	20,257	-0-	(32,721)	41,306	(4,781)	-0-	4,781	-0-
Inventory	38,650	-0-	-0-	-0-	-0-	38,650	-0-	-0-	-0-	-0-
Restricted assets	-0-	3,228,884	-0-	-0-	-0-	3,228,884	-0-	-0-	-0-	-0-
Prepaid expenses	-0-	-0-	-0-	-0-	-0-	-0-	2,075	-0-	-0-	2,075
TOTAL ASSETS	\$ 5,965,207	\$ 5,620,809	\$ 6,337,183	\$ 223,082	\$ 1,549,871	\$ 19,696,152	\$ 1,363,504	\$ 930,673	\$ 204,322	\$ 2,498,499
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 135,828	\$ 3,234,789	\$ 400,999	\$ 185,189	\$ 215,106	\$ 4,171,911	\$ 13,203	\$ -0-	\$ -0-	\$ 13,203
Accrued interest payable	-0-	55,544	-0-	-0-	-0-	55,544	-0-	-0-	-0-	-0-
Accrued payroll and compensated absences	454,513	-0-	-0-	-0-	85,135	539,648	84,963	-0-	-0-	84,963
Disallowed charges payable	-0-	-0-	-0-	-0-	68,158	68,158	-0-	-0-	-0-	-0-
Deferred revenue	410,660	-0-	67,404	-0-	115,988	594,052	-0-	-0-	-0-	-0-
Total liabilities	<u>1,001,001</u>	<u>3,290,333</u>	<u>468,403</u>	<u>185,189</u>	<u>484,387</u>	<u>5,429,313</u>	<u>98,166</u>	<u>-0-</u>	<u>-0-</u>	<u>98,166</u>
Fund Balances										
Reserved	-0-	3,228,884	-0-	-0-	-0-	3,228,884	-0-	-0-	-0-	-0-
Unreserved	4,964,206	(898,408)	5,868,780	37,893	1,065,484	11,037,955	1,265,338	930,673	204,322	2,400,333
Total fund balance	<u>4,964,206</u>	<u>2,330,476</u>	<u>5,868,780</u>	<u>37,893</u>	<u>1,065,484</u>	<u>14,266,839</u>	<u>1,265,338</u>	<u>930,673</u>	<u>204,322</u>	<u>2,400,333</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,965,207	\$ 5,620,809	\$ 6,337,183	\$ 223,082	\$ 1,549,871	\$ 19,696,152	\$ 1,363,504	\$ 930,673	\$ 204,322	\$ 2,498,499

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF FUND BALANCE SHEETS OF
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown</u> <u>Public Library</u></i>
Fund balance, fund level statement June 30, 2009	\$ 14,266,839	\$ 2,400,333
<p>The total fund balance of the City of Morgantown's governmental funds differs from net assets of the governmental activities reported on the Statement of Net Assets as follows:</p> <p>Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:</p>		
Accrued compensated absences	(1,176,050)	-0-
Obligations under capital lease	(138,806)	-0-
Net pension obligation	(3,910,519)	-0-
Bonds payable	(17,195,109)	-0-
Accrued other post employment benefits	(1,554,000)	-0-
Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation.	20,817,635	2,443,105
<p>Some assets do not provide current financial resources and are reported as deferred revenues in the fund level statements.</p>		
Unamortized bond discount and issue costs	936,927	-0-
Deferred revenue	458,113	-0-
Net assets of governmental activities	\$ 12,505,030	\$ 4,843,438

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET ASSETS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Primary Government</i>					<i>Component Unit</i>				<u>Total</u>
	<u>General Fund</u>	<u>Tax Increment Financing Debt Service</u>	<u>Capital Reserve</u>	<u>Economic Development Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	
Revenues										
Taxes and special assessments	\$ 18,090,970	\$ -0-	\$ -0-	\$ -0-	\$ 702,859	\$ 18,793,829	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Licenses and permits	342,738	-0-	-0-	-0-	-0-	342,738	-0-	-0-	-0-	-0-
Charges for services	2,590,088	-0-	-0-	-0-	1,469,291	4,059,379	55,381	-0-	-0-	55,381
Fines and forfeits	638,480	-0-	-0-	-0-	215,178	853,658	-0-	-0-	-0-	-0-
Franchise fees	321,791	-0-	-0-	-0-	-0-	321,791	-0-	-0-	-0-	-0-
Interest	65,582	83,723	64,314	-0-	21,263	234,882	47,071	29,237	8,248	84,556
Donations	12,000	-0-	-0-	-0-	126,886	138,886	33,395	-0-	40	33,435
Intergovernmental										
Federal	239,150	-0-	405,920	-0-	883,105	1,528,175	-0-	-0-	-0-	-0-
State	38,048	-0-	98,750	5,053,475	193,185	5,383,458	441,101	-0-	2,668	443,769
County	-0-	-0-	-0-	-0-	65,000	65,000	275,000	-0-	40,000	315,000
Board of Education	-0-	-0-	-0-	-0-	-0-	-0-	20,000	-0-	-0-	20,000
City	-0-	-0-	-0-	-0-	-0-	-0-	551,372	-0-	-0-	551,372
Contributions from employees	-0-	-0-	-0-	-0-	89,595	89,595	-0-	-0-	-0-	-0-
Contributions from employers	-0-	-0-	-0-	-0-	3,434,696	3,434,696	-0-	-0-	-0-	-0-
Gain (loss) on investments	-0-	-0-	-0-	-0-	-0-	-0-	(73,531)	(163,489)	-0-	(237,020)
Bond proceeds	-0-	8,150,809	-0-	-0-	-0-	8,150,809	-0-	-0-	-0-	-0-
Other	77,570	-0-	4,900	-0-	15,672	154,280	1,109	-0-	-0-	1,109
Total revenues	<u>22,416,417</u>	<u>8,234,532</u>	<u>573,884</u>	<u>5,053,475</u>	<u>7,216,730</u>	<u>43,551,176</u>	<u>1,350,898</u>	<u>(134,252)</u>	<u>50,956</u>	<u>1,267,602</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET ASSETS - GOVERNMENTAL FUNDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Primary Government</i>						<i>Component Unit</i>			
	<u>General Fund</u>	<u>Tax Increment Financing Debt Service</u>	<u>Capital Reserve</u>	<u>Economic Development Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Morgantown Public Library</u>	<u>Library Expendable Trust</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Expenditures										
General government	\$ 4,540,132	\$ 15,970	\$ -0-	\$ -0-	\$ 198,469	\$ 4,754,571	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Public safety	9,415,230	-0-	-0-	-0-	127,981	9,543,211	-0-	-0-	-0-	-0-
Highways and streets	3,734,622	-0-	-0-	-0-	-0-	3,716,622	-0-	-0-	-0-	-0-
Culture and recreation	919,191	-0-	-0-	-0-	3,219,624	4,156,815	1,341,408	6,531	-0-	1,347,939
Community development	-0-	12,067,887	3,028,756	5,053,474	1,433,028	21,639,283	-0-	-0-	-0-	-0-
Debt service	-0-	741,294	-0-	-0-	-0-	741,294	-0-	-0-	-0-	-0-
Benefit payments	-0-	-0-	-0-	-0-	2,614,712	2,614,712	-0-	-0-	-0-	-0-
Total expenditures	<u>18,609,175</u>	<u>12,825,151</u>	<u>3,028,756</u>	<u>5,053,474</u>	<u>7,593,814</u>	<u>47,166,508</u>	<u>1,341,408</u>	<u>6,531</u>	<u>-0-</u>	<u>1,347,939</u>
(Deficiency) excess of revenues (under) over expenditures	<u>3,807,242</u>	<u>(4,590,619)</u>	<u>(2,454,872)</u>	<u>1</u>	<u>(377,084)</u>	<u>(3,615,332)</u>	<u>9,490</u>	<u>(140,783)</u>	<u>50,956</u>	<u>(80,337)</u>
Other Financing Sources (Uses)										
Operating transfers in	56,138	660,186	4,112,470	-0-	1,767,955	6,540,611	-0-	-0-	-0-	-0-
Operating transfers (out)	(4,618,774)	-0-	(745,472)	-0-	(1,223,431)	(6,531,539)	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>(4,562,536)</u>	<u>660,186</u>	<u>3,366,998</u>	<u>-0-</u>	<u>544,524</u>	<u>9,072</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net changes in fund balances	(755,394)	(3,930,433)	912,126	1	167,440	(3,606,260)	9,490	(140,783)	50,956	(80,337)
Fund balance at beginning of year	<u>5,719,600</u>	<u>6,260,909</u>	<u>4,956,654</u>	<u>37,892</u>	<u>898,044</u>	<u>17,873,099</u>	<u>1,255,848</u>	<u>1,071,456</u>	<u>153,366</u>	<u>2,480,670</u>
Fund balance at end of year	<u>\$ 4,964,206</u>	<u>\$ 2,330,476</u>	<u>\$ 5,868,780</u>	<u>\$ 37,893</u>	<u>\$ 1,065,484</u>	<u>\$ 14,266,839</u>	<u>\$ 1,265,338</u>	<u>\$ 930,673</u>	<u>\$ 204,322</u>	<u>\$ 2,400,333</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET ASSETS OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown</u> <u>Public Library</u></i>
Net change in net assets – total governmental funds	\$ (3,606,260)	\$ (80,337)
 Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the difference between capital outlays and depreciation in the current period.	2,664,437	(67,968)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of loss on disposal of capital assets.	-0-	2,479
Capital leases and bonds provide current financial resources to governmental funds, but entering into capital leases and bonds increase long-term liabilities in the Statement of Net Assets. Repayment of capital lease obligations and bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets, while proceeds are considered revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Assets.		
Repayment of obligation under capital lease	112,396	-0-
Repayment of bonds	130,000	-0-
Proceeds from bonds	(8,150,809)	-0-
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in compensated absences	(63,712)	-0-
Increase in pension benefit obligation	(1,520,135)	-0-
Increase in accrued other post employment benefits	(1,554,000)	-0-
Decrease in unamortized bond discounts	(40,736)	-0-

CITY OF MORGANTOWN, WEST VIRGINIA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN NET ASSETS OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2009

	<i>Primary Government</i>	<i>Component Unit <u>Morgantown Public Library</u></i>
<p>Some revenues reported in the Statement of Activities do not provide financial resources that are both available and measurable for use in current activities.</p>		
Donation of library materials	\$ -0-	\$ 43,722
Change in deferred revenues	<u>327,624</u>	<u>-0-</u>
Change in Net Assets of Governmental Activities	\$ <u>(11,701,195)</u>	\$ <u>(102,104)</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
PROPRIETARY FUNDS
JUNE 30, 2009**

	BUSINESS TYPE ACTIVITIES			<u>Total</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	
ASSETS				
Current Assets				
Cash	\$ 19,734	\$ 314,196	\$ 15,924	\$ 349,854
Investments	-0-	932,049	-0-	932,049
Receivables, net of allowances:				
Accounts	130,959	537	2,472	133,968
Grants	115,002	-0-	-0-	115,002
Interest	-0-	461	-0-	461
Inventory	25,396	-0-	-0-	25,396
Due from/(to) other funds	(41,410)	104	-0-	(41,306)
Prepaid expenses	5,825	-0-	-0-	5,825
Total current assets	<u>255,506</u>	<u>1,247,347</u>	<u>18,396</u>	<u>1,521,249</u>
Noncurrent Assets				
Restricted assets	<u>5,635</u>	<u>770,114</u>	<u>870,246</u>	<u>1,645,995</u>
Capital Assets				
Land	50,050	1,484,326	1,441,110	2,975,486
Land improvements	-0-	-0-	667,500	667,500
Buildings	5,314,574	-0-	17,005,274	22,319,848
Structures and improvements	30,372,989	8,657,051	-0-	39,030,040
Leasehold improvements	-0-	90,965	-0-	90,965
Machinery and equipment	1,229,852	1,048,533	1,094,319	3,372,704
Construction in progress	86,750	-0-	3,497,915	3,584,665
Less: Accumulated depreciation	(10,992,096)	(4,393,191)	(4,239,509)	(19,624,796)
Net capital assets	<u>26,062,119</u>	<u>6,887,684</u>	<u>19,466,609</u>	<u>52,416,412</u>
Other Assets				
Prepaid expenses	43,689	-0-	-0-	43,689
Unamortized bond discount and issue costs	-0-	48,643	594,239	642,882
Total other assets	<u>43,689</u>	<u>48,643</u>	<u>594,239</u>	<u>686,571</u>
TOTAL ASSETS	\$ <u>26,366,949</u>	\$ <u>8,953,788</u>	\$ <u>20,949,490</u>	\$ <u>56,270,227</u>

BUSINESS TYPE ACTIVITIES			
<u>Airport</u>	<u>Parking</u>	<u>Building</u>	
<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Total</u>

LIABILITIES AND NET ASSETS

Current Liabilities (payable from current assets)

Notes payable	\$ -0-	\$ -0-	\$ 9,243	\$ 9,243
Accounts payable	139,488	60,903	70,589	270,980
Accrued payroll	24,480	25,998	-0-	50,478
Accrued compensated absences	<u>52,398</u>	<u>45,477</u>	<u>-0-</u>	<u>97,875</u>
Total current liabilities (payable from current assets)	<u>216,366</u>	<u>132,378</u>	<u>79,832</u>	<u>428,576</u>

Current Liabilities (payable from restricted assets)

Revenue bonds payable	<u>-0-</u>	<u>218,106</u>	<u>595,975</u>	<u>814,081</u>
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>218,106</u>	<u>595,975</u>	<u>814,081</u>

Long-Term Liabilities (net of current portion)

Revenue bonds payable	-0-	4,801,907	8,694,366	13,496,273
Notes payable	<u>-0-</u>	<u>-0-</u>	<u>22,167</u>	<u>22,167</u>
Total long-term liabilities	<u>-0-</u>	<u>4,801,907</u>	<u>8,716,533</u>	<u>13,518,440</u>

Total liabilities	<u>216,366</u>	<u>5,152,391</u>	<u>9,392,340</u>	<u>14,761,097</u>
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Net Assets

Invested in capital assets, net of related debt	26,062,119	1,867,671	10,144,858	38,074,648
Restricted	5,635	770,114	870,246	1,645,995
Unrestricted	<u>82,829</u>	<u>1,163,612</u>	<u>542,046</u>	<u>1,788,487</u>
Total net assets	<u>26,150,583</u>	<u>3,801,397</u>	<u>11,557,150</u>	<u>41,509,130</u>

TOTAL LIABILITIES AND NET ASSETS

	\$ <u>26,366,949</u>	\$ <u>8,953,788</u>	\$ <u>20,949,490</u>	\$ <u>56,270,227</u>
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The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
BALANCE SHEETS – PROPRIETARY FUNDS (CONT'D)
JUNE 30, 2009**

	<i><u>Component Unit</u></i> <i><u>Morgantown</u></i> <i><u>Utility Board</u></i>
ASSETS	
Current Assets:	
Cash	\$ 102,119
Customer accounts receivable, net of allowance for doubtful accounts	1,070,402
Other accounts receivable	494,024
Interest and dividends receivable	16,775
Accrued utility revenue	1,108,992
Supplies inventory	674,626
Deposits and prepayments	<u>42,730</u>
Total current assets	<u>3,509,668</u>
Capital Assets:	
Water utility plant	65,190,543
Less accumulated depreciation	(25,843,798)
Construction work in progress	<u>3,148,309</u>
Net water utility plant	<u>42,495,054</u>
Sewer utility plant	89,900,822
Less accumulated depreciation	(44,783,149)
Construction work in progress	<u>10,075,466</u>
Net sewer utility plant	<u>55,193,139</u>
Stormwater utility plant	15,415,162
Less accumulated depreciation	(1,799,399)
Construction work in progress	<u>8,229,236</u>
Net stormwater utility plant	<u>21,844,999</u>
Total net capital assets	<u>119,533,192</u>
Non-Current Assets:	
Restricted bond sinking fund investments	<u>308,320</u>
Investments	<u>2,894,596</u>
Other Assets:	
Deferred financing costs	196,962
Other	<u>8,875</u>
Total other assets	<u>205,837</u>
Total non-current assets	<u>3,408,753</u>
Total Assets	\$ <u>126,451,613</u>

Component Unit
Morgantown
Utility Board

LIABILITIES

Current Liabilities:		
Accounts payable	\$	221,180
Accrued payroll		589,520
Billing services collected payable		168,706
Current portion of bonds payable		2,039,915
Deferred revenue		98,071
Other accrued liabilities		<u>118,354</u>
Total current liabilities		<u>3,235,746</u>
 Non-Current Liabilities		
Liabilities payable from restricted assets:		
Customer deposits		432,147
Accrued administration costs on bonds		7,058
Accrued interest on bonds		35,675
Interest on customer deposits		<u>6,226</u>
Total non-current liabilities		<u>481,106</u>
 Long-Term Liabilities:		
Bond long-term debt		<u>24,982,092</u>
Total long-term debt		<u>24,982,092</u>
 Other Liabilities		
Advances on construction		<u>11,063,269</u>
Total other liabilities		<u>11,063,269</u>
 Total long-term debt		<u>36,045,361</u>
 Total liabilities		<u>39,762,213</u>
 Net Assets		
Invested in capital assets, net of related debt		92,511,185
Restricted for debt service		308,320
Unrestricted		(6,130,105)
Total net assets		<u>86,689,400</u>
 Total Liabilities and Net Assets	\$	<u>126,451,613</u>

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	BUSINESS TYPE ACTIVITIES			
	<u>Airport</u> <u>Fund</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 2,602,861	\$ 1,568,544	\$ 972,678	\$ 5,144,083
Fines	-0-	462,641	-0-	462,641
Grants	<u>10,000</u>	<u>-0-</u>	<u>-0-</u>	<u>10,000</u>
Total operating revenues	<u>2,612,861</u>	<u>2,031,185</u>	<u>972,678</u>	<u>5,616,724</u>
Operating Expenses				
Personal services	655,173	753,591	-0-	1,408,764
Purchases – fuel	1,568,051	-0-	-0-	1,568,051
Supplies	23,745	23,708	-0-	47,453
Liability insurance	49,354	34,968	-0-	84,322
Utilities	155,248	84,940	-0-	240,188
General and administrative	177,001	73,364	8,225	250,590
Depreciation	1,011,394	331,097	340,246	1,682,737
Maintenance	85,409	99,458	-0-	184,867
Rental lease	<u>23,825</u>	<u>498,474</u>	<u>-0-</u>	<u>522,299</u>
Total operating expenses	<u>3,749,200</u>	<u>1,899,600</u>	<u>348,471</u>	<u>5,997,271</u>
Operating (loss) income	(<u>1,136,339</u>)	<u>131,585</u>	<u>624,207</u>	(<u>380,547</u>)
Nonoperating Revenues (Expenses)				
Interest and dividends	412	28,417	12,850	41,679
Gain (loss) on investments	-0-	(39,677)	-0-	(39,677)
Interest and fiscal charges	-0-	(232,064)	(265,253)	(497,317)
Amortization of bond discount and issue costs	<u>-0-</u>	<u>(3,355)</u>	<u>(56,806)</u>	<u>(60,161)</u>
Total nonoperating revenues (expenses)	<u>412</u>	<u>(246,679)</u>	<u>(309,209)</u>	<u>(555,476)</u>
Change in net assets before nonoperating grants and operating transfers	(1,135,927)	(115,094)	314,998	(936,023)
Transfers to other funds	-0-	-0-	(9,072)	(9,072)
Nonoperating grants	<u>536,740</u>	<u>-0-</u>	<u>-0-</u>	<u>536,740</u>
Change in net assets	(599,187)	(115,094)	305,926	(408,355)
Total net assets – beginning – restated	<u>26,749,770</u>	<u>3,916,491</u>	<u>11,251,224</u>	<u>41,917,485</u>
Total net assets – ending	\$ <u>26,150,583</u>	\$ <u>3,801,397</u>	\$ <u>11,557,150</u>	\$ <u>41,509,130</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Component Unit</i> <u>Morgantown</u> <u>Utility Board</u>
Operating Revenues:	
Water sales revenue	\$ 5,467,318
Sewerage service revenue	7,272,620
Stormwater service revenue	1,487,099
Billing services revenue	101,886
Forfeited discounts	87,948
Rents from water property	63,760
Service connection fees – water	23,504
Other operating revenue	<u>43,878</u>
Total operating revenues	<u>14,548,013</u>
 Water Operating Expenses:	
Source of supply	1,148
Pumping	550,541
Water treatment	1,579,668
Transmission and distribution	2,117,349
Customer accounts	201,810
Administrative and general	<u>2,256,4650</u>
Total water operating expenses	<u>6,706,966</u>
 Sewer Operating Expenses:	
Collecting	2,269,825
Pumping	492,185
Treatment and disposal	1,924,129
Billing and collecting	247,767
Administrative and general	<u>2,039,909</u>
Total sewer operating expenses	<u>6,973,815</u>
 Stormwater Utility Operating Expenses:	
Collecting	691,808
Billing and collecting	63,791
Administrative and general	<u>325,107</u>
Total stormwater operating expenses	<u>1,080,706</u>
 Total operating expenses	 <u>14,761,487</u>

CITY OF MORGANTOWN, WEST VIRGINIA
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS(CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2009

	<i>Component Unit</i> <u>Morgantown</u> <u>Utility Board</u>
Operating income (loss)	\$ (<u>213,474</u>)
Nonoperating Revenues (Expenses)	
Investment income	94,586
Interest on financing	(302,066)
Other	<u>191,567</u>
Total non-operating revenues (expenses)	(<u>15,913</u>)
Net income/(loss) before invested in capital assets	(229,387)
Contributed capital	<u>2,664,711</u>
Change in net assets	2,435,324
Total net assets – beginning	<u>84,254,076</u>
Total net assets – ending	\$ <u>86,689,400</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	BUSINESS TYPE ACTIVITIES			
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Total</u>
Cash Flows From Operating Activities				
Receipts from customers	\$ 2,605,276	\$ 2,031,354	\$ 970,206	\$ 5,606,836
Payments to other funds	-0-	-0-	(9,072)	(9,072)
Payments to suppliers	(2,181,642)	(818,103)	(33,606)	(3,033,351)
Payments to employees	(643,078)	(747,965)	-0-	(1,391,043)
Net cash provided by (used in) operating activities	<u>(219,444)</u>	<u>465,286</u>	<u>927,528</u>	<u>1,173,370</u>
Cash Flows From Capital and Related Financing Activities				
Repayment of notes payable	-0-	-0-	(8,674)	(8,674)
Proceeds from revenue bonds	-0-	-0-	3,839,172	3,839,172
Repayment of revenue bonds	-0-	(209,516)	(600,730)	(810,246)
Nonoperating grants	613,800	-0-	-0-	613,800
Acquisition of capital assets	(504,659)	(116,529)	(3,907,432)	(4,528,620)
Interest expense	-0-	(232,064)	(265,253)	(497,317)
Net cash (used in) provided by capital and related financing activities	<u>109,141</u>	<u>(558,109)</u>	<u>(942,917)</u>	<u>(1,391,885)</u>
Cash Flows From Investing Activities				
Change in value of investments	-0-	(39,677)	-0-	(39,677)
Interest income	<u>412</u>	<u>28,282</u>	<u>12,850</u>	<u>41,544</u>
Net cash provided by (used in) investing activities	<u>412</u>	<u>(11,395)</u>	<u>12,850</u>	<u>1,867</u>
Net (decrease) increase in cash	(109,891)	(104,218)	(2,539)	(216,648)
Cash at beginning of year	<u>135,260</u>	<u>2,120,577</u>	<u>888,709</u>	<u>3,144,546</u>
Cash at end of year	\$ <u>25,369</u>	\$ <u>2,016,359</u>	\$ <u>886,170</u>	\$ <u>2,927,898</u>
Cash is reported on the statement of net assets as follows:				
Cash	\$ 19,734	\$ 314,196	\$ 15,924	\$ 349,854
Investment	-0-	932,049	-0-	932,049
Restricted assets	<u>5,635</u>	<u>770,114</u>	<u>870,246</u>	<u>1,645,995</u>
	\$ <u>25,369</u>	\$ <u>2,016,359</u>	\$ <u>886,170</u>	\$ <u>2,927,898</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2009**

	BUSINESS TYPE ACTIVITIES			
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	<u>Total</u>
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating (loss) income	\$ (1,136,339)	\$ 131,585	\$ 624,207	\$ (380,547)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,011,394	331,097	340,246	1,682,737
Nonoperating revenues	-0-	-0-	(9,072)	(9,072)
(Increase) decrease in:				
Accounts receivable	44,915	169	(2,472)	42,612
Inventory	20,369	-0-	-0-	20,369
Due from/(to) other funds	41,410	(104)	(25,012)	16,294
Prepaid expenses	5,825	-0-	-0-	5,825
Increase (decrease) in:				
Accounts payable	(166,613)	(3,087)	(369)	(170,069)
Prepaid revenues	(52,500)	-0-	-0-	(52,500)
Accrued payroll	3,930	2,998	-0-	6,928
Accrued compensated absences	<u>8,165</u>	<u>2,628</u>	<u>-0-</u>	<u>10,793</u>
Net cash provided by (used in) operating activities	\$ (<u>219,444</u>)	\$ <u>465,286</u>	\$ <u>927,528</u>	\$ <u>1,173,370</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Component Unit Morgantown Utility Board</i>
Cash Flows From Operating Activities	
Collections from Customers	\$ 14,548,013
Payments to suppliers and employees	(10,290,545)
Deferred revenues	<u>98,071</u>
Net cash provided/(used) by operating activities	<u>4,355,539</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(10,177,570)
Principal payments on long-term debt	(3,305,374)
Interest paid on long-term debt	(302,066)
(Increase) in bond sinking fund	(19,365)
Advances on construction	73,569
Contributions in aid of construction	2,663,693
Customer deposits	31,440
Increase in bond proceeds receivable	<u>112,860</u>
Net cash provided/(used) by capital and related financing activities	<u>(10,922,813)</u>
Cash Flows From Investing Activities	
Proceeds from sales of investments	1,326,033
New bond issues	5,048,405
Purchase of investments	(55,000)
Investment income	<u>94,586</u>
Net cash provided/(used) by investing activities	<u>6,414,024</u>
Net increase/(decrease) in cash	(153,250)
Cash balance – beginning of year	<u>255,369</u>
Cash balance – ending of year	\$ <u>102,119</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Component Unit</i> <u>Morgantown</u> <u>Utility Board</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$(213,474)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,914,079
Amortization	75,216
Provision for bad debts	41,375
Change in assets and liabilities:	
(Increase)/decrease in receivables	60,397
(Increase)/decrease in accrued utility revenue	(202,677)
(Increase)/decrease in inventory	(13,728)
(Increase)/decrease in deposits and prepayments	432,839
(Increase)/decrease in other assets	20,625
(Decrease)/increase in accounts payable	213,485
(Decrease)/increase in accrued payroll	15,771
(Decrease)/increase in billing services collected payable	(18,390)
(Decrease)/increase in other accrued liabilities	<u>30,021</u>
Net cash provided by operating activities	\$ <u>4,355,539</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>GAAP Difference</u>	<u>(GAAP Basis)</u>	<u>With Final Budget Favorable (Unfavorable)</u>
Revenues						
Taxes (including interest and penalties)						
General property taxes	\$ 3,104,416	\$ 3,111,508	\$ 3,225,941	\$ 131,457	\$ 3,357,398	\$ 114,433
Other taxes - business and public service	13,727,500	14,332,000	14,821,257	149,966	14,971,223	489,257
Total taxes	16,831,916	17,443,508	18,047,198	281,423	18,328,621	603,690
Licenses and permits	220,000	325,000	342,738	-0-	342,738	17,738
Charges for services	2,562,288	2,582,288	2,598,480	(8,392)	2,590,088	16,192
Fines and forfeitures	700,000	650,000	634,854	3,626	638,480	(15,146)
Franchise fees	270,000	316,000	316,942	4,849	321,791	942
Contributions	32,000	44,000	12,000	-0-	12,000	(32,000)
Interest	175,000	50,000	65,582	-0-	65,582	15,582
Intergovernmental:						
Federal	303,000	303,000	239,150	-0-	239,150	(63,850)
State	-0-	-0-	38,048	-0-	38,048	38,048
Miscellaneous	34,700	54,700	75,147	2,421	77,568	20,447
Total revenues	<u>21,128,904</u>	<u>21,768,496</u>	<u>22,370,139</u>	<u>283,927</u>	<u>22,654,066</u>	<u>601,643</u>
Expenditures						
General government	5,163,977	5,324,126	4,539,788	1,927,149	6,466,937	784,338
Public safety	9,215,005	9,519,282	9,415,230	1,839,462	11,254,692	104,052
Highways and streets	3,650,612	3,768,118	3,734,622	265,045	3,999,667	33,496
Health and sanitation	-0-	-0-	-0-	-0-	-0-	-0-
Culture and recreation	904,720	914,720	919,190	-0-	919,190	(4,470)
Total expenditures	<u>18,934,314</u>	<u>19,526,246</u>	<u>18,608,830</u>	<u>4,031,656</u>	<u>22,640,486</u>	<u>917,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,194,590</u>	<u>2,242,250</u>	<u>3,761,309</u>	<u>(3,747,729)</u>	<u>13,580</u>	<u>1,519,059</u>
Other Financing Sources (Uses)						
Operating transfers in	56,138	56,138	56,138	-0-	56,138	-0-
Operating transfers (out)	(3,416,712)	(4,614,865)	(4,618,774)	2,698,265	(1,920,509)	(3,909)
Total other financing sources (uses)	<u>(3,360,574)</u>	<u>(4,558,727)</u>	<u>(4,562,636)</u>	<u>2,698,265</u>	<u>(1,864,371)</u>	<u>(3,909)</u>
Net change in fund balance	(1,165,984)	(2,316,477)	(801,327)	(1,049,464)	(1,850,791)	1,515,150
Fund balance at beginning of year	<u>1,165,984</u>	<u>2,316,477</u>	<u>1,571,733</u>	<u>15,613,818</u>	<u>17,185,551</u>	<u>(744,744)</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>770,406</u>	\$ <u>14,564,354</u>	\$ <u>15,334,760</u>	\$ <u>770,406</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2009**

Explanation of Differences:

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

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
COAL SEVERANCE FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Differences</u>	<u>(GAAP</u>	<u>Budget</u>
					<u>Basis)</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Interest	\$ 1,500	\$ 1,500	\$ 366	\$ -0-	\$ 366	\$(1,134)
Intergovernmental:						
State	<u>96,000</u>	<u>96,000</u>	<u>132,001</u>	<u>-0-</u>	<u>132,001</u>	<u>36,001</u>
Total revenues	<u>97,500</u>	<u>97,500</u>	<u>132,367</u>	<u>-0-</u>	<u>132,367</u>	<u>34,867</u>
Expenditures						
General government	<u>564</u>	<u>564</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>564</u>
Total expenditures	<u>564</u>	<u>564</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>564</u>
Excess of revenues over expenditures	<u>96,936</u>	<u>96,936</u>	<u>132,367</u>	<u>-0-</u>	<u>132,367</u>	<u>35,431</u>
Other Financing Sources (Uses)						
Operating transfers (out)	<u>(100,000)</u>	<u>(110,245)</u>	<u>(110,245)</u>	<u>-0-</u>	<u>(110,245)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(110,245)</u>	<u>(110,245)</u>	<u>-0-</u>	<u>(110,245)</u>	<u>-0-</u>
Net change in fund balance	(3,064)	(13,309)	22,122	-0-	22,122	35,431
Fund balance at beginning of year	<u>3,064</u>	<u>13,309</u>	<u>13,309</u>	<u>-0-</u>	<u>13,309</u>	<u>-0-</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>35,431</u>	\$ <u>-0-</u>	\$ <u>35,431</u>	\$ <u>35,431</u>

Explanation of Differences

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

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESONSIBILITIES
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Primary Government</u>				<u>Component Unit</u>		
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>	<u>Morgantown Trust</u>	<u>Public Library Endowment Fund</u>	<u>Total</u>
Assets							
Cash	\$ 1,556	\$ 1,565	\$ 2,224	\$ 5,345	\$ -0-	\$ -0-	\$ -0-
Investments	11,001,903	8,461,640	28,218,108	47,681,651	37,241	7,089	44,330
Receivables:							
Contributions	475,498	439,974	88,451	1,003,923	-0-	-0-	-0-
Accrued interest	<u>64,524</u>	<u>47,979</u>	<u>100,673</u>	<u>213,176</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets	<u>11,543,481</u>	<u>8,951,158</u>	<u>28,409,456</u>	<u>48,904,095</u>	<u>37,241</u>	<u>7,089</u>	<u>44,330</u>
Liabilities							
Accounts payable	<u>1,000</u>	<u>1,770</u>	<u>9,093</u>	<u>11,863</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>1,000</u>	<u>1,770</u>	<u>9,093</u>	<u>11,863</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Assets							
Held in trust	\$ <u>11,542,481</u>	\$ <u>8,949,388</u>	\$ <u>28,400,363</u>	\$ <u>48,892,232</u>	\$ <u>37,241</u>	\$ <u>7,089</u>	\$ <u>44,330</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2009**

	<u>Primary Government</u>				<u>Component Unit</u>		
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Total</u>	<u>Morgantown Public Library Nonexpendable Trust</u>	<u>Endowment Fund</u>	<u>Total</u>
Additions:							
Contributions:							
Employer	\$ 480,283	\$ 406,613	\$ 848,058	\$ 1,734,954	\$ -0-	\$ -0-	\$ -0-
Employee	209,887	155,415	623,728	989,030	-0-	-0-	-0-
Insurance premium tax allocation	475,498	439,974	-0-	915,472	-0-	-0-	-0-
Other	774	1,770	2,719	5,263	-0-	-0-	-0-
Total contributions	<u>1,166,442</u>	<u>1,003,772</u>	<u>1,474,505</u>	<u>3,644,719</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Investment income:							
Net appreciation in fair value of investments	(1,521,052)	(1,269,849)	(3,763,079)	(6,553,980)	(3,423)	(1,648)	(5,071)
Interest and dividends	454,910	350,836	1,058,913	1,864,659	1,389	234	1,623
Total investment income	<u>(1,066,142)</u>	<u>(919,013)</u>	<u>(2,704,166)</u>	<u>(4,689,321)</u>	<u>(2,034)</u>	<u>(1,414)</u>	<u>(3,448)</u>
Total additions	<u>100,300</u>	<u>84,759</u>	<u>(1,229,661)</u>	<u>(1,044,602)</u>	<u>(2,034)</u>	<u>(1,414)</u>	<u>(3,448)</u>
Deductions							
General and administrative	103,035	81,845	134,541	319,421	259	117	376
Contribution refunds	2,657	42,004	248,468	293,129	-0-	-0-	-0-
Benefit payments	1,434,702	1,139,082	1,521,766	4,095,550	1,146	-0-	1,146
Total deductions	<u>1,540,394</u>	<u>1,262,931</u>	<u>1,904,775</u>	<u>4,708,100</u>	<u>1,405</u>	<u>117</u>	<u>1,522</u>
Net increase (decrease)	<u>(1,440,094)</u>	<u>(1,178,172)</u>	<u>(3,134,436)</u>	<u>(5,752,702)</u>	<u>(3,439)</u>	<u>(1,531)</u>	<u>(4,970)</u>
Net assets – beginning of year	<u>12,982,575</u>	<u>10,127,560</u>	<u>31,534,799</u>	<u>54,644,934</u>	<u>40,680</u>	<u>8,620</u>	<u>49,300</u>
Net assets – end of year	<u>\$ 11,542,481</u>	<u>\$ 8,949,388</u>	<u>\$ 28,400,363</u>	<u>\$ 48,892,232</u>	<u>\$ 37,241</u>	<u>\$ 7,089</u>	<u>\$ 44,330</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. Summary of Significant Accounting Policies

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

The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2009.

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

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

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

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Basic Financial Statements – Government Wide Statements

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

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

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

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Discretely Presented Component Units

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

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

Morgantown Utility Board
278 Greenbag Road
Morgantown, West Virginia 26507

The Morgantown Public Library serves all of the citizens of the City of Morgantown. The financial statements for this component unit are included as part of the financial statements of the City of Morgantown for the year ending June 30, 2009.

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

(a) Reporting Entity

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

(b) Government-Wide Financial Statements

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

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

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

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

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

Governmental Fund Types

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

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

Proprietary Fund Types

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

The City of Morgantown reports the following major governmental funds:

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

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

The City of Morgantown reports the following major proprietary funds:

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

(d) **Fund Financial Statements**

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

Governmental Fund Types

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

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

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

(e) Cash, Cash Equivalents and Investments

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

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

(f) Receivables

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

Discretely Presented Component Unit

Estimated Credit Losses – The provision for losses on trade receivable is charged to operations in an amount sufficient to maintain the allowance for losses at a level considered adequate to cover estimated credit losses. The Morgantown Utility Board's charge-off policy is based on an account-by-account review. At June 30, 2009, the Morgantown Utility Board did a full review of trade accounts receivables and set a monthly allowance for bad debt charges. Generally, accounts are considered delinquent when they are 30 days contractually past due.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2009**

(g) Capital Assets

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

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

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

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

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2009**

Discretely Presented Component Units

Morgantown Public Library

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

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

Morgantown Utility Board

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

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

(h) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Accrual Basis of Accounting

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

Government-Wide Financial Statements

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

(i) Fund Equity

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

(j) Budgets and Budgetary Accounting

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

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

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

A) Unused appropriations for all of the above annually budgeted funds lapse at the year end.

B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(k) Encumbrances – Fund Financial Statements

Encumbrance accounting is used for the General Fund and special revenue funds.

Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

(l) Inventories

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

Discretely Presented Component Unit

Morgantown Utility Board

The supplies inventory is valued on average cost basis.

(m) Amortization

Debt discount and expense on bonds is amortized on the straight-line method from the date of issuance to the date of maturity. Amortization of debt discount and issue costs for fiscal year ended June 30, 2009 was \$100,897.

Discretely Presented Component Unit

Morgantown Utility Board

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

(n) Compensated Absences

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

Accumulated Sick Leave

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

Discretely Presented Component Unit

Morgantown Utility Board

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

(o) Self Insurance

The City is self-insured for employees life and health benefits. The operating funds are charged premiums by the City insurance fund, which is accounted for as a special revenue fund. The fund balance has been reserved for payment of future claims including any claims incurred and not yet reported at June 30, 2009.

(p) Pension Plans

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

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

Discretely Presented Component Unit
Morgantown Utility Board

Pension Plan

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

Funding Policy – Plan members are required to contribute 6% of their annual covered salary and the Board is required to contribute an actuarially determined rate. The 2009 rate is 8.5% of annual covered payroll. The Board's contributions to the Plan for the years ended June 30, 2009, 2008 and 2007, was \$475,353, \$522,183 and \$439,266, equal to the required contributions.

Deferred Compensation Plan – Employees are eligible to participate in an IRC Section 457 Deferred Compensation Plan. The maximum amount which may be deferred is the lesser of 100% of an employee's salary or \$16,500, for 2009 and beyond, plus \$5,000 catch-up for employees over fifty years of age. The Board provides no match for participant's contributions. All amounts which are deferred remain solely the property of the Board and are subject to its generally creditors.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Morgantown Public Library

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

(q) Use of Estimates

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

(r) Interfund Activity

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

(s) Equity Classification

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

(t) Restricted Assets

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

(u) Operating and Nonoperating Revenue

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

2. Reconciliation of Government-Wide and Fund Financial Statements

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

3. Deposits and Investments

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

Deposits

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2009. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
General fund	\$ 2,478,629	\$ 66,995	\$ 2,411,634	\$ -0-	\$ 1,874,081
Special revenue funds	1,028,044	27,778	1,000,266	-0-	1,165,328
Capital project funds	6,463,139	401,945	6,061,194	-0-	6,484,985
Enterprise funds	<u>1,011,899</u>	<u>410,987</u>	<u>598,062</u>	<u>2,850</u>	<u>910,730</u>
Total deposits	\$ <u>10,981,711</u>	\$ <u>907,705</u>	\$ <u>10,071,156</u>	\$ <u>2,850</u>	\$ <u>10,435,124</u>

	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
Fiduciary funds		\$ <u>5,345</u>	\$ <u>4,050</u>	\$ <u>1,295</u>	\$ <u>-0-</u>
			\$ <u>5,345</u>		

Discretely Presented Component Units
Morgantown Public Library

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
General fund	\$ <u>559,097</u>	\$ <u>285,918</u>	\$ <u>-0-</u>	\$ <u>273,179</u>	\$ <u>477,862</u>

Morgantown Utility Board

The Board considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Custodial credit risk is the risk that in the event of a bank failure, the Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Board's deposits at each financial institution are federally insured up to \$250,000. Any amounts on deposit in excess of \$250,000 are secured by specifically identified pledged collateral.

The Board's deposits are categorized to give an indication of the level of risk assumed by the Board as of June 30, 2009. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

As of June 30, 2009 all cash and cash equivalent deposits of the Board's are covered by category one which is checking accounts.

<u>Institution</u>	<u>Investments</u>	<u>Maturities</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Cash on Hand	Cash	Demand	\$ 1,350	\$ -0-
BB&T	Checking	Demand	<u>100,769</u>	<u>669,711</u>
Total			\$ <u>102,119</u>	\$ <u>669,711</u>

Investments

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2009. The categories are described as follows:

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

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Money Market	\$ 4,343,383	\$ -0-	\$ -0-	\$ 4,343,383	\$ 4,343,383
U.S. Government Obligations	73,370	-0-	-0-	73,370	75,000
Corporate Bonds	1,036	-0-	-0-	1,036	1,182
Corporate Stocks	102,958	-0-	-0-	102,958	139,552
Other Assets	<u>34,041</u>	<u>-0-</u>	<u>-0-</u>	<u>34,041</u>	<u>34,041</u>
 Total investments	 \$ <u>4,554,788</u>	 \$ <u>-0-</u>	 \$ <u>-0-</u>	 4,554,778	 4,593,158
 Investments in municipal bond commission				 <u>770,114</u>	 <u>770,114</u>
 Total investments				 5,324,902	\$ <u>5,363,272</u>
Total deposits				<u>10,435,124</u>	
 Total deposits and investments				\$ <u>15,760,026</u>	

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

Cash	\$ 6,247,759
Restricted assets	4,637,388
Investments	<u>4,874,879</u>
	\$ <u>15,760,026</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2009, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market Funds	\$ 4,343,383	N/A	N/A
U.S. Government Obligations	73,370	Unknown	Unknown
Corporate bonds	1,036	Unknown	Unknown
Corporate stocks	102,958	N/A	N/A
Other assets	<u>34,041</u>	Unknown	Unknown
	\$ <u>4,554,788</u>		

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Interest Rate Risk

As of June 30, 2009, the City had the following amounts exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Government obligations	\$ 73,370	\$ 73,370	\$ -0-	\$ -0-	\$ -0-
Corporate Bonds	1,036	-0-	-0-	-0-	1,036
Certificates of Deposit	<u>3,139,496</u>	<u>3,139,496</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 3,212,866</u>	<u>\$ 3,212,866</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,036</u>

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

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Cost</u>
Money Market	\$ 180,455	\$ -0-	\$ -0-	\$ 180,455	\$ 180,455
Mutual Funds	456,367	-0-	-0-	456,367	491,951
U.S. Government Obligations	301,332	-0-	-0-	301,332	291,364
Corporate Stocks	384,058	-0-	-0-	384,058	407,679
Corporate Bonds	52,969	-0-	-0-	52,969	50,130
Certificates of Deposit	<u>643,369</u>	<u>-0-</u>	<u>-0-</u>	<u>643,369</u>	<u>630,000</u>
Total investments	<u>\$ 2,018,550</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,018,550</u>	<u>\$ 2,051,579</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2009, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market Funds	\$ 180,455	N/A	N/A
Mutual Funds	456,367	Unknown	Unknown
U.S. Government Obligations	301,332	Unknown	Unknown
Corporate Stocks	384,058	N/A	N/A
Corporate Bonds	52,969	Unknown	Unknown
Certificates of deposit	<u>643,369</u>	N/A	N/A
	\$ <u>2,018,550</u>		

Interest Rate Risk

As of June 30, 2009, the Library had the following investments exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Government obligations	\$ 301,332	\$ 128,268	\$ 173,064	\$ -0-	\$ -0-
Corporate Bonds	52,969	-0-	-0-	52,969	-0-
Certificates of Deposit	<u>643,369</u>	<u>136,449</u>	<u>506,920</u>	<u>-0-</u>	<u>-0-</u>
	\$ <u>997,670</u>	\$ <u>264,717</u>	\$ <u>679,984</u>	\$ <u>52,969</u>	\$ <u>-0-</u>

Morgantown Utility Board

Interest Rate Risk

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Credit Risk

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

Concentration of Credit Risk

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

The Board's investments at June 30, 2009 were as follows:

<u>Long-Term Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 3,847	\$ 3,847
Prime Cash Money Market	511,452	511,452
WV CIF	4,600	4,600
Mutual Funds	819,136	668,770
U.S. Treasury Notes	445,018	460,185
Corporate Obligations	310,683	312,936
FHLMC 4.75%	101,345	105,563
FHLB 4.07%	100,848	107,156
FHLB 4.25%	99,826	104,500
FHLB 4.25%	153,719	163,454
FNMA 4.50%	150,476	155,250
FNMA 5.00%	104,043	108,500
FNMA 6.50%	7,320	8,186
FNMA 5.50%	2,425	2,605
FNMA 7.00%	6,824	7,455
FNMA 8.00%	6,873	7,318
FNMA 7.50%	1,156	1,380
FNMA 7.00%	11,211	12,091
FNMA 7.50%	3,163	3,512
FNMA 6.00%	2,871	3,327
FNMA 7.00%	2,032	2,195
FNMA 6.50%	6,703	7,269
FNMA 8.50%	1,080	1,151
GNMA 6.50%	18,656	20,403
GNMA 7.00%	22,723	25,088
GNMA Vanguard	<u>82,745</u>	<u>86,403</u>
	\$ 2,980,775	\$ 2,894,596

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Fair Value at June 30, 2009	\$ 2,894,596
Add: Proceeds of investments sold during period	1,326,031
Less: Cost of investments purchased during period	(55,000)
Less: Fair value at June 30, 2008	<u>(5,758,400)</u>
 Change in fair value of investments	 \$ <u>(1,592,773)</u>

Fiduciary Funds

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>
Money Market	\$ 2,133,228	\$ -0-	\$ -0-	\$ 2,133,228	\$ 2,133,228
Corporate Stocks	23,764,841	-0-	-0-	23,764,841	25,894,608
Corporate Bonds	8,458,617	-0-	-0-	8,458,617	8,273,067
U.S. Government Obligations	<u>13,324,965</u>	<u>-0-</u>	<u>-0-</u>	<u>13,324,965</u>	<u>12,937,896</u>
 Total investments	 \$ <u>47,681,651</u>	 \$ <u>-0-</u>	 \$ <u>-0-</u>	 \$ <u>47,681,651</u>	 \$ <u>49,238,799</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2009, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money market	\$ 2,133,228	N/A	N/A
Corporate stocks	23,764,841	N/A	N/A
Corporate bonds	8,458,617	Various	Various
U.S. Government obligations	<u>13,324,965</u>	Various	Various
	 \$ <u>47,681,651</u>		

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Interest Rate Risk

As of June 30, 2009, the Library had the following investments exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Government Obligations	\$ 13,324,965	\$ 1,812,446	\$ 3,638,347	\$ 4,929,450	\$ 2,944,722
Corporate bonds	<u>8,458,617</u>	<u>441,062</u>	<u>4,010,289</u>	<u>3,564,147</u>	<u>443,119</u>
	\$ <u>21,783,582</u>	\$ <u>2,253,508</u>	\$ <u>7,648,636</u>	\$ <u>8,493,597</u>	\$ <u>3,387,841</u>

Discretely Presented Component Units

Morgantown Public Library

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Cost</u>
Money Market	\$ 5,179	\$ -0-	\$ -0-	\$ 5,179	\$ 5,179
Mutual Funds	32,185	-0-	-0-	32,185	42,000
Other Assets	<u>6,966</u>	<u>-0-</u>	<u>-0-</u>	<u>6,966</u>	<u>8,357</u>
Total investments	\$ <u>44,330</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>44,330</u>	\$ <u>55,536</u>

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2009, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 5,179	N/A	N/A
Mutual Funds	32,185	N/A	N/A
Other Assets	<u>6,966</u>	Unknown	Unknown
	\$ <u>44,330</u>		

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

4. Property Taxes

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

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

The levy rates levied by the City of Morgantown, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2009 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Expense</u>	<u>Current</u>
Class I	\$	-0-	12.50¢
Class II		280,200,962	25.00¢
Class IV		554,658,609	50.00¢

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

5. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 1,483,738	\$ -0-	\$ -0-	\$ 1,483,738
Construction in process	<u>606,253</u>	<u>2,455,826</u>	<u>-0-</u>	<u>3,062,079</u>
Total nondepreciable capital assets	<u>2,089,991</u>	<u>2,455,826</u>	<u>-0-</u>	<u>4,545,817</u>
Depreciable capital assets				
Land improvements	976,776	43,631	-0-	1,020,407
Buildings	9,756,227	132,990	-0-	9,889,217
Infrastructure	6,508,817	-0-	-0-	6,508,817
Machinery and equipment	2,566,850	337,899	-0-	2,904,749
Vehicles	<u>5,252,456</u>	<u>782,647</u>	<u>130,019</u>	<u>5,905,084</u>
Totals at historical cost	<u>25,061,126</u>	<u>1,297,167</u>	<u>130,019</u>	<u>26,228,274</u>
Less: Accumulated depreciation				
Land improvements	509,636	38,506	-0-	548,142
Buildings	2,329,539	333,198	-0-	2,662,737
Infrastructure	519,524	51,212	-0-	570,736
Machinery and equipment	1,661,886	262,859	-0-	1,924,745
Vehicles	<u>3,977,334</u>	<u>402,781</u>	<u>130,019</u>	<u>4,250,096</u>
Total accumulated depreciation	<u>8,997,919</u>	<u>1,088,556</u>	<u>130,019</u>	<u>9,956,456</u>
Total depreciable capital assets, net	<u>16,063,207</u>	<u>208,611</u>	<u>-0-</u>	<u>16,271,818</u>
Governmental activities capital assets, net	\$ <u>18,153,198</u>	\$ <u>2,664,437</u>	\$ <u>-0-</u>	\$ <u>20,817,635</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Enterprise Activities				
Nondepreciable capital assets				
Land	\$ 2,975,486	\$ -0-	\$ -0-	\$ 2,975,486
Construction in process	<u>230,681</u>	<u>3,353,984</u>	<u>-0-</u>	<u>3,584,665</u>
Total nondepreciable capital assets	<u>3,206,167</u>	<u>3,353,984</u>	<u>-0-</u>	<u>6,560,151</u>
Depreciable capital assets				
Land improvements	667,500	-0-	-0-	667,500
Buildings	22,319,848	-0-	-0-	22,319,848
Structures and improvements	38,612,131	417,909	-0-	39,030,040
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>2,546,389</u>	<u>826,315</u>	<u>-0-</u>	<u>3,372,704</u>
Total at historical cost	<u>64,236,833</u>	<u>1,244,224</u>	<u>-0-</u>	<u>65,481,057</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Morgantown Utility Board

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers to Utility Plant</u>	<u>Ending Balance</u>
Water Utility				
Plant	\$ 61,616,891	\$ 3,622,243	\$(48,519)	\$ 65,190,543
CIP	4,416,186	2,354,366	(3,622,243)	3,148,309
Sewer Utility				
Plant	86,154,060	3,778,646	(31,884)	89,900,822
CIP	9,296,557	4,557,555	(3,778,646)	10,075,466
Storm water Utility				
Plant	15,257,831	158,105	(774)	15,415,162
CIP	<u>5,040,514</u>	<u>3,346,827</u>	<u>(158,105)</u>	<u>8,229,236</u>
TOTAL	<u>181,781,967</u>	<u>17,817,742</u>	<u>(7,640,171)</u>	<u>191,959,538</u>
Less: Accumulated Depreciation				
Water Utility	(24,472,757)	(1,438,261)	67,220	(25,843,798)
Sewer Utility	(42,650,878)	(2,163,838)	31,567	(44,783,149)
Storm water Utility	<u>(1,488,193)</u>	<u>(311,980)</u>	<u>774</u>	<u>(1,799,399)</u>
Total Accumulated Depreciation	<u>(68,611,828)</u>	<u>(3,914,079)</u>	<u>99,561</u>	<u>(72,426,346)</u>
Total Net Capital Assets	\$ <u>113,170,139</u>	\$ <u>13,903,663</u>	\$ <u>(7,540,610)</u>	\$ <u>119,533,192</u>
Depreciation expense charged to operations		\$ <u>3,914,079</u>		

6. Long-Term Debt

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Governmental Activities						
Bonds Payable						
2006A TIF bonds	\$ 5,905,000	\$ -0-	\$ 130,000	\$ 5,775,000	\$ 135,000	\$ 5,640,000
2007 TIF bonds	3,000,000	-0-	-0-	3,000,000	-0-	3,000,000
2007A TIF bonds	<u>269,300</u>	<u>8,150,809</u>	<u>-0-</u>	<u>8,420,109</u>	<u>-0-</u>	<u>8,420,109</u>
Total bonds payable	<u>9,174,300</u>	<u>8,150,809</u>	<u>130,000</u>	<u>17,195,109</u>	<u>135,000</u>	<u>17,060,109</u>
Other long-term debt						
Compensated absences	1,112,338	63,712	-0-	1,176,050	-0-	1,176,050
Obligation under capital lease	251,202	-0-	112,396	138,806	86,283	52,523
Net pension obligation	2,390,384	1,520,135	-0-	3,910,519	-0-	3,910,519
Accrued other post employment benefits	<u>-0-</u>	<u>1,554,000</u>	<u>-0-</u>	<u>1,554,000</u>	<u>-0-</u>	<u>1,554,000</u>
Total other long-term debt	<u>3,753,924</u>	<u>3,137,847</u>	<u>112,396</u>	<u>6,779,375</u>	<u>86,283</u>	<u>6,693,092</u>
Total long-term debt – governmental activities	\$ <u>12,928,224</u>	\$ <u>11,288,656</u>	\$ <u>242,396</u>	\$ <u>23,974,484</u>	\$ <u>221,283</u>	\$ <u>23,753,201</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

TIF Bonds

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

2006A TIF Bonds

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	160,000	252,635	412,635
2015 – 2019	925,000	1,145,830	2,070,830
2020 – 2024	1,165,000	904,030	2,069,030
2025 – 2029	1,480,000	593,590	2,073,590
2030 – 2033	<u>1,465,000</u>	<u>187,750</u>	<u>1,652,750</u>
 Total	 \$ <u>5,775,000</u>	 \$ <u>4,160,370</u>	 \$ <u>9,935,370</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

2007 TIF Bonds

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -0-	\$ 170,700	\$ 170,700
2011	-0-	170,700	170,700
2012	-0-	177,000	170,700
2013	-0-	177,000	170,700
2014	-0-	170,700	170,700
2015 – 2019	-0-	853,500	853,500
2020 – 2024	-0-	853,500	853,500
2025 – 2029	-0-	853,500	853,500
2030 – 2033	<u>3,000,000</u>	<u>682,800</u>	<u>3,682,800</u>
Total	\$ <u>3,000,000</u>	\$ <u>4,096,800</u>	\$ <u>7,096,800</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

2007A TIF Bonds

The 2007A TIF bonds were issued subordinate to the 2006 TIF bonds, and were issued to provide funds to finance the costs of certain private capital improvements with the City's designated TIF riverfront district area. Proceeds from the bonds provided additional financing for the Riverfront Event Center Project No. 1. The bonds are payable solely from the property taxes generated in associated with the increased assessed values of property within the TIF district area. The bonds do not constitute a general obligation, or pledge of the full faith and credit of the City of Morgantown. The bonds bear interest of 8.00%, with interest only payments due quarterly and principal and interest due in June 2033. As of June 30, 2009, the city has only drawn \$8,420,109 of these bonds with the balance expected to be drawn during the subsequent fiscal year. The following is a schedule of future debt retirement based on current financing arrangements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -0-	\$ 689,200	\$ 689,200
2011	-0-	689,200	689,200
2012	-0-	689,200	689,200
2013	-0-	689,200	689,200
2014	-0-	689,200	689,200
2015 – 2019	-0-	3,446,000	3,446,000
2020 - 2024	-0-	3,446,000	3,446,000
2025 - 2029	-0-	3,446,000	3,446,000
2030 – 2033	<u>8,420,109</u>	<u>2,756,800</u>	<u>11,176,909</u>
Total	\$ <u>8,420,109</u>	\$ <u>16,540,800</u>	\$ <u>24,960,909</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 135,000	\$ 1,138,085	\$ 1,273,085
2011	140,000	1,132,280	1,272,280
2012	150,000	1,126,260	1,276,260
2013	155,000	1,119,510	1,274,510
2014	160,000	1,112,535	1,272,535
2015 – 2019	925,000	5,445,330	6,370,330
2020 - 2024	1,165,000	5,203,530	6,368,530
2025 - 2029	1,480,000	4,893,090	6,373,090
2030 – 2033	<u>12,885,109</u>	<u>3,627,350</u>	<u>16,512,459</u>
Total	\$ <u>17,195,109</u>	\$ <u>24,797,970</u>	\$ <u>41,993,079</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Obligation Under Capital Leases

The Board of Parks and Recreation Commissioners of the City of Morgantown entered into a capital lease on November 10, 2005 to finance the acquisition of equipment. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2009:

Fiscal Year Ending June 30,

2010	\$ 55,281
2011	<u>55,281</u>
	110,562
Less: Amount representing interest	<u>8,136</u>
	102,426
Less: Current maturities	<u>49,903</u>
Non-current maturities	\$ <u>52,523</u>

The Board of Parks and Recreation Commissioners of the City of Morgantown entered into a capital lease to finance the acquisition of an HVAC system for the Wiles Hills Elementary School Building. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2009:

Fiscal Year Ending June 30,

2010	\$ 38,206
Less: Amount representing interest	<u>1,826</u>
	36,380
Less: Current maturities	<u>36,380</u>
Non-current maturities	\$ <u>-0-</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

The following is a schedule of future minimum lease payments required under all governmental fund capital leases and the present value of the net minimum lease payments at June 30, 2009:

Fiscal Year Ending June 30

2010	\$ 93,487
2011	<u>55,281</u>
	148,806
Less: Amount representing interest	<u>9,962</u>
	138,806
Less: Current maturities	<u>86,283</u>
Non-current maturities	\$ <u>52,523</u>

The following is a summary of bonds payable at June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Business-Type Activities						
Bonds payable:						
2003 Municipal Building Lease Revenue Refunding Bonds	\$ 5,965,000	\$ -0-	\$ 405,000	\$ 5,560,000	\$ 415,000	\$ 5,145,000
2008A Municipal Building Lease Revenue Bonds	-0-	3,926,071	195,730	3,730,341	180,975	3,549,366
2002 Parking Revenue Bonds	<u>5,229,529</u>	<u>-0-</u>	<u>209,516</u>	<u>5,020,013</u>	<u>218,106</u>	<u>4,801,907</u>
Total bonds payable	<u>11,194,529</u>	<u>3,926,071</u>	<u>810,246</u>	<u>14,310,354</u>	<u>814,081</u>	<u>13,496,273</u>
Other long-term debt						
Notes payable	40,083	-0-	8,673	31,410	9,243	22,167
Accrued compensated absences	<u>87,082</u>	<u>10,793</u>	<u>-0-</u>	<u>97,875</u>	<u>-0-</u>	<u>97,875</u>
Total other long-term debt	<u>127,165</u>	<u>10,793</u>	<u>8,673</u>	<u>129,285</u>	<u>9,243</u>	<u>120,042</u>
Total long-term debt	\$ <u>11,321,694</u>	\$ <u>3,936,864</u>	\$ <u>818,919</u>	\$ <u>14,439,639</u>	\$ <u>823,324</u>	\$ <u>13,616,315</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

2003 Municipal Building Lease Revenue Refunding Bond

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 415,000	\$ 206,165	\$ 621,165
2011	425,000	193,715	618,715
2012	445,000	180,965	625,965
2013	455,000	165,390	620,390
2014	470,000	149,465	619,465
2015-2019	<u>3,350,000</u>	<u>465,745</u>	<u>3,815,745</u>
Total	\$ <u>5,560,000</u>	\$ <u>1,361,445</u>	\$ <u>6,921,445</u>

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

As required by the 2003 bond ordinance, a sinking fund has been established with WesBanco Trust Investment Services. Monies in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Payments are required to be made into the sinking fund to pay interest which will mature and become due on the next succeeding interest payment date. The balance in the sinking fund account with the Wesbanco Trust Investment Services at June 30, 2009 was \$870,162.

2008A Municipal Building Lease Revenue Bond

This issue was authorized to finance the construction of the North Side Fire Station. The bonds were issued bearing interest of 4.05% payable monthly. The bonds were issued in the amount \$4,500,000, however as of June 03, 2009, the City has only drawn down \$3,926,071.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 180,975	\$ 147,744	\$ 328,719
2011	188,442	140,277	328,719
2012	196,217	132,502	328,719
2013	204,313	124,406	328,719
2014	212,743	115,976	328,719
2015-2019	1,202,855	440,740	1,643,595
2020-2024	1,472,348	171,248	1,643,596
2025	<u>72,448</u>	<u>458</u>	<u>72,906</u>
Total	\$ <u>3,730,341</u>	\$ <u>1,273,351</u>	\$ <u>5,003,692</u>

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

As required by the 2008A bond ordinance, a sinking fund has been established. Monies in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Payments are required to be made into the sinking fund to pay interest and principal which will mature and become due on the next succeeding payment date. The balance in the sinking fund account at June 30, 2009 was \$79.

2002 Parking Revenue Bonds

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 218,106	\$ 223,474	\$ 441,580
2011	228,031	213,549	441,580
2012	238,408	203,172	441,580
2013	249,257	192,323	441,580
2014	260,600	180,980	441,580
2015-2019	1,492,051	715,849	2,207,900
2020-2024	1,863,875	344,025	2,207,900
2025-2026	<u>469,685</u>	<u>17,410</u>	<u>487,095</u>
Total	\$ <u>5,020,013</u>	\$ <u>2,090,782</u>	\$ <u>7,110,795</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

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

Notes Payable

Building Commission

Huntington National Bank

6.00%: installment obligation; payable in monthly installments of \$906. Repayment at June 30, 2009 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 9,243	\$ 1,633	\$ 10,876
2011	9,813	1,063	10,876
2012	10,418	458	10,876
2013	<u>1,936</u>	<u>16</u>	<u>1,952</u>
	\$ <u>31,410</u>	\$ <u>3,170</u>	\$ <u>34,580</u>

Discretely Presented Component Unit

Morganton Utility Board

1992 Bonds Payable

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

1995 Bonds Payable

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

2000A Bonds Payable

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

2000B Bonds Payable

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

2001A Bonds Payable

The Board issued \$3,812,470 in a combined waterworks and sewerage system revenue bonds on February 8, 2001, for the acquisition and construction of extensions, additions, betterments and improvements of the waterworks portion of the existing public combined waterworks and sewerage system. The bonds mature quarterly on March 1, June 1, September 1, and December 1 of each year commencing June 1, 2002. The bonds will bear no interest until after February 28, 2008. Effective March 1, 2002, the bonds will bear interest at a rate of 3% per annum and will be paid quarterly on March 1, June 1, September 1, and December 1 of each year commencing June 1, 2002. The bonds were issued to the West Virginia Development Authority and mature December 1, 2015. Annualized payments of \$339,402 are required.

2006A Bonds Payable

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

2007 Bonds Payable

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

2010 Bonds Payable

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

Long-term debt activity for the year ended June 30, 2009 was as follows:

<u>Long-term Debt</u>	<u>7/1/2008</u> <u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2009</u> <u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
1992 Bond Issue	\$ 3,330,000	\$ -0-	\$ 700,000	\$ 2,630,000	\$ 725,000
1995 Bond Issue	676,443	-0-	84,452	591,991	86,155
2000A Bond Issue	5,740,004	-0-	323,384	5,416,620	323,384
2000B Bond Issue	2,062,406	-0-	65,476	1,996,930	65,476
2001A Bond Issue	2,303,859	-0-	306,292	1,997,567	282,636
2006A Bond Issue	5,887,772	402,273	138,846	6,026,618	268,736
2007 Bond Issue	<u>3,716,149</u>	<u>4,646,132</u>	<u>-0-</u>	<u>8,362,281</u>	<u>288,528</u>
	<u>\$ 23,716,633</u>	<u>\$ 5,048,405</u>	<u>\$ 1,618,450</u>	<u>\$ 27,022,007</u>	<u>\$ 2,039,915</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Annual Principal Payment Requirements June 30, 2009

	<u>1992</u> <u>Issue</u> <u>Principal</u>	<u>1995</u> <u>Issue</u> <u>Principal</u>	<u>2000A</u> <u>Issue</u> <u>Principal</u>	<u>2000B</u> <u>Issue</u> <u>Principal</u>	<u>2001A</u> <u>Issue</u> <u>Principal</u>	<u>2006A</u> <u>Issue</u> <u>Principal</u>	<u>2007</u> <u>Issue</u> <u>Principal</u>
2010	\$ 725,000	\$ 97,351	\$ 323,380	\$ 65,476	\$ 282,630	\$ 268,736	\$ 288,528
2011	745,000	97,351	323,380	65,476	291,208	274,151	294,342
2012	770,000	97,351	323,380	65,476	300,045	279,676	300,274
2013	390,000	97,351	323,380	65,476	307,123	285,311	345,754
2014	-0-	97,351	323,380	65,476	309,148	291,060	392,547
2015-2019	-0-	105,236	1,616,900	327,380	507,413	1,545,671	2,084,625
2020-2024	-0-	-0-	1,616,900	327,380	-0-	1,707,805	2,303,290
2025-2029	-0-	-0-	565,920	327,380	-0-	1,374,208	2,278,833
2030-2034	-0-	-0-	-0-	327,380	-0-	-0-	74,088
2035-2039	-0-	-0-	-0-	327,380	-0-	-0-	-0-
2040-2044	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>32,650</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 2,630,000</u>	<u>\$ 591,991</u>	<u>\$ 5,416,620</u>	<u>\$ 1,996,930</u>	<u>\$ 1,997,567</u>	<u>\$ 6,026,618</u>	<u>\$ 8,362,281</u>

Annual Interest Payment Requirements June 30, 2009

	<u>1992</u> <u>Issue</u> <u>Interest</u>	<u>1995</u> <u>Issue</u> <u>Interest</u>	<u>2000A</u> <u>Issue</u> <u>Interest</u>	<u>2000B</u> <u>Issue</u> <u>Interest</u>	<u>2001A</u> <u>Issue</u> <u>Interest</u>	<u>2006A</u> <u>Issue</u> <u>Interest</u>	<u>2007</u> <u>Issue</u> <u>Interest</u>
2010	\$ 70,800	\$ 5,598	\$ -0-	\$ -0-	\$ 56,767	\$ 120,928	\$ 138,265
2011	48,825	4,730	-0-	-0-	48,192	115,513	132,451
2012	26,213	3,845	-0-	-0-	39,357	109,989	126,520
2013	4,388	2,941	-0-	-0-	62,340	104,353	135,161
2014	-0-	2,020	-0-	-0-	-0-	98,604	142,490
2015-2019	-0-	1,200	-0-	-0-	-0-	402,645	590,564
2020-2024	-0-	-0-	-0-	-0-	-0-	240,511	368,896
2025-2029	-0-	-0-	-0-	-0-	-0-	64,302	128,837
2030-2034	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2035-2039	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2040-2044	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 150,226</u>	<u>\$ 20,334</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 206,656</u>	<u>\$ 1,256,845</u>	<u>\$ 1,763,184</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2009**

7. Employees Retirement System

West Virginia Public Employment Retirement System

The City maintains three separate employee contributing pension plans. These plans cover firemen, police officers, and substantially all other full-time civilian employees with the exception of the Board of Park Commissioners employees who are covered by the West Virginia Public Employees Retirement System. The West Virginia Employees' Retirement System is funded through employer contributions of 10.5% of payroll and member contributions of 4.5% of payroll.

The City's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2009 is as follows:

	<i>Component Unit</i>	
	<i>Primary Government</i>	<i>Morgantown Public Library</i>
Total wages	\$ 682,614	\$ 547,235
Employer share 10.50%	\$ 71,674	\$ 57,460
Employee share 4.50%	\$ 30,718	\$ 24,626

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2009**

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

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

8. Employee Retirement System and Plans

Plan Descriptions. Contribution Information

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

The Policemen's Pension and Relief Fund (PPRF) provides retirement benefits for substantially all full-time police employees. Unless otherwise indicated, PPRF information in this Note is provided as of the latest actuarial valuation, July 1, 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 the latest actuarial valuation, July 1, 2007.

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Memberships of the plans are as follows:

Group	PPRF	FPRF	ERF	Totals
Active employees:				
Fully vested and nonvested	58	47	269	374
Vested terminated benefits	-0-	-0-	8	8
Retirees and beneficiaries currently receiving benefits	<u>48</u>	<u>53</u>	<u>94</u>	<u>195</u>
 Total	 <u>106</u>	 <u>100</u>	 <u>371</u>	 <u>577</u>

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Annual Required Contributions and Significant Actuarial Assumptions

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

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

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

Reserves

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

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

Annual pension cost	\$ 1,102,238
Contributions made	<u>406,613</u>
Increase in net pension obligation	695,625
Net pension obligation at beginning of year	<u>82,741</u>
Net pension obligation at end of year	\$ <u>778,366</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 1,102,239	\$ 406,613	\$ 778,366
2008	1,000,298	1,877,633	82,741
2007	1,126,555	419,497	2,326,333

Schedule of Funding Status

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percent of Payroll</u>
7/1/97	\$ 3,945,259	\$ 15,028,252	\$ 11,082,993	26%	\$ 1,251,898	885%
7/1/99	4,460,224	16,653,720	12,193,496	27%	1,362,460	895%
7/1/01	4,072,513	17,309,972	13,237,459	24%	1,454,817	910%
7/1/03	3,476,692	18,045,351	14,568,659	19%	1,654,125	881%
7/1/06	8,054,815	23,313,655	15,258,840	35%	1,904,137	801%
7/1/07	10,626,102	23,967,730	13,341,628	44%	1,991,611	670%

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

Annual pension cost	\$ 1,187,345
Contributions made	<u>480,283</u>
Increase in net pension obligation	707,062
Net pension obligation at beginning of year	<u>1,827,606</u>
Net pension obligation at end of year	\$ <u>2,534,668</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 1,187,345	\$ 480,283	\$ 2,534,668
2008	1,076,612	448,862	1,827,606
2007	1,137,493	350,218	960,075

Schedule of Funding Status

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percent of Payroll</u>
7/1/97	\$ 7,539,342	\$ 17,458,772	\$ 9,919,430	43%	\$ 1,659,754	598%
7/1/99	8,917,439	17,938,530	9,021,091	50%	1,693,720	533%
7/1/01	9,114,415	19,158,075	10,043,600	48%	1,829,390	549%
7/1/03	8,881,104	20,666,967	11,785,863	43%	2,143,167	550%
7/1/06	11,192,360	25,964,649	14,772,289	43%	2,356,504	627%
7/1/07	13,647,736	27,570,688	13,992,952	50%	2,631,695	529%

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

	<u>Employees Pension and Relief Fund</u>
Annual required contribution (ARC) for the year ended June 30, 2008	\$ 860,984
Interest on net pension obligation (NPO)	(36,003)
Adjustments to NPO	<u>50,589</u>
Annual pension cost	875,570
Employer contributions for the year ended June 30, 2009	<u>758,122</u>
Increase (decrease) to NPO	117,448
Net pension obligation (asset) at July 1, 2008	<u>480,037</u>
Net pension obligation (asset) at June 30, 2009	\$ <u>597,485</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Employee's Pension and Relief Fund

Schedules of Funding Progress

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

Trend Information

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

Deferred Compensation Plan

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Other Postemployment Benefits

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

Accrued Other Post Employment Benefits

Plan description/contribution information

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

Annual Required Contributions and Significant Actuarial Assumptions:

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

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

Annual Required Contribution	\$ 2,154,000
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	<u>-0-</u>
Annual OPEB cost	2,154,000
Contributions made	<u>(600,000)</u>
Increase in net OPEB obligation	1,554,000
Net OPEB obligation – beginning of year	<u>-0-</u>
 Net OPEB obligation – end of year	 \$ <u>1,554,000</u>

Trend Information

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 2,154,000	27.00%	\$ 1,554,000
2008	N/A	N/A	N/A
2007	N/A	N/A	N/A

8. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2009 for fund financial:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 53,770	\$ -0-
Special Revenue Funds		
Property auction	11,000	-0-
Board of Parks and Recreation	-0-	1,326
Capital Project Funds		
Capital reserve	20,257	-0-
Tax increment financing	-0-	1,281
Business Improvement District	-0-	41,114
Enterprise Funds		
Airport fund	-0-	41,410
Parking Authority	<u>104</u>	<u>-0-</u>
	\$ <u>85,131</u>	\$ <u>85,131</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Discretely Presented Component Unit

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Morgantown Public Library	\$ -0-	\$ 4,781
Capital Project Clay Battelle Branch	<u>4,781</u>	<u>-0-</u>
	\$ <u>4,781</u>	\$ <u>4,781</u>

9. Contingent Liabilities

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

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

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

10. Restricted

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

11. Debt Service Coverage

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2009:

Total revenues	\$ 2,031,185
Interest and dividend income	<u>28,417</u>
Adjusted gross revenues	2,059,602
Total expenses	<u>1,899,600</u>
	160,002
Add: Depreciation expense	<u>331,097</u>
Amount available for debt service and capital expenditures	\$ <u>491,099</u>
Maximum annual debt service	\$ <u>441,580</u>
Calculated debt service coverage factor	1.11
Required debt service coverage factor	1.10

Based on this calculation, it appears that the Parking Authority was in compliance with the provisions set forth in its bond ordinance as of June 30, 2009.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

12. Lease of Property

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

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

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

<u>Fiscal Year</u>	
2010	\$ 99,996
2011	99,996
2012	<u>83,330</u>
	<u>\$ 283,322</u>

On July 1, 2008, the City of Morgantown Building Commission entered into a lease agreement with Mermaid Limited Liability Company for the lease of the event center. This lease is for a period of 10 years and requires Mermaid Limited Liability Company to remit payments of \$8,333, to begin 12 months after the date the event center opens for public use. The facility was not completed and open for public use as of June 30, 2009, and therefore, no lease payments have been made.

CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2009

13. Restatement of Net Assets

It was determined during this examination that the net assets of the Building Commission required restatement as follows:

Net assets as previously presented	\$ 10,803,058
Add: Understatement of capital assets	<u>448,166</u>
Net assets as restated	\$ <u>11,251,224</u>

It was determined during this examination that the net assets of the governmental funds required restatement as follows:

Net assets as previously presented	\$ 24,524,683
Add: Understatement of capital assets	161,579
Less: Understatement of net pension obligation	<u>(480,037)</u>
Net assets as restated	\$ <u>24,206,225</u>

14. Deficit Fund Balance

It was noted during our audit that the Board of Parks and Recreation Fund had a deficit fund balance of \$49,961. The elimination of this deficit fund balance is dependent on increasing revenues and decreasing expenses for this fund.

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING FUND BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>Primary Government</u>			<i>Component Unit</i>
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Morgantown Public Library Capital Projects Funds</u>
ASSETS				
Cash	\$ 1,127,434	\$ 184,400	\$ 1,311,834	\$ -0-
Investments	78,850	-0-	78,850	199,541
Receivables (net of allowances for uncollectibles)				
Taxes	-0-	96,335	96,335	-0-
Accounts	3,767	-0-	3,767	-0-
Other	83,718	-0-	83,718	-0-
Grants	8,088	-0-	8,088	-0-
Due from/(to) other funds	<u>9,674</u>	<u>(42,395)</u>	<u>(32,721)</u>	<u>4,781</u>
TOTAL ASSETS	\$ <u>1,311,531</u>	\$ <u>238,340</u>	\$ <u>1,549,871</u>	\$ <u>204,322</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 213,106	\$ 2,000	\$ 215,106	\$ -0-
Accrued payroll and compensated absences	85,135	-0-	85,135	-0-
Disallowed charges payable	68,158	-0-	68,158	-0-
Deferred revenues	<u>20,250</u>	<u>95,738</u>	<u>115,988</u>	<u>-0-</u>
Total liabilities	<u>386,649</u>	<u>97,738</u>	<u>484,387</u>	<u>-0-</u>
Fund Balances				
Reserved	-0-	-0-	-0-	-0-
Unreserved	<u>924,882</u>	<u>140,602</u>	<u>1,065,484</u>	<u>204,322</u>
Total fund balances	<u>924,882</u>	<u>140,602</u>	<u>1,065,484</u>	<u>204,322</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,311,531</u>	\$ <u>238,340</u>	\$ <u>1,549,871</u>	\$ <u>204,322</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS-
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Primary Government</u>			<i>Component Unit</i>
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<u>Morgantown Public Library Capital Projects Funds</u>
Revenues				
Charges for services	\$ 1,469,291	\$ -0-	\$ 1,469,291	\$ -0-
Fines and forfeits	215,178	-0-	215,178	-0-
Interest	18,094	3,169	21,263	8,248
Donations	126,886	-0-	126,886	40
Taxes	-0-	702,859	702,859	-0-
Intergovernmental:				
Federal	537,809	345,296	883,105	-0-
State	193,185	-0-	193,185	2,668
County	65,000	-0-	65,000	40,000
Contributions from employees	89,595	-0-	89,595	-0-
Contributions from employers	3,434,696	-0-	3,434,696	-0-
Other	<u>15,672</u>	<u>-0-</u>	<u>15,672</u>	<u>-0-</u>
Total revenues	<u>6,165,406</u>	<u>1,051,324</u>	<u>7,216,730</u>	<u>50,956</u>
Expenditures				
General government	195,151	3,318	198,469	-0-
Public safety	127,981	-0-	127,981	-0-
Culture and recreation	3,219,624	-0-	3,219,624	-0-
Community development	426,183	1,006,845	1,433,028	-0-
Benefit payments	<u>2,614,712</u>	<u>-0-</u>	<u>2,614,712</u>	<u>-0-</u>
Total expenditures	<u>6,583,651</u>	<u>1,010,163</u>	<u>7,593,814</u>	<u>-0-</u>
(Deficiency) excess of revenues (under) over expenditures	(<u>418,245</u>)	<u>41,161</u>	(<u>377,084</u>)	<u>50,956</u>

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Primary Government</u>			<i>Component Unit</i>
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>	<i>Morgantown Public Library Capital Projects Funds</i>
Other Financing Sources (Uses)				
Operating transfers in	1,438,621	329,334	1,767,955	-0-
Operating transfers (out)	(563,245)	(660,186)	(1,223,431)	-0-
Total other financing sources (uses)	<u>875,376</u>	<u>(330,852)</u>	<u>544,524</u>	<u>-0-</u>
 (Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	 457,131	 (289,691)	 167,440	 50,956
Fund balance beginning of year	<u>467,751</u>	<u>430,293</u>	<u>898,044</u>	<u>153,366</u>
Fund balance end of year	\$ <u>924,882</u>	\$ <u>140,602</u>	\$ <u>1,065,484</u>	\$ <u>204,322</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING FUND BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS -
SPECIAL REVENUE FUNDS
JUNE 30, 2009**

	<u>Coal Severance Fund</u>	<u>Community Development Block Grant</u>	<u>Life and Health Fund</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Property Auction</u>	<u>Board of Parks and Recreation</u>	<u>Total</u>
ASSETS										
Cash	\$ 35,431	\$ 3,418	\$ 725,066	\$ 155,002	\$ -0-	\$ 18,886	\$ 393	\$ 246	\$ 189,982	\$ 1,127,434
Investments	-0-	78,850	-0-	-0-	-0-	-0-	-0-	-0-	-0-	78,850
Receivables (net of allowances for uncollectibles)										
Accounts	-0-	-0-	2,554	-0-	-0-	-0-	-0-	1,213	-0-	3,767
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	83,718	83,718
Grants	-0-	2,522	-0-	-0-	-0-	-0-	-0-	-0-	5,566	9,674
Due from/(to) other funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,000</u>	<u>(1,326)</u>	<u>9,674</u>
TOTAL ASSETS	\$ <u>35,431</u>	\$ <u>84,790</u>	\$ <u>726,620</u>	\$ <u>155,002</u>	\$ <u>-0-</u>	\$ <u>18,886</u>	\$ <u>393</u>	\$ <u>12,469</u>	\$ <u>227,940</u>	\$ <u>1,311,531</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -0-	\$ 115	\$ 55,743	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 157,248	\$ 213,106
Accrued payroll and compensated absences	-0-	2,890	-0-	-0-	-0-	-0-	-0-	-0-	82,245	85,135
Disallowed charges payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	68,158	68,158
Deferred revenue	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,250</u>	<u>20,250</u>
Total liabilities	<u>-0-</u>	<u>3,005</u>	<u>55,743</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>327,901</u>	<u>386,649</u>
Fund Balances										
Reserved	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unreserved	<u>35,431</u>	<u>81,785</u>	<u>670,877</u>	<u>155,002</u>	<u>-0-</u>	<u>18,886</u>	<u>393</u>	<u>12,469</u>	<u>(49,961)</u>	<u>924,882</u>
Total fund balance	<u>35,431</u>	<u>81,785</u>	<u>670,877</u>	<u>155,002</u>	<u>-0-</u>	<u>18,886</u>	<u>393</u>	<u>12,469</u>	<u>(49,961)</u>	<u>924,882</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>35,431</u>	\$ <u>84,790</u>	\$ <u>726,620</u>	\$ <u>155,002</u>	\$ <u>-0-</u>	\$ <u>18,886</u>	\$ <u>393</u>	\$ <u>12,469</u>	\$ <u>227,940</u>	\$ <u>1,311,531</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS –
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block</u> <u>Block Grant</u>	<u>Life and</u> <u>Health</u> <u>Fund</u>	<u>Police</u> <u>Forfeiture</u>	<u>Special</u> <u>Grants</u>	<u>Local Law</u> <u>Enforcement</u> <u>Grant</u>	<u>Small</u> <u>Cities</u> <u>Block</u> <u>Grant</u>	<u>Property</u> <u>Auction</u>	<u>Board of</u> <u>Parks and</u> <u>Recreation</u>	<u>Total</u>
Revenues										
Charges for services	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,469,291	\$ 1,469,291
Fines and forfeits	-0-	-0-	-0-	215,178	-0-	-0-	-0-	-0-	-0-	215,178
Interest	366	389	11,776	1,155	-0-	288	-0-	-0-	4,120	18,094
Donations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	126,886	126,886
Intergovernmental:										
Federal	-0-	480,433	-0-	-0-	-0-	-0-	-0-	-0-	57,376	537,809
State	132,001	-0-	-0-	-0-	11,951	-0-	-0-	-0-	49,233	193,185
County	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	65,000	65,000
Contributions from employees	-0-	-0-	89,595	-0-	-0-	-0-	-0-	-0-	-0-	89,595
Contributions from employers	-0-	-0-	3,434,696	-0-	-0-	-0-	-0-	-0-	-0-	3,434,696
Other	-0-	-0-	15,672	-0-	-0-	-0-	-0-	-0-	-0-	15,672
Total revenues	<u>132,367</u>	<u>480,822</u>	<u>3,551,739</u>	<u>216,333</u>	<u>11,951</u>	<u>288</u>	<u>-0-</u>	<u>-0-</u>	<u>1,771,906</u>	<u>6,165,406</u>
Expenditures										
General government	-0-	-0-	195,151	-0-	-0-	-0-	-0-	-0-	-0-	195,151
Public safety	-0-	-0-	-0-	97,474	-0-	30,507	-0-	-0-	-0-	127,981
Culture and recreation	-0-	-0-	-0-	-0-	11,951	-0-	-0-	-0-	3,207,673	3,219,624
Community development	-0-	426,183	-0-	-0-	-0-	-0-	-0-	-0-	-0-	426,183
Benefit payments	-0-	-0-	2,614,712	-0-	-0-	-0-	-0-	-0-	-0-	2,614,712
Total expenditures	<u>-0-</u>	<u>426,183</u>	<u>2,809,863</u>	<u>97,474</u>	<u>11,951</u>	<u>30,507</u>	<u>-0-</u>	<u>-0-</u>	<u>3,207,673</u>	<u>6,583,651</u>
(Deficiency) excess of revenues (under) over expenditures	<u>132,367</u>	<u>54,639</u>	<u>741,876</u>	<u>118,859</u>	<u>-0-</u>	<u>(30,219)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,435,767)</u>	<u>(418,245)</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
 SPECIAL REVENUE FUNDS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Coal Severance Fund</u>	<u>Community Development Block Block Grant</u>	<u>Life and Health Fund</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Property Auction</u>	<u>Board of Parks and Recreation</u>	<u>Total</u>
Other Financing Sources (Uses)										
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,438,621	1,438,621
Operating transfers (out)	(110,245)	(53,000)	(400,000)	-0-	-0-	-0-	-0-	-0-	-0-	(563,245)
Total other financing sources (uses)	(110,245)	(53,000)	(400,000)	-0-	-0-	-0-	-0-	-0-	1,438,621	875,376
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	22,122	1,639	341,876	118,859	-0-	(30,219)	-0-	-0-	2,854	457,131
Fund balance beginning of year	<u>13,309</u>	<u>80,145</u>	<u>329,001</u>	<u>36,143</u>	<u>-0-</u>	<u>49,105</u>	<u>393</u>	<u>12,469</u>	<u>(52,815)</u>	<u>467,751</u>
Fund balance end of year	<u>\$ 35,431</u>	<u>\$ 81,785</u>	<u>\$ 670,877</u>	<u>\$ 155,002</u>	<u>\$ -0-</u>	<u>\$ 18,886</u>	<u>\$ 393</u>	<u>\$ 12,469</u>	<u>\$(49,961)</u>	<u>\$ 924,882</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS –
 CAPITAL PROJECT FUNDS
 JUNE 30, 2009

	<i>Primary Government</i>			<i>Component Unit</i>		
	<u>Business</u>	<u>Tax</u>		<i>Morgantown Public Library</i>		
	<u>Improvement</u>	<u>Increment</u>		<u>Library</u>	<u>Capital</u>	
	<u>District</u>	<u>Financing</u>	<u>Total</u>	<u>Excess</u>	<u>Project</u>	
				<u>Levy II</u>	<u>Clay Battelle</u>	<u>Total</u>
					<u>Branch</u>	
ASSETS						
Cash	\$ 48,714	\$ 135,686	\$ 184,400	\$ -0-	\$ -0-	\$ -0-
Investments	-0-	-0-	-0	9,690	189,851	199,541
Taxes receivable	-0-	96,335	96,335	-0-	-0-	-0-
Due from/(to) other funds	(41,114)	(1,281)	(42,395)	-0-	4,781	4,781
TOTAL ASSETS	\$ <u>7,600</u>	\$ <u>230,740</u>	\$ <u>238,340</u>	\$ <u>9,690</u>	\$ <u>194,632</u>	\$ <u>204,322</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -0-	\$ 2,000	\$ 2,000	\$ -0-	\$ -0-	\$ -0-
Deferred revenues	<u>-0-</u>	<u>95,738</u>	<u>95,738</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>-0-</u>	<u>97,738</u>	<u>97,738</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances						
Unreserved	<u>7,600</u>	<u>133,002</u>	<u>140,602</u>	<u>9,690</u>	<u>194,632</u>	<u>204,322</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>7,600</u>	\$ <u>230,740</u>	\$ <u>238,340</u>	\$ <u>9,690</u>	\$ <u>194,632</u>	\$ <u>204,322</u>

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

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS -
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Primary Government</i>			<i>Component Unit</i>		
				<i>Morgantown Public Library</i>		
	<u>Business Improvement District</u>	<u>Tax Increment Financing</u>	<u>Total</u>	<u>Library Excess Levy II</u>	<u>Capital Project Clay Battelle Branch</u>	<u>Total</u>
Revenues						
Interest	\$ 199	\$ 2,970	\$ 3,169	\$ 109	\$ 8,139	\$ 8,248
Donations	-0-	-0-	-0-	-0-	40	40
Taxes	52,418	650,441	702,859	-0-	-0-	-0-
Intergovernmental:						
Federal	345,296	-0-	345,296	-0-	-0-	-0-
State	-0-	-0-	-0-	-0-	2,668	2,668
County	-0-	-0-	-0-	-0-	<u>40,000</u>	<u>40,000</u>
Total revenues	<u>397,913</u>	<u>653,411</u>	<u>1,051,324</u>	<u>109</u>	<u>50,847</u>	<u>50,956</u>
Expenditures						
General government	37	3,281	3,318	-0-	-0-	-0-
Community development	<u>780,281</u>	<u>226,554</u>	<u>1,006,845</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>780,328</u>	<u>229,835</u>	<u>1,010,163</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(382,415)</u>	<u>423,576</u>	<u>41,161</u>	<u>109</u>	<u>50,847</u>	<u>50,956</u>
Other Financing Sources (Uses)						
Operating transfers in	329,334	-0-	329,334	-0-	-0-	-0-
Operating transfers (out)	<u>-0-</u>	<u>(660,186)</u>	<u>(660,186)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>329,334</u>	<u>(660,186)</u>	<u>(330,852)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(53,081)	(236,610)	(289,691)	109	50,847	50,956
Fund balance beginning of year	<u>60,681</u>	<u>369,612</u>	<u>430,293</u>	<u>9,581</u>	<u>143,785</u>	<u>153,366</u>
Fund balance end of year	\$ <u>7,600</u>	\$ <u>133,002</u>	\$ <u>140,602</u>	\$ <u>9,690</u>	\$ <u>194,632</u>	\$ <u>204,322</u>

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



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City of Morgantown, West Virginia's basic financial statements and have issued our report thereon dated March 18, 2010. 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 Auditor's performed the audit of the Morgantown Utility Board as described in our report on the City of Morgantown, West Virginia'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 auditor's.

Internal Control Over Financial Reporting

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

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 combination of control deficiencies, that adversely affects the City of Morgantown, West Virginia'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 of Morgantown, West Virginia's financial statements that is more than inconsequential will not be prevented or detected by the City of Morgantown, West Virginia'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 09-1 and 09-2.

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 of Morgantown, West Virginia's internal control.

Our consideration of 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. However, of the significant deficiencies described above, we consider items 09-1 and 09-2 to be material weaknesses.

Compliance and Other Matters

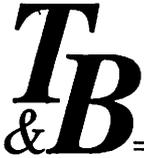
As part of obtaining reasonable assurance about whether the City of Morgantown, West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 09-3.

The City of Morgantown, West Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Morgantown, West Virginia's responses and, accordingly, we express no opinion on them.

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

Detrick + Bartlett, PLLC

March 18, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Morgantown, West Virginia, 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, 2009. The City of Morgantown, West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express an opinion on the City of Morgantown, West Virginia's compliance based on our audit.

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

In our opinion, the City of Morgantown, West Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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.

A material weakness is a significant deficiency, or 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.

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

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

Detrick • Bassett, PHC

March 18, 2010

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Morgantown, West Virginia.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. One instance of noncompliance material to the financial statements of the City of Morgantown, West Virginia was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with the requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Morgantown, West Virginia expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Morgantown, West Virginia expresses an unqualified opinion.
7. The programs tested as major programs were Department of Transportation's Federal Aviation Administration Airport Improvement Program CFDA number 20.106, Department of Transportation's Federal Highway Administration Highway Planning and Construction Grant CFDA number 20.205 and Department of Housing and Urban Development's Community Planning and Development Program CFDA number 14.218.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The entity does not qualify as a low risk auditee.

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

B. Findings - Financial Statements Audit

09-1 Segregation of Duties

Criteria: Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

Condition: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction at the City of Morgantown's Senior Center.

Cause: Responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction are not assigned to different individuals at the City of Morgantown's Senior Center.

Effect: The lack of complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

Recommendation: Responsibilities of approval, executing, recording and custody should be distributed among the accounting staff to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

Entity's Response: The City will segregate duties to the further degree possible at the Senior Center.

09-2 Timely Deposits

Criteria: Deposits should be made in a timely manner and intact form when they are received..

Condition: Internal control should be implemented to the degree possible to deposit receipts timely at the board of parks and recreation.

Cause: Amounts are received and not deposited in a timely manner at the board of parks and recreation.

Effect: Cash receipts that are not deposited in a timely manner increase the chances and opportunities for theft and other losses of cash receipts.

Recommendation: Deposits of amounts received should be deposited intact in a timelier manner.

Entity's Response: The board of parks and recreation will deposit cash receipts in a timelier manner.

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

09-3 Allowable Costs

Criteria: The allowable costs for the Retired and Senior Volunteer Program grant, as stated in the Catalog of Federal Domestic Assistance, may be used for staff salaries and fringe benefits, staff travel, equipment, and related expenses, and for volunteer out-of-pocket expenses, primarily transportation. In addition, eligible agencies or organizations may, with a Notice of Grant Award from the Corporation for National and Community Service, the federal agency, receive technical assistance and materials to aid in establishing and operating non-corporation funded RSVP projects using local funds.

Condition: It was determined during this audit that the City received federal reimbursements for expenditures that were not allowed by the federal program. Specifically, certain payments were not supported by proper invoices, while other payments were for unauthorized credit card charges that were fraudulent in nature.

Cause: The City did not have adequate controls in place over disbursements to prevent the misuse of funds.

Effect: The City was not in compliance with the allowable costs/cost principles as determined by the federal government for this particular program, and must repay the unallowable costs to the federal agency.

Recommendation: The City should investigate all activity of the Retired Senior Volunteer Program to determine what amounts are unallowable costs and pursue the necessary actions for recovery of those funds.

Entity's Response: The City has put certain internal control procedures in place to oversee this grant. Also, the City has investigated and determined the estimated amount due to the federal agency and is pursuing the recovery of lost funds.

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

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

None

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>(Deferred) Revenue at July 1, 2008</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>(Deferred) Revenue at June 30, 2009</u>
Department of Transportation						
<u>National Highway Traffic Safety Administration</u>						
<u>Department of Transportation</u>						
State and Community Highway Safety	20.600	F06-HS05-402	\$ -0-	\$ 39,903	\$ 39,903	\$ -0-
<u>Federal Aviation Administration</u>						
Airport Improvement Program	20.106	3-54-0015-028-2007	-0-	34,663	34,663	-0-
Airport Improvement Program	20.106	3-54-0015-029-2008	-0-	35,453	35,453	-0-
Airport Improvement Program	20.106	3-54-0015-030-2009	-0-	75,687	75,687	-0-
Airport Improvement Program	20.106	3-54-0015-026-2005	-0-	342,693	342,693	-0-
Airport Improvement Program	20.106	3-54-0015-027-2006	-0-	25,591	25,591	-0-
<u>Federal Highway Administration</u>						
<u>West Virginia Department of Transportation –</u>						
<u>Division of Highways</u>						
Highway Planning and Construction Grant	20.205	TEA-OH22(001)E	-0-	337,326	337,326	-0-
Highway Planning and Construction Grant	20.205	TEA-OH22(001)D	-0-	7,970	7,970	-0-
United States Department of Justice						
<u>Office of Justice Programs, Bureau of Justice Assistance</u>						
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0850	-0-	16,000	16,000	-0-
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-0993	-0-	14,508	14,508	-0-
Bulletproof Vest Partnership Program	16.607		-0-	4,576	4,576	-0-
Law Enforcement Technology Grant	16.710	2008CKWX0132	-0-	280,590	280,000	590

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>(Deferred) Revenue at July 1, 2006</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>(Deferred) Revenue at June 30, 2009</u>
United States Department of Justice (cont'd)						
<u>Office of Justice Programs, Bureau of Justice Assistance – State of West Virginia Division of Criminal Justice Services</u>						
Edward Byrne Memorial Formula Grant Program	16.579	09-828	\$ -0-	\$ 74,667	\$ 74,667	\$ -0-
Edward Byrne Memorial Formula Grant Program	16.579	08-10-TF	-0-	67,197	67,197	-0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	16,427	16,427	-0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	16,596	16,596	-0-
Corporation for National and Community Service						
Retired and Senior Volunteer Programs	94.002	07SRSWV001	-0-	57,376	57,376	-0-
Department of Homeland Security						
Assistance to Firefighters	97.044	EMW-2008-FO-00472	-0-	67,592	67,592	-0-
Department of Housing and Urban Development						
<u>Community Planning and Development, Department of Housing and Urban Development</u>						
Community Development Block Grant/Entitlement Grants	14.218	B-09-MC-54-0007	-0-	480,433	480,433	-0-
Department of Interior						
Outdoor recreation, acquisition, development and planning	15.916	05-829	-0-	57,738	57,738	-0-

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

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

**CITY OF MORGANTOWN, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program CFDA 20.106 – Fiscal Year Ended June 30, 2008; United States Department of Housing and Urban Development – Community Planned and Development – Community Development Block Grant – CFDA 14.218 – Fiscal Year Ended June 30, 2008; Corporation for National and Community Service – Retired and Senior Volunteer Programs – CFDA 94.002 – Fiscal Year Ended June 30, 2008.

2008 – Finding Number SA 2008-1

Condition: The finding was a reportable condition stating that the City did not review certified payrolls for sub-contractors.

Recommendation: The auditor recommended that the City officials review the certified payrolls and corrected the payments to those construction workers for the position of electrician to the federal wage rate at the time of construction.

Current Status: The recommendation was adopted. The City reviews certified payrolls and corrects the payments to those construction workers to the federal wage rate at the time of construction.

2008 – Finding Number SA 2008-2

Condition: The finding was a reportable condition stating that the City received federal reimbursements for expenditures that were not allowed by the federal program.

Recommendation: The auditor recommended that the City investigate all activity of the Retired Senior Volunteer Program to determine what amounts are indeed not allowed, contact the appropriate agencies, and pursue the necessary actions for recovery of those funds.

Current Status: The recommendation was adopted. The City reviewed all requests and reimbursements for the Retired Senior Volunteer Program to determine the amounts that were and were not allowable. The City has determined that an estimated amount of \$68,158 should be reimbursed to the grantor agency. A similar finding was noted in the June 30, 2009 audit.

**CITY OF MORGANTOWN, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009**

2008 – Finding Number SA 2008-3

Condition: The finding was a reportable condition stating that the City issued checks and ACH transfers with only one signature or approval for the Retired Senior Volunteer Program account.

Recommendation: The auditor recommended that all checks should contain two or more signatures and all ACH transfers should contain evidence of dual approval, indicating that more than one person has reviewed the disbursements.

Current Status: The recommendation was adopted. The City has implemented a system that required dual signatures and a secondary approval for ACH transfers. A similar finding was noted in the June 30, 2009 audit.

2008 – Finding Number SA 2008-4

Condition: The finding was a reportable condition stating the City did not have proper segregation of duties in regard to the Retired Senior Volunteer Program.

Recommendation: The auditor recommended that the City distribute amount the accounting staff the duties of approving, executing and recording transactions to the extent as economically practicable.

Current Status: The recommendation was adopted. The City has segregated duties for the Retired Senior Volunteer Program to the extent possible. A similar finding was noted in the June 30, 2009 audit.

2008 – Finding Number SA 2008-5

Condition: The finding was a reportable condition stating that the City did not have adequate procedures in place to comply with the Davis-Bacon Act.

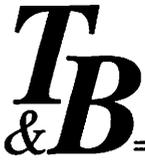
Recommendation: The auditor recommended that the City put certain procedures in place to test certified payrolls for compliance with federal regulations, and evidence of the reviews and documentation of on-site interviews should be maintained by the City.

Current Status: The recommendation was adopted. The City has put certain procedures in place to test certified payrolls for compliance with federal regulations, and evidence of the reviews and documentation of on-site interviews is maintained by the City.

**CITY OF MORGANTOWN, WEST VIRGINIA
 SCHEDULE OF PASSENGER FACILITY CHARGES
 FOR THE YEAR ENDED JUNE 30, 2009**

Balance June 30, 2008	\$ 3,005
Revenues received:	
Passenger facility charges	-0-
Interest income	3
Disbursements:	
Capital Projects	<u>669</u>
Balance June 30, 2009	\$ <u>2,339</u>

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



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

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

Compliance

We have audited the compliance of the City of Morgantown, West Virginia with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2009. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express an opinion on the City of Morgantown, West Virginia's compliance based on our audit.

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

In our opinion, City of Morgantown, West Virginia complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

Detrick + Badgett, PLLC

March 18, 2010

CITY OF MORGANTOWN, WEST VIRGINIA
389 SPRUCE STREET
MORGANTOWN, WV 26505

CORRECTIVE ACTION PLAN

March 18, 2010

Oversight Agency: Department of Transportation and Department of Housing and Urban Development

City of Morgantown, West Virginia respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent public accounting firm: Tetrick & Bartlett, PLLC,
P.O. Box 1916, Morgantown, WV 26302-1916

Audit Period: July 1, 2008 – June 30, 2009

The findings from the June 30, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

09-1 Segregation of Duties

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

Action Taken: We concur with the recommendation and have segregated duties to the fullest degree possible.

09-2 Timely Deposits

Recommendation: Deposits of amounts received should be deposited intact in a timelier manner at the Board of Parks and Recreation.

Action Taken: We concur with the recommendation. The Board of Parks and Recreation will deposit cash receipts in a timelier manner.

09-3 Allowable Costs

Recommendation: The City should investigate all activity of the Retired Senior Volunteer Program to determine what amounts are unallowable costs and pursue the necessary actions for recovery of those funds.

Action Taken: We concur with the recommendation. The City has put certain internal control procedures in place to oversee this grant. Also, the City has investigated and determined the estimated amount due to the federal agency and is pursuing the recovery of lost funds.

C. FINDINGS – FEDERAL AWARD AUDIT

None.

If the Department of Transportation or the Department of Housing and Urban Development (Oversight Agencies) have questions concerning this plan, please call Denise White at 304-284-7407.

Sincerely yours,



Denise White,
Director of Finance