

**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, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Morgantown's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended on June 30, 2005. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- As reported in the City's government-wide statement of net assets, total assets and net assets of the City's business-type activities account for 49% and 36%, respectively, of total assets and total net assets of both governmental and business-type activities. Business-type activities include the operation of the City's parking facilities and municipal airport and the leasing activities of the building commission. Total assets and net assets of the City's governmental activities account for 51% and 64%, respectively, of total assets and total net assets of the combined activities. The larger amount of net assets as a percent of total net assets reported by the governmental activities is a result of the business-type activities financing of assets through bond issuances, of which the governmental activities have none.
- Net capital assets (cost less accumulated depreciation) in the governmental funds increased by \$5,435,877. This included \$4.8 million in land acquisition costs, which was funded by West Virginia economic development grants.
- Taxes and other revenues generated \$6,563,950 more than net expenses (total expenses less charges for services, grants, and contributions) for governmental activities. Of this excess, \$5,496,544 million was received in the form of grants for capital assets, which are not recorded as expenses in the statement of net assets.
- The change in net assets of the business-type activities was \$2,449,864, an increase of \$692,669 over the change in net assets reported for the fiscal year ended June 30, 2004. The change in net assets was largely due to capital grants received by the municipal airport for capital improvements.
- In the City's business-type activities, operating revenues increased \$526,454, or 13%, over the previous fiscal year to \$4,523,855, while operating expenses increased by \$626,744 or 15%. However, the Parking Authority reported significantly improved operating results, while the Airport's operating results continued to deteriorate.
- In the General Fund, the revenues were \$584,191, or 4%, more than budgeted, while expenditures, including transfers, were \$727,034, or 4%, less than budgeted. The General Fund reported an excess of revenues over expenditures of \$465,143, for a net increase in fund balance of the same amount. While the fund balance, as restated, in the General Fund at the beginning of the year is reported at \$3,576,214, only \$846,082 was available for appropriation for budget purposes due to the method used by the City to determine its carryover which records tax revenue in the period due rather than in the period for which the taxes are applicable.
- The City transferred \$1,872,486 into the Capital Reserve Fund, \$1,665,486 of which came from the General Fund. This compares to \$1,249,409 transferred to the Capital Reserve Fund from the General Fund during the fiscal year ended June 30, 2004. Of the amount transferred from the General Fund during the current year, \$424,018 came from one-time business and occupation taxes on major construction projects, and the balance resulted from greater than expected collection of regular B&O and other taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements for non-major governmental funds*. The basic financial statements include two kinds of statements that present different views of the City:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting operations in *more detail* than the government-wide statements and include *governmental funds*, *proprietary funds*, and *fiduciary funds*.

- The *governmental funds* statements tell how *general government* services such as public safety and public works were financed in the short-term, as well as what remains for future spending.
- *Proprietary funds* statements offer short- and long-term financial information about the activities the City operates like businesses, such as the municipal airport and parking authority.
- *Fiduciary funds* statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong, such as the three pension plans administered by the City.

The financial statements also include other notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, there is also a section with combining statements that provide details about non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

The following is a summary of the major features of the City's financial statements, including the portion of City government they cover and the types of information they contain:

	Government-wide Statements	Government Funds	Propriety Funds	Fiduciary funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as public safety, public works, and parks	Activities the City operates similar to private businesses such as the Airport and Parking Authority.	Instances in which the City is the trustee or agent for someone else's resources, such as the City's three pension plans
Required Financial Statements	Statement of net assets Statement of activities	Balance sheet Statement of revenue, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be consumed and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; can include capital as well as financial assets
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods and services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities, but does not include those of the fiduciary funds. The statement of activities includes all of the City's current year revenues and expenses on a full-accrual basis.

The two government-wide statements report the City's net assets—the difference between assets and liabilities—and the change in net assets. Net assets and the change therein is one way to measure the City's financial health or *position*:

- Over time, increases or decreases in net assets are an indication of whether the City's financial health is improving or deteriorating, respectively.
- However, to assess the overall health of the City, additional non-financial factors, such as changes to the City's economic or tax base must be considered.

The City's government-wide financial statements are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as police, fire, public works, parks, and general administration. Charges for services finance approximately 30% of these activities, while the various taxes and fees cover approximately 61%. The remaining 20% is financed primarily by grants and investment income.
- *Business-type activities* – The City's parking facilities, municipal airport, and the leasing activities to its governmental activities comprise the business-type activities. Charges for services are expected to cover the full cost of operations of these activities, including capital maintenance.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, bond covenants, or grant agreements. Other funds may be established to control and manage monies for particular purposes and to show that such designated revenues are properly used.

The City has three kinds of funds as follows:

- *Governmental Funds* – Included in the City's governmental funds are the General Fund, special revenue funds, and capital reserve funds. These funds are used to account for the City's basic financial services and provide a detailed, short-term view. The focus is on how cash and assets that can readily be converted to cash flow in and out and the balances left at fiscal year end that can be appropriated. Because this information does not include the additional long-term focus of the government-wide statements, a reconciliation is presented at the end of the governmental funds statements that details the differences between the two focuses.
- *Proprietary Funds* – Activities for which user charges are made and which are expected to cover the cost of the services provided are reported in proprietary funds. Proprietary funds provide both long- and short-term financial information and are presented on the full-accrual basis of accounting. The City's proprietary funds are its three enterprise funds established for the Parking Authority, Airport, and the Building Commission. These funds are the same as the City's business-type activities, but the fund statements provide more detail and additional information, including information on cash flows.
- *Fiduciary Funds* – The City is the trustee, or fiduciary, for the three pension plans it administrates—the policemen's pension, firemen's pension, and the civilian employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can only be used for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in the statement of fiduciary net assets and the statement of changes in fiduciary net assets. These funds are not included in the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

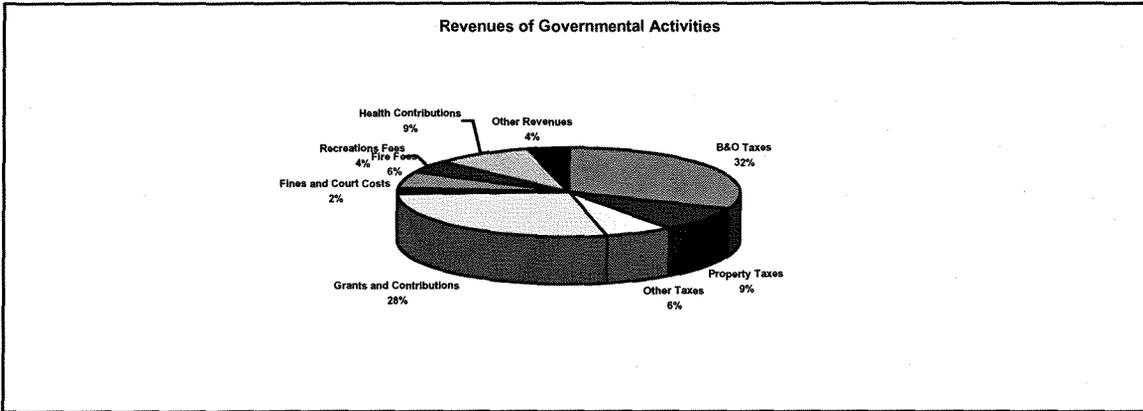
The City's combined net assets increased by \$9,013,814 to \$46,671,202. Of this total, \$36,598,200 was invested in capital assets, net of related debt. A total of \$800,555 was restricted for debt service, leaving the remaining \$9,272,447 unrestricted. The net assets of the governmental activities increased 28% from the previous year to \$29,756,458, with \$7,793,512 considered unrestricted. The net assets of the business-type activities increased 14% over the previous year to \$16,914,744, with \$1,478,935 considered unrestricted.

Changes in Net Assets

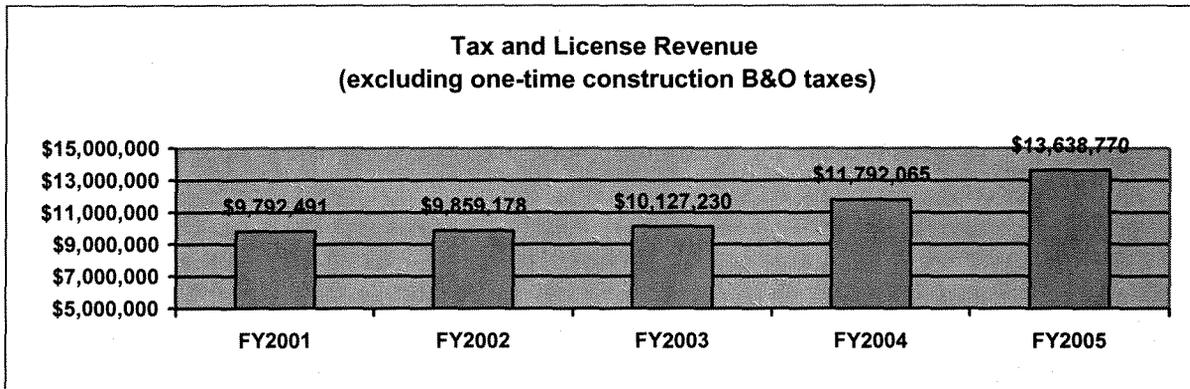
The increase in net assets of the governmental activities of \$6,563,950 can be primarily attributed to grants that were received for capital projects in the Economic Development Grant Fund, Business Improvement District Fund, and the Capital Reserve Fund. The increase in net assets in the business-type activities of \$2,449,864 is due primarily to the capital grants received by the Airport.

Governmental Activities

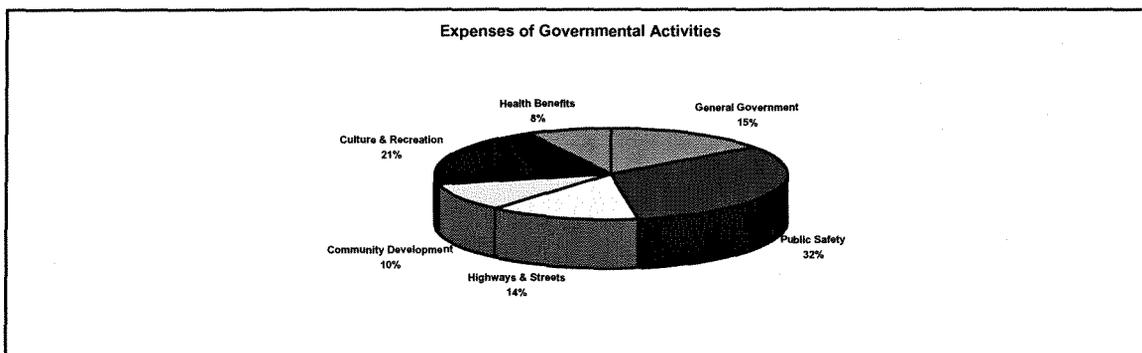
Revenues for the City's governmental activities were \$30,240,251, with \$14,062,788 generated from taxes and licenses, \$7,156,574 from charges for services, \$8,458,982 from grants and contributions, and \$561,907 from other sources. The following chart depicts a more detailed breakdown of the revenues of the City's governmental activities:



Due to the healthy economic conditions in Morgantown and the surrounding areas, on-going revenues (excluding the one-time construction business and occupation tax revenue) in the governmental activities have been steadily increasing over the past several years. This has been accomplished with no changes in tax formulas or service fees increases. The following graph depicts the growth in the City's revenue from taxes and licenses, excluding the one-time construction B&O tax revenues earmarked for Capital Reserve Fund:



Expenses of the governmental activities have also increased at a steady, but modest, rate over the past several years. Due to the growth in the City's on-going revenues cited above, City Council has been able to give employees a cost of living each year for the past eleven years and to absorb the increase in health costs without increasing the portion paid by employees through payroll withholding. However, in an effort to reduce the escalating health care costs experienced in recent years, employee deductibles and out-of-pocket maximums were doubled during the current year, which contributed to a decrease of \$674,210, or 27%, in payments for health claims and administration. While insurance costs for property and liability insurance for most of fiscal year 2005 was approximately 10% more than the previous year, the City's renewal rate effective April 1, 2005 carried an increase of less than 2% over the previous year. Fuel costs, however, remained high and the budget for fiscal year 2006 will reflect this sustained increase. The following chart depicts the breakdown of the City's expenses for governmental activities for the current year:



Business-Type Activities

Service revenue in the City's business-type activities increased 12% to \$4,523,855, while total expenses increased 15% to \$4,833,904. Both the Parking Authority and the Airport realized increases in health plan contributions, liability and property insurance, utilities and fuel. In addition, due to declining activity at the airport, the Airport was required to start paying a monthly fee for the air traffic control services previously provided free of charge.

The Parking Authority reported operating income of \$229,519, a significant improvement of \$256,865 over the previous year's operating loss. Operating revenues were up 25%, while operating expenses increased 9%. The increase in revenue resulted primarily from parking fee and fine increases put into effect during the year and improved collection efforts. The net income reported by the Parking Authority for the year was \$31,754, an improvement of \$38,388 over the prior year's net loss.

The operating loss of the Airport increased \$76,956 over the previous year, resulting in a reported operating loss of (\$406,136). It should be noted, however, that the depreciation of capital assets included in operating expenses totaled \$507,964. Additionally, the Airport reported cash flows from operating activities of \$463,375, an increase of \$329,832 over the previous year.

Net non-operating revenue in the business-type activities was \$2,253,088, which represents a increase of 35% from the previous year. The non-operating revenue is due primarily to capital grants received by the Airport from the U.S. Department of Transportation which funded several projects during the year, including a taxiway extension, the design and construction of the safety area extension, and a maintenance building.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the current year, the governmental funds reported a combined fund balance of \$8,751,901, an increase of \$945,332 from the previous year. This increase is primarily attributed to increases in the General Fund and Life and Health Fund.

The fund balance in the General Fund increased \$465,143 to \$4,041,357. However, the balance available for appropriation in the subsequent fiscal year was calculated at \$1,313,322. City management prepares its budget on a basis that recognizes tax revenue when the tax is due to be received, rather than in the period for which the taxes are applicable.

The Economic Development Grant Fund, which was created in the prior year, is a special revenue fund used to account for the activity from three grants awarded through the WV Economic Development Fund totaling over \$21 million. The projects funded by these grant funds include the Public Theatre and Marina in the Wharf District, the first phase of the Square at Falling Run, which entails property acquisition and the demolition of several sub-standard housing units near the WVU campus, and the National Biometric Security Project. During the year, these grant funds were used to acquire land in the amount of \$4.8 million, approximately \$4 million for the Square at Falling Run and \$800,000 for the Public Theatre and Marina. Also, another \$670,000 was spent on engineering, project management, and relocating utilities for these projects.

Included in the City's capital project funds are the Tax Increment Financing (TIF) Fund and the Business Improvement District (BID) Fund, which were also established during the prior fiscal year. Two TIF districts have been established by City Council and approved by the WV Development Office:

District #1: Falling Run Development/Redevelopment District

District #2: The Riverfront Development/Redevelopment District

The TIF Fund is used to account for all property taxes designated as TIF property taxes and restricted for use in that specific TIF district, as well as any activity relating to the issuance of TIF bonds that may occur in subsequent years. The City received TIF property taxes of \$18,377 in fiscal year 2005, but expended \$280,733 on projects, most of which went for engineering costs and the relocation of utilities in the Riverfront District. The funds for these expenditures were advanced from the City's Capital Reserve Fund and will be reimbursed by future TIF tax revenues and the issuance of TIF bonds planned for fiscal year 2006.

The BID Fund is used to account for the activity in three established business improvement districts created to renovate and improve different sections of High Street. These projects will be funded by assessments on the property owners in the district, contributions, Federal transportation grants, and City funds. The City began to assessing property owners in the first BID district in fiscal year 2005, with a total of \$12,858 of assessments recognized. Assessments for the second BID District will begin in Fiscal year 2006. Expenditures in the BID Fund totaled \$22,324 and were primarily for engineering costs.

Of the special revenue funds, the Board of Parks and Recreation Commissioners (BOPARC) reported a deficit fund balances of (\$209,129), an increase in the deficit reported last year of (\$50,317). Additional facilities and responsibilities added to BOPARC over the past few years, including the rail trail system, Hazel Ruby McQuain Park, Dorsey's Knob Park and Lodge and the Metropolitan Theatre have all combined to contribute to BOPARC's deficit. The management of BOPARC has taken steps to eliminate cost inefficiencies and is continually reviewing its pricing structure and the profitability of its various programs. In addition, management is reviewing budget compliance on an on-going basis and will recommend revisions to the Board as deemed necessary.

General Fund Budgetary Highlights

Over the course of the year, City Council revised the City's general fund budget three times. These budget revisions fall into two categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances (adjusting the estimated amounts in the budget adopted in March, 2004.)
- Revisions made during the year to account for additional revenue received and to increase appropriations to prevent budget overruns.

Even with these adjustments, actual expenditures, including transfers, were \$727,034 below final budgeted amounts, while revenues were \$584,191 above the final budgeted amounts. The additional revenues were due mainly to better-than-expected business and occupation tax collections.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the City had \$71,919,098 invested in capital assets, with \$48,248,829 invested net of accumulated depreciation. These assets include several buildings, fire and police equipment and vehicles, heavy equipment and vehicles used in public works, parking facilities, and parks and recreational facilities. This amount represents a net increase of \$7,085,055 over the previous year. Major additions during the year include the improvements at the Airport mentioned previously, several new police cruisers, fire and police department equipment funded by a Homeland Security Grant, sidewalk and streetscape projects, the completion of the lodge at Dorsey's Knob Park, and the land acquisitions funded by the Economic Development Grants mentioned previously.

Long-term Debt

At the end of the year, the City had \$12,939,421 in long-term revenue bonds and notes payable. This was a decrease from the previous year of \$353,391. The only new debt was \$227,436 drawn down on the Parking Authority revenue bonds issued in 2002, while principal payments on all debt totaled \$580,827. More information on outstanding debt can be found in Note 5 of the Notes to Financial Statements.

As reported in Note 11 of the Notes to Financial Statements, the Parking Authority met the 110% coverage ratio required in its 2002 bond ordinance after failing to do so in the prior year. The debt service coverage factor was 1.40 for the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

City officials will implement an increase in the Hotel Occupancy Tax beginning on July 1, 2005, from the current 3% to 6%, as recently authorized by the West Virginia legislature. This increase is expected to generate \$280,000 more per year, with one-half going to the Morgantown Area Convention and Visitors' Bureau and the other half to BOPARC to fund "projects of impact." There is no other increase expected in service fees or changes in tax formulas for the governmental activities in the next fiscal year. An increase in the one-time business and occupation tax revenues is projected, with a budgeted amount of \$1,200,000, compared to the \$400,000 budgeted in the 2005 fiscal year as several large construction projects get underway within the City. Continued increases in this revenue source is expected in the 2007 fiscal year as well.

Budgeted expenditures for operations are expected to increase slightly for fiscal year 2006. These expenditures include a 3.5% cost of living adjustment for employees, increase in fuel and utility costs, and two additional full-time fire inspectors. In addition, contributions to the Capital Reserve Fund will increase as one-time construction B&O taxes increase, as will contributions to the Convention and Visitors' Bureau and BOPARC, as described above.

As for the City's business-type activities, the positive operating results for fiscal year 2005 are expected to be sustained in fiscal year 2006 by the Parking Authority. The operating budget is formulated to meet the 110% debt coverage requirement, and will be monitored on an on-going basis for compliance. Airport management continues to seek additional lease revenue at the Airport and to monitor the profitability of fuel sales. A change in the commercial carrier in the next year is also expected to have positive results, and management is also exploring other options to increase the activity at the Airport.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors of the City of Morgantown with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Morgantown, Finance Director, 389 Spruce Street, Morgantown, WV 26505.

**CITY OF MORGANTOWN, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2005**

Office	Name	Term
	Elective	
Mayor	Ronald Justice	07/01/01 - 06/30/05
Deputy Mayor	William Byrne	07/01/01 - 06/30/05
Council Members:	Ron Bane	07/01/01 - 06/30/05
	James Manilla	07/01/01 - 06/30/05
	Frank Scafella	07/01/01 - 06/30/05
	Don Spencer	07/01/01 - 06/30/05
	Teresa Miller	07/01/01 - 06/30/05
	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, 2005**

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

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

Capital Projects Funds

Capital Reserve Fund
Library Excess Levy II
Capital Project - Cheat Area Branch
Capital Project - Clay Battelle Branch
Tax Increment Financing
Business Improvement District

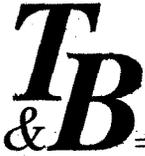
PROPRIETARY FUND TYPES

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
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, business-type activities, major funds and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements. 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 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 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 opinion.

In our opinion, 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, and the aggregate remaining fund information of the City of Morgantown, West Virginia, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 January 12, 2006, on our consideration of the City of Morgantown, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 1 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

D. Strick • Bartlett, PLLC

January 12, 2006

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 3,298,462	\$ 520,324	\$ 3,818,786
Investments	3,245,596	906,187	4,151,783
Receivables	3,646,267	626,516	4,272,783
Internal balances	192,020	(192,020)	-0-
Inventory	-0-	52,471	52,471
Prepaid expenses	77,468	73,313	150,781
Restricted assets	-0-	1,654,925	1,654,925
Capital assets, net	21,962,946	26,285,883	48,248,829
Unamortized bond discount and issue costs	-0-	787,392	787,392
Total assets	<u>32,422,759</u>	<u>30,714,991</u>	<u>63,137,750</u>
Liabilities			
Accounts payable	1,019,912	645,338	1,665,250
Prepaid revenues	-0-	52,500	52,500
Long-term liabilities			
Due within one year	353,688	673,666	1,027,354
Due in more than one year	<u>1,292,701</u>	<u>12,428,743</u>	<u>13,721,444</u>
Total liabilities	<u>2,666,301</u>	<u>13,800,247</u>	<u>16,466,548</u>
Net Assets			
Invested in capital assets, net of related debt	21,962,946	14,635,254	36,598,200
Restricted	-0-	800,555	800,555
Unrestricted	<u>7,793,512</u>	<u>1,478,935</u>	<u>9,272,447</u>
Total Net Assets	<u>\$ 29,756,458</u>	<u>\$ 16,914,744</u>	<u>\$ 46,671,202</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2005**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities							
General government	\$ 3,467,628	\$ 390,360	\$ -0-	\$ -0-	\$(3,077,268)	\$ -0-	\$(3,077,268)
Public safety	7,594,986	2,378,294	228,548	-0-	(4,988,144)	-0-	(4,988,144)
Highways and streets	3,237,406	-0-	-0-	-0-	(3,237,406)	-0-	(3,237,406)
Community development	2,233,932	8,800	1,323,488	5,496,544	4,594,900	-0-	4,594,900
Culture and recreation	4,975,108	1,291,992	1,410,402	-0-	(2,272,714)	-0-	(2,272,714)
Benefits payments	<u>1,815,326</u>	<u>2,784,493</u>	<u>-0-</u>	<u>-0-</u>	<u>969,167</u>	<u>-0-</u>	<u>969,167</u>
Total governmental activities	<u>23,324,386</u>	<u>6,853,939</u>	<u>2,962,438</u>	<u>5,496,544</u>	<u>(8,011,465)</u>	<u>-0-</u>	<u>(8,011,465)</u>
Business – Type Activities							
Airport	2,230,734	1,824,014	-0-	2,706,603	-0-	2,299,883	2,299,883
Parking	2,079,629	2,072,824	-0-	-0-	-0-	(6,805)	(6,805)
Building commission	<u>523,541</u>	<u>627,017</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>103,476</u>	<u>103,476</u>
Total business – type activities	<u>4,833,904</u>	<u>4,523,855</u>	<u>-0-</u>	<u>2,706,603</u>	<u>-0-</u>	<u>2,396,554</u>	<u>2,396,554</u>
Total	\$ <u>28,207,570</u>	\$ <u>11,377,794</u>	\$ <u>2,962,438</u>	\$ <u>8,203,147</u>	<u>(8,011,465)</u>	<u>2,396,554</u>	<u>(5,614,911)</u>
General Revenues							
Taxes and licenses					14,062,788	-0-	14,062,788
Franchise fees					266,357	-0-	266,357
Interest and investment earnings					116,026	53,310	169,336
Miscellaneous					<u>130,244</u>	<u>-0-</u>	<u>130,244</u>
Total general revenues					<u>14,575,415</u>	<u>53,310</u>	<u>14,628,725</u>
Change in net assets					6,563,950	2,449,864	9,013,814
Transfers out					(34,070)	34,070	-0-
Net assets – beginning – restated					<u>23,226,578</u>	<u>14,430,810</u>	<u>37,657,388</u>
Net assets – ending					\$ <u>29,756,458</u>	\$ <u>16,914,744</u>	\$ <u>46,671,202</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General Fund</u>	<u>Board of Parks and Recreation</u>	<u>Life and Health Fund</u>	<u>Capital Reserve</u>	<u>Economic Development Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash	\$ 1,104,119	\$ 272,181	\$ 1,013,655	\$ 605,418	\$ 8,800	\$ 294,289	\$ 3,298,462
Investments	500,000	-0-	-0-	761,511	-0-	1,984,085	3,245,596
Receivables, net of allowances:							
Taxes	2,126,573	-0-	-0-	-0-	-0-	-0-	2,126,573
Accounts	272,646	-0-	-0-	500	-0-	1,043	274,189
Other	422,230	8,928	38,966	324,000	-0-	-0-	794,124
Grants	42,607	-0-	-0-	63,943	5,459	3,002	115,011
Interest receivable	562	-0-	-0-	1,496	-0-	-0-	2,058
Due (to)/from other funds	(647)	(121,731)	-0-	603,638	-0-	(289,240)	192,020
Prepaid expenses	<u>62,379</u>	<u>14,158</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>931</u>	<u>77,468</u>
TOTAL ASSETS	\$ <u>4,530,469</u>	\$ <u>173,536</u>	\$ <u>1,052,621</u>	\$ <u>2,360,506</u>	\$ <u>14,259</u>	\$ <u>1,994,110</u>	\$ <u>10,125,501</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 243,357	\$ 320,258	\$ 413,422	\$ 32,172	\$ 5,459	\$ 5,244	\$ 1,019,912
Accrued payroll and compensated absences	<u>245,755</u>	<u>62,407</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>45,526</u>	<u>353,688</u>
Total liabilities	<u>489,112</u>	<u>382,665</u>	<u>413,422</u>	<u>32,172</u>	<u>5,459</u>	<u>50,770</u>	<u>1,373,600</u>
Fund Balances							
Reserved for unemployment	-0-	-0-	-0-	-0-	-0-	11,872	11,872
Unreserved	<u>4,041,357</u>	<u>(209,129)</u>	<u>639,199</u>	<u>2,328,334</u>	<u>8,800</u>	<u>1,931,468</u>	<u>8,740,029</u>
Total fund balances	<u>4,041,357</u>	<u>(209,129)</u>	<u>639,199</u>	<u>2,328,334</u>	<u>8,800</u>	<u>1,943,340</u>	<u>8,751,901</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>4,530,469</u>	\$ <u>173,536</u>	\$ <u>1,052,621</u>	\$ <u>2,360,506</u>	\$ <u>14,259</u>	\$ <u>1,994,110</u>	\$ <u>10,125,501</u>

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, 2005**

Fund balance, fund level statement June 30, 2005 \$ 8,751,901

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:

Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:

Accrued compensated absences (1,292,701)

Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in the governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation. 21,962,946

Some assets do not provide current financial resources and are not reported as assets in the fund level statements:

Additional accounts receivable – June 30, 2005 334,312

Net assets of governmental activities \$ 29,756,458

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u> <u>Fund</u>	<u>Board of</u> <u>Parks and</u> <u>Recreation</u>	<u>Life and</u> <u>Health</u> <u>Fund</u>	<u>Capital</u> <u>Reserve</u>	<u>Economic</u> <u>Development</u> <u>Grant</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues							
Taxes and special assessments	\$ 13,399,230	\$ -0-	\$ -0-	\$ 1,053	\$ -0-	\$ 31,186	\$ 13,431,469
Licenses and permits	235,051	-0-	-0-	-0-	-0-	-0-	235,051
Charges for services	2,216,574	1,239,193	-0-	-0-	8,800	52,799	3,517,366
Fines and forfeits	551,119	-0-	-0-	-0-	-0-	961	552,080
Franchise fees	266,357	-0-	-0-	-0-	-0-	-0-	266,357
Interest	27,045	1,354	7,566	31,149	-0-	48,912	116,026
Donations	-0-	57,765	-0-	75,500	-0-	456,029	589,294
Intergovernmental							
Federal	202,420	64,101	-0-	558,030	-0-	392,256	1,216,807
State	20,448	99,952	-0-	181,249	5,561,137	544,930	6,407,716
County	-0-	60,000	-0-	-0-	-0-	260,000	320,000
Contributions from employees	-0-	-0-	121,718	-0-	-0-	-0-	121,718
Contributions from employers	-0-	-0-	2,662,775	-0-	-0-	-0-	2,662,775
Gain on investments	-0-	-0-	-0-	-0-	-0-	52,024	52,024
Other	56,071	-0-	17,925	3,545	-0-	679	78,220
Total revenues	<u>16,974,315</u>	<u>1,522,365</u>	<u>2,809,984</u>	<u>850,526</u>	<u>5,569,937</u>	<u>1,839,776</u>	<u>29,566,903</u>
Expenditures							
General government	3,132,926	-0-	125,860	172	-0-	8,685	3,267,643
Public safety	7,279,706	-0-	-0-	-0-	-0-	14,885	7,294,591
Highways and streets	3,138,381	-0-	-0-	-0-	-0-	-0-	3,138,381
Health and sanitation	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Community development	-0-	-0-	-0-	2,452,093	5,560,337	655,292	8,667,722
Culture and recreation	141,249	2,621,174	-0-	-0-	-0-	1,641,415	4,403,838
Benefit payments	-0-	-0-	1,815,326	0-	-0-	-0-	1,815,326
Total expenditures	<u>13,692,262</u>	<u>2,621,174</u>	<u>1,941,186</u>	<u>2,452,265</u>	<u>5,560,337</u>	<u>2,320,277</u>	<u>28,587,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,282,053</u>	<u>(1,098,809)</u>	<u>868,798</u>	<u>(1,601,739)</u>	<u>9,600</u>	<u>(480,501)</u>	<u>979,402</u>
Other Financing Sources (Uses)							
Operating transfers in	49,280	1,048,492	-0-	1,872,486	-0-	793,355	3,763,613
Operating transfers (out)	(2,866,190)	-0-	(150,000)	(409,172)	-0-	(372,321)	(3,797,683)
Total other financing sources (uses)	<u>(2,816,910)</u>	<u>1,048,492</u>	<u>(150,000)</u>	<u>1,463,314</u>	<u>-0-</u>	<u>421,034</u>	<u>(34,070)</u>
Net change in net assets	465,143	(50,317)	718,798	(138,425)	9,600	(59,467)	945,332
Fund balance at beginning of year	<u>3,576,214</u>	<u>(158,812)</u>	<u>(79,599)</u>	<u>2,466,759</u>	<u>(800)</u>	<u>2,002,807</u>	<u>7,806,569</u>
Fund balance at end of year	<u>\$ 4,041,357</u>	<u>\$ (209,129)</u>	<u>\$ 639,199</u>	<u>\$ 2,328,334</u>	<u>\$ 8,800</u>	<u>\$ 1,943,340</u>	<u>\$ 8,751,901</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 FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Net change in net assets – total governmental funds	\$ 944,332
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 amount by which capital outlays exceeded depreciation in the current period.	5,488,598
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	(183,465)
Some revenues reported in the Statement of Activities do not provide financial resources that are both available and measurable for use in current activities.	<u>280,415</u>
Change in Net Assets of Governmental Activities	\$ <u>6,529,880</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FUND BALANCE SHEETS
PROPRIETARY FUNDS
JUNE 30, 2005**

	BUSINESS TYPE ACTIVITIES			<u>Total</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	
ASSETS				
Current Assets				
Cash	\$ 207,186	\$ 313,138	\$ -0-	\$ 520,324
Investments	-0-	906,187	-0-	906,187
Receivables, net of allowances:				
Accounts	25,245	789	-0-	26,034
Interest	-0-	687	-0-	687
Grants	599,795	-0-	-0-	599,795
Inventory	52,471	-0-	-0-	52,471
Due (to)/from other funds	(192,020)	-0-	-0-	(192,020)
Prepaid expenses	5,826	498	-0-	6,324
Total current assets	<u>698,503</u>	<u>1,221,299</u>	<u>-0-</u>	<u>1,919,802</u>
Noncurrent Assets				
Restricted assets	<u>-0-</u>	<u>800,555</u>	<u>854,370</u>	<u>1,654,925</u>
Capital Assets				
Land	48,348	1,484,326	717,207	2,249,881
Land improvement	-0-	-0-	24,400	24,400
Building	4,777,852	-0-	8,097,336	12,875,188
Structures and improvements	12,643,449	8,337,899	-0-	20,981,348
Leasehold improvements	-0-	90,965	-0-	90,965
Machinery and equipment	835,553	803,522	168,450	1,807,525
Construction in progress	2,301,127	-0-	-0-	2,301,127
Less: Accumulated depreciation	(7,946,146)	(2,996,354)	(3,102,051)	(14,044,551)
Net capital assets	<u>12,660,183</u>	<u>7,720,358</u>	<u>5,905,342</u>	<u>26,285,883</u>
Other Assets				
Prepaid expenses	66,989	-0-	-0-	66,989
Unamortized bond discount and issue costs	-0-	62,062	725,330	787,392
Total other assets	<u>66,989</u>	<u>62,062</u>	<u>725,330</u>	<u>854,381</u>
TOTAL ASSETS	\$ <u>13,425,675</u>	\$ <u>9,804,274</u>	\$ <u>7,485,042</u>	\$ <u>30,714,991</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)

Current portion obligation under capital lease	\$ -0-	\$ 3,302	\$ -0-	\$ 3,302
Notes payable	-0-	-0-	12,376	12,376
Accounts payable	481,392	163,946	-0-	645,338
Prepaid revenues	52,500	-0-	-0-	52,500
Accrued compensated absences	<u>76,716</u>	<u>86,272</u>	<u>-0-</u>	<u>162,988</u>
Total current liabilities (payable from current assets)	<u>610,608</u>	<u>253,520</u>	<u>12,376</u>	<u>876,504</u>

Current Liabilities (payable from restricted assets)

Revenue bonds payable	-0-	120,000	375,000	495,000
Accrued revenue bond interest payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>120,000</u>	<u>375,000</u>	<u>495,000</u>

Long-Term Liabilities (net of current portion)

Revenue bonds payable	-0-	5,621,985	6,750,000	12,371,985
Notes payable	-0-	-0-	56,758	56,758
Obligation under capital lease	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total long-term liabilities	<u>-0-</u>	<u>5,621,985</u>	<u>6,806,758</u>	<u>12,428,743</u>

Total liabilities	<u>610,608</u>	<u>5,995,505</u>	<u>7,194,134</u>	<u>13,800,247</u>
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Net Assets

Invested in capital assets, net of related debt	12,660,183	1,975,071	-0-	14,635,254
Restricted	-0-	800,555	-0-	800,555
Unrestricted	<u>154,884</u>	<u>1,033,143</u>	<u>290,908</u>	<u>1,478,935</u>
Total net assets	<u>12,815,067</u>	<u>3,808,769</u>	<u>290,908</u>	<u>16,914,744</u>

TOTAL LIABILITIES AND NET ASSETS

	\$ <u>13,425,675</u>	\$ <u>9,804,274</u>	\$ <u>7,485,042</u>	\$ <u>30,714,991</u>
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The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS TYPE ACTIVITIES			
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 1,818,773	\$ 1,588,296	\$ 627,017	\$ 4,034,086
Fines	-0-	465,774	-0-	465,774
Total operating revenues	<u>1,818,773</u>	<u>2,054,070</u>	<u>627,017</u>	<u>4,499,860</u>
Operating Expenses				
Personal services	519,131	608,614	-0-	1,127,745
Purchases – fuel	883,562	-0-	-0-	883,562
Supplies	27,031	21,101	-0-	48,132
Liability insurance	48,956	51,053	-0-	100,009
Utilities	102,829	75,974	-0-	178,803
General and administrative	79,166	124,935	1,500	205,601
Depreciation	507,964	357,566	218,054	1,083,584
Maintenance	56,270	62,316	-0-	118,586
Rental lease	-0-	522,992	-0-	522,992
Total operating expenses	<u>2,224,909</u>	<u>1,824,551</u>	<u>219,554</u>	<u>4,269,014</u>
Operating (loss) income	(406,136)	229,519	407,463	230,846
Nonoperating Revenues (Expenses)				
Interest and dividends	561	32,424	14,190	47,175
Gain on investments	-0-	6,135	-0-	6,135
Gain on sale of capital assets	-0-	-0-	-0-	-0-
Miscellaneous income	5,241	18,754	-0-	23,995
Interest and fiscal charges	-0-	(251,723)	(250,259)	(501,982)
Amortization of bond discount and issue costs	(5,825)	(3,355)	(53,728)	(62,908)
Total nonoperating revenues (expenses)	<u>(23)</u>	<u>(197,765)</u>	<u>(289,797)</u>	<u>(487,585)</u>
Change in net assets before nonoperating grants and operating transfers	(406,159)	31,754	117,666	(256,739)
Transfers in from other funds	34,070	-0-	-0-	34,070
Nonoperating grants	<u>2,706,603</u>	<u>-0-</u>	<u>-0-</u>	<u>2,706,603</u>
Change in net assets	2,334,514	31,754	117,666	2,483,934
Total net assets – beginning	<u>10,480,553</u>	<u>3,777,015</u>	<u>173,242</u>	<u>14,430,810</u>
Total net assets – ending	\$ <u>12,815,067</u>	\$ <u>3,808,769</u>	\$ <u>290,908</u>	\$ <u>16,914,744</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, 2005

	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	\$ 1,817,385	\$ 2,055,223	\$ 625,517	\$ 4,498,125
Payments to suppliers	(846,116)	(2,218,926)	-0-	(3,065,042)
Payments to employees	(507,894)	605,736	-0-	97,842
Net cash provided by operating activities	<u>463,375</u>	<u>442,033</u>	<u>625,517</u>	<u>1,530,925</u>
Cash Flows from Capital and Related Financing Activities				
Nonoperating grants	2,275,438	-0-	-0-	2,275,438
(Increase) in restricted assets	-0-	(26,839)	(7,599)	(34,438)
Repayment of notes payable	-0-	-0-	(11,849)	(11,849)
Repayments of revenue bonds	-0-	(191,053)	(370,000)	(561,053)
Proceeds from revenue bonds	-0-	227,436	-0-	227,436
Repayment of obligation under capital lease	-0-	(7,925)	-0-	(7,925)
Acquisition of capital assets	(2,635,385)	(97,377)	-0-	(2,732,762)
Interest expense	<u>-0-</u>	<u>(251,723)</u>	<u>(250,259)</u>	<u>(501,982)</u>
Net cash (used in) capital and related financing activities	<u>(359,947)</u>	<u>(347,481)</u>	<u>(639,707)</u>	<u>(1,347,135)</u>
Cash Flows from Investing Activities				
Increase in investments	-0-	(20,985)	-0-	(20,985)
Interest income	<u>561</u>	<u>31,990</u>	<u>14,190</u>	<u>46,741</u>
Net cash provided by investing activities	<u>561</u>	<u>11,005</u>	<u>14,190</u>	<u>25,756</u>
Net increase in cash	103,989	105,557	-0-	209,546
Cash at beginning of year	<u>103,197</u>	<u>207,581</u>	<u>-0-</u>	<u>310,778</u>
Cash at end of year	\$ <u>207,186</u>	\$ <u>313,138</u>	\$ <u>-0-</u>	\$ <u>520,324</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

	BUSINESS TYPE ACTIVITIES			<u>Total</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	
Reconciliation of operating income to net cash provided by operating activities				
Operating (loss) income	\$ (406,136)	\$ 229,519	\$ 407,463	\$ 230,846
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization	507,964	357,566	218,054	1,083,584
Nonoperating revenues	39,311	18,754	-0-	58,065
Gain on sale of investments	-0-	6,135	-0-	6,135
Gain on sale of capital assets	-0-	-0-	-0-	-0-
(Increase) decrease in:				
Accounts receivable	(1,388)	1,153	-0-	(235)
Inventory	(19,252)	-0-	-0-	(19,252)
Due from other funds	26,677	-0-	-0-	26,677
Prepaid expenses	-0-	1,197	-0-	1,197
Increase (decrease) in:				
Accounts payable	252,462	(175,169)	-0-	77,293
Prepaid revenues	52,500	-0-	-0-	52,500
Accrued compensated absences	<u>11,237</u>	<u>2,878</u>	<u>-0-</u>	<u>14,115</u>
Net cash provided by operating activities	\$ <u>463,375</u>	\$ <u>442,033</u>	\$ <u>625,517</u>	\$ <u>1,530,925</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Difference</u>	<u>GAAP</u>	<u>Budget</u>
					<u>Basis</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Taxes (including interest and penalties)						
General property taxes	\$ 2,434,731	\$ 2,424,942	\$ 2,472,686	\$ 243,269	\$ 2,715,955	\$ 47,744
Other taxes – business and public service	<u>8,769,000</u>	<u>10,427,500</u>	<u>10,926,544</u>	<u>14,036</u>	<u>10,940,580</u>	<u>499,044</u>
Total taxes	11,203,731	12,852,442	13,399,230	257,305	13,656,535	546,788
Licenses and permits	249,600	275,600	235,051	-0-	235,051	(40,549)
Charges for services	2,053,215	2,178,215	2,216,574	-0-	2,216,574	38,359
Fines and forfeitures	530,000	530,000	551,119	-0-	551,119	21,119
Franchise fees	230,000	230,000	266,357	-0-	266,357	36,357
Interest	20,000	20,000	27,045	-0-	27,045	7,045
Intergovernmental:						
Federal	254,447	254,447	202,420	-0-	202,420	(52,027)
State	-0-	-0-	20,448	-0-	20,448	20,448
Miscellaneous	<u>50,920</u>	<u>49,420</u>	<u>56,071</u>	<u>-0-</u>	<u>56,071</u>	<u>6,651</u>
Total revenues	<u>14,591,913</u>	<u>16,390,124</u>	<u>16,974,315</u>	<u>257,305</u>	<u>17,231,620</u>	<u>584,191</u>
Expenditures						
General government	3,138,994	3,704,559	3,132,926	184,471	3,317,397	571,633
Public safety	7,191,467	7,398,404	7,279,706	300,395	7,580,101	118,698
Highways and streets	2,976,060	3,176,333	3,138,381	(101)	3,138,280	37,952
Health and sanitation	-0-	-0-	-0-	-0-	-0-	-0-
Culture and recreation	<u>100,000</u>	<u>140,000</u>	<u>141,249</u>	<u>-0-</u>	<u>141,249</u>	<u>(1,249)</u>
Total expenditures	<u>13,406,521</u>	<u>14,419,296</u>	<u>13,692,262</u>	<u>484,765</u>	<u>14,177,027</u>	<u>727,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,185,392</u>	<u>1,970,828</u>	<u>3,282,053</u>	<u>(227,460)</u>	<u>3,054,593</u>	<u>1,311,225</u>
Other Financing Sources (Uses)						
Operating transfers in	49,280	49,280	49,280	-0-	49,280	-0-
Operating transfers (out)	<u>(1,600,704)</u>	<u>(2,866,190)</u>	<u>(2,866,190)</u>	<u>-0-</u>	<u>(2,866,190)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(1,551,424)</u>	<u>(2,816,910)</u>	<u>(2,816,910)</u>	<u>-0-</u>	<u>(2,816,910)</u>	<u>-0-</u>
Net change in fund balance	(366,032)	(846,082)	465,143	(227,460)	237,683	1,311,225
Fund balance at beginning of year	<u>366,032</u>	<u>846,082</u>	<u>3,576,214</u>	<u>8,921,345</u>	<u>12,497,559</u>	<u>2,730,132</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>4,041,357</u>	\$ <u>8,693,885</u>	\$ <u>12,735,242</u>	\$ <u>4,041,357</u>

**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, 2005**

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 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, 2005**

	<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	\$ 125	\$ 125	\$ 118	\$ -0-	\$ 118	\$ (7)
Intergovernmental:						
State	<u>56,000</u>	<u>56,000</u>	<u>74,835</u>	<u>23,123</u>	<u>97,958</u>	<u>18,835</u>
Total revenues	<u>56,125</u>	<u>56,125</u>	<u>74,953</u>	<u>23,123</u>	<u>98,076</u>	<u>18,828</u>
Expenditures						
General government	1,525	623	-0-	-0-	-0-	623
Public safety	-0-	-0-	-0-	-0-	-0-	-0-
Highways and streets	-0-	-0-	-0-	-0-	-0-	-0-
Health and sanitation	-0-	-0-	-0-	-0-	-0-	-0-
Culture and recreation	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>1,525</u>	<u>623</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>623</u>
Excess of revenues over expenditures	<u>54,600</u>	<u>55,502</u>	<u>74,953</u>	<u>23,123</u>	<u>98,076</u>	<u>19,451</u>
Other Financing Sources (Uses)						
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers (out)	<u>(58,000)</u>	<u>(57,000)</u>	<u>(57,000)</u>	<u>-0-</u>	<u>(57,000)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(58,000)</u>	<u>(57,000)</u>	<u>(57,000)</u>	<u>-0-</u>	<u>(57,000)</u>	<u>-0-</u>
Net change in fund balance	(3,400)	(1,498)	17,953	23,123	41,076	19,451
Fund balance at beginning of year	<u>3,400</u>	<u>1,498</u>	<u>1,498</u>	<u>-0-</u>	<u>1,498</u>	<u>-0-</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>19,451</u>	\$ <u>23,123</u>	\$ <u>42,574</u>	\$ <u>19,451</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESONSIBILITIES
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement and Benefit</u>	<u>Library Nonexpendable Trust</u>	<u>Library Endowment Fund</u>	<u>Total (Memorandum Only)</u>
Assets						
Cash	\$ 1,553	\$ 390	\$ 1,693	\$ -0-	\$ -0-	\$ 3,636
Investments	10,570,641	6,769,224	27,978,786	43,650	511	45,362,812
Receivables:						
Contributions	-0-	-0-	56,183	-0-	-0-	56,183
Accrued interest	<u>66,920</u>	<u>38,977</u>	<u>48,907</u>	<u>-0-</u>	<u>-0-</u>	<u>154,804</u>
Total assets	<u>10,639,114</u>	<u>6,808,591</u>	<u>28,085,569</u>	<u>43,650</u>	<u>511</u>	<u>45,577,435</u>
Liabilities						
Accounts payable	<u>11,862</u>	<u>34,612</u>	<u>3,497</u>	<u>-0-</u>	<u>-0-</u>	<u>49,971</u>
Total liabilities	<u>11,862</u>	<u>34,612</u>	<u>3,497</u>	<u>-0-</u>	<u>-0-</u>	<u>49,971</u>
Net Assets						
Held in trust	\$ <u>10,627,252</u>	\$ <u>6,773,979</u>	\$ <u>28,082,072</u>	\$ <u>43,650</u>	\$ <u>511</u>	\$ <u>45,527,464</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Employee's Retirement Benefit</u>	<u>Library Nonexpendable Trust</u>	<u>Library Endowment Fund</u>	<u>Total (Memorandum Only)</u>
Additions						
Contributions:						
Employer	\$ 366,404	\$ 304,525	\$ 608,039	\$ -0-	\$ -0-	\$ 1,278,968
Employee	160,887	121,069	494,797	-0-	-0-	776,753
Insurance premium tax allocation	431,434	412,356	-0-	-0-	-0-	843,790
Other	<u>90,139</u>	<u>186,195</u>	<u>875,046</u>	<u>-0-</u>	<u>-0-</u>	<u>1,151,380</u>
Total contributions	<u>1,048,864</u>	<u>1,024,145</u>	<u>1,977,882</u>	<u>-0-</u>	<u>-0-</u>	<u>4,050,891</u>
Investment income:						
Net appreciation in fair value of investments	237,313	203,177	1,776,838	203	12	2,217,543
Interest and dividends	<u>354,526</u>	<u>199,385</u>	<u>-0-</u>	<u>1,210</u>	<u>13</u>	<u>555,134</u>
Total investment income	<u>591,839</u>	<u>402,562</u>	<u>1,776,838</u>	<u>1,413</u>	<u>25</u>	<u>2,772,677</u>
Total additions	<u>1,640,703</u>	<u>1,426,707</u>	<u>3,754,720</u>	<u>1,413</u>	<u>25</u>	<u>6,823,568</u>
Deductions						
General and administrative	103,712	95,116	96,506	1,151	7	296,492
Benefit payments	<u>1,166,921</u>	<u>998,509</u>	<u>1,335,769</u>	<u>-0-</u>	<u>-0-</u>	<u>3,501,199</u>
Total deductions	<u>1,270,633</u>	<u>1,093,625</u>	<u>1,432,275</u>	<u>1,151</u>	<u>7</u>	<u>3,797,691</u>
Net increase	370,070	333,082	2,322,445	262	18	3,025,877
Net assets – beginning of year	<u>10,257,182</u>	<u>6,440,897</u>	<u>25,759,627</u>	<u>43,388</u>	<u>493</u>	<u>42,501,587</u>
Net assets – end of year	\$ <u>10,627,252</u>	\$ <u>6,773,979</u>	\$ <u>28,082,072</u>	\$ <u>43,650</u>	\$ <u>511</u>	\$ <u>45,527,464</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, 2005

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, 2005.

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

The financial statements include:

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

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

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

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has elected to implement the general provisions of the Statement in the fiscal year ended June 30, 2003.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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 resource 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, 2005**

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 significant extent on fees and charges for support.

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 whose 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 properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the 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:

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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 capital 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.

The City of Morgantown reports the following major governmental funds:

The Board of Parks and Recreation, 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) Funds and Account Groups – Fund Financial Statements

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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.

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 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 Funds

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

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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

(f) Receivables

All receivables are shown net of allowance for uncollectibles.

(g) Property, Plant and Equipment

Fund Financial Statements

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

The City of Morgantown records the purchase of property, plant and equipment used in governmental fund type operations as expenditures in the governmental funds.

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 - 20 years
Vehicles	8 - 10 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 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	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	5 - 25 years

Government-Wide Financial Statements

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.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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:

Governmental Funds

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

Proprietary Funds

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

(h) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

The City used 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 amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

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

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types and the pension trust funds. The accrual basis of accounting recognized 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.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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.

(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.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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.

(l) Cash, Cash Equivalents and Investments

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, 2005**

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.

(m) Inventories

The municipality considers inventories of materials and supplies 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, 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 municipality's financial statements.

(n) 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, 2005 was \$62,908.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

(o) 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 1/3 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. This portion of the sick leave attributable to governmental funds is recognized in the general long-term debt account group.

(p) Self Insurance

The City is self-insured for employees life and health benefits. The operating funds are charged premiums by the City insurance fund, which is accounted for as a special revenue fund fund. The fund balance has been reserved for payment of future claims including any claims incurred and not yet reported at June 30, 2005.

(q) 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 and the library 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.

(r) 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.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

(s) 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.

2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance – 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 balance 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, 2005. 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, 2005**

<u>Non-Pooled Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>Category</u>			<u>Carrying</u> <u>Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
General Fund	\$ 1,298,022	\$ 1,298,022	\$ -0-	\$ -0-	\$ 1,104,119
Special Revenue Funds	1,518,359	1,518,359	-0-	-0-	1,512,688
Capital Project Funds	685,283	685,283	-0-	-0-	681,655
Enterprise Funds	<u>481,837</u>	<u>481,837</u>	<u>-0-</u>	<u>-0-</u>	<u>520,324</u>
 Total deposits	 \$ <u>3,983,501</u>	 \$ <u>3,983,501</u>	 \$ <u>-0-</u>	 \$ <u>-0-</u>	 \$ <u>3,818,786</u>
	 <u>Bank</u> <u>Balance</u>	 <u>Category</u>			 <u>Carrying</u> <u>Amount</u>
		 <u>1</u>	 <u>2</u>	 <u>3</u>	
Fiduciary Funds	\$ <u>114,349</u>	\$ <u>114,349</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,636</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, 2005**

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, 2005. 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, 2005

<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	\$ 1,791,398	\$ -0-	\$ -0-	\$ 1,791,398	\$ 1,791,398
Mutual Funds	518,213	-0-	-0-	518,213	474,087
U.S. Government Obligations	232,507	-0-	-0-	232,507	223,318
Corporate Stocks and Bonds	675,501	-0-	-0-	675,501	608,518
Certificates of Deposit	<u>1,788,534</u>	<u>-0-</u>	<u>-0-</u>	<u>1,788,534</u>	<u>1,788,534</u>
Total investments	\$ <u>5,006,153</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	5,006,153	4,885,855
Investments in municipal bond commission				<u>800,555</u>	<u>800,555</u>
Total investments				\$ <u>5,806,708</u>	\$ <u>5,686,410</u>

Investments reported on financial statement as follows:

Investments	\$ 4,151,783
Restricted assets	<u>1,654,925</u>
	\$ <u>5,806,708</u>

Fiduciary Funds

<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	\$ 1,064,678	\$ -0-	\$ -0-	\$ 1,064,678	\$ 1,064,678
Certificates of Deposit	-0-	-0-	-0-	-0-	-0-
U.S. Government Obligations	19,526,123	-0-	-0-	19,526,123	19,505,146
Corporate Stocks and Bonds	24,356,420	-0-	-0-	24,356,420	20,915,811
Mutual Funds	<u>415,591</u>	<u>-0-</u>	<u>-0-</u>	<u>415,591</u>	<u>343,465</u>
Total investments	\$ <u>45,362,812</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>45,362,812</u>	\$ <u>41,829,100</u>

Credit Risk: State law limits investments in corporate debt to commercial paper rated AA or better by Standard & Poor's Corporation or AA or better by Moody's Bond Rating.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

Interest Risk: The investments are at risk of declines in market value due to interest rate risk.

Custodial Credit Risk: The City's investments were 100% insured by brokerage insurance and were not subject to custodial credit risk.

Investments are presented in the financial statements at their quoted market values at June 30, 2005. The following is a summary of investments held at cost or amortized cost, and market for the year ended June 30, 2005.

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Investments – Cash Equivalent			
United Bank, Inc. Liquid Asset Fund	136,355.520	\$ 136,356	\$ 136,356
Huntington Money Market Fund IV	329,637.000	329,637	329,637
Wesbanco Money Market	2,393.720	2,394	2,394
Evergreen Money Market Fund Class S1	19,044.620	19,045	19,045
Prudential Money Market	361,284.580	361,285	361,285
Wachovia Securities Money Market	35,350.000	35,350	35,350
Wesbanco Prime Obligations Fund 396	854,370.000	854,370	854,370
Citizens Money Market	52,961.490	<u>52,961</u>	<u>52,961</u>
		\$ <u>1,791,398</u>	\$ <u>1,791,398</u>
Mutual Funds			
Huntington Mid Corp America Fund III	3,961.165	\$ 42,925	\$ 57,556
Huntington International Equity Fund III	4,278.392	36,550	45,736
Huntington Situs Small Cap Fund III	1,257.972	12,132	22,681
Huntington Short and Intermediate Fixed Income Fund III	953.796	18,952	18,504
Huntington Fixed Income Securities Fund III	2,836.587	59,000	60,674
Dodge & Cox Income Fund #147	3,651.302	46,268	46,700
Wesmark Bond Fund #556	3,145.740	30,985	31,143
Federated Kaufmann Fund Cl A #066	5,978.698	29,928	31,866
Vanguard Star Fund #56	2,490.126	43,204	46,939
Wesmark Growth Fund #549	7,438.181	92,011	93,795
Wesmark Balanced Fund #559	7,043.754	<u>62,132</u>	<u>62,619</u>
		\$ <u>474,087</u>	\$ <u>518,213</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Certificates of Deposit			
Centra Bank 4.10% matures 12/20/05	500,000.000	\$ 500,000	\$ 500,000
Branch Banking & Trust, 2.75%	524,511.000	524,511	524,511
Centra Bank 2.467% matures 9/2/05	237,000.000	237,000	237,000
Centra Bank 4.10%	311,306.000	311,306	311,306
Citizens Bank of Morgantown 3.02% matures 12/17/05	215,717.000	<u>215,717</u>	<u>215,717</u>
		\$ <u>1,788,534</u>	\$ <u>1,788,534</u>
Corporate Stocks and Bonds			
Alltel Corp	100.000	\$ 5,207	\$ 6,228
Amgen, Inc.	100.000	3,966	6,046
Apache Corporation	100.000	3,918	6,460
Applied Matls Inc.	500.000	7,999	8,090
Automatic Data Processing Inc.	100.000	4,375	4,197
B P Amoco P L C	100.000	5,336	6,238
Bank America Corp	470.000	17,169	21,437
Dow Chemical Company	220.000	6,636	8,906
Exxon Mobil Corp	150.000	6,600	8,620
Fortune Brands Inc.	50.000	3,540	4,440
General Electric Company	150.000	6,034	5,197
Kohls Corporation	100.000	7,170	5,591
Linear Technology Corp	252.000	7,764	9,246
Medtronic Inc	200.000	7,469	10,358
Merck & Co Inc.	156.000	9,806	4,805
Merrill Lynch & Co.	75.000	4,683	4,126
Microsoft Corp	200.000	8,421	4,968
Newell Rubbermaid Inc.	150.000	3,954	3,576
Oracle Corp	400.000	3,649	5,280
Pepsico Inc.	100.000	5,198	5,393
Pfizer Inc.	200.000	7,172	5,516
Procter & Gamble Co.	100.000	5,181	5,275
Simon Pty Group Inc.	22.000	1,244	1,595
Simon Pty 6.00% Series Convertible Preferred	22.000	1,182	1,364

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Sysco Corp	100.000	\$ 3,891	\$ 3,619
Wal Mart Stores, Inc.	75.000	4,407	3,615
Washington Mutual Inc.	200.000	7,021	8,138
American Express Co	200.000	11,294	10,646
American Intl Group	100.000	8,585	5,810
Bank of America Corp	200.000	7,277	9,122
Citigroup Inc.	260.000	10,710	12,020
Goldman Sachs Group Inc.	100.000	11,093	10,202
Hartford Financial Svcs Group Inc.	150.000	9,488	11,217
J. P. Morgan Chase & Co.	300.000	11,604	10,596
St. Paul Travelers Companies	300.000	11,277	11,859
Wells Fargo & Co.	200.000	8,702	12,316
Sprint Corp Fon Common Stock	300.000	6,900	7,527
Verizon Communications	183.000	9,540	6,323
Abbott Laboratories	300.000	5,747	14,703
Medtronic Inc.	200.000	9,919	10,358
Pfizer Inc.	500.000	1,382	13,790
Avon Products Inc	200.000	8,535	7,570
Pepsico Inc	200.000	9,388	10,786
Procter & Gamble Co.	200.000	9,258	10,550
Sysco Corp	200.000	7,590	7,238
Walgreen Co.	200.000	8,828	9,198
Comcast Corp Cl A	145.000	6,695	4,447
Fortune Brands Inc.	120.000	9,350	10,656
Liberty Media Corp A	1,000.000	8,439	10,190
McGraw-Hill Companies, Inc.	250.000	2,776	11,062
Staples Inc.	450.000	9,438	9,580
First Data Corp	200.000	8,634	8,028
Intel Corp	600.000	16,733	15,612
IBM Corp	150.000	12,921	11,130
Lexmark International Inc Cl-A	100.000	9,382	6,483
Microsoft Corp	500.000	12,347	12,420
Nokia Corp ADR	300.000	4,831	4,992
Oracle Corporation	500.000	12,404	6,600
Emerson Electric Co	150.000	7,261	9,394
Fedex Corp	100.000	7,005	8,101
General Dynamics Corp	100.000	7,913	10,954
General Electric Company	400.000	12,985	13,860

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Masco Corp	250.000	\$ 8,038	\$ 7,940
Conocophillips	300.000	11,807	17,247
Exxon Mobil Corp	200.000	10,038	11,494
Marathon Oil Corp	150.000	5,655	8,006
Occidental Petroleum Corp	150.000	11,081	11,539
PPG Industries Inc	300.000	6,974	18,828
FPL Group Inc.	400.000	12,545	16,824
Teva Pharmaceutical Inds ADR	400.000	10,992	12,456
Wellpoint Inc.	100.000	6,318	6,964
First Union Corp 7% matures 3/15/2006	20,000.000	19,920	20,395
Ford Motor Credit Co 6.25% matures 12/8/05	30,000.000	<u>29,927</u>	<u>30,144</u>
		\$ <u>608,518</u>	\$ <u>675,501</u>
U.S. Treasury Obligations			
Federated Government Ultrashort Fund	25,125.628	\$ 50,000	\$ 49,749
Federated Ultrashort Bond Fund #108	13,227.513	25,000	24,735
FHLMC 6.625% matures 9/15/2009	50,000.000	49,091	55,047
U.S. Treasury N/B 6.125% matures 8/15/07	50,000.000	49,711	52,511
U.S. Treasury N/B 5.875% matures 11/15/05	50,000.000	<u>49,516</u>	<u>50,465</u>
		\$ <u>223,318</u>	\$ <u>232,507</u>
Fiduciary Funds			
Investments – Cash Equivalent			
Wesbanco Prime Obligations Fund 10	10.000	\$ 10	\$ 10
Huntington Money Market Fund IV	880.270	880	880
Smith Barney Money Funds Cash Port C1 A	411,115.000	411,113	411,113
B B & T Prime Money Market Fund #30	652,675.000	<u>652,675</u>	<u>652,675</u>
		\$ <u>1,064,678</u>	\$ <u>1,064,678</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds			
Dodge & Cox Income Fund #147	6.235	\$ 81	\$ 80
Wesmark Bond Fund #556	5.151	52	51
Federated Kaufmann Fund Cl A #066	10.537	54	56
Vanguard Star Fund #56	5.031	89	95
Wesmark Growth Fund #549	11.978	155	151
Wesmark Balanced Fund #559	7.659	69	68
Huntington Dividend Capture Fund III	798.580	9,000	9,152
Huntington Income Equity Fund III	367.872	12,000	12,250
Huntington Fixed Income Securities Fund III	762.268	16,000	16,305
Huntington Intermediate Government Income Fund III	482.160	5,000	5,063
Hancock John Bk & Tr Opportunity	26,000.000	224,893	255,320
Salomon Brothers Fund Inc	9,000.000	<u>76,072</u>	<u>117,000</u>
		\$ <u>343,465</u>	\$ <u>415,591</u>
Corporate Stocks and Bonds			
Seagate Technology	1,900.000	\$ 35,020	\$ 33,345
A T & T Corp	1,875.000	34,476	35,700
Albertsons Inc Delaware	1,770.000	39,002	36,603
Alltel Corp Delaware	655.000	36,133	40,793
Altria Group Inc.	535.000	27,821	34,593
Bank of America Corp	715.000	29,838	32,611
Chevron Corp	605.000	27,451	33,831
Conagra Foods Inc	1,315.000	33,540	30,455
Conocophillips	660.000	23,937	37,943
DTE Energy Company	745.000	31,933	34,843
Deluxe Corp	840.000	33,582	34,104
Dow Chemical Co	665.000	30,052	29,612
Duke Realty Corp	1,160.000	36,965	36,726
Freeport McMoran Copper & Gold Cl B	900.000	34,146	33,696
Glaxosmithkline PLC Sp ADR	695.000	30,538	33,714
Hewlett Packard Co	1,525.000	30,660	35,853
J P Morgan Chase & Co	1,015.000	37,403	35,850
Jefferson Pilot Corp	760.000	37,402	38,319

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Keycorp New	2,230.000	\$ 67,247	\$ 73,925
Keyspan Corp	930.000	34,923	37,851
Kimberly Clark Corp	500.000	30,418	31,295
Limited Brands Inc.	1,385.000	27,319	29,667
Lincoln National Corp	705.000	29,617	33,079
Lyondell Chemical Company	1,475.000	36,123	38,970
MBNA Corp	1,425.000	35,573	37,278
Marathon Oil Corp	1,350.000	54,197	72,049
May Department Stores Co.	925.000	26,296	37,148
Merck & Co Inc.	2,275.000	75,571	70,070
Morgan Stanley	595.000	31,576	31,220
Northrop Grumman Corp	650.000	36,032	35,912
Occidental Petroleum Corp	490.000	24,167	37,696
Petrochina Co Ltd ADR	575.000	36,681	42,234
Petrobras	675.000	30,758	35,188
Pfizer Inc.	1,385.000	38,052	38,198
Progress Energy Inc.	850.000	37,553	38,454
Regions Financial Corp	2,190.000	72,746	74,197
Reynolds American Inc.	425.000	25,081	33,490
St. Paul Travelers Cos Inc.	960.000	35,940	37,949
Sempra Energy	905.000	29,374	37,386
Stanley Works	770.000	33,479	35,066
V F Corp	625.000	33,918	35,763
Verizon Communications	1,010.000	37,276	34,896
Washington Mutual Inc.	1,800.000	72,523	73,242
Whirlpool Corp	1,115.000	73,153	78,173
Aflac Inc	408.000	15,373	17,658
Abbott Laboratories	430.000	19,950	21,074
Amgen Inc	373.000	21,940	22,552
Apache Corp	343.000	20,676	22,158
Best Buy Inc.	366.000	19,457	25,089
Caremark Rx Inc	374.000	14,713	16,650
Cisco Sys Inc	877.000	15,715	16,733
Citigroup Inc	267.000	11,959	12,343
Dell Inc	521.000	20,012	20,559

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Ebay Inc	441.000	\$ 15,921	\$ 14,557
Electronic Arts	206.000	11,138	11,662
Emerson Electric Co	382.000	25,067	23,925
Exxon Mobil Corp	416.000	24,286	23,908
Fiserv Inc	398.000	15,466	17,070
Genentech Inc	316.000	18,268	25,368
General Electric Co	831.000	29,850	28,794
Home Depot Inc	488.000	18,788	18,983
Illinois Tool Works Inc	287.000	25,579	22,868
Intel Corp	593.000	13,823	15,430
Intl Business Machines Corp	139.000	12,645	10,314
Johnson & Johnson	189.000	12,843	12,285
Maxim Integrated Prods Inc	360.000	14,738	13,759
McGraw Hill Cos Inc	414.000	18,034	18,320
Medtronic Inc	536.000	27,845	27,759
Microsoft Corp	858.000	20,746	21,313
Pepsico Inc	346.000	18,141	18,660
Praxair Inc	354.000	16,953	16,496
Procter & Gamble Co	307.000	16,056	16,194
Staples Inc	895.000	18,515	19,055
Starbucks Corp	301.000	14,747	15,550
Sysco Corp	666.000	24,003	24,103
Target Corp	448.000	22,772	24,376
Teva Pharmaceutical Inds Ltd ADR	826.000	25,385	25,722
United Parcel Service Cl B	214.000	15,513	14,800
Wal Mart Stores Inc	460.000	23,533	22,172
Walgreen Co New	384.000	17,138	17,660
Wells Fargo & Co New	350.000	20,786	21,553
Zebra Technologies Inc Cl A	241.000	11,023	10,553
Zimmer Holdings Inc	279.000	22,705	21,252
Altria Group Inc.	1,540.000	83,545	99,576
American Express Co	1,920.000	97,820	102,202
American Intl Group Inc	1,720.000	101,827	99,932
Aon Corp	585.000	12,650	14,648
Autozone Inc	160.000	13,852	14,794

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Berkshire Hathaway Inc Class B	26.000	\$ 70,112	\$ 72,371
H & R Block Inc	680.000	32,675	39,678
Cardinal Health Inc	390.000	19,438	22,456
Citigroup Inc	1,185.000	55,008	54,783
Comcast Corp Cl A – SPL	2,165.000	65,741	64,842
Conocophillips	1,060.000	42,013	60,939
Costco Wholesale Corp New	1,380.000	56,830	61,727
Devon Energy Corp New	945.000	33,604	47,893
Diageo PLC Spon ADR – New	450.000	23,399	26,685
Dun & Bradstreet Corp New	150.000	6,539	9,248
Eog Resources Inc.	800.000	24,728	45,440
Fifth Third Bancorp	460.000	24,538	18,938
Golden West Finl Corp	1,045.000	62,415	67,277
HCA Inc	575.000	23,044	32,585
HSBC Holding PLC Sp ADR	802.000	62,779	63,879
Harley Davidson Inc.	310.000	15,486	15,376
Hershey Company	310.000	14,593	19,251
Iron Mountain Inc	830.000	24,890	25,747
J P Morgan Chase & Co	2,264.000	78,544	79,964
Lexmark Intl Group Inc Cl A	265.000	20,713	17,180
Eli Lilly & Co	290.000	17,745	16,156
Lloyds TSB Grp PLC Sp ADR	425.000	13,467	14,471
Loews Corp	500.000	27,834	38,750
Marsh & McLennan Cos Inc	575.000	20,176	15,928
Microsoft Corp	670.000	18,270	16,643
Moody's Corporation	580.000	19,874	26,077
Morgan Stanley	270.000	14,218	14,167
Occidental Petroleum Corp	680.000	35,895	52,312
Progressive Corp – Ohio	620.000	51,036	61,262
Sealed Air Corp – New	1,020.000	51,252	50,786
Transatlantic Hldgs Inc	422.000	25,233	23,556
Tyco Intl Ltd New	2,590.000	75,924	75,628
United Parcel Service Cl B	185.000	13,910	12,795
Vulcan Materials Co	220.000	10,355	14,298
Wells Fargo & Co New	890.000	51,948	54,806

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Alcoa Inc	216.000	\$ 6,659	\$ 5,644
American Intl Group Inc	308.000	19,108	17,895
Baker Hughes Inc	299.000	10,221	15,297
Bank of America Corp	242.000	8,536	11,038
Bank of New York Inc	440.000	13,663	12,663
Baxter Intl Inc	313.000	9,906	11,612
Cigna Corp	75.000	5,153	8,027
CVS Corp	344.000	7,518	10,000
Cardinal Health Inc	156.000	9,694	8,982
Citigroup Inc	417.000	19,826	19,278
Clear Channel Communications	268.000	10,449	8,289
Clorox Company De	74.000	4,392	4,123
Comcast Corp Cl A SPL	428.000	13,065	12,819
Deere & Co	374.000	22,652	24,493
Walt Disney Co	717.000	16,671	18,054
E I Du Pont De Nemours & Co.	328.000	14,313	14,107
EMC Corp – Mass	1,578.000	20,524	21,634
Eaton Corp	127.000	6,485	7,607
Emerson Electric Co	133.000	7,914	8,330
Exxon Mobil Co	840.000	35,315	48,275
General Electric Co	621.000	20,399	21,518
Gillette Co	132.000	4,761	6,683
Glaxosmithkline PLC Sp ADR	265.000	13,024	12,855
Hartford Finl Svcs Group Inc	85.000	6,493	6,356
H J Heinz Co	240.000	8,972	8,501
Hewlett Packard Co	392.000	8,622	9,216
Honeywell Intl Inc	172.000	6,502	6,300
Illinois Tool Works Inc	88.000	6,947	7,012
International Paper Co	573.000	22,452	17,310
J P Morgan Chase & Co	735.000	25,897	25,960
Kimberly Clark Corp	136.000	8,604	8,512
Kraft Foods Inc Class A	535.000	16,766	17,018
Kroger Co	730.000	12,294	13,892
Medimmune Inc	161.000	4,378	4,302
Mellon Finl Corp	674.000	20,675	19,337

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Merck & Co Inc.	343.000	\$ 14,289	\$ 10,564
Merrill Lynch & Co, Inc	221.000	12,539	12,157
Microsoft Corp	527.000	14,247	13,091
Monsanto Co New	75.000	1,823	4,715
Motorola Inc De	1,260.000	16,494	23,008
Newell Rubbermaid Inc	303.000	6,780	7,224
Newmont Mining Corp	293.000	12,097	11,436
Nike Inc Cl B	103.000	7,147	8,920
Novartis Ag ADR	358.000	16,146	16,984
Parker Hannifin Corp	130.000	7,774	8,061
Pepsico Inc	280.000	13,554	15,100
Pfizer Inc.	501.000	13,891	13,818
Potash Corp Sask Inc	124.000	5,902	11,852
Praxair Inc	286.000	10,115	13,328
Progress Energy Inc.	208.000	9,198	9,410
Rohm & Haas Co	182.000	6,640	8,434
SBC Communications Inc	369.000	8,603	8,764
Schering Plough Corp	826.000	14,162	15,744
Schlumberger Ltd	153.000	8,307	11,619
Tribune Co	443.000	19,888	15,585
Tyco Intl Ltd New	384.000	9,279	11,213
Union Pacific Corp	136.000	8,403	8,812
United Parcel Service Cl B	116.000	8,814	8,022
Verizon Communications	565.000	19,331	19,521
Viacom Inc Class A	413.000	15,772	13,307
Wachovia Corp	169.000	7,897	8,382
Waste Mgmt Inc Del	302.000	8,338	8,559
Wells Fargo & Co New	222.000	12,328	13,671
Wyeth	478.000	20,290	21,271
Xerox Corp	1,018.000	11,920	14,038
Autozone Incorporated	1,900.000	46,676	175,674
Fortune Brads Inc	3,300.000	99,971	293,040
The Gap Inc	5,600.000	112,543	110,600
Home Depot Inc	6,600.000	161,462	256,740
Lowe's Companies Inc	1,800.000	43,470	104,796

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
O'Reilly Automotive	2,000.000	\$ 35,613	\$ 59,660
Outback Steakhouse	6,600.000	162,937	298,584
The Steak N Shake Company	2,800.000	39,115	52,136
Viacom Inc Class B	3,800.000	147,444	121,676
NBTY Inc	1,100.000	21,263	28,534
Sara Lee Corporation	5,629.000	123,616	111,510
Sysco Corporation	4,800.000	166,992	173,712
Wal Mart Stores Inc.	6,600.000	341,039	318,120
Cal Dive Intl Inc	1,100.000	20,621	57,607
Chevron Corp	4,000.000	224,326	223,680
Concophillips	9,648.000	274,070	554,664
Forest Oil Corp	600.000	14,967	25,200
Marathon Oil Corp	11,300.000	257,086	603,081
Superior Energy Services Inc	2,300.000	23,081	40,940
American International Group Inc	3,000.000	213,403	174,300
Bancfirst Corp	600.000	24,018	52,194
Bank of America Corp	7,384.000	192,741	336,784
City Bank of Lynwood	800.000	27,620	24,816
Hartford Finl Svcs Group Inc	2,400.000	131,004	179,472
J P Morgan Chase & Co	12,880.000	318,063	454,922
Lakeland Financial Corp	1,200.000	27,653	48,816
Merrill Lynch & Co, Inc	1,900.000	88,443	104,519
Mid-State Bancshares	1,400.000	35,055	38,878
Piper Jaffray Cos	43.000	1,167	1,308
Southwest Bancorp Inc	3,200.000	32,576	65,536
Suntrust Banks Inc	1,200.000	76,113	86,688
US Bancorp	4,300.000	80,609	125,560
Unionbancal Corp	2,900.000	77,876	194,068
Washington Mutual Inc.	3,900.000	160,607	158,691
Whitney Holding Corp	1,500.000	33,021	48,945
Abbott Laboratories	2,700.000	107,439	132,327
Amgen Inc	2,100.000	123,901	126,966
Candela Corp	2,300.000	27,154	24,035
Cephalon	2,300.000	93,317	91,540
Charles Riv Laboratories Int Inc.	1,000.000	45,441	48,250

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Davita Inc	650.000	\$ 10,933	\$ 29,562
Express Scripts	3,200.000	84,034	159,936
Guidant Corporation	2,500.000	177,296	168,250
Ivax Corporation	11,750.000	182,492	252,625
Laboratory Corp of American Holdings	4,300.000	116,393	214,570
Merit Medical System Inc.	2,000.000	19,693	30,820
Par Pharmaceutical Cos Inc	3,000.000	135,502	95,430
Parexel International	1,900.000	32,237	37,658
Pfizer Inc.	5,320.000	148,828	146,727
Respironics Inc	1,200.000	27,552	43,332
Steris Corp	1,700.000	38,092	43,809
Utd Surgical Partners Intl	1,000.000	32,181	52,080
Universal Health Services Inc Cl B	2,000.000	78,037	124,360
Varian Med Sys Inc	3,200.000	114,713	119,456
The Boeing Company Capital	4,450.000	208,651	293,700
Dover Corporation	4,400.000	171,845	160,072
Emcor Group Inc.	800.000	31,600	39,120
Emerson Electric Co	1,800.000	118,319	112,734
Fedex Corporation	1,000.000	41,083	81,010
Forward Air Corp	1,050.000	18,189	29,684
General Electric Co	6,700.000	162,256	232,155
Honeywell Intl Inc	5,300.000	154,510	194,139
Hughes Supply Inc	1,800.000	35,785	50,580
Toro Company	900.000	13,205	34,749
Applied Materials	13,500.000	219,360	218,430
Cisco Sys Inc	8,100.000	144,072	154,548
Daktronics Inc	1,700.000	42,912	34,017
Dell Inc	3,100.000	110,654	122,326
Hewlett Packard Co	9,993.000	163,121	234,935
Intel Corp	12,500.000	261,541	325,250
International Rectifier Corporation	9,200.000	240,808	439,024
Internet Sec Sys Inc	1,900.000	35,878	38,551
Microsoft Corp	11,700.000	327,565	290,628
Semtech Corp	2,100.000	39,770	34,965

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Sungard Data Systems	7,400.000	\$ 176,888	\$ 260,258
Synaptics Inc	1,500.000	27,461	32,040
Tim Technologies Inc	5,600.000	56,500	42,616
Texas Instruments	9,500.000	229,259	266,665
3 Com Corp	5,500.000	22,769	19,965
Alcoa Inc	2,500.000	70,041	65,325
Nucor Corporation	2,900.000	143,665	132,298
Oregon Steel Mills	2,100.000	37,208	36,141
A T & T Corp	8,320.000	202,556	158,413
Dominion Resources Inc.	2,900.000	167,433	212,831
Public Service Enterprise Group Inc.	6,100.000	305,849	371,002
Alcoa 6% matures 1/15/12	203,000.000	217,685	219,845
American International Group 4.25% matures 5/15/13	65,000.000	60,718	63,042
Anheuser-Busch Cos 5% matures 1/15/15	60,000.000	59,873	62,255
Bayerische Landesbank 7.5% matures 10/6/09	410,000.000	405,900	384,375
Coca Cola Enterprises 8.5% matures 2/1/22	106,000.000	145,517	144,962
Consolidated Edison 8.125% matures 5/1/10	175,000.000	214,063	204,904
Countrywide Home Loan 4% matures 3/22/11	62,000.000	57,987	59,794
Fedex Corp Ser 97-A 7.50% matures 1/15/18	148,912.890	173,274	173,733
GTE/Verizon Communications Ser 6.46% matures 4/15/08	441,000.000	467,803	463,416
General Electric Company 5% matures 2/1/13	180,000.000	187,042	185,852
GE Cap 6.75% matures 3/15/32	58,000.000	69,367	71,571
Goldman Sachs Group 6.6% matures 1/15/12	251,000.000	272,092	278,964
HSBC Finance Corporation 5% matures 6/30/15	75,000.000	74,911	75,586
Intl Bk Recon & Develop Ser Emin 3.25% matures 7/3/13	140,000.000	132,825	134,214
Morgan Stanley Corp 6.75% matures 4/15/11	132,000.000	144,675	146,156
Natl Rural Util 6% matures 5/15/06	127,000.000	137,376	129,282
Phillips Petroleum 8.75% matures 5/25/10	118,000.000	139,055	140,566
Procter & Gamble Co 4.95% matures 8/15/14	164,000.000	164,509	170,936
Verizon Pennsylvania 5.65% matures 11/15/11	85,000.000	87,741	88,705
Virginia Electric & Power 8.25% matures 3/1/25	132,000.000	137,042	136,922

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Wal Mart Stores 4.125% matures 7/1/10	110,000.000	\$ 109,913	\$ 109,671
Seagate Technology	1,325.000	24,424	23,254
A T & T Corp	1,300.000	23,971	24,752
Albertsons Inc Delaware	1,215.000	27,831	25,126
Alltel Corp Delaware	465.000	25,575	28,960
Altria Group Inc.	385.000	21,162	24,894
Bank of America Corp	545.000	23,785	24,857
Chevron Corp	425.000	21,044	23,766
Conagra Foods Inc	905.000	24,345	20,960
Conocophillips	450.000	18,280	25,871
DTE Energy Company	535.000	23,153	25,022
Deluxe Corp	620.000	24,967	25,172
Dow Chemical Co	495.000	22,887	22,042
Duke Realty Corp	800.000	26,006	25,328
Freeport McMoran Copper & Gold Cl B	600.000	22,764	22,464
Glaxosmithkline PLC Sp ADR	515.000	22,706	24,983
Hewlett Packard Co	1,055.000	21,322	24,803
J P Morgan Chase & Co	690.000	25,614	24,371
Jefferson Pilot Corp	525.000	26,070	26,471
Keycorp New	1,470.000	46,798	48,731
Keyspan Corp	640.000	24,259	26,048
Kimberly Clark Corp	390.000	24,609	24,410
Limited Brands Inc.	990.000	21,734	21,206
Lincoln National Corp	545.000	24,254	25,571
Lyondell Chemical Company	1,025.000	25,115	27,081
MBNA Corp	1,000.000	24,965	26,160
Marathon Oil Corp	920.000	39,747	49,100
May Department Stores Co.	655.000	19,168	26,305
Merck & Co Inc.	1,420.000	44,049	43,736
Morgan Stanley	435.000	23,097	22,824
Northrop Grumman Corp	450.000	24,945	24,862
Occidental Petroleum Corp	350.000	18,321	26,926
Petrochina Co Ltd ADR	400.000	25,557	29,380
Petrobras	475.000	21,689	24,762
Pfizer Inc.	935.000	25,652	25,787
Progress Energy Inc.	585.000	25,824	26,465

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Regions Financial Corp	1,505.000	\$ 49,965	\$ 50,989
Reynolds American Inc.	330.000	22,554	26,004
St. Paul Travelers Cos Inc.	700.000	26,258	27,671
Sempra Energy	620.000	21,538	25,612
Stanley Works	540.000	24,017	24,592
V. F. Corp	435.000	23,612	24,891
Verizon Communications	730.000	27,431	25,221
Washington Mutual Inc.	1,175.000	47,434	47,811
Whirlpool Corp	770.000	50,299	53,985
Alcoa Inc	149.000	4,808	3,893
American Int Group Inc	234.000	15,175	13,595
Baker Hughes Inc	215.000	8,532	10,999
Bank of America Corp	175.000	7,205	7,982
Bank New York Inc	311.000	9,427	8,951
Baxter Intl Inc	230.000	7,697	8,533
Cigna Corp	55.000	4,076	5,887
CVS Corp	238.000	5,274	6,919
Cardinal Health Inc	112.000	6,130	6,449
Citigroup Inc	301.000	14,061	13,915
Clear Channel Communications	186.000	6,961	5,753
Clorox Company De	51.000	3,031	2,842
Comcast Corp Cl A SPL	304.000	8,955	9,105
Deere & Co	267.000	17,660	17,486
Walt Disney Co	504.000	12,910	12,691
E I Du Pont De Nemours & Co	239.000	10,908	10,279
EMC Corp – Mass	1,135.000	13,553	15,561
Eaton Corp	92.000	5,644	5,511
Emerson Electric Co	95.000	5,917	5,950
Exxon Mobil Corp	581.000	27,504	33,390
General Electric Co	438.000	14,656	15,177
Gillette Co	93.000	3,895	4,709
Glaxosmithkline PLC Sp ADR	188.000	9,240	9,120
Hartford Finl Svcs Group Inc	60.000	4,583	4,487
H J Heinz Co	171.000	6,389	6,057
Hewlett Packard Co	278.000	6,115	6,536

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Honeywell Intl Inc	122.000	\$ 4,612	\$ 4,469
Illinois Tool Works Inc	62.000	5,686	4,940
International Paper Co	403.000	16,232	12,175
J P Morgan Chase & Co	523.000	19,005	18,472
Kimberly Clark Corp	97.000	6,167	6,071
Kraft Foods Inc Class A	386.000	12,400	12,279
Kroger Co	518.000	8,713	9,858
Medimmune Inc	114.000	3,100	3,046
Mellon Finl Corp	472.000	13,940	13,542
Merck & Co Inc.	245.000	9,899	7,546
Merrill Lynch & Co Inc	158.000	8,700	8,692
Microsoft Corp	386.000	10,267	9,588
Monsanto Co New	52.000	1,976	3,269
Motorola Inc De	916.000	13,318	16,726
Newell Rubbermaid Inc	223.000	5,000	5,316
Newmont Mining Corp	210.000	8,982	8,196
Nike Inc Cl B	73.000	5,652	6,322
Novartis Ag ADR	254.000	11,883	12,050
Parker Hannifin Corp	93.000	5,988	5,767
Pepsico Inc	199.000	10,232	10,732
Pfizer Inc.	364.000	10,001	10,039
Potash Corp Sask Inc	89.000	5,660	8,506
Praxair Inc	197.000	7,734	9,180
Progress Energy Inc.	149.000	6,420	6,741
Rohm & Haas Co	129.000	5,336	5,978
SBC Communications Inc	268.000	6,387	6,365
Schering Plough Corp	613.000	11,200	11,684
Schlumberger Ltd	109.000	6,725	8,277
Tribune Co	319.000	13,901	11,222
Tyco Intl Ltd New	271.000	8,384	7,913
Union Pacific Corp	95.000	5,952	6,156
United Parcel Service Cl B	85.000	6,457	5,878
Verizon Communications	409.000	14,414	14,131
Viacom Inc Class A	286.000	10,428	9,215

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or</u> <u>Par Value</u>	<u>Cost</u>	<u>Market</u>
Wachovia Corp 2 nd New	122.000	\$ 5,781	\$ 6,051
Waste Mgmt Inc Del	216.000	6,246	6,121
Wells Fargo & Co New	159.000	9,154	9,791
Wyeth	359.000	14,016	15,975
Xerox Corp	743.000	10,355	10,246
Aflac Inc	309.000	11,532	13,374
Abbott Laboratories	324.000	15,134	15,879
Amgen Inc	280.000	16,457	16,929
Apache Corp	259.000	15,092	16,731
Best Buy Inc.	274.000	14,629	18,783
Caremark Rx Inc	282.000	11,125	12,555
Cisco Sys Inc	657.000	11,799	12,536
Citigroup Inc	203.000	9,052	9,385
Dell Inc	393.000	15,024	15,508
Ebay Inc	330.000	11,919	10,893
Electronic Arts	145.000	7,704	8,208
Emerson Electric Co	287.000	18,600	17,975
Exxon Mobil Corp	312.000	18,018	17,931
Fiserv Inc	299.000	11,781	12,824
Genentech Inc	231.000	13,202	18,545
General Electric Co	626.000	22,411	21,691
Home Depot Inc	367.000	14,034	14,276
Illinois Tool Works Inc	216.000	19,069	17,211
Intel Corp	447.000	10,361	11,631
International Business Machines Corp	106.000	9,603	7,865
Johnson & Johnson	142.000	9,656	9,230
Maxim Integrated Prods Inc	268.000	10,999	10,243
McGraw Hill Cos Inc	312.000	13,505	13,806
Medtronic Inc	395.000	20,347	20,457
Microsoft Corp	647.000	15,619	16,071
Pepsico Inc	260.000	13,725	14,022
Praxair Inc	266.000	12,473	12,396
Procter & Gamble Co	231.000	12,192	12,185
Staples Inc.	674.000	13,996	14,349
Starbucks Corp	227.000	11,121	11,727

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Sysco Corporation	500.000	\$ 18,130	\$ 18,095
Target Corp	337.000	17,150	18,336
Teva Pharmaceutical Inds Ltd ADR	620.000	18,823	19,307
United Parcel Service Cl B	169.000	12,274	11,688
Wal Mart Stores, Inc.	348.000	17,748	16,774
Walgreen Co New	291.000	13,054	13,383
Wells Fargo & Co New	256.000	15,145	15,764
Zebra Technologies Inc Cl A	180.000	8,310	7,882
Zimmer Holdings Inc	211.000	17,140	16,071
Altria Group Inc	1,030.000	58,372	66,600
American Express Co	1,265.000	66,864	67,336
American Intl Group Inc	1,055.000	65,896	61,296
Aon Corp	315.000	7,561	7,888
Autozone Inc	105.000	8,945	9,708
Berkshire Hathaway Inc Class B	20.000	56,024	55,670
H & R Block Inc	425.000	21,051	24,799
Cardinal Health Inc	260.000	13,363	14,971
Citigroup Inc	755.000	34,829	34,904
Comcast Corp Cl A SPL	1,450.000	43,502	43,428
Conocophillips	665.000	28,965	38,231
Costco Wholesale Corp New	940.000	41,704	42,046
Devon Energy Corp New	580.000	22,670	29,394
Diageo PLC Spon ADR – New	295.000	16,216	17,494
Dun & Bradstreet Corp New	40.000	1,690	2,466
Eog Resources Inc.	495.000	17,577	28,116
Fifth Third Bancorp	300.000	14,712	12,351
Golden West Finl Corp	680.000	41,053	43,778
HCA Inc	375.000	15,060	21,251
HSBC Bldg PLC SP ADR	536.000	43,323	42,692
Harley Davidson Inc.	210.000	10,490	10,416
Hershey Company	210.000	10,858	13,041
Iron Mountain Inc	515.000	15,405	15,975
J P Morgan Chase & Co	1,475.000	54,291	52,097
Lexmark Intl Group Inc Cl A	175.000	15,517	11,345
Eli Lilly & Co	190.000	11,667	10,585

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Lloyds TSB Grp PLC Sp ADR	285.000	\$ 9,474	\$ 9,704
Loews Corp	330.000	20,631	25,575
Marsh & McLennan Cos Inc	365.000	11,808	10,111
Microsoft Corp	445.000	12,148	11,054
Moody's Corporation	380.000	13,595	17,085
Morgan Stanley	150.000	7,851	7,871
Occidental Petroleum Corp	405.000	22,954	31,157
Progressive Corp – Ohio	415.000	36,209	41,006
Sealed Air Corp – New	640.000	32,608	31,865
Transatlantic Bldgs Inc	265.000	16,255	14,792
Tyco Intl Ltd New	2,030.000	65,134	59,276
United Parcel Service Cl B	120.000	9,463	8,299
Vulcan Materials Co	140.000	6,929	9,098
Wells Fargo & Co New	595.000	<u>35,839</u>	<u>36,640</u>
		\$ <u>20,915,811</u>	\$ <u>24,356,420</u>

U.S. Treasury Obligations

U.S. Treasury Notes Ser R-2006 2.75% matures 7/31/06	36,000.000	\$ 35,730	\$ 35,695
U.S. Treasury Notes Ser B-2008 5.50% matures 2/15/08	76,000.000	79,076	79,518
U.S. Treasury Notes Ser B-2009 5.50% matures 5/15/09	161,000.000	169,000	171,571
U.S. Treasury Note Ser B-2012 4.875% matures 2/15/12	113,000.000	116,054	120,009
U.S. Treasury Notes A-2006 5.625% matures 2/15/06	315,000.000	338,199	319,344
U.S. Treasury Notes Ser G-2006 2.0% matures 5/15/06	220,000.000	220,293	217,182
U.S. Treasury Notes Ser D-2006 6.50% matures 10/15/06	425,000.000	472,450	440,423
U.S. Treasury Notes Ser G-2007 6.25% matures 2/15/07	105,000.000	110,723	109,381

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
U.S. Treasury Notes Ser E-2007 4.375% matures 5/15/07	435,000.000	\$ 466,788	\$ 440,794
U.S. Treasury Notes Ser D-2007 6.125% matures 8/15/07	205,000.000	231,720	215,297
U.S. Treasury Notes Ser E-2008 3.00% matures 2/15/08	560,000.000	574,702	550,922
U.S. Treasury Notes Ser C-2008 5.625% matures 5/15/08	105,000.000	106,053	110,537
U.S. Treasury Notes Ser D-2008 4.75% matures 11/15/08	425,000.000	457,798	439,080
U.S. Treasury Notes Ser D-2009 3.25% matures 1/15/09	450,000.000	457,464	443,583
U.S. Treasury Notes Ser K-2009 3.625% matures 7/15/09	445,000.000	443,969	443,523
U.S. Treasury Notes Ser G-2010 4.00% matures 3/15/10	220,000.000	221,805	222,398
U.S. Treasury Notes Ser C-2011 5.00% matures 8/15/11	105,000.000	110,159	111,944
U.S. Treasury Notes Ser E-2013 3.875% matures 2/15/13	220,000.000	216,005	220,266
U.S. Treasury Notes Ser E-2014 4.25% matures 8/15/14	110,000.000	111,478	112,630
U.S. Treasury Notes Ser V-2006 2.875% matures 11/30/06	157,000.000	155,322	155,399
Federal Home Loan Mtg Corp 4.875% matures 3/15/07	70,000.000	71,240	71,269
Federal Natl Mtg Assn 7.25% matures 1/15/10	24,000.000	27,506	27,217
Federal Natl Mtg Assn 6.125% matures 3/15/12	156,000.000	169,995	174,477
U.S. Treasury Bonds 6.25% matures 2/15/29	44,000.000	45,307	50,323
Federal Natl Mtg Assn 6.625% matures 11/15/30	13,000.000	15,508	16,872
Federal Home Loan Mtg Corp 0% matures 1/28/33	3,145,000.000	469,838	546,601
Fed Home Loan Bk Ser 5.45% matures 6/5/13	505,000.000	491,744	493,032
Fed Home Loan Bk 0% matures 11/15/32	2,355,000.000	321,410	395,405
Fed Home Loan Bk 3.05% matures 4/9/18	150,000.000	148,536	148,922

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Fed Home Loan Bk Step Cpn 3.00% matures 3/18/08	155,000.000	\$ 155,000	\$ 153,838
Fed Home Loan Bank 8.5% matures 9/29/14	1,680,000.000	1,667,400	1,680,000
Fed Home Loan Bank 1% matures 2/17/17	110,000.000	109,747	109,862
Fed Home Loan Bank 4.338% matures 3/2/15	900,000.000	899,550	899,550
Fed Home Loan Bank 7% matures 3/2/20	655,000.000	654,312	654,345
Fed Home Loan Bank 4.25% matures 4/20/10	140,000.000	139,694	140,088
Fed Home Loan Bank 4% matures 4/25/07	75,000.000	75,000	75,071
Fed Natl Mtg Assn 4.75% matures 2/21/13	70,000.000	69,827	69,934
Fed Natl Mtg Assn 4% matures 11/2/06	362,000.000	362,000	362,112
Fed Natl Mtg Assn 4.625% matures 4/22/10	504,000.000	503,924	504,318
Fed Natl Mtg Assn 5.5% matures 2/27/20	350,000.000	350,000	349,892
Fed Natl Mtg Assn Step Cpn 3% matures 10/28/09	500,000.000	499,375	498,595
Fed Natl Mtg Assn 4.375% matures 3/22/10	724,000.000	721,130	724,456
Fed Natl Mtg Assn 3% matures 12/16/09	497,000.000	494,267	495,290
U.S. Treasury Bond 6.25% matures 8/15/23	119,000.000	144,539	148,299
U.S. Treasury Note 5% matures 2/15/11	897,000.000	957,685	953,027
U.S. Treasury Note 1.625% matures 9/30/05	254,000.000	252,452	253,037
U.S. Treasury Note 4.25% matures 11/15/13	455,000.000	458,487	466,107
U.S. Treasury Inflation Index Bond 1.625% matures 1/15/15	513,489.360	505,708	511,625
Fed Home Loan Mtg Corp 6% matures 9/1/06	1,883.590	1,805	1,900
Fed Home Loan Mtg Corp 6.5% matures 9/1/28	13,778.560	13,654	14,317
Fed Home Loan Mtg Corp 8.5% matures 1/1/30	8,882.140	9,095	9,678
Federal Natl Mtg Assn 7% matures 6/1/12	10,721.040	10,934	11,236
Federal Natl Mtg Assn Pool 7% matures 7/1/29	8,493.480	8,369	8,964
FNCI Pool 6.5% matures 2/1/16	18,950.420	19,588	19,733
Fed Natl Mtg Assn FNMA Pool 6.5% matures 2/1/32	24,109.100	23,913	25,008
Federal Natl Mtg Assn 7% matures 10/1/28	7,912.530	8,041	8,359
Federal Natl Mtg Assn 7% matures 7/1/29	2,623.490	2,578	2,769
Federal Natl Mtg Assn 7.5% matures 12/1/29	8,069.200	8,073	8,629
Federal Natl Mtg Assn 6.5% matures 9/1/31	19,548.360	19,592	20,277

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Federal Natl Mort Assoc Pool 6.5% matures 9/1/32	20,174.810	\$ 21,083	\$ 20,914
Federal Natl Mort Assoc Pool 4.907% matures 1/1/33	42,104.900	43,223	42,890
GNMA Pool NBR Single Family 6.5% matures 2/15/29	54,839.370	54,125	57,366
GNMA Pool NBR Single Family 7.5% matures 3/15/29	2,724.870	2,678	2,921
GNMA 7.5% matures 7/15/29	2,205.930	2,119	2,365
GNMA Pool NBR Platinum 7% matures 6/15/09	61,384.980	62,563	63,326
GNMA 7% matures 9/15/24	178,229.110	186,378	189,627
U.S. Treasury Notes Ser V-2006 2.875% matures 11/30/06	112,000.000	110,802	110,858
Federal Home Loan Mtg Corp 4.875% matures 3/15/07	50,000.000	50,886	50,906
Fed Natl Mtg Assn 7.25% matures 1/15/10	18,000.000	20,477	20,413
Fed Natl Mtg Assn 6.125% matures 3/15/12	112,000.000	122,659	125,265
U.S. Treasury Bonds 5.25% matures 2/15/29	32,000.000	33,184	36,599
Fed Natl Mtg Assn 6.625% matures 11/15/30	9,000.000	10,627	11,680
U.S. Treasury Notes Ser R-2006 2.75% matures 7/31/06	20,000.000	19,850	19,831
U.S. Treasury Notes Ser B-2008 5.5% matures 2/15/08	57,000.000	59,369	59,639
U.S. Treasury Notes Ser B-2009 5.5% matures 5/15/09	121,000.000	127,201	128,945
U.S. Treasury Notes Ser B-2012 4.875% matures 2/15/12	85,000.000	87,524	90,273
U.S. Treasury Notes A-2006 5.625% matures 2/16/06	175,000.000	182,343	177,413
U.S. Treasury Notes Ser G-2006 2.00% matures 5/15/06	125,000.000	124,841	123,399
U.S. Treasury Notes Ser D 2006 6.5% matures 10/15/06	235,000.000	259,384	243,528

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
U.S. Treasury Notes Ser G 2007 6.25% matures 2/15/07	55,000.000	\$ 61,060	\$ 57,295
U.S. Treasury Notes Ser E-2007 4.375% matures 5/15/07	240,000.000	254,545	243,197
U.S. Treasury Notes Ser D 2007 6.125% matures 8/15/07	115,000.000	128,191	120,776
U.S. Treasury Notes Ser E-2008 3.0% matures 2/15/08	305,000.000	308,873	300,056
U.S. Treasury Notes Ser C 2008 5.625% matures 5/15/08	55,000.000	57,080	57,900
U.S. Treasury Notes Ser D 2008 4.75% matures 11/15/08	230,000.000	244,883	237,620
U.S. Treasury Notes Ser D-2009 3.25% matures 1/15/09	250,000.000	251,917	246,435
U.S. Treasury Notes Ser K-2009 3.625% matures 7/15/09	250,000.000	249,311	249,170
U.S. Treasury Notes Ser G-2010 4.00% matures 3/15/10	125,000.000	126,031	126,363
U.S. Treasury Notes Ser C-2011 5.00% matures 8/15/11	55,000.000	57,973	58,637
U.S. Treasury Notes Ser E-2013 3.875% matures 2/15/13	125,000.000	121,548	125,151
U.S. Treasury Notes Ser E-2014 4.25% matures 8/15/14	60,000.000	<u>60,807</u>	<u>61,435</u>
		\$ <u>19,505,146</u>	\$ <u>19,526,123</u>

3. 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

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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, 2005 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Expense</u>	<u>Current</u>
Class I	\$ 16,680		11.38¢
Class II	224,228,290		22.76¢
Class IV	450,268,456		45.52¢

4. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 65,750	\$ 4,834,543	\$ -0-	\$ 4,900,293
Construction in process	277,221	1,200,441	277,221	1,200,441
Total nondepreciable capital assets	<u>342,971</u>	<u>6,034,984</u>	<u>277,221</u>	<u>6,100,734</u>
Depreciable capital assets				
Land improvements	499,022	282,089	-0-	781,111
Buildings	10,420,778	211,458	-0-	10,632,236
Infrastructure	2,545,098	99,126	-0-	2,644,224
Machinery and equipment	1,597,611	268,599	-0-	1,866,210
Furniture and fixtures	175,909	9,286	-0-	185,195
Vehicles	4,455,998	336,681	42,200	4,750,479
Books and videos	4,546,660	149,434	67,619	4,628,475
Totals at historical cost	<u>24,241,076</u>	<u>1,356,673</u>	<u>109,819</u>	<u>25,487,930</u>

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Less: Accumulated depreciation				
Land improvements	\$ 372,185	\$ 24,113	\$ -0-	\$ 396,298
Buildings	2,330,458	203,915	-0-	2,534,373
Infrastructure	180,279	54,262	-0-	234,541
Machinery and equipment	1,099,720	126,583	-0-	1,226,303
Furniture and fixtures	74,645	9,260	-0-	83,905
Vehicles	3,090,359	294,461	41,575	3,343,245
Books and videos	909,332	913,244	15,523	1,807,053
Total accumulated depreciation	<u>8,056,978</u>	<u>1,625,838</u>	<u>57,098</u>	<u>9,625,718</u>
Total depreciation capital assets, net	<u>16,184,098</u>	<u>(269,165)</u>	<u>52,721</u>	<u>15,862,212</u>
Governmental activities capital assets, net	\$ <u>16,527,069</u>	\$ <u>5,765,819</u>	\$ <u>329,942</u>	\$ <u>21,962,946</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Enterprise Activities				
Nondepreciable capital assets				
Land	\$ 2,234,558	\$ 15,323	\$ -0-	\$ 2,249,881
Construction in process	<u>3,022,470</u>	<u>2,511,199</u>	<u>3,232,542</u>	<u>2,301,127</u>
Total nondepreciable capital assets	<u>5,257,028</u>	<u>2,526,522</u>	<u>3,232,542</u>	<u>4,551,008</u>
Depreciable capital assets				
Land improvements	24,400	-0-	-0-	24,400
Buildings	11,854,024	1,021,164	-0-	12,875,188
Structures and improvements	18,672,593	2,308,755	-0-	20,981,348
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>1,698,662</u>	<u>108,863</u>	<u>-0-</u>	<u>1,807,525</u>
Total at historical cost	<u>32,340,644</u>	<u>3,438,782</u>	<u>-0-</u>	<u>35,779,426</u>
Less: Accumulated depreciation				
Land improvements	14,760	1,093	-0-	15,853
Buildings	1,720,851	210,244	-0-	1,931,095
Structures and improvements	9,656,848	655,347	-0-	10,312,195
Leasehold improvements	75,264	5,546	-0-	80,810
Machinery and equipment	<u>1,493,244</u>	<u>211,354</u>	<u>-0-</u>	<u>1,704,598</u>
Total accumulated depreciation	<u>12,960,967</u>	<u>1,083,584</u>	<u>-0-</u>	<u>14,044,551</u>
Total depreciable capital assets, net	<u>19,379,677</u>	<u>2,355,198</u>	<u>-0-</u>	<u>21,734,875</u>
Governmental activities capital assets, net	\$ <u>24,636,705</u>	\$ <u>4,881,720</u>	\$ <u>3,232,542</u>	\$ <u>26,285,883</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 135,296
Public safety	264,479
Highways and streets	105,559
Culture and recreation	<u>1,120,504</u>
 Total depreciation expense	 \$ <u>1,625,838</u>

5. Long-Term Debt

Long-term liability activity for the year ended June 30, 2005 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						
Compensated absences	\$ <u>1,462,924</u>	\$ <u>183,465</u>	\$ <u>-0-</u>	\$ <u>1,646,389</u>	\$ <u>353,688</u>	\$ <u>1,292,701</u>
Governmental activities long-term liabilities	\$ <u>1,462,924</u>	\$ <u>183,465</u>	\$ <u>-0-</u>	\$ <u>1,646,389</u>	\$ <u>353,688</u>	\$ <u>1,292,701</u>

The following is a summary of bonds payable at June 30, 2005:

	<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	\$ 7,495,000	\$ -0-	\$ 370,000	\$ 7,125,000	\$ 375,000	\$ 6,750,000
2002 Parking Revenue Bonds	<u>5,705,602</u>	<u>227,436</u>	<u>191,053</u>	<u>5,741,985</u>	<u>120,000</u>	<u>5,621,985</u>
Total bonds payable	<u>13,200,602</u>	<u>227,436</u>	<u>561,053</u>	<u>12,866,985</u>	<u>495,000</u>	<u>12,371,985</u>
Other long-term debt						
Notes payable	80,983	-0-	11,849	69,134	12,376	56,758
Obligation under capital lease	11,227	-0-	7,925	3,302	3,302	-0-
Accrued compensated absences	<u>148,873</u>	<u>14,115</u>	<u>-0-</u>	<u>162,988</u>	<u>162,988</u>	<u>-0-</u>
Total other long-term debt	<u>241,083</u>	<u>14,115</u>	<u>19,774</u>	<u>235,424</u>	<u>178,666</u>	<u>56,758</u>
Total long-term debt	\$ <u>13,441,685</u>	\$ <u>241,551</u>	\$ <u>580,827</u>	\$ <u>13,102,409</u>	\$ <u>673,666</u>	\$ <u>12,428,743</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2005**

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>
2006	\$ 375,000	\$ 243,490	\$ 618,490
2007	390,000	235,990	625,990
2008	395,000	228,190	623,190
2009	405,000	218,316	623,316
2010	415,000	206,164	621,164
2011-2015	2,280,000	822,080	3,102,080
2016-2019	<u>2,865,000</u>	<u>333,200</u>	<u>3,198,200</u>
Total	\$ <u>7,125,000</u>	\$ <u>2,287,430</u>	\$ <u>9,412,430</u>

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

As required by the 2003 bond ordinance, a sinking fund has been established with WesBanco Trust Investment Services. Moneys 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, 2005 was \$800,555.

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.

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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>
2006	\$ 120,000	\$ 257,329	\$ 377,329
2007	125,000	254,657	379,657
2008	130,000	251,420	381,420
2009	130,000	249,683	379,683
2010	135,000	243,571	378,571
2011-2015	755,000	1,140,839	1,895,839
2016-2020	920,000	973,789	1,893,789
2021-2025	1,155,000	739,874	1,894,874
2026-2030	1,470,000	424,802	1,894,802
2031-2033	<u>801,985</u>	<u>66,330</u>	<u>868,315</u>
Total	\$ <u>5,741,985</u>	\$ <u>4,602,294</u>	\$ <u>10,344,279</u>

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

Notes Payable
Building Commission

Huntington National Bank

4.00%: installment obligation; payable in monthly installments of \$1,243. Repayment at June 30, 2005 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 12,376	\$ 2,542	\$ 14,918
2007	12,884	2,034	14,918
2008	13,407	1,511	14,918
2009	13,953	965	14,918
2010	14,522	396	14,918
2011	<u>1,992</u>	<u>7</u>	<u>1,999</u>
	\$ <u>69,134</u>	\$ <u>7,455</u>	\$ <u>76,589</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2005**

Obligation Under Capital Lease

Parking Authority

The Parking Authority of the City of Morgantown entered into a capital lease on November 9, 2000 to finance the acquisition of a Tennant 7400 Gas Scrubber. The lease qualifies 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 the future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	
2006	\$ 3,800
Less: Amount representing interest	<u>498</u>
	3,302
Less: Current maturities	<u>3,302</u>
Noncurrent maturities	\$ <u>-0-</u>

6. Employees Retirement System

West Virginia Public Employment Retirement System

The municipality 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 Morgantown Public Library and BoParc employees who are covered by the West Virginia Public Employees Retirement System. The municipality's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2005 were:

<u>Percentage of Payroll</u>	<u>Wages</u>	<u>Covered Wages</u>	<u>Amount</u>
Employer share 10.50%	\$ 1,426,100	\$ 967,779	\$ 101,302
Employee share 4.50%	1,426,100	967,779	<u>43,416</u>
Total contribution			\$ <u>144,718</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

A member who has attained age 60 and has earned five or more years of contributing service is eligible for a normal retirement benefit. The annual normal retirement benefit is payable in monthly installments, which is equal to 2% of the member's final average salary times the number of years of credited service. Final average salary is the average of the member's annual compensation during the three consecutive years of credited service (during the 10 years preceding the termination of employment) that produce the highest such average.

Employees whom have completed at least 3 years of contributing service and have either attained age 55 and completed 10 years of credited service, or have completed 20 years of credited service, may elect to have their deferred vested benefit commence on the first of any month following their 55th birthday.

According to the latest actuarial study dated December 2002 of the West Virginia Public Employees' Retirement System prepared by Buck Consultants, Inc., the unfunded actuarial liability as of June 30, 2002 was \$843,690,000. The valuation indicates that the current contribution levels will NOT be sufficient to amortize the existing unfunded liability. Other relevant information also reported in that study is as follows:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and vested terminated employees not yet receiving benefits, and nonvested employees' contributions	\$ 1,365,135,000
Active participants:	
Accumulated member contributions and other benefits	<u>1,323,812,000</u>
 Total pension benefit obligation	 \$ <u>2,688,947,000</u>
 Net assets available for benefits, at market value	 \$ <u>2,588,777,000</u>

7. Employee Retirement System and Plans

Plan Descriptions. Contribution Information

The Municipality 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:

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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, 2003.

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, 2003.

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, 2004.

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.

Memberships of the plans are as follows:

Group	PPRF	FPRF	ERF	Totals
Active employees:				
Fully vested	9	12	236	257
Nonvested	42	32	-0-	74
Vested terminated benefits	-0-	-0-	6	6
Retirees and beneficiaries currently receiving benefits	<u>47</u>	<u>53</u>	<u>89</u>	<u>189</u>
Total	<u>98</u>	<u>97</u>	<u>331</u>	<u>526</u>

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

CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

	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

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	7/1/03	7/1/04
Actuarial Cost Method	Projected Unit Credit	Aggregate entry age
Amortization Method	Level % Open	
Amortization Period	40 year (level percentage)	
Actuarial asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	6.65%	7.50%
Projected salary increases	8% - 4% depending on service	5%
Post retirement benefit increases	None	None
Inflation	3%	3%
Cost of living adjustments	\$15,000 of annual pension is increased by the lesser of inflation and 4%, but 75% of purchasing power is maintained.	2%

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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.

Fireman's Pension and Relief

**Development of Annual Required Contribution Under
Projected Unit Credit Funding Method for GASB 25**

(1) Employer, employee, and state normal cost	\$	407,614	
(2) Estimated administrative expenses		5,628	
(3) Employee contributions		<u>115,789</u>	
(4) Net employer and state normal costs [(1) plus (2) minus (3)]		<u>297,453</u>	
(5) Actuarial accrued liability			
(a) Active members	\$	5,103,976	
(b) Inactive members		<u>12,941,375</u>	
(c) Total			18,045,351
(6) Actuarial value of fund assets			<u>3,476,692</u>
(7) Unfunded actuarial accrued liability [(5)(c) minus (6)]			14,568,659
(8) Amortization of actuarial accrued liability over 40 years [(7) times .046272]			674,128
(9) Total employer and state cost [(4) plus (8)]			971,581
(10) Estimated state contribution			349,450
(11) Total employer contribution [(9) minus (10)]	\$		622,131

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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%

Schedule of Employer Contributions

<u>Year Ending</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/97	\$ 173,121	\$ 173,131	100%
6/30/98	529,020	185,239	35%
6/30/99	529,020	198,206	37%
6/30/00	600,390	212,080	35%
6/30/01	600,390	227,986	38%
6/30/02	645,846	245,085	38%
6/30/03	645,846	263,467	41%

Policemen's Pension and Relief

**Development of Annual Required Contribution Under
Projected Unit Credit Funding Method for GASB 25**

(1) Employer, employee, and state normal cost	\$ 515,778
(2) Estimated administrative expenses	5,628
(3) Employee contributions	<u>150,022</u>
(4) Net employer and state normal costs [(1) plus (2) minus (3)]	<u>371,384</u>
(5) Actuarial accrued liability	
(a) Active members	\$ 6,419,669
(b) Inactive members	<u>14,247,298</u>
(c) Total	20,666,967
(6) Actuarial value of fund assets	<u>8,881,104</u>
(7) Unfunded actuarial accrued liability [(5)(c) minus (6)]	11,785,863
(8) Amortization of actuarial accrued liability over 40 years [(7) times .046272]	545,361
(9) Total employer and state cost [(4) plus (8)]	916,745
(10) Estimated state contribution	379,863
(11) Total employer contribution [(9) minus (10)]	\$ 536,882

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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%

Schedule of Employer Contributions

<u>Year Ending</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/97	\$ 213,249	\$ 213,249	100%
6/30/98	504,069	213,249	42%
6/30/99	504,069	244,149	48%
6/30/00	470,081	261,239	56%
6/30/01	470,081	279,526	60%
6/30/02	527,609	299,093	57%
6/30/03	527,609	320,030	61%

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, 2005	\$ 605,140
Interest on net pension obligation (NPO)	(25,433)
Adjustments to NPO	<u>31,674</u>
Annual pension cost	611,381
Employer contributions for the year ended June 30, 2005	<u>608,039</u>
Increase (decrease) to NPO	(3,342)
Net pension obligation (asset) at July 1, 2004	(339,665)
Net pension obligation (asset) at June 30, 2005	\$ <u>343,007</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

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%

Schedule of Employer Contributions

<u>Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Shortfall</u>
July 1, 1995	\$ 349,473	\$ 346,142	NA
July 1, 1996	341,860	360,218	NA
July 1, 1997	280,592	362,459	\$(81,867)
July 1, 1998	179,602	320,996	(141,394)
July 1, 1999	209,789	328,910	(119,121)
July 1, 2000	301,903	375,336	(73,433)
July 1, 2001	382,809	389,136	(16,327)
July 1, 2002	488,961	426,493	(62,468)
July 1, 2003	577,211	582,170	4,959
July 1, 2004	605,140	NA	NA

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, 2005**

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.

7. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2005 for fund financial:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -0-	\$ 647
Special Revenue Funds		
Board of Parks and Recreation	-0-	121,731
Public library	194,352	-0-
Library expendable trust	-0-	187,895
Capital Project Funds		
Capital reserve	603,638	-0-
Library excess levy II	-0-	5,747
Tax increment financing	-0-	289,240
Capital projects – Clay Battelle Branch	-0-	710
Enterprise Funds		
Airport fund	<u>-0-</u>	<u>192,020</u>
	<u>\$ 797,990</u>	<u>\$ 797,990</u>

8. 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.

**CITY OF MORGANTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2005**

The amount, if any, of expenditures which may be disallowed by the grant or cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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

9. 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.

10. Deficit Fund Balances

The Tax Increment Financing Fund had a deficit fund balance of \$277,648. This deficit will be eliminated as future tax revenues from the City's two TIF Districts are received and planned tax increment financing bonds are issued.

Additionally, the Board of Parks and Recreation Fund had a deficit fund balance of \$209,129. The elimination of this deficit is dependent on the Board's ability to secure additional support from the City or on increasing fees charged for services provided.

11. Debt Service Coverage

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2005:

Total revenues	\$ 2,111,383
Less: Gain on sale of investments	(928)
Less: Gain in market value of investments	(5,207)
Adjusted gross revenues	2,105,248
 Total expenses	 <u>2,079,629</u>
	25,619
Add: Depreciation expense	357,566
Add: Amortization of bond issue costs	3,355
Add: Interest on bonds	<u>250,527</u>
 Amount available for debt service and capital expenditures	 \$ <u>637,067</u>
 Maximum annual debt service	 \$ <u>456,228</u>

**CITY OF MORGANTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

Calculated debt service coverage factor	1.40
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, 2005.

12. Restatement of Net Assets

It was determined during our audit that the net assets of the Governmental Activities required restatement as follows:

Net assets as previously presented	\$ 20,196,578
Add: Understatement of donated capital assets	<u>3,030,000</u>
Net assets restated	\$ <u><u>23,226,578</u></u>

**CITY OF MORGANTOWN, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS-
 JUNE 30, 2005**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total (Memorandum Only)</u>
ASSETS			
Cash	\$ 218,052	\$ 76,237	\$ 294,289
Investments	1,929,690	54,395	1,984,085
Receivables (net of allowances for uncollectibles)			
Accounts	55	988	1,043
Grants	3,002	-0-	3,002
Due from/(to) other funds	6,457	(295,697)	(289,240)
Prepaid expenses	<u>931</u>	<u>-0-</u>	<u>931</u>
TOTAL ASSETS	\$ <u>2,158,187</u>	\$ <u>(164,077)</u>	\$ <u>1,994,110</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,244	\$ -0-	\$ 5,244
Accrued payroll and compensated absences	<u>45,526</u>	<u>-0-</u>	<u>45,526</u>
Total liabilities	<u>50,770</u>	<u>-0-</u>	<u>50,770</u>
Fund Balances			
Reserved for unemployment	11,872	-0-	11,872
Unreserved	<u>2,095,545</u>	<u>(164,077)</u>	<u>1,931,468</u>
Total fund balances	<u>2,107,417</u>	<u>(164,077)</u>	<u>1,943,340</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,158,187</u>	\$ <u>(164,077)</u>	\$ <u>1,994,110</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, 2005**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total (Memorandum Only)</u>
Revenues			
Charges for services	\$ 52,799	\$ -0-	\$ 52,799
Fines and forfeits	961	-0-	961
Interest	48,287	625	48,912
Donations	438,489	17,540	456,029
Taxes	-0-	31,186	31,186
Intergovernmental:			
Federal	354,182	38,074	392,256
State	544,930	-0-	544,930
County	220,000	40,000	260,000
Contributions from employees	-0-	-0-	-0-
Contributions from employer	-0-	-0-	-0-
Gain on investments	52,024	-0-	52,024
Other	635	44	679
Total revenues	<u>1,712,307</u>	<u>127,469</u>	<u>1,839,776</u>
Expenditures			
General government	8,575	110	8,685
Public safety	14,885	-0-	14,885
Culture and recreation	1,641,415	-0-	1,641,415
Community development	319,093	336,199	655,292
Benefit payments	-0-	-0-	-0-
Total expenditures	<u>1,983,968</u>	<u>336,309</u>	<u>2,320,277</u>
(Deficiency) of revenues (under) expenditures	(271,661)	(208,840)	(480,501)
Other Financing Sources (Uses)			
Operating transfers in	771,031	22,324	793,355
Operating transfers (out)	(372,321)	-0-	(372,321)
Total other financing sources (uses)	<u>398,710</u>	<u>22,324</u>	<u>421,034</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	127,049	(186,516)	(59,467)
Fund balance beginning of year	<u>1,980,368</u>	<u>22,439</u>	<u>2,002,807</u>
Fund balance end of year	\$ <u>2,107,417</u>	\$ <u>(164,077)</u>	\$ <u>1,943,340</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, 2005**

	<u>Coal Severance Fund</u>	<u>Community Development Block Grant</u>	<u>Public Library</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Library Expendable Trust</u>	<u>Dorsey's Knob Escrow</u>	<u>Total (Memorandum Only)</u>
ASSETS										
Cash	\$ 19,451	\$ 3,121	\$ 101,934	\$ 64,146	\$ -0-	\$ 1,744	\$ 392	\$ -0-	\$ 27,264	\$ 218,052
Investments	-0-	79,985	729,701	-0-	-0-	-0-	-0-	1,120,004	-0-	1,929,690
Receivables (net of allowances for uncollectibles)										
Accounts	-0-	-0-	55	-0-	-0-	-0-	-0-	-0-	-0-	55
Grants	-0-	3,002	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,002
Due from/(to) other funds	-0-	-0-	194,352	-0-	-0-	-0-	-0-	(187,895)	-0-	6,457
Prepaid expenses	-0-	-0-	931	-0-	-0-	-0-	-0-	-0-	-0-	931
TOTAL ASSETS	\$ 19,451	\$ 86,108	\$ 1,026,973	\$ 64,146	\$ -0-	\$ 1,744	\$ 392	\$ 932,109	\$ 27,264	\$ 2,158,187
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -0-	\$ 1,400	\$ 3,844	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,244
Accrued payroll and compensated absences	-0-	1,601	43,925	-0-	-0-	-0-	-0-	-0-	-0-	45,526
Total liabilities	-0-	3,001	47,769	0-	0-	0-	0-	0-	0-	50,770
Fund Balances										
Reserved for unemployment	-0-	-0-	11,872	-0-	-0-	-0-	-0-	-0-	-0-	11,872
Unreserved	19,451	83,107	967,332	64,146	-0-	1,744	392	932,109	27,264	2,095,545
Total fund balances	19,451	83,107	979,204	64,146	-0-	1,744	392	932,109	27,264	2,107,417
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,451	\$ 86,108	\$ 1,026,973	\$ 64,146	\$ -0-	\$ 1,744	\$ 392	\$ 932,109	\$ 27,264	\$ 2,158,187

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, 2005

	<u>Coal Severance Fund</u>	<u>Community Development Block Grant</u>	<u>Public Library</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Library Expendable Trust</u>	<u>Dorsey's Knob Escrow</u>	<u>Total (Memorandum Only)</u>
Revenues										
Charges for services	\$ -0-	\$ -0-	\$ 52,799	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 52,799
Fines and forfeits	-0-	-0-	-0-	961	-0-	-0-	-0-	-0-	-0-	961
Interest	118	477	13,623	757	-0-	11	-0-	33,206	95	48,287
Donations	-0-	-0-	38,489	-0-	-0-	-0-	-0-	-0-	400,000	438,489
Intergovernmental:										
Federal	-0-	348,502	-0-	-0-	-0-	5,680	-0-	-0-	-0-	354,182
State	74,835	-0-	356,534	-0-	113,561	-0-	-0-	-0-	-0-	544,930
County	-0-	-0-	220,000	-0-	-0-	-0-	-0-	-0-	-0-	220,000
Contributions from employees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Contributions from employer	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Gain on investments	-0-	-0-	10,719	-0-	-0-	-0-	-0-	41,305	-0-	52,024
Other	-0-	-0-	-0-	-0-	-0-	635	-0-	-0-	-0-	635
Total revenues	<u>74,953</u>	<u>348,979</u>	<u>692,164</u>	<u>1,718</u>	<u>113,561</u>	<u>6,326</u>	<u>-0-</u>	<u>74,511</u>	<u>400,095</u>	<u>1,712,307</u>
Expenditures										
General government	-0-	1,350	-0-	-0-	-0-	-0-	-0-	7,225	-0-	8,575
Public safety	-0-	-0-	-0-	3,368	-0-	11,517	-0-	-0-	-0-	14,885
Culture and recreation	-0-	-0-	1,074,831	-0-	113,561	-0-	-0-	-0-	453,023	1,641,415
Community development	-0-	319,093	-0-	-0-	-0-	-0-	-0-	-0-	-0-	319,093
Benefit payment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total expenditures	<u>-0-</u>	<u>320,443</u>	<u>1,074,831</u>	<u>3,368</u>	<u>113,561</u>	<u>11,517</u>	<u>-0-</u>	<u>7,225</u>	<u>453,023</u>	<u>1,983,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>74,953</u>	<u>28,536</u>	<u>(382,667)</u>	<u>(1,650)</u>	<u>-0-</u>	<u>(5,191)</u>	<u>-0-</u>	<u>67,286</u>	<u>(52,928)</u>	<u>(271,661)</u>
Other Financing Sources (Uses)										
Operating transfers in	-0-	-0-	761,235	-0-	-0-	-0-	-0-	9,796	-0-	771,031
Operating transfers (out)	(57,000)	-0-	(309,796)	-0-	-0-	-0-	-0-	(5,525)	-0-	(372,321)
Total other financing sources (uses)	<u>(57,000)</u>	<u>-0-</u>	<u>451,439</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,271</u>	<u>-0-</u>	<u>398,710</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>17,953</u>	<u>28,536</u>	<u>68,772</u>	<u>(1,650)</u>	<u>-0-</u>	<u>(5,191)</u>	<u>-0-</u>	<u>71,557</u>	<u>(52,928)</u>	<u>127,049</u>
Fund balance beginning of year	<u>1,498</u>	<u>54,571</u>	<u>910,432</u>	<u>65,796</u>	<u>-0-</u>	<u>6,935</u>	<u>392</u>	<u>860,552</u>	<u>80,192</u>	<u>1,980,368</u>
Fund balance end of year	\$ <u>19,451</u>	\$ <u>83,107</u>	\$ <u>979,204</u>	\$ <u>64,146</u>	\$ <u>-0-</u>	\$ <u>1,744</u>	\$ <u>392</u>	\$ <u>932,109</u>	\$ <u>27,264</u>	\$ <u>2,107,417</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, 2005**

	<u>Library Excess Levy II</u>	<u>Capital Project Cheat Area Branch</u>	<u>Capital Project Clay Battelle Branch</u>	<u>Tax Increment Financing</u>	<u>Business Improvement District</u>	<u>Total (Memorandum Only)</u>
ASSETS						
Cash	\$ -0-	\$ -0-	\$ -0-	\$ 11,504	\$ 64,733	\$ 76,237
Investments	19,045	-0-	35,350	-0-	-0-	54,395
Accounts receivable	-0-	-0-	-0-	88	900	988
Interest receivable	-0-	-0-	-0-	-0-	-0-	-0-
Due from/(to) other funds	(5,747)	-0-	(710)	(289,240)	-0-	(295,697)
TOTAL ASSETS	\$ <u>13,298</u>	\$ <u>-0-</u>	\$ <u>34,640</u>	\$ <u>(277,648)</u>	\$ <u>65,633</u>	\$ <u>(164,077)</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund Balances						
Unreserved	<u>13,298</u>	<u>-0-</u>	<u>34,640</u>	<u>(277,648)</u>	<u>65,633</u>	<u>(164,077)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>13,298</u>	\$ <u>-0-</u>	\$ <u>34,640</u>	\$ <u>(277,648)</u>	\$ <u>65,633</u>	\$ <u>(164,077)</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, 2005**

	<u>Library Excess Levy II</u>	<u>Capital Project Cheat Area Branch</u>	<u>Capital Project Clay Battelle Branch</u>	<u>Tax Increment Financing</u>	<u>Business Improvement District</u>	<u>Total (Memorandum Only)</u>
Revenues						
Interest	\$ 234	\$ -0-	\$ 342	\$ 49	\$ -0-	\$ 625
Donations	-0-	-0-	2,540	-0-	15,000	17,540
Taxes	-0-	-0-	-0-	18,328	12,858	31,186
Intergovernmental:						
Federal	-0-	-0-	-0-	-0-	38,074	38,074
State	-0-	-0-	-0-	-0-	-0-	-0-
County	-0-	-0-	15,000	-0-	25,000	40,000
Other	<u>44</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>44</u>
Total revenues	<u>278</u>	<u>-0-</u>	<u>17,882</u>	<u>18,377</u>	<u>90,932</u>	<u>127,469</u>
Expenditures						
General government	75	-0-	4	-0-	31	110
Community development	<u>4,624</u>	<u>-0-</u>	<u>3,250</u>	<u>280,733</u>	<u>47,592</u>	<u>336,199</u>
Total expenditures	<u>4,699</u>	<u>-0-</u>	<u>3,254</u>	<u>280,733</u>	<u>47,623</u>	<u>336,309</u>
(Deficiency) excess of revenues (under) over expenditures	(4,421)	-0-	14,628	(262,356)	43,309	(208,840)
Other Financing Sources (Uses)						
Operating transfers in	-0-	-0-	-0-	-0-	22,324	22,324
Operating transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>22,324</u>	<u>22,324</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	(4,421)	-0-	14,628	(262,356)	65,633	(186,516)
Fund balance beginning of year	<u>17,719</u>	<u>-0-</u>	<u>20,012</u>	<u>(15,292)</u>	<u>-0-</u>	<u>22,439</u>
Fund balance end of year	\$ <u>13,298</u>	\$ <u>-0-</u>	\$ <u>34,640</u>	\$ <u>(277,648)</u>	\$ <u>65,633</u>	\$ <u>(164,077)</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, business-type activities, 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, 2005, which collectively comprise the City of Morgantown, West Virginia's basic financial statements and have issued our report thereon dated January 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Morgantown, West Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that we consider to be material weaknesses.

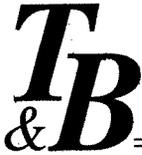
Compliance And Other Matters

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Municipal Officials of the City of Morgantown, West Virginia, state and federal awarding agencies and pass-through entities, and the West Virginia State Tax Department 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 • Bawlett, PLLC

January 12, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
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, 2005. 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 on 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, 2005.

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, 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 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal 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, state and federal awarding agencies and pass-through entities, and the West Virginia State Tax Department and is not intended and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Detrick . Beckett, PLLC

January 12, 2006

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Morgantown, West Virginia.
2. No reportable conditions were disclosed during the audit of the financial statements and are reported in the report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the City of Morgantown, West Virginia was disclosed during the audit.
4. No reportable conditions were disclosed during 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 CFDA number 20.106, Department of Transportation's Federal Highway Administration 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.

B. Findings - Financial Statements Audit

None

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

None

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Accrued or (Deferred) Revenue at July 1, 2004</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2005</u>
Department of Transportation						
<u>National Highway Traffic Safety Administration</u>						
<u>Department of Transportation</u>						
State and Community Highway Safety	20.600	F041805	\$ -0-	\$ 4,556	\$ 4,556	\$ -0-
State and Community Highway Safety	20.600	F05-157INLOP-07	-0-	3,130	3,130	-0-
State and Community Highway Safety	20.600	F04-HS-04	-0-	882	882	-0-
<u>Federal Aviation Administration</u>						
Airport Improvement Program	20.106	3-54-0015-1902	-0-	178,282	178,282	-0-
Airport Improvement Program	20.106	3-54-0015-022-2004	-0-	385,486	385,486	-0-
Airport Improvement Program	20.106	3-54-0015-023-2004	-0-	1,424,890	1,424,890	-0-
Airport Improvement Program	20.106	3-54-0015-021-2003	-0-	493,979	493,979	-0-
Airport Improvement Program	20.106	3-54-0015-020-2003	-0-	54,537	54,537	-0-
Airport Improvement Program	20.106	3-54-0015-025-2005	-0-	97,119	97,119	-0-
<u>Federal Highway Administration</u>						
<u>West Virginia Department of Transportation - Division of Highways</u>						
Highway Planning and Construction Grant	20.205	TEA-0Q22(001)E	-0-	38,074	38,074	-0-
Highway Planning and Construction Grant	20.205	TEA-0Q22(001)E	-0-	272,670	262,670	-0-
United States Department of Justice						
<u>Office of Justice Programs, Bureau of Justice Assistance</u>						
Byrne Formula Grant Program	16.579	04-DC-11	-0-	108,538	108,538	-0-
Byrne Formula Grant Program	16.579	03-DC-12	-0-	11,413	11,413	-0-
Bulletproof Vest Partnership Programs	16.607		-0-	5,518	5,518	-0-

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Accrued or (Deferred) Revenue at July 1, 2004</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2005</u>
United States Department of Justice (cont'd)						
<u>Office of Juvenile Justice and Delinquency Prevention,</u>						
<u>Office of Justice Programs</u>						
Juvenile Accountability Incentive Block Grant Program	16.523	2003-JB-BX-0001	\$ -0-	\$ 28,065	\$ 28,065	\$ -0-
Enforcing Underage Drinking Law Programs	16.727	04UD130	-0-	5,859	5,859	-0-
Local Law Enforcement Block Grant Program	16.592	2003-LB-BX-1734	-0-	5,719	5,719	-0-
Corporation for National and Community Service						
Retired and Senior Volunteer Programs	94.002	DVSA-51203-P74-4101	-0-	54,642	54,642	-0-
Department of Homeland Security						
State Domestic Preparedness Equipment Support Program	97.004		-0-	285,360	285,360	-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-04-MC-54-0007	-0-	348,502	348,502	-0-

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

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

**CITY OF MORGANTOWN, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

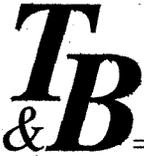
Department of Transportation – Federal Aviation Administration, CFDA Number 20.106

No prior audit findings

**CITY OF MORGANTOWN, WEST VIRGINIA
SCHEDULE OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2005**

Balance June 30, 2004	\$ 3,116
Revenues received:	
Passenger facility charges	50,883
Interest income	16
Disbursements:	
Capital Projects	<u>50,795</u>
Balance June 30, 2005	\$ <u>3,220</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, 2005. 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, 2005.

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 . Baudett . PLLC

January 12, 2006