

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

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

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**FOR THE YEAR ENDED JUNE 30, 2006**

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**CITY OF MORGANTOWN, WEST VIRGINIA  
MUNICIPAL OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Office</b>	<b>Name</b>	<b>Term</b>
	<b>Elective</b>	
Mayor	Ronald Justice	07/01/05 - 06/30/07
Deputy Mayor	James Manilla	07/01/05 - 06/30/07
Council Members:	Ron Bane	07/01/05 - 06/30/07
	William Byrne	07/01/05 - 06/30/07
	Frank Scafella	07/01/05 - 06/30/07
	Don Spencer	07/01/05 - 06/30/07
	Teresa Miller	07/01/05 - 06/30/07
	<b>Appointed</b>	
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, 2006

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  
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Capital Project - Clay Battelle Branch  
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Firemen's Pension and Relief  
Employee's Retirement and Benefit  
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Library Endowment Fund



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Morgantown, West Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, 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, 2006, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2007, on our consideration of the City of Morgantown, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 12 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.

*Detrick Bartlett, PLLC*

January 3, 2007

## 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, 2006. 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 net assets increased \$9.1 million, or 19%, over the previous fiscal year. Net assets of governmental activities increased \$3.1 million or 10%, while the net assets of business-type activities increased approximately \$6 million, or 36%, over the previous year. Most of this increase can be attributed to the increase in net capital assets of \$8,510,950, most of which were funding by grants.
- Taxes, fees, and other revenues generated \$3.2 million more than net expenses (total expenses less charges for services, grants, and contributions) for governmental activities. Most of this excess can be attributed to grants received for capital assets, which are not recorded as expenses in the statement of net assets. The only tax rate increase was in the hotel occupancy tax from 3% to 6%, effective July 1, 2005, which generated an additional \$351,461, half of which was paid out in the form of a contribution to the Convention & Visitor's Bureau.
- In the City's business-type activities, operating revenues increased \$84,244, or slightly less than 2%, over the previous fiscal year, while operating expenses increased by \$435,435 or 15%. The Parking Authority and Building Commission reported operating income of \$102,178 and \$410,011, respectively. However, the Airport reported an operating loss of (\$554,850).
- In the General Fund, the revenues were \$645,429, or 4%, more than budgeted, while expenditures, including transfers, were \$597,846, or 4%, less than budgeted. The General Fund reported a excess of expenditures over revenues of (\$48,263), for a net decrease in fund balance of the same amount. While the fund balance in the General Fund at the beginning of the year is reported at \$4,041,357, only \$1,313,222 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 \$2,820,138 into the Capital Reserve Fund, \$2,497,129 of which came from the General Fund. This compares to \$1,872,486 transferred to the Capital Reserve Fund from the General Fund during the fiscal year ended June 30, 2005. Of the amount transferred from the General Fund during the current year, \$836,006 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 following summarizes the change in net assets from the previous fiscal year:

<b>City of Morgantown Comparative Net Assets</b>			
	<b>FYE 6/30/05</b>	<b>FYE 6/30/06</b>	<b>% Change</b>
<b>Assets</b>			
Current assets	\$ 12,446,604	\$ 14,479,988	16.34%
Capital assets	48,248,829	56,759,779	17.64%
Other assets	<u>2,442,317</u>	<u>2,361,685</u>	-3.30%
<b>Total assets</b>	<b>63,137,750</b>	<b>73,601,452</b>	<b>16.57%</b>
<b>Liabilities</b>			
Current liabilities	2,745,104	4,380,961	59.59%
Long-term liabilities	<u>13,721,444</u>	<u>13,397,513</u>	-2.36%
<b>Total Liabilities</b>	<b>16,466,548</b>	<b>17,778,474</b>	<b>7.97%</b>
<b>Net assets</b>			
Invested in capital assets	36,598,200	45,310,979	23.81%
Restricted	800,555	803,556	0.37%
Unrestricted	<u>9,272,447</u>	<u>9,714,443</u>	4.77%
<b>Total Net Assets</b>	<b>\$ 46,671,202</b>	<b>\$ 55,828,978</b>	<b>19.62%</b>

The City's combined net assets increased over \$9.1 million, or 19.62%, over the fiscal year ended June 30, 2005. This compares to a similar increase during the prior fiscal year of \$9 million; however, that increase was approximately a 23% increase over the fiscal year ended June 30, 2005. Total assets increased 16.57%, while total liabilities increased 7.97%. While current liabilities more than doubled, total current assets exceed total current liabilities by 330%. While much of the growth in net assets can be attributed to the growth in capital assets, unrestricted net assets also increased 4.77% over the prior year.

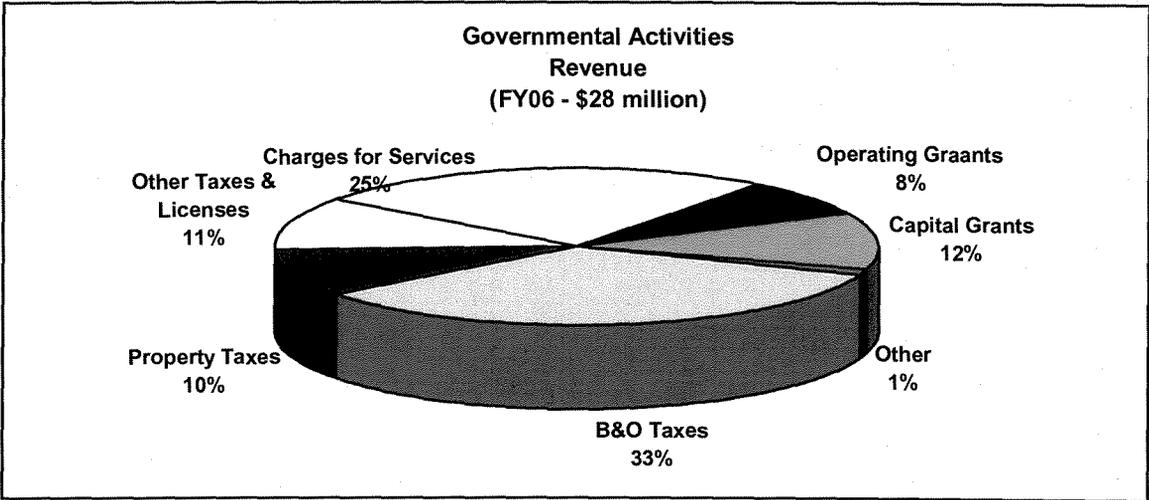
In the governmental activities, total net assets increased \$3.1 million, or 10%, while unrestricted net assets increased \$635,960, or 8%, over the previous year. Much of this increase can be attributed to the increase in capital assets of \$2.6 million. Total net assets in the business-type activities increased \$6 million, or 36%, while unrestricted net assets decreased (\$193,964), or 13%. The increase in total net assets is primarily attributed to the increase in capital assets of \$5.9 million, most of which occurred at the Airport and was funded by capital grants.

Changes in Net Assets

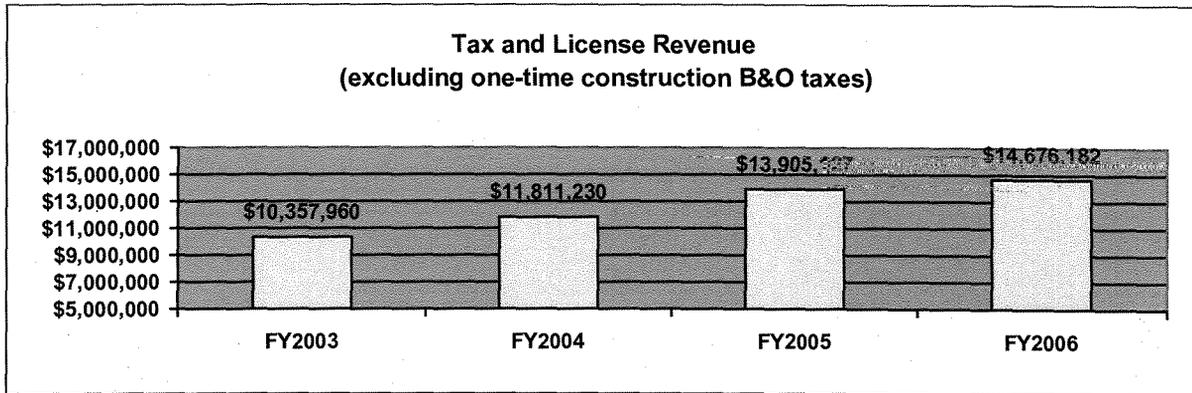
The slight difference in the change in net assets reported on the statement of activities and the amounts cited above is due to the operating transfers between governmental activities and business-type activities, primarily transfers between the Capital Reserve Fund and the Airport Fund. The change in net assets is basically the difference between revenues and expenses and, therefore, excludes transfers between activities.

Governmental Activities

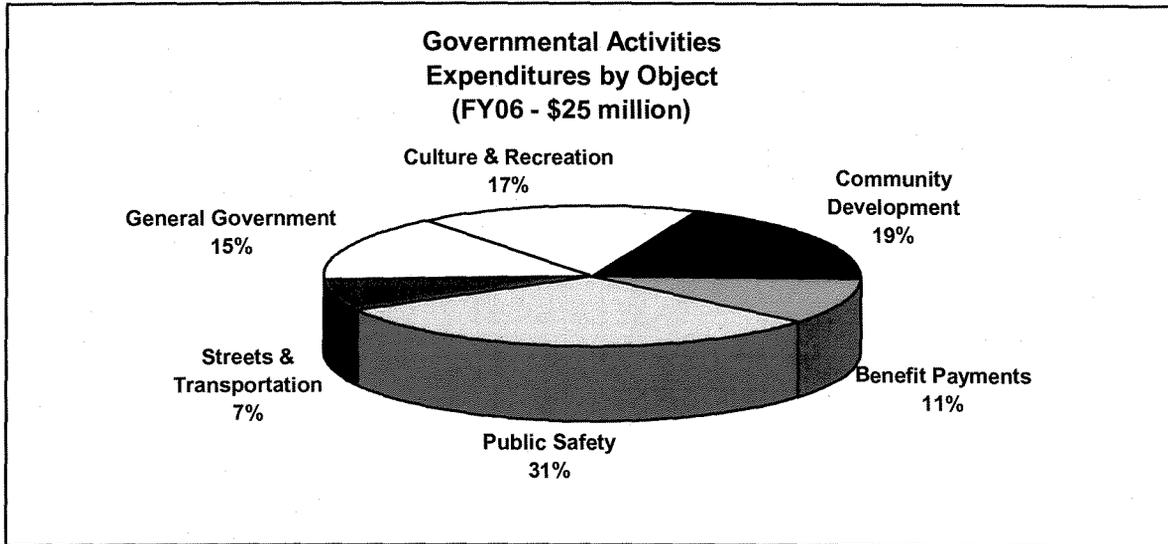
Revenues for the City's governmental activities were \$28 million, with \$15.5 million generated from taxes and licenses, \$7 million from charges for services (includes fines), \$5.4 million from grants and contributions, and \$341,346 from other sources. The following chart depicts a more detailed breakdown of the revenues of the City's governmental activities:



Due to the healthy economic conditions in Morgantown and the surrounding areas, tax and license revenue (excluding the one-time construction business and occupation tax revenue) in the governmental activities has increased at an average of 12% per year over the past four years. This has been accomplished with no changes in tax formulas, and the only tax rate increase being the hotel occupancy tax rate increase in the current year. The following graph depicts the growth in the City's revenue from taxes and licenses, excluding the one-time construction B&O tax revenue that is earmarked for the Capital Reserve Fund:



Expenses of the governmental activities have also increased at a steady rate over the past four years, averaging approximately 9% per year. 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 increase each year and has added six full-time employees over the past four years. 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 less than 1% over the past year, while total expenses increased 9%. This resulted in an overall deficit of (\$684,656) before grant revenue.

The Parking Authority reported a decrease in operating revenue of \$93,486, or 5%, from the previous year; however, the Authority was able to keep expenses at a modest 3% increase. The loss in revenue is attributed primarily to the loss of one-time parking income realized in fiscal year 2005 that resulted from the closing of West Virginia University's parking facilities for renovations during several months of that year. The net operating income reported by the Parking Authority for the year was \$102,178, a decrease of \$127,341 from the prior year.

The operating loss of the Airport deteriorated by \$148,714 over the previous year, resulting in a reported operating loss of (\$554,850). It should be noted, however, that the depreciation of capital assets included in operating expenses totaled \$564,189. Airport charges for services and fuel sales increased \$154,294 or 8%, while expenses increased \$389,033, or 17%. Increases in utilities, costs for major repairs to facilities, fuel prices, and marketing account for much of this increase. Compounding this, the commercial air carrier ceased operations at the Airport

and a new carrier is scheduled to begin operations in July, 2006, which has caused decreased activity at the Airport during this transition phase.

Net non-operating revenue, including non-operating grants and transfers, in the business-type activities was \$6,100,248, which is an increase over the previous year of \$3,847,160. The non-operating revenue consists primarily of capital grants received by the Airport from the U.S. Department of Transportation, which funded several projects during the year, including the construction of the safety area extension, apron rehabilitation, and a deicing facility.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the current year, the governmental funds reported a combined fund balance of \$9.4 million, an increase of \$673,270 from the previous year. This increase is primarily attributed to increases in the Board of Parks and Recreation (BOPARC) Fund, the Capital Reserve Fund, and other nonmajor capital project funds.

The fund balance in the General Fund decreased \$ 48,263 to \$3,993,094. However, the balance available for appropriation in the subsequent fiscal year was calculated at \$949,139. 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 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 totaling \$771,525 were used to begin construction the Marina in the Wharf District, with another \$1.2 million spent on engineering, project management, and contracted services.

Included in the City's capital project funds are the Tax Increment Financing (TIF) Fund and the Business Improvement District (BID) Fund. 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 \$314,999 in fiscal year 2006, and expended \$66,935 on projects, most of which went for engineering costs and the relocation of utilities in the Riverfront District. Additionally, The Riverfront TIF District reimbursed the City of Morgantown \$217,736 for costs paid on behalf of the District in the previous two years. Tax increment revenue bonds in the amount of \$6,180,000 will be issued by the City for the Riverfront TIF District in the 2007 fiscal year for the construction of a parking garage..

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. A fourth district will be established in fiscal year 2007. These projects are funded by assessments on the property owners in the district, contributions, Federal transportation grants, and City funds. The City began assessing property owners in the first BID district in fiscal year 2005 and the second BID District in 2006. Total assessments in the current year were \$42,615, contributions were \$12,140, and Federal grants received totaled \$323,563. Expenditures in the BID Fund totaled \$404,583 as construction began on the first two phases of the High Street improvements.

Of the special revenue funds, the Board of Parks and Recreation Commissioners (BOPARC) reported a fund balance of \$12,640, an increase of \$212, 060 over the deficit of (\$199,420) reported last year. The management of BOPARC reduced expenses \$ 155,531 from the previous year by eliminating cost inefficiencies and closely monitoring budget compliance. Although service revenue remained virtually unchanged over the previous year, operating transfers from the General Fund increased \$180,029, along with an increase in transfers from the Capital

reserve Fund of \$5,611. The increased transfers from the General Fund resulted primarily from the increased hotel occupancy tax.

### 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, 2005.)
- 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 were \$597,846 below final budgeted amounts, while revenues were \$645,429 above the final budgeted amounts. The additional revenues were due mainly to better-than-expected business and occupation tax collections and the rate increase in the hotel occupancy tax.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

At the end of fiscal year 2006, the City had \$83 million invested in capital assets, with \$57 million 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 \$8.5 million over the previous year. Major additions during the year include the improvements at the Airport mentioned previously, acquisition of land at Dorsey's Knob Park, funded by a Federal grant and private donations, several new police cruisers, public works vehicles and equipment, sidewalk and streetscape projects, and the construction funded by the Economic Development Grants mentioned previously.

### Long-term Debt

At the end of the year, the City had \$12,559,393 in long-term revenue bonds, notes payable, and capital leases. This was a decrease from the previous year of \$380,028. The only new debt was \$67,090 drawn down on the Parking Authority revenue bonds issued in 2002 and \$149,560 in capital leases for BOPARC equipment. Principal payments on all debt totaled \$596,678. 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. The debt service coverage factor was 1.23 for the current year, compared to 1.40 for the previous year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES**

City officials plan to implement an increase in fire service fees of 8% in fiscal year 2007, with an additional 8% increase in fiscal year 2008. The proceeds from these increases will be used to service the debt on a \$2 million revenue bond expected to be issued in fiscal year 2008 for the construction of a new north side fire station. The land for the facility will be donated by West Virginia University and the Monongalia County Commission in the next fiscal year, with construction to begin in fiscal year 2008.

An increase in the one-time business and occupation tax revenues is projected, with a budgeted amount of \$2,000,000, compared to the \$1,200,000 budgeted in the 2006 fiscal year as several large construction projects get underway and continue within the City.

Budgeted expenditures for operations are expected to increase slightly for fiscal year 2007. These expenditures include a 4% cost of living adjustment for employees, increase in fuel and utility costs, and four additional full-time

employees. In addition, contributions to the Capital Reserve Fund will increase as one-time construction B&O taxes increase. The City, through its Capital Reserve Fund, will continue its paving, sidewalk, and demolition programs, as well as its support of various community projects including Sunnyside Up (revitalization of campus neighborhoods), the West Virginia Public Theatre, the Metropolitan Theatre, and the Wiles Hill Senior and Community Center.

As for the City's business-type activities, the Parking Authority expects to continue its cost control program and enhance its revenue system. 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 explore other options to increase the activity at the Airport. Management will continue to monitor the profitability of fuel sales and plans to conduct quarterly reviews with staff to improve budget compliance. Additionally, coal reserves uncovered at the construction site of the safety area extension are expected to provide additional revenue as the coal is removed and sold to make way for construction. However, it is expected that another change in the commercial carrier in the next year may be on the horizon, so some uncertainty still exists in the level of commercial activity at the Airport. Long-term plans for the Airport, however, include the addition of the National Guard Armory and an industrial park adjacent to the Airport, both of which should substantially increase 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  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 4,172,025	\$ 311,326	\$ 4,483,351
Investments	3,388,532	837,275	4,225,807
Receivables	4,543,516	1,108,146	5,651,662
Internal balances	123,366	( 123,366)	-0-
Inventory	-0-	49,635	49,635
Prepaid expenses	2,543	66,990	69,533
Restricted assets	-0-	1,631,376	1,631,376
Capital assets, net	24,556,721	32,203,058	56,759,779
Unamortized bond discount and issue costs	-0-	730,309	730,309
Total assets	<u>36,786,703</u>	<u>36,814,749</u>	<u>73,601,452</u>
<b>Liabilities</b>			
Accounts payable	2,004,389	1,197,785	3,202,174
Prepaid revenues	-0-	52,500	52,500
Long-term liabilities			
Due within one year	430,120	696,167	1,126,287
Due in more than one year	<u>1,495,647</u>	<u>11,901,866</u>	<u>13,397,513</u>
Total liabilities	<u>3,930,156</u>	<u>13,848,318</u>	<u>17,778,474</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	24,427,075	20,883,904	45,310,979
Restricted	-0-	803,556	803,556
Unrestricted	<u>8,429,472</u>	<u>1,284,971</u>	<u>9,714,443</u>
Total Net Assets	\$ <u>32,856,547</u>	\$ <u>22,972,431</u>	\$ <u>55,828,978</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, 2006**

<u>Functions/Programs</u>	<b>PROGRAM REVENUES</b>				<b>NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS</b>		
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
General government	\$ 3,855,462	\$ 253,534	\$ -0-	\$ -0-	\$( 3,601,928)	\$ -0-	\$( 3,601,928)
Public safety	7,776,732	2,566,784	306,952	-0-	( 4,902,996)	-0-	( 4,902,996)
Highways and streets	1,825,372	-0-	-0-	-0-	( 1,825,372)	-0-	( 1,825,372)
Community development	4,373,424	9,600	612,552	3,270,648	( 480,624)	-0-	( 480,624)
Culture and recreation	4,258,425	1,284,474	1,251,005	-0-	( 1,722,946)	-0-	( 1,722,946)
Benefits payments	<u>2,730,354</u>	<u>2,621,486</u>	<u>-0-</u>	<u>-0-</u>	<u>( 108,868)</u>	<u>-0-</u>	<u>( 108,868)</u>
Total governmental activities	<u>24,819,769</u>	<u>6,735,878</u>	<u>2,170,509</u>	<u>3,270,648</u>	<u>(12,642,734)</u>	<u>-0-</u>	<u>(12,642,734)</u>
<b>Business – Type Activities</b>							
Airport	2,619,767	1,978,308	80,784	6,415,223	-0-	5,854,548	5,854,548
Parking	2,136,600	1,979,338	-0-	-0-	-0-	( 157,262)	( 157,262)
Building commission	<u>509,393</u>	<u>623,458</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>114,065</u>	<u>114,065</u>
Total business – type activities	<u>5,265,760</u>	<u>4,581,104</u>	<u>80,784</u>	<u>6,415,223</u>	<u>-0-</u>	<u>5,811,351</u>	<u>5,811,351</u>
Total	<u>\$ 30,085,529</u>	<u>\$ 11,316,982</u>	<u>\$ 2,251,293</u>	<u>\$ 9,685,871</u>	<u>(12,642,734)</u>	<u>5,811,351</u>	<u>( 6,831,383)</u>
<b>General Revenues</b>							
Taxes and licenses					15,239,597	-0-	15,239,597
Franchise fees					272,591	-0-	272,591
Interest and investment earnings					226,667	96,089	322,756
Miscellaneous					<u>114,689</u>	<u>29,817</u>	<u>144,506</u>
Total general revenues					<u>15,853,544</u>	<u>125,906</u>	<u>15,979,450</u>
Change in net assets					3,210,810	5,937,257	9,148,067
Transfers out					( 120,430)	120,430	-0-
Net assets – beginning – restated					<u>29,766,167</u>	<u>16,914,744</u>	<u>46,680,911</u>
Net assets – ending					<u>\$ 32,856,547</u>	<u>\$ 22,972,431</u>	<u>\$ 55,828,978</u>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**FUND BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	<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>
<b>ASSETS</b>							
Cash	\$ 916,708	\$ 277,853	\$ 748,953	\$ 1,830,758	\$ 18,400	\$ 379,353	\$ 4,172,025
Investments	518,215	-0-	-0-	783,408	-0-	2,086,909	3,388,532
Receivables, net of allowances:							
Taxes	2,506,861	-0-	-0-	-0-	-0-	-0-	2,506,861
Accounts	215,656	-0-	-0-	-0-	-0-	5,942	221,598
Other	382,016	19,800	2,357	-0-	-0-	-0-	404,173
Grants	37,914	-0-	-0-	181,831	513,105	273,075	1,005,925
Interest receivable	725	-0-	-0-	1,837	-0-	-0-	2,562
Due from/(to) other funds	( 18,492)	(121,706)	( 675)	335,766	-0-	( 71,527)	123,366
Prepaid expenses	-0-	2,500	-0-	-0-	-0-	43	2,543
<b>TOTAL ASSETS</b>	<b>\$ 4,559,603</b>	<b>\$ 178,447</b>	<b>\$ 750,635</b>	<b>\$ 3,133,600</b>	<b>\$ 531,505</b>	<b>\$ 2,673,795</b>	<b>\$ 11,827,585</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 278,153	\$ 103,345	\$ 568,574	\$ 299,970	\$ 513,105	\$ 241,242	\$ 2,004,389
Accrued payroll and compensated absences	288,356	62,462	-0-	-0-	-0-	47,207	398,025
Total liabilities	<u>566,509</u>	<u>165,807</u>	<u>568,574</u>	<u>299,970</u>	<u>513,105</u>	<u>288,449</u>	<u>2,402,414</u>
<b>Fund Balances</b>							
Reserved for unemployment	-0-	-0-	-0-	-0-	-0-	11,872	11,872
Unreserved	3,993,094	12,640	182,061	2,833,630	18,400	2,373,474	9,413,299
Total fund balances	<u>3,993,094</u>	<u>12,640</u>	<u>182,061</u>	<u>2,833,630</u>	<u>18,400</u>	<u>2,385,346</u>	<u>9,425,171</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,559,603</b>	<b>\$ 178,447</b>	<b>\$ 750,635</b>	<b>\$ 3,133,600</b>	<b>\$ 531,505</b>	<b>\$ 2,673,795</b>	<b>\$ 11,827,585</b>

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, 2006**

Fund balance, fund level statement June 30, 2006	\$ 9,425,171
<p>The total fund balance of the City of Morgantown's governmental funds differ from net assets of the governmental activities reported on the Statement of Net Assets as follows:</p>	
<p>Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:</p>	
Accrued compensated absences	( 1,398,096)
Obligations under capital lease	( 129,646)
<p>Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation.</p>	24,556,721
<p>Some assets do not provide current financial resources and are not reported as assets in the fund level statements:</p>	
Additional accounts receivable – June 30, 2006	<u>402,397</u>
Net assets of governmental activities	\$ <u>32,856,547</u>

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, 2006**

	General Fund	Board of Parks and Recreation	Life and Health Fund	Capital Reserve	Economic Development Grant	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes and special assessments	\$ 14,513,772	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 357,602	\$ 14,871,374
Licenses and permits	217,656	-0-	-0-	-0-	-0-	-0-	217,656
Charges for services	2,099,217	1,230,460	-0-	-0-	9,600	54,014	3,744,236
Fines and forfeits	703,238	-0-	-0-	-0-	-0-	17,864	721,102
Franchise fees	272,591	-0-	-0-	-0-	-0-	-0-	272,591
Interest	73,525	5,388	22,860	32,665	-0-	58,811	193,249
Donations	-0-	26,367	-0-	75,100	-0-	374,449	475,916
Intergovernmental							
Federal	181,625	85,979	-0-	657,941	-0-	939,809	1,865,354
State	76,675	13,701	-0-	162,275	2,027,413	474,982	2,755,046
County	-0-	104,477	-0-	50,000	-0-	235,000	389,477
Contributions from employees	-0-	-0-	86,502	-0-	-0-	-0-	86,502
Contributions from employers	-0-	-0-	2,534,984	-0-	-0-	-0-	2,534,984
Gain (loss) on investments	-0-	-0-	-0-	-0-	-0-	33,418	33,418
Other	96,394	-0-	17,946	240	-0-	109	114,689
Total revenues	<u>18,234,693</u>	<u>1,466,372</u>	<u>2,662,292</u>	<u>978,221</u>	<u>2,037,013</u>	<u>2,546,058</u>	<u>28,275,594</u>
<b>Expenditures</b>							
General government	3,666,769	-0-	149,076	-0-	-0-	12,417	3,828,262
Public safety	7,625,026	-0-	-0-	-0-	-0-	36,021	7,661,047
Highways and streets	2,787,540	-0-	-0-	-0-	-0-	-0-	2,787,540
Community development	-0-	-0-	-0-	2,797,613	2,027,413	1,048,341	6,224,312
Culture and recreation	319,992	2,465,643	-0-	-0-	-0-	1,474,453	4,260,088
Benefit payments	-0-	-0-	2,730,354	0-	-0-	-0-	2,730,354
Total expenditures	<u>14,399,327</u>	<u>2,465,643</u>	<u>2,879,430</u>	<u>2,797,613</u>	<u>2,027,413</u>	<u>2,571,232</u>	<u>27,491,603</u>
(Deficiency) excess of revenues (under) over expenditures	<u>3,835,366</u>	<u>( 999,271)</u>	<u>( 217,138)</u>	<u>(1,819,392)</u>	<u>9,600</u>	<u>( 25,174)</u>	<u>783,991</u>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	-0-	1,211,331	-0-	2,820,138	-0-	550,189	4,230,713
Operating transfers (out)	<u>( 3,883,629)</u>	<u>-0-</u>	<u>( 240,000)</u>	<u>( 495,450)</u>	<u>-0-</u>	<u>( 83,009)</u>	<u>( 4,351,143)</u>
Total other financing sources (uses)	<u>( 3,883,629)</u>	<u>1,211,331</u>	<u>( 240,000)</u>	<u>2,324,688</u>	<u>-0-</u>	<u>467,180</u>	<u>( 120,430)</u>
Net change in net assets	<u>( 48,263)</u>	<u>212,060</u>	<u>( 457,138)</u>	<u>505,296</u>	<u>9,600</u>	<u>442,006</u>	<u>663,561</u>
Fund balance at beginning of year - restated	<u>4,041,357</u>	<u>( 199,420)</u>	<u>639,199</u>	<u>2,328,334</u>	<u>8,800</u>	<u>1,943,340</u>	<u>8,761,610</u>
Fund balance at end of year	<u>\$ 3,993,094</u>	<u>\$ 12,640</u>	<u>\$ 182,061</u>	<u>\$ 2,833,630</u>	<u>\$ 18,400</u>	<u>\$ 2,385,346</u>	<u>\$ 9,425,171</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, 2006

Net change in net assets – total governmental funds	\$ 663,561
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.	2,544,739
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of loss on disposal of capital assets	( 118,457)
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	( 105,394)
Some revenues reported in the Statement of Activities do not provide financial resources that are both available and measurable for use in current activities	
Donation of library materials.	37,848
Change in additional accounts receivable	<u>68,083</u>
Change in Net Assets of Governmental Activities	\$ <u><u>3,090,380</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA  
 FUND BALANCE SHEETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2006

	BUSINESS TYPE ACTIVITIES			<u>Total</u>
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 69,764	\$ 241,562	\$ -0-	\$ 311,326
Investments	-0-	837,275	-0-	837,275
Receivables, net of allowances:				
Accounts	43,393	660	-0-	44,053
Interest	-0-	712	-0-	712
Grants	1,063,381	-0-	-0-	1,063,381
Inventory	49,635	-0-	-0-	49,635
Due from/(to) other funds	( 144,474)	( 28,073)	49,181	( 123,366)
Prepaid expenses	<u>5,825</u>	<u>-0-</u>	<u>-0-</u>	<u>5,825</u>
Total current assets	<u>1,087,524</u>	<u>1,052,136</u>	<u>49,181</u>	<u>2,188,841</u>
<b>Noncurrent Assets</b>				
Restricted assets	<u>-0-</u>	<u>803,556</u>	<u>827,820</u>	<u>1,631,376</u>
<b>Capital Assets</b>				
Land	50,050	1,484,326	717,207	2,251,583
Land improvement	-0-	-0-	24,400	24,400
Building	4,795,431	-0-	8,097,336	12,892,767
Structures and improvements	12,643,449	8,582,561	-0-	21,226,010
Leasehold improvements	-0-	90,965	-0-	90,965
Machinery and equipment	1,229,852	824,472	168,450	2,222,774
Construction in progress	8,667,682	-0-	-0-	8,667,682
Less: Accumulated depreciation	<u>( 8,510,335)</u>	<u>( 3,351,596)</u>	<u>( 3,311,192)</u>	<u>(15,173,123)</u>
Net capital assets	<u>18,876,129</u>	<u>7,630,728</u>	<u>5,696,201</u>	<u>32,203,058</u>
<b>Other Assets</b>				
Prepaid expenses	61,165	-0-	-0-	61,165
Unamortized bond discount and issue costs	<u>-0-</u>	<u>58,707</u>	<u>671,602</u>	<u>730,309</u>
Total other assets	<u>61,165</u>	<u>58,707</u>	<u>671,602</u>	<u>791,474</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>20,024,818</u></b>	<b>\$ <u>9,545,127</u></b>	<b>\$ <u>7,244,804</u></b>	<b>\$ <u>36,814,749</u></b>

	<b>BUSINESS TYPE ACTIVITIES</b>			
	<u>Airport</u> <u>Fund</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	<u>Total</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities (payable from current assets)</b>				
Notes payable	\$ -0-	\$ -0-	\$ 12,881	\$ 12,881
Accounts payable	1,107,431	84,354	-0-	1,191,785
Prepaid revenues	52,500	-0-	-0-	52,500
Accrued compensated absences	<u>68,833</u>	<u>99,453</u>	<u>-0-</u>	<u>168,286</u>
Total current liabilities (payable from current assets)	<u>1,228,764</u>	<u>183,807</u>	<u>12,881</u>	<u>1,425,452</u>
<b>Current Liabilities (payable from restricted assets)</b>				
Revenue bonds payable	<u>-0-</u>	<u>125,000</u>	<u>390,000</u>	<u>515,000</u>
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>125,000</u>	<u>390,000</u>	<u>515,000</u>
<b>Long-Term Liabilities (net of current portion)</b>				
Revenue bonds payable	-0-	5,497,953	6,360,000	11,857,953
Notes payable	<u>-0-</u>	<u>-0-</u>	<u>43,913</u>	<u>43,913</u>
Total long-term liabilities	<u>-0-</u>	<u>5,497,953</u>	<u>6,403,913</u>	<u>11,901,866</u>
Total liabilities	<u>1,228,764</u>	<u>5,806,760</u>	<u>6,806,794</u>	<u>13,842,318</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	18,876,129	2,007,775	-0-	20,883,904
Restricted	-0-	803,556	-0-	803,556
Unrestricted	( 80,075)	<u>927,036</u>	<u>438,010</u>	<u>1,284,971</u>
Total net assets	<u>18,796,054</u>	<u>3,738,367</u>	<u>438,010</u>	<u>22,972,431</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>20,024,818</u></b>	<b>\$ <u>9,545,127</u></b>	<b>\$ <u>7,244,804</u></b>	<b>\$ <u>36,814,749</u></b>

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, 2006**

	<b>BUSINESS TYPE ACTIVITIES</b>			
	<u>Airport</u> <u>Fund</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 1,978,308	\$ 1,486,663	\$ 623,458	\$ 4,088,429
Fines	-0-	492,675	-0-	492,675
Grants	80,784	-0-	-0-	80,784
Total operating revenues	<u>2,059,092</u>	<u>1,979,338</u>	<u>623,458</u>	<u>4,661,888</u>
<b>Operating Expenses</b>				
Personal services	528,753	633,071	-0-	1,161,824
Purchases – fuel	1,030,979	-0-	-0-	1,030,979
Supplies	29,264	15,749	-0-	45,013
Liability insurance	42,640	42,256	-0-	84,896
Utilities	129,614	70,742	-0-	200,356
General and administrative	222,650	151,439	4,206	378,295
Depreciation	564,189	355,243	209,141	1,128,573
Maintenance	65,853	90,980	-0-	156,833
Rental lease	-0-	517,680	-0-	517,680
Total operating expenses	<u>2,613,942</u>	<u>1,877,160</u>	<u>213,347</u>	<u>4,704,449</u>
Operating (loss) income	( 554,850)	102,178	410,111	( 42,561)
<b>Nonoperating Revenues (Expenses)</b>				
Interest and dividends	138	61,250	33,037	94,425
Gain on investments	-0-	1,664	-0-	1,664
Miscellaneous income	5,871	23,946	-0-	29,817
Interest and fiscal charges	-0-	( 256,085)	(242,318)	( 498,403)
Amortization of bond discount and issue costs	( 5,825)	( 3,355)	( 53,728)	( 62,908)
Total nonoperating revenues (expenses)	<u>184</u>	<u>( 172,580)</u>	<u>(263,009)</u>	<u>( 435,405)</u>
Change in net assets before nonoperating grants and operating transfers	( 554,666)	( 70,402)	147,102	( 477,966)
Transfers in from other funds	120,430	-0-	-0-	120,430
Nonoperating grants	<u>6,415,223</u>	<u>-0-</u>	<u>-0-</u>	<u>6,415,223</u>
Change in net assets	5,980,987	( 70,402)	147,102	6,057,687
Total net assets – beginning	<u>12,815,067</u>	<u>3,808,769</u>	<u>290,908</u>	<u>16,914,744</u>
Total net assets – ending	\$ <u>18,796,054</u>	\$ <u>3,738,367</u>	\$ <u>438,010</u>	\$ <u>22,972,431</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, 2006

	<b>BUSINESS TYPE ACTIVITIES</b>			
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,960,160	\$ 1,979,467	\$ 574,277	\$ 4,513,904
Receipts from other sources	86,655	23,946	-0-	110,601
Payments to suppliers	( 819,241)	( 938,203)	( 4,206)	(1,761,650)
Payments to employees	( 536,636)	( 619,890)	-0-	(1,156,526)
Net cash provided by (used in) operating activities	<u>690,938</u>	<u>445,320</u>	<u>570,071</u>	<u>1,706,329</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
(Increase) in restricted assets	-0-	( 3,001)	26,550	23,549
Repayment of notes payable	-0-	-0-	( 12,340)	( 12,340)
Repayments of revenue bonds	-0-	( 119,032)	(375,000)	( 494,032)
Nonoperating grants	5,951,637	-0-	-0-	5,951,637
Repayment of obligation under capital lease	-0-	( 3,302)	-0-	( 3,302)
Acquisition of capital assets	(6,780,135)	( 265,613)	-0-	(7,045,748)
Interest expense	-0-	( 256,085)	(242,318)	( 498,403)
Net cash (used in) provided by capital and related financing activities	<u>( 828,498)</u>	<u>( 647,033)</u>	<u>(603,108)</u>	<u>(2,078,639)</u>
<b>Cash Flows from Investing Activities</b>				
Decrease in investments	-0-	68,912	-0-	68,912
Interest income	<u>138</u>	<u>61,225</u>	<u>33,037</u>	<u>94,400</u>
Net cash provided by (used in) investing activities	<u>138</u>	<u>130,137</u>	<u>33,037</u>	<u>163,312</u>
Net (decrease) increase in cash	( 137,422)	( 71,576)	-0-	( 208,998)
Cash at beginning of year	<u>207,186</u>	<u>313,138</u>	<u>-0-</u>	<u>520,324</u>
Cash at end of year	\$ <u>69,764</u>	\$ <u>241,562</u>	\$ <u>-0-</u>	\$ <u>311,326</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

	<b>BUSINESS TYPE ACTIVITIES</b>			
	<u>Airport</u>	<u>Parking</u>	<u>Building</u>	
	<u>Fund</u>	<u>Authority</u>	<u>Commission</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating (loss) income	\$ ( 554,850)	\$ 102,178	\$ 410,111	\$ ( 42,561)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization	564,189	355,243	209,141	1,128,573
Nonoperating revenues	126,301	23,946	-0-	150,247
Gain on sale of investments	-0-	1,664	-0-	1,664
(Increase) decrease in:				
Accounts receivable	( 18,148)	129	-0-	( 18,019)
Inventory	2,836	-0-	-0-	2,836
Due from/(to) other funds	( 47,546)	28,073	( 49,181)	( 68,654)
Prepaid expenses	-0-	498	-0-	498
Increase (decrease) in:				
Accounts payable	626,039	( 79,592)	-0-	546,447
Prepaid revenues	-0-	-0-	-0-	-0-
Accrued compensated absences	( 7,883)	13,181	-0-	5,298
Net cash provided by (used in) operating activities	\$ <u>690,938</u>	\$ <u>445,320</u>	\$ <u>570,071</u>	\$ <u>1,706,329</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, 2006**

	<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>
<b>Revenues</b>						
Taxes (including interest and penalties)						
General property taxes	\$ 2,677,255	\$ 2,697,255	\$ 2,725,664	\$ ( 41,357)	\$ 2,684,307	\$ 28,409
Other taxes – business and public service	<u>10,626,000</u>	<u>11,244,500</u>	<u>11,788,108</u>	<u>96,577</u>	<u>11,884,685</u>	<u>543,608</u>
Total taxes	13,303,255	13,941,755	14,513,772	55,220	14,568,992	572,017
Licenses and permits	199,500	209,500	217,656	-0-	217,656	8,156
Charges for services	2,070,935	2,097,935	2,099,217	-0-	2,099,217	1,282
Fines and forfeitures	550,000	670,000	703,238	-0-	703,238	33,238
Franchise fees	240,000	270,000	272,591	-0-	272,591	2,591
Interest	20,000	60,000	73,525	-0-	73,525	13,525
Intergovernmental:						
Federal	99,000	218,322	181,625	7,173	188,798	( 36,697)
State	-0-	5,000	76,675	-0-	76,675	71,675
Miscellaneous	<u>108,252</u>	<u>116,752</u>	<u>96,394</u>	<u>-0-</u>	<u>96,394</u>	<u>( 20,358)</u>
Total revenues	<u>16,590,942</u>	<u>17,589,264</u>	<u>18,234,693</u>	<u>62,393</u>	<u>18,297,086</u>	<u>645,429</u>
<b>Expenditures</b>						
General government	3,806,306	3,894,876	3,666,769	( 691,269)	2,975,500	228,107
Public safety	7,593,967	7,627,506	7,625,026	( 697,748)	6,927,278	2,480
Highways and streets	3,114,748	3,142,291	2,787,540	( 960,602)	1,826,938	354,751
Health and sanitation	-0-	-0-	-0-	-0-	-0-	-0-
Culture and recreation	<u>140,000</u>	<u>332,500</u>	<u>319,992</u>	<u>-0-</u>	<u>319,992</u>	<u>12,508</u>
Total expenditures	<u>14,655,021</u>	<u>14,997,173</u>	<u>14,399,327</u>	<u>( 2,349,619)</u>	<u>12,049,708</u>	<u>597,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,935,921</u>	<u>2,592,091</u>	<u>3,835,366</u>	<u>2,412,012</u>	<u>6,247,378</u>	<u>1,243,275</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers (out)	( 2,760,921)	( 3,905,413)	( 3,883,629)	807,923	( 3,075,706)	21,784
Total other financing sources (uses)	( 2,760,921)	( 3,905,413)	( 3,883,629)	807,923	( 3,075,706)	21,784
Net change in fund balance	( 825,000)	( 1,313,322)	( 48,263)	3,219,935	3,171,672	1,265,059
Fund balance at beginning of year	<u>825,000</u>	<u>1,313,322</u>	<u>4,041,357</u>	<u>15,456,077</u>	<u>19,497,434</u>	<u>2,728,035</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,993,094</u>	\$ <u>18,676,012</u>	\$ <u>22,669,106</u>	\$ <u>3,993,094</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND - BUDGETARY BASIS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

**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, 2006**

	<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>
<b>Revenues</b>						
Interest	\$ 125	\$ 125	\$ 764	\$ -0-	\$ 764	\$ 639
Intergovernmental:						
State	<u>56,000</u>	<u>66,000</u>	<u>89,658</u>	<u>-0-</u>	<u>89,658</u>	<u>23,658</u>
Total revenues	<u>56,125</u>	<u>66,125</u>	<u>90,422</u>	<u>-0-</u>	<u>90,422</u>	<u>24,297</u>
<b>Expenditures</b>						
General government	748	2,567	-0-	-0-	-0-	2,567
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>748</u>	<u>2,567</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,567</u>
Excess of revenues over expenditures	<u>55,377</u>	<u>63,558</u>	<u>90,422</u>	<u>-0-</u>	<u>90,422</u>	<u>26,864</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers (out)	<u>(56,000)</u>	<u>(83,009)</u>	<u>(83,009)</u>	<u>-0-</u>	<u>(83,009)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(56,000)</u>	<u>(83,009)</u>	<u>(83,009)</u>	<u>-0-</u>	<u>(83,009)</u>	<u>-0-</u>
Net change in fund balance	( 623)	(19,451)	7,413	-0-	7,413	26,864
Fund balance at beginning of year	<u>623</u>	<u>19,451</u>	<u>19,451</u>	<u>-0-</u>	<u>19,451</u>	<u>-0-</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>26,864</u>	\$ <u>-0-</u>	\$ <u>26,864</u>	\$ <u>26,864</u>

**Explanation of Differences**

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

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA  
 FIDUCIARY RESONSIBILITIES  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

	<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>
<b>Assets</b>						
Cash	\$ 3,452	\$ 1,592	\$ 3,005	\$ -0-	\$ -0-	\$ 8,049
Investments	11,126,430	8,019,156	28,950,898	42,717	5,548	48,144,749
Receivables:						
Contributions	-0-	-0-	72,715	-0-	-0-	72,715
Accrued interest	<u>62,478</u>	<u>34,066</u>	<u>48,152</u>	<u>-0-</u>	<u>-0-</u>	<u>144,696</u>
Total assets	<u>11,192,360</u>	<u>8,054,814</u>	<u>29,074,770</u>	<u>42,717</u>	<u>5,548</u>	<u>48,370,209</u>
<b>Liabilities</b>						
Accounts payable	<u>-0-</u>	<u>200</u>	<u>7,798</u>	<u>-0-</u>	<u>-0-</u>	<u>7,998</u>
Total liabilities	<u>-0-</u>	<u>200</u>	<u>7,798</u>	<u>-0-</u>	<u>-0-</u>	<u>7,998</u>
<b>Net Assets</b>						
Held in trust	\$ <u>11,192,360</u>	\$ <u>8,054,614</u>	\$ <u>29,066,972</u>	\$ <u>42,717</u>	\$ <u>5,548</u>	\$ <u>48,362,211</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, 2006**

	<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>
<b>Additions</b>						
Contributions:						
Employer	\$ 392,053	\$ 327,307	\$ 665,036	\$ -0-	\$ -0-	\$ 1,384,396
Employee	172,147	132,306	530,328	-0-	-0-	834,781
Insurance premium tax allocation	458,610	433,238	-0-	-0-	-0-	891,848
Other	<u>262,900</u>	<u>1,083,022</u>	<u>2,868</u>	<u>-0-</u>	<u>5,000</u>	<u>1,353,790</u>
Total contributions	<u>1,285,710</u>	<u>1,975,873</u>	<u>1,198,232</u>	<u>-0-</u>	<u>5,000</u>	<u>4,464,815</u>
Investment income:						
Net appreciation in fair value of investments	209,289	192,344	501,302	( 2,114)	30	900,851
Interest and dividends	<u>406,516</u>	<u>255,220</u>	<u>930,732</u>	<u>2,889</u>	<u>101</u>	<u>1,595,458</u>
Total investment income	<u>615,805</u>	<u>447,564</u>	<u>1,432,034</u>	<u>775</u>	<u>131</u>	<u>2,496,309</u>
Total additions	<u>1,901,515</u>	<u>2,423,437</u>	<u>2,630,266</u>	<u>775</u>	<u>5,131</u>	<u>6,961,124</u>
<b>Deductions</b>						
General and administrative	98,928	68,691	154,562	1,708	94	323,983
Benefit payments	<u>1,237,479</u>	<u>1,074,111</u>	<u>1,490,804</u>	<u>-0-</u>	<u>-0-</u>	<u>3,802,394</u>
Total deductions	<u>1,336,407</u>	<u>1,142,802</u>	<u>1,645,366</u>	<u>1,708</u>	<u>94</u>	<u>4,126,377</u>
Net increase (decrease)	565,108	1,280,635	984,900	( 933)	5,037	2,834,747
Net assets – beginning 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>
Net assets – end of year	\$ <u>11,192,360</u>	\$ <u>8,054,614</u>	\$ <u>29,066,972</u>	\$ <u>42,717</u>	\$ <u>5,548</u>	\$ <u>48,362,211</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, 2006**

**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, 2006.

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, 2006**

**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, 2006**

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, 2006

**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, 2006

**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, 2006**

**(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, 2006**

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, 2006

***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, 2006**

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, 2006

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, 2006 was \$62,908.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**(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, 2006.

**(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, 2006**

**(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, 2006. 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, 2006**

<u>Non-Pooled Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>Category</u> <u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
General Fund	\$ 2,433,490	\$ 2,433,490	\$ -0-	\$ -0-	\$ 916,708
Special Revenue Funds	1,512,638	1,512,638	-0-	-0-	1,341,386
Capital Project Funds	2,147,912	2,147,912	-0-	-0-	1,913,931
Enterprise Funds	<u>337,920</u>	<u>337,920</u>	<u>-0-</u>	<u>-0-</u>	<u>311,326</u>
Total deposits	\$ <u>6,431,960</u>	\$ <u>6,431,960</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>4,483,351</u>

	<u>Bank</u> <u>Balance</u>	<u>Category</u> <u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Fiduciary Funds	\$ <u>120,395</u>	\$ <u>120,395</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>8,049</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, 2006**

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, 2006. 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, 2006**

<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	\$ 1,452,283	\$ -0-	\$ -0-	\$ 1,452,283	\$ 1,452,283
Mutual Funds	645,056	-0-	-0-	645,056	599,189
U.S. Government Obligations	633,206	-0-	-0-	633,206	623,854
Corporate Stocks and Bonds	628,211	-0-	-0-	628,211	529,937
Certificates of Deposit	<u>1,694,871</u>	<u>-0-</u>	<u>-0-</u>	<u>1,694,871</u>	<u>1,697,755</u>
Total investments	\$ <u>5,053,627</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	5,053,627	4,903,018
Investments in municipal bond commission				<u>803,556</u>	<u>803,556</u>
Total investments				\$ <u>5,857,183</u>	\$ <u>5,706,574</u>

Investments reported on financial statement as follows:

Investments	\$ 4,225,807
Restricted assets	<u>1,631,376</u>
	\$ <u>5,857,183</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	\$ 1,558,438	\$ -0-	\$ -0-	\$ 1,558,438	\$ 1,558,438
Mutual Funds	430,962	-0-	-0-	430,962	348,508
Certificates of Deposit	118,992	-0-	-0-	118,992	120,170
Corporate Stocks and Bonds	26,770,106	-0-	-0-	26,770,106	23,713,864
U.S. Government Obligations	<u>19,266,251</u>	<u>-0-</u>	<u>-0-</u>	<u>19,266,251</u>	<u>19,579,688</u>
Total investments	\$ <u>48,144,749</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>48,144,749</u>	\$ <u>45,320,668</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, 2006**

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, 2006. The following is a summary of investments held at cost or amortized cost, and market for the year ended June 30, 2006.

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
<b>Investments – Cash Equivalent</b>			
Huntington Money Market Fund IV	68,689.160	\$ 68,689	\$ 68,689
Citizens Money Market	39,444.580	39,445	39,445
Evergreen Money Market Fund Class S1	37,177.340	37,178	37,178
Huntington Money Market Fund IV	79,764.780	79,765	79,765
Centra Bank	244,473.970	244,474	244,474
United Bank Inc Liquid Asset Fund	154,914.000	154,914	154,914
Wesbanco Prime Obligations Fund 396	827,817.960	<u>827,818</u>	<u>827,818</u>
		\$ <u>1,452,283</u>	\$ <u>1,452,283</u>
<b>Mutual Funds</b>			
Huntington Mid Corp America Fund III	3,961.165	\$ 42,925	\$ 61,517
Huntington International Equity Fund III	4,278.392	36,550	55,876
Huntington Situs Small Cap Fund III	1,257.972	12,132	25,008
Huntington Short and Intermediate Fixed Income Fund III	953.796	18,952	18,132
Huntington Mortgage Securities Fund III	1,119.821	10,000	9,821
Huntington Fixed Income Securities Fund III	5,225.409	109,000	105,240
Huntington Intermediate Government Income Fund III	1,945.525	20,000	19,494
GMCT Pooled Asset Fund	34,829.805	<u>349,630</u>	<u>349,968</u>
		\$ <u>599,189</u>	\$ <u>645,056</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
<b>Certificates of Deposit</b>			
Treasury Bank NA 3.00% matures 11/15/2006	50,000.000	\$ 50,000	\$ 49,539
Volkswagen Bank 3.40% matures 8/17/2007	80,000.000	80,000	77,990
Farmers & Merchants 5.20% matures 12/19/2007	65,000.000	65,000	64,587
Centra Bank 4.23%	221,967.000	221,967	221,967
Citizens Bank 4.23% matures 9/17/06	223,639.000	223,639	223,639
Bank Banking & Trust 2.75% matures 6/3/2007	538,934.000	538,934	538,934
Centra Bank 5.103%	518,215.000	<u>518,215</u>	<u>518,215</u>
		\$ <u>1,697,755</u>	\$ <u>1,694,871</u>
<b>Corporate Stocks and Bonds</b>			
American Intl Group	100.000	\$ 8,585	\$ 5,905
Bank America Corp	200.000	7,277	9,620
Citigroup Inc	260.000	10,710	12,545
Goldman Sachs Group Inc	100.000	11,093	15,043
Hartford Financial Svcs Grp Inc	150.000	9,488	12,690
J P Morgan Chase & Co	300.000	11,604	12,600
Prudential Financial Inc	150.000	9,849	11,655
St Paul Travelers Companies	300.000	11,277	13,374
Wells Fargo & Co	200.000	8,702	13,416
Sprint Nextel Corp	300.000	6,263	5,997
Verizon Communications.	183.000	9,540	6,129
Abbott Laboratories	300.000	5,747	13,083
Medtronic Inc	200.000	9,919	9,384
Pfizer Inc.	500.000	1,382	11,735
United Health Group Inc	200.000	10,405	8,956
Pepsico Inc	200.000	9,388	12,008
Procter & Gamble Co	200.000	9,258	11,120
Sysco Corp	200.000	7,590	6,112
Walgreen Co	200.000	8,828	8,968
Fortune Brands Inc	120.000	8,788	8,521
McGraw-Hill Companies	150.000	1,666	7,535
Staples Inc	450.000	9,438	10,957
Advanced Micro Devices	200.000	7,234	4,884
Diebold Inc	200.000	7,812	8,124
EMC Corporation	500.000	6,884	5,485

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
First Date Corp	200.000	\$ 8,634	\$ 9,008
Intel Corp	600.000	16,733	11,400
IBM Corp	150.000	12,921	11,523
Microsoft Corp	500.000	12,346	11,650
Motorola Inc	300.000	7,164	6,045
Nokia Corp	300.000	4,831	6,078
Emerson Electric Co	150.000	7,262	12,571
Fedex Corp	100.000	7,005	11,686
General Dynamics Corp	200.000	7,913	13,092
General Electric Co	400.000	12,985	13,184
Masco Corp	250.000	8,037	7,410
Conocophillips	300.000	11,808	19,659
Exxon Mobil Corp	200.000	10,038	12,270
Marathon Oil Corp	150.000	5,655	12,495
Occidental Petroleum Corp	150.000	11,081	15,383
Alcan Inc	300.000	10,257	14,082
FPL Group Inc	300.000	9,409	12,414
Teva Pharmaceutical Inds	400.000	10,992	12,636
Wellpoint Inc	100.000	6,318	7,277
Acco Brands Corp	11.000	200	241
Alltel Corp	100.000	5,208	6,383
Amgen Inc	100.000	3,966	6,523
Apache Corporation	100.000	3,919	6,825
Applied Matls Inc	500.000	7,999	8,140
Automatic Date Processing Inc	100.000	4,375	4,535
BP Amoco	100,000	5,336	6,961
Bank America	470.000	17,169	22,607
Dow Chemical Company	200.000	6,637	7,806
Exxon Mobil Corp	150.000	6,600	9,203
Fortune Brands Inc	50,000	3,327	3,551
General Electric Co	150.000	634	4,944
Kohls Corp	100.000	7,171	5,912
Linear Technology Corp	252.000	7,764	8,439
Medtronic Inc	200.000	7,469	9,384
Merrill Lynch & Co	75.000	4,683	5,217
Microsoft Corp	200.000	8,421	4,660
Oracle Corp	400.000	3,649	5,796
Pepsico Inc	100.000	5,198	6,004

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Pfizer Inc	200.000	\$ 7,172	\$ 4,694
Procter & Gamble Co	100.000	5,181	5,560
Simon Ppty Group Inc	22.000	1,244	1,825
Simon Ppty 6.00% Series Convertible	22.000	1,182	1,507
Sysco Corp	100.000	3,890	3,056
Wal Mart Stores Inc	75.000	4,407	3,613
Washington Mutual Inc	200.000	<u>7,020</u>	<u>9,116</u>
		\$ <u>529,937</u>	\$ <u>628,211</u>
<b>U.S. Treasury Obligations</b>			
FHLMC 5.6% matures 4/4/2011	50,000.000	\$ 49,953	\$ 49,655
FHLMC 6.625% matures 9/15/2009	50,000.000	49,091	51,703
U.S. Treasury N/B 6.125% matures 8/15/2007	50,000.000	49,711	50,451
FICO Strip SR 18 10/5/06	48,000.000	45,990	47,313
US Treasury Strips matures 2/15/2007	188,000.000	178,397	182,023
US Treasury Strips matures 5/15/2007	100,000.000	94,157	95,684
FICO Strip 15 9/07/2007	48,000.000	44,855	44,989
FICO Strip SR 1 11/11/2007	40,000.000	36,700	37,134
Federated Gov't Ultrashort Duration	5,025.125	50,000	49,598
Federated Ultrashort Bond CI IS #108	2,645.502	<u>25,000</u>	<u>24,656</u>
		\$ <u>623,854</u>	\$ <u>633,206</u>
<b>Fiduciary Funds</b>			
<b>Investments – Cash Equivalent</b>			
SB Money Funds Cash Port CI A	1,274,541.010	\$ 1,274,541	\$ 1,274,541
BB&T Prime Money Market Fund #30	281,836.000	281,836	281,836
Huntington Money Market Fund IV	2,061.030	<u>2,061</u>	<u>2,061</u>
		\$ <u>1,558,438</u>	\$ <u>1,558,438</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
<b>Mutual Funds</b>			
John Hancock Bank & Thrift Opportunity Fund	26,000.000	\$ 224,893	\$ 245,349
Salomon Brothers Fund Inc	9,000.000	76,073	139,410
GMCT Pooled Asset Fund	550.210	5,542	5,548
Huntington Dividend Capture Fund III	798.580	9,000	8,840
Huntington Income Equity Fund III	367.872	12,000	11,632
Huntington Fixed Income Securities Fund III	762.268	16,000	15,352
Huntington Intermediate Government Income Fund III	482.160	<u>5,000</u>	<u>4,831</u>
		\$ <u>348,508</u>	\$ <u>430,962</u>
<b>Certificates of Deposit</b>			
Mellon Bank NA 5.50% matures 10/5/2015	122,000.000	\$ <u>120,170</u>	\$ <u>118,992</u>
<b>Corporate Stocks and Bonds</b>			
Ace Ltd Ord Shs	782.000	\$ 40,733	\$ 39,561
Globalsantafe Corp	1,002.000	50,299	57,866
Transocean Inc	686.000	49,456	55,100
Air Products and Chemicals Inc	425.000	26,854	27,166
Altria Group Inc	732.000	51,718	53,751
American Express Co	779.000	40,641	41,458
American Intl Group Inc	389.000	26,152	22,970
American Town Corp Class A	1,310.000	39,562	40,767
Apple Computer Inc	745.000	52,422	42,666
Biogen Idec Inc	595.000	28,121	27,560
Boeing Co	906.000	68,541	74,210
Caremark Rx Inc	1,505.000	75,920	75,054
Celgene Corp	1,928.000	75,376	91,445
Cisco Sys Inc	3,005.000	56,507	58,688
Comcast Corp Cl A	1,518.000	47,211	49,699
Corning Inc	2,337.000	46,648	56,532
Endo Pharmaceuticals Hldgs Inc	898.000	27,868	29,616
Franklin Resources Inc	301.000	27,431	26,130
General Electric Co	1,540.000	53,319	50,758
Gilead Sciences Inc	589.000	31,656	34,845
Goldman Sachs Group Inc	590.000	80,352	88,754
Goodrich Corp	1,869.000	76,569	75,302

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Google Inc Class A	177.000	\$ 71,777	\$ 74,221
Hewlett Packard Co	1,574.000	46,167	49,864
Hilton Hotels Corp	1,979.000	52,810	55,966
Host Hotels and Resorts Inc	302.000	6,169	6,605
Intl Business Machines Corp	339.000	27,744	26,042
Lehman Brothers Holdings Inc	1,168.000	75,049	76,095
Lowes Companies Inc	788.000	51,267	47,808
Merrill Lynch & Co Inc	979.000	69,849	68,099
Microsoft Corp	1,002.000	26,612	23,347
NYSE Group Inc	422.000	26,465	28,899
Peabody Energy Corp	766.000	39,066	42,705
Pepsico Inc	471.000	28,065	28,279
Phelps Dodge Corp	330.000	28,015	27,113
Praxair Inc	495.000	26,220	26,730
Rio Tinto PLC-GBP	134.000	29,265	28,101
Schlumberger Ltd	1,097.000	58,891	71,426
Starwood Hotels & Resorts Worldwide, Inc.	869.000	48,589	52,435
United Technologies Corp	1,360.000	78,770	86,251
Unitedhealth Group Inc	1,737.000	91,236	77,783
Vornado Realty Tr SB	815.000	73,723	79,503
Wellpoint Inc	1,073.000	82,565	78,082
Yahoo Inc	1,318.000	47,060	43,494
Seagate Technology	875.000	14,726	19,810
A T & T Inc	886.000	21,057	24,711
Allstate Corp	425.000	23,129	23,260
Alltel Corp Delaware	330.000	19,375	21,064
Altria Group Inc	285.000	16,538	20,928
Anadarko Petroleum Corp	450.000	21,801	21,461
Anheuser-Busch Companies Inc	500.000	22,522	22,795
Bank of America Corp	478.000	22,232	22,992
CBS Corp New Class B	825.000	21,854	22,316
Chevron Corp	380.000	19,256	23,583
Coca-Cola Co	550.000	23,446	23,661
Conagra Foods Inc	1,065.000	28,145	23,547
Conocophillips	375.000	23,011	24,574
DTE Energy Company	495.000	21,781	20,166
R R Donnelly & Sons Co	705.000	23,023	22,525

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Dow Chemical Co	490.000	\$ 22,730	\$ 19,125
Duke Realty Corp	635.000	21,205	22,320
Federal Home Ln Mtg Corp	325.000	21,860	18,528
Freeport McMoran Copper & Gold Cl B	55.000	2,582	3,048
Glaxosmithkline PLC	420.000	18,667	23,436
J P Morgan Chase & Co	540.000	20,250	22,680
Keycorp New	1,305.000	43,102	46,562
Keyspan Corp	405.000	15,639	16,362
Kimberly Clark Corp	350.000	21,713	21,595
Lincoln National Corp	405.000	18,555	22,858
Lyondell Chemical Company	900.000	22,180	20,394
Marathon Oil Corp	600.000	28,142	49,980
Masco Corp DE	700.000	21,310	20,748
Mattel Inc DE	1,350.000	22,251	22,289
Merck & Co Inc	1,350.000	38,961	49,181
Morgan Stanley	370.000	19,818	23,388
Occidental Petroleum Corp	265.000	15,017	27,176
Petrochina Co LTD Adr	225.000	14,626	24,293
Pfizer Inc	1,840.000	48,182	43,185
Progress Energy Inc	475.000	20,935	20,363
Regions Financial Corp	1,265.000	43,330	41,987
Reynolds American Inc	225.000	16,878	25,943
St. Paul Travelers Cos Inc	485.000	17,908	21,621
Sempra Energy	480.000	17,387	21,830
Stanley Works	445.000	20,806	21,013
Supervalu Inc	750.000	22,142	23,025
V F Corp	375.000	20,507	25,470
Verizon Communications	710.000	27,405	23,778
Washington Mutual Inc	975.000	39,857	44,441
Whirlpool Corp	265.000	17,487	21,902
Tranocean Inc	115.000	9,127	9,237
Altria Group Inc	635.000	38,730	46,628
American Express Co	915.000	43,741	48,696
American Intl Group Inc	730.000	41,800	43,107
Ameriprise Financial Inc	249.000	8,858	11,123
Aon Corp	210.000	4,618	7,312

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Berkshire Hathaway Inc Class B	12.000	\$ 33,558	\$ 36,516
H & R Block Inc	540.000	13,507	12,884
Cardinal Health Inc	150.000	8,219	9,650
Caremark Rx Inc	255.000	13,048	12,717
Citigroup Inc	480.000	22,130	23,160
Comcast Corp Cl A	935.000	29,696	30,649
Conocophillips	570.000	26,778	37,352
Costco Wholesale Corp	830.000	38,888	47,418
Dell Inc	300.000	9,501	7,338
DevonEnergy Corp	375.000	15,561	22,654
Diageo PLC Spon	190.000	10,870	12,835
Dun & Bradstreet Corp	130.000	5,694	9,058
Eog Resources Inc	320.000	12,152	22,189
Golden West Finl Corp	495.000	30,243	36,729
HCA Inc	380.000	16,616	16,397
HSBC Hldg Plc Sp	347.000	29,069	30,657
Harley-Davidson Inc	340.000	16,860	18,663
Hershey Company	135.000	7,488	7,434
Iron Mtn Inc	370.000	10,869	13,831
J P Morgan Chase & Co	1,014.000	37,167	42,588
Lloyds Tsb Grp Plc	180.000	6,057	7,105
Loews Corp	600.000	13,802	21,270
Microsoft Corp	805.000	21,828	18,757
Moody's Corporation	210.000	8,731	11,437
News Corp Class A New	730.000	12,786	14,001
Occidental Petroleum Corp	255.000	15,405	26,150
Procter & Gamble Co	170.000	9,780	9,452
Progressive Corp	1,080.000	23,768	27,767
Sealed Air Corp	395.000	20,309	20,572
Sprint Nextel Corp	695.000	15,221	13,893
Transatlantic Hldgs Inc	172.000	10,291	9,615
Tyco Intl Ltd	1,600.000	54,058	44,000
Vulcan Materials Co	85.000	4,563	6,630
Wal Mart Stores Inc	445.000	21,067	21,436
Wells Fargo & Co	415.000	26,227	27,838
SL Capital Ltd Class A	215.000	14,334	13,180

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Aflac Inc	289.000	\$ 13,383	\$ 13,395
A T & T Inc	1,146.000	29,394	31,962
American Intl Group Inc	360.000	22,157	21,258
Automatic Data Processing Inc	630.000	27,640	28,571
Baker Hughes Inc	263.000	13,524	21,527
Bank of America Corp	515.000	21,920	24,772
Bank of New York Inc	640.000	20,060	20,608
Barrick Gold Corp Cad	777.000	21,670	22,999
Baxter Intl Inc	619.000	21,991	22,754
Bellsouth Corp	379.000	11,106	13,720
Boston Scientific Corp	1,124.000	23,730	18,928
Campbell Soup Co	571.000	18,110	21,190
Citigroup Inc	628.000	30,072	30,301
Clorox Company	219.000	12,930	13,352
Coca-Cola Co	311.000	13,426	13,379
Comcast Corp Cl A	691.000	21,558	22,651
Commerce Bancorp Inc	287.000	10,011	10,237
Deere & Co	198.000	14,487	16,531
Diegeo PLC Spon	221.000	14,265	14,929
Eaton Corp	189.000	11,249	14,251
El Paso Corp	704.000	9,319	10,560
Electronic Data Sys Corp	281.000	6,839	6,761
Embarq Corp	16.000	709	656
Emerson Electric Co	287.000	20,407	24,053
Exxon Mobil Corp	1,132.000	55,660	69,448
Federal National Mortgage Assn	282.000	14,510	13,564
General Dynamics Corp	156.000	9,064	10,212
General Electric Co	984.000	32,659	32,433
Glaxosmithkline PLC	368.000	18,749	20,534
Hewlett Packard Co	525.000	14,472	16,632
Honeywell Intl Inc	263.000	9,976	10,599
International Paper Co	1,069.000	37,980	34,529
J P Morgan Chase & Co	668.000	25,413	28,056
Johnson & Johnson	229.000	14,406	13,722
Kimberly Clark Corp	220.000	13,700	13,574
Kraft Foods Inc Class A	956.000	29,705	29,540

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Kroger Co	902.000	\$ 16,085	\$ 19,718
Medimmune Inc	229.000	6,406	6,206
Medtronic Inc	264.000	13,320	12,387
Merck & Co Inc	498.000	19,064	18,142
Monsanto Co	87.000	3,981	7,325
Motorola Inc	663.000	11,487	13,359
Newmont Mining Corp	412.000	18,547	21,807
Novartis Ag Adr	665.000	33,203	35,857
P G & E Corporation	515.000	20,195	20,229
Parker-Hannifin Corp	283.000	18,082	20,409
Pepsico Inc	378.000	19,775	22,695
Pfizer Inc	1,588.000	40,478	37,270
Praxair Inc	258.000	11,318	13,932
Procter & Gamble Co	876.000	46,264	48,706
Progress Energy Inc	314.000	13,719	13,461
Raytheon Company	465.000	19,638	20,725
Sanofi-Aventis Spons Adr	148.000	6,810	7,208
Schering Plough Corp	1,233.000	22,281	23,464
Schlumberger Ltd	676.000	33,708	44,014
Southern Co	414.000	13,528	13,269
Sprint Nextel Corp	661.000	13,981	13,213
Sun Microsystems Inc	2,407.000	10,575	9,989
Teva Pharmaceutical Inds	415.000	13,269	13,110
Tribune Co	412.000	13,197	13,361
Union Pacific Corp	152.000	10,921	14,130
Verizon Communications	971.000	32,228	32,519
Wal Mart Stores Inc	476.000	21,791	22,929
Waste Mgmt Inc	619.000	20,353	22,210
Wyeth	858.000	36,871	38,104
Autozone Incorporated	1,900.000	46,676	167,580
CBS Corp New Class B	1,900.000	58,427	51,395
The Walt Disney Company	6,210.000	159,805	186,300
Entercom Communications Corp	1,100.000	32,724	28,776
Fortune Brands Inc	3,300.000	93,953	234,333
The Gap Inc	5,600.000	112,543	97,440
Home Depot Inc	3,100.000	75,838	110,949

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Lowe's Companies Inc	1,800.000	\$ 43,470	\$ 109,206
OSI Restaurant Partners Inc	6,600.000	162,937	228,360
O'Reilly Automotive	2,000.000	35,613	62,380
The Steak N Shake Company	2,800.000	39,115	42,392
Viacom Inc	1,900.000	89,018	68,096
Avon Products Inc	5,900.000	191,179	182,900
NBTY Inc	1,100.000	21,263	26,301
Prestige Brands Holdings Inc	5,000.000	53,807	49,850
Sara Lee Corporation	5,629.000	123,616	90,177
Sysco Corporation	4,800.000	166,992	146,688
Wal Mart Stores Inc	6,600.000	341,039	317,922
Chevron Corp	8,700.000	497,923	539,922
Conocophillips	7,877.000	510,333	516,180
Forest Oil Corp	600.000	10,147	19,896
Marathon Oil Corp	9,000.000	204,759	749,700
Mariner Energy Inc	485.000	4,814	8,909
Superior Energy Service Inc	2,300.000	23,081	77,970
American International Group Inc	3,000.000	213,403	177,150
Bancfirst Corp	1,200.000	24,018	53,700
Bank of America Corp	7,384.000	192,741	355,170
City Bank of Lynwood Washington	800.000	27,621	37,328
Hartford Finl Svcs Group Inc	2,400.000	131,004	203,040
J P Morgan Chase & Co	7,380.000	144,921	309,960
Lakeland Financial Corp	2,400.000	27,653	58,296
Merrill Lynch & Co Inc	1,900.000	88,443	132,164
Mid-State Bancshares	1,400.000	35,055	39,200
Southwest Bancorp Inc	3,200.000	32,576	81,600
Suntrust Banks Inc	1,200.000	76,113	91,512
Tri-Continental	12,000.000	221,678	233,520
U.S. Bancorp	4,300.000	80,609	132,784
Unionbancal Corp	2,900.000	77,876	187,311
United Community Bank	1,500.000	41,987	45,660
Washington Mutual Inc	3,900.000	160,607	177,762
Whitney Holding Corp	1,500.000	33,021	53,055
Abbott Laboratories	2,700.000	107,439	117,747
Amgen Inc	2,100.000	123,901	136,983

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Boston Scientific Corp	4,199.000	\$ 94,897	\$ 70,711
Candela Corp	900.000	10,625	14,274
Caremark Rx Inc	4,000.000	188,872	199,480
Cephalon	2,300.000	93,317	138,230
Charles Riv Laboratories Intl Inc	1,600.000	70,229	58,880
Cooper Companies Inc	2,300.000	122,945	101,867
Kos Pharmaceuticals Inc	1,000.000	45,616	37,620
Laboratory Corp of American Holdings	4,300.000	116,393	267,589
Merit Medical System Inc	2,000.000	19,693	27,520
Par Pharmaceutical Cos	3,000.000	135,502	55,380
Parexel International	1,900.000	32,237	54,815
Pfizer Inc	5,320.000	148,828	124,860
Respironics Inc	1,200.000	36,048	41,064
Steris Corp	1,700.000	38,092	38,862
UTD Surgical Partners Intl	1,500.000	32,181	45,105
Universal Health Services Inc	2,000.000	78,037	100,520
Zimmer Holdings Inc	2,100.000	141,324	119,112
Dover Corporation	4,400.000	171,845	217,492
Emcor Group	1,600.000	31,600	77,872
Emerson Electric Company	1,800.000	118,319	150,858
Fedex Corporation	1,000.000	41,083	116,860
Forward Air Corp	1,050.000	18,189	42,767
General Electric Company	6,700.000	162,256	220,832
Honeywell International Inc	5,300.000	154,510	213,590
Norfolk Southern Corporation	3,800.000	118,810	202,236
3M Company	2,800.000	208,076	226,156
Toro Company	900.000	13,205	42,030
Tyco International Ltd	10,380.000	271,612	283,250
YRC Worldwide Inc	3,000.000	122,393	126,330
Applied Materials	13,500.000	219,360	219,780
Cisco Systems	18,200.000	317,095	355,446
Daktronics Inc	2,300.000	29,025	66,401
Dell Inc	10,600.000	366,189	259,276
Fargo Electronics	1,900.000	47,310	48,241
Intel	16,600.000	357,321	315,400
International Rectifier Corporation	10,000.000	267,244	390,800

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Internet Sec Sys Inc	1,900.000	\$ 35,878	\$ 35,815
Microsoft Corp	11,700.000	327,565	272,610
Semtech Corp	2,100.000	39,770	30,345
Synaptics Inc	1,500.000	27,461	32,100
TTM Technologies Inc	5,600.000	56,500	81,032
Texas Instruments	9,500.000	229,259	287,755
3 Com Corp	5,500.000	22,769	28,160
Alcoa Inc	7,300.000	201,808	236,228
Oregon Steel Mills	1,300.000	23,034	65,858
A T & T Inc	6,484.000	202,477	180,839
Dominion Resources Inc	2,900.000	167,433	216,891
Public Service Enterprise Group Inc	6,100.000	305,849	403,332
Alcoa Inc 7.375% matures 8/1/2010	100,000.000	109,618	105,705
Anheuser-Busch Cos Inc 4.375% matures 1/15/2013	60,000.000	56,009	55,437
Bayerische Landesbank 3.50% matures 9/15/2009	485,000.000	407,400	398,913
Bayerische Landesbank 7.50% matures 10/06/2009	410,000.000	405,900	335,175
Cisco Systems Inc 5.50% matures 2/22/2016	123,000.000	122,843	118,108
Consolidated Edison Inc 8.125% matures 5/1/2010	175,000.000	214,063	189,735
Fedex Corp Ser 97-A 7.50% matures 1/15/2018	145,115.980	168,856	156,734
GTE/Verizon Communications 6.46% matures 4/15/2008	105,000.000	108,525	106,030
General Electric Company 5.00% matures 2/1/2013	238,000.000	244,725	227,966
Goldman Sachs Group 6.875% matures 1/15/2011	251,000.000	273,096	260,809
Household Finance Co 6.375% matures 10/15/2011	70,000.000	72,199	71,536
Kimberly-Clark Corp 4.875% matures 8/15/2015	66,000.000	65,747	61,901
Morgan Stanley Corp 6.75% matures 4/15/2011	132,000.000	144,675	137,046
NB Capital Trust IV Preferred 8.25% matures 4/15/2027	28,000.000	29,910	29,451
Phillips Petroleum 8.75% matures 5/25/2010	118,000.000	134,023	130,410
Procter & Gamble Co 4.95% matures 8/15/2014	72,000.000	72,812	68,478
Shell International Fin 5.625% matures 6/27/2011	82,000.000	81,926	8,216
Verizon Communications 5.55% matures 2/15/2016	49,000.000	48,608	45,944
Verizon Virginia Inc 4.625% matures 3/15/2013	85,000.000	83,112	76,373
Vodafone Group 7.75% matures 2/15/2010	80,000.000	86,224	84,554
Wal-Mart Stores 5.25% matures 9/1/2035	215,000.000	215,065	187,594
Ace Ltd Ord Shs	431.000	27,733	26,863
Globalsantafe Corp	629.000	31,155	36,325
Transocean Inc	431.000	30,906	34,618

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Air Products and Chemicals Inc	419.000	\$ 26,660	\$ 26,782
Altria Group Inc	610.000	43,538	44,792
American Express Co	503.000	26,188	26,770
American Intl Group Inc	270.000	18,163	15,494
American Tower Corp Class A	827.000	24,975	25,736
Apple Computer Int	471.000	33,667	26,974
Biogen Idec Inc	377.000	17,860	17,463
Boeing Co	657.000	49,811	53,815
Caremark Rx Inc	951.000	48,128	47,426
Celgene Corp	1,330.000	52,262	63,082
Cisco Sys Inc	1,896.000	35,307	37,029
Comcast Corp Cl A	1,091.000	34,019	35,719
Corning Inc	1,472.000	28,868	35,608
Endo Pharmaceuticals Hldgs Inc	567.000	17,708	18,700
Franklin Resources Inc	206.000	18,794	17,883
General Electric Co	1,078.000	37,251	35,531
Gilead Sciences Inc	451.000	24,474	26,681
Goldman Sachs Group Inc	372.000	50,098	55,960
Goodrich Corp	1,351.000	55,228	54,432
Google Inc Class A	129.000	52,820	54,094
Hewlett Packard Co	1,123.000	33,125	35,577
Hilton Hotels Corp	1,909.000	51,982	53,987
Host Hotels and Resorts Inc	218.000	4,448	4,768
Intl Business Machines Corp	348.000	27,865	26,733
Lehman Brothers Holdings Inc	828.000	53,124	53,944
Lowe's Companies Inc	495.000	32,419	30,032
Merrill Lynch & Co Inc	771.000	54,760	53,631
Microsoft Corp	698.000	18,538	16,263
NYSE Group Inc	399.000	25,677	27,324
Peabody Energy Corp	483.000	24,633	26,927
Pepsico Inc	296.000	17,616	17,772
Phelps Dodge Corp	209.000	17,876	17,171
Praxair Inc	332.000	17,618	17,928
Rio Tinto PLC-GBP	85.000	18,758	17,825
Schlumberger Ltd	962.000	54,183	62,636
Starwood Hotels & Resorts Worldwide, Inc	891.000	51,064	53,763

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
United Technologies Corp	856.000	\$ 49,247	\$ 54,288
Unitedhealth Group Inc	1,199.000	63,315	53,691
Vornado Realty Tr SB	550.000	49,734	53,653
Wellpoint Inc	732.000	56,611	53,268
Yahoo Inc	1,096.000	38,825	36,168
XL Capital Ltd Class A	120.000	8,105	7,356
Aflac Inc	160.000	7,400	7,416
A T & T Inc	649.000	16,510	18,101
American International Group Inc	201.000	12,925	11,869
Automatic Data Processing Inc	352.000	15,401	15,963
Baker Hughes Inc	146.000	7,220	11,950
Bank of America Corp	282.000	12,782	13,564
Bank New York Inc	358.000	10,911	11,528
Barrick Gold Corp Cad	439.000	12,241	12,994
Baxter Intl Inc	346.000	12,476	12,719
Bellsouth Corp	214.000	5,990	7,747
Boston Scientific Corp	632.000	13,461	10,643
Campbell Soup Co	322.000	9,984	11,949
Citigroup Inc	345.000	16,213	16,646
Clorox Company	121.000	7,097	7,377
Coca-Cola Co	175.000	7,555	7,529
Comcast Corp Cl A	387.000	11,642	12,686
Commerce Bancorp Inc	161.000	5,616	5,743
Deere & Co	112.000	8,106	9,351
Diageo PLC Spon	125.000	7,983	8,444
Eaton Corp	107.000	7,080	8,068
El Paso Corp	398.000	5,151	5,970
Electronic Data Sys Corp	157.000	3,828	3,777
Embarq Corp	11.000	487	451
Emerson Electric Co	167.000	11,775	13,996
Exxon Mobile Corp	639.000	33,283	39,203
Federal National Mortgage Assn	156.000	8,143	7,504
General Dynamics Corp	90.000	5,133	5,891
General Electric Co	553.000	18,594	18,227
Glaxosmithkline PLC	208.000	10,460	11,606
Hewlett Packard Co	295.000	7,882	9,346

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Honeywell International Inc	148.000	\$ 5,579	\$ 5,964
International Paper Co	595.000	22,131	19,219
J P Morgan Chase & Co	361.000	13,644	15,162
Johnson & Johnson	128.000	8,108	7,670
Kimberly Clark Corp	124.000	7,807	7,651
Kraft Foods Inc Class A	534.000	16,963	16,501
Kroger Co	509.000	8,832	11,127
Medimmune Inc	130.000	3,591	3,523
Medtronic Inc	148.000	7,475	6,944
Merck & Co Inc	278.000	10,440	10,128
Monsanto Co	48.000	2,559	4,041
Motorola Inc	379.000	6,310	7,637
Newmont Mining Corp	235.000	10,489	12,439
Novartis Ag Adr	371.000	18,614	20,004
P G & E Corporation	280.000	10,996	10,998
Parker-Hannifin Corp	146.000	10,025	11,330
Pepsico Inc	210.000	11,290	12,608
Pfizer Inc	889.000	23,086	20,865
Praxair Inc	146.000	6,545	7,884
Procter & Gamble Co	493.000	26,412	27,411
Progress Energy Inc	174.000	7,473	7,459
Raytheon Company	262.000	10,973	11,677
Sanofi-Aventis Spons Adr	84.000	3,850	4,091
Schering Plough Corp	687.000	12,803	13,074
Schlumberger Ltd	378.000	1,908	24,612
Southern Co	229.000	7,501	7,339
Sprint Nextel Corp	361.000	7,693	7,216
Sun Microsystems Inc	1,368.000	6,032	5,677
Teva Pharmaceutical Inds	233.000	7,450	7,360
Tribune Co	232.000	7,894	7,524
Union Pacific Corp	87.000	6,086	8,088
Verizon Communications	550.000	18,851	18,420
Wal-Mart Stores Inc	270.000	12,209	13,006
Waste Mgmt Inc	337.000	11,199	12,092
Wyeth	478.000	19,670	21,228
Seagate Technology	1,100.000	20,090	24,904

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
A T & T Inc	938.000	\$ 22,216	\$ 26,161
Allstate Corp	450.000	24,482	24,629
Alltell Corp Delaware	365.000	20,492	23,298
Altria Group Inc	310.000	17,588	22,763
Anadarko Petroleum Corp	500.000	24,058	23,845
Anheuser-Busch Companies Inc	550.000	24,739	25,075
Bank of America Corp	520.000	24,151	25,012
CBS Corp New Class B	875.000	23,194	23,669
Chevron Corp	425.000	21,044	26,376
Coca-Cola Co	575.000	24,504	24,737
Conagra Foods Inc	1,130.000	29,317	24,984
Cococophillips	400.000	24,547	26,212
DTE Energy Company	535.000	23,153	21,796
R R Donnelly & Sons Co	755.000	24,597	24,122
Dow Chemical Co	645.000	28,752	25,174
Duke Realty Corp	675.000	22,303	23,726
Federal Home Ln Mtg Corp	425.000	27,803	24,229
Freeport McMoran Copper & Gold Cl B	55.000	2,582	3,048
Glaxosmithkline PLC	465.000	20,511	25,947
J P Morgan Chase & Co	590.000	22,056	24,780
Keycorp New	1,395.000	44,918	49,774
Keyspan Corp	415.000	16,097	16,766
Kimberly Clark Corp	390.000	24,609	24,063
Lincoln National Corp	445.000	20,426	25,116
Lyondell Chemical Company	1,075.000	26,049	24,360
Marathon Oil Corp	620.000	28,615	51,646
Masco Corp DE	750.000	22,709	22,230
Mattel Inc DE	1,445.000	23,852	23,857
Merck & Co Inc	1,445.000	41,450	52,641
Morgan Stanley	435.000	23,097	27,496
Occidental Petroleum Corp	275.000	15,033	28,201
Petrochina Co LTD Adr	225.000	14,644	24,293
Pfizer Inc	2,120.000	55,116	49,756
Progress Energy Inc	510.000	22,501	21,864
Regions Financial Corp	1,480.000	49,445	49,018
Reynolds American Inc	230.000	17,380	26,519

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
St Paul Travelers Cos Inc	500.000	\$ 18,508	\$ 22,290
Sempra Energy	520.000	18,658	23,650
Stanley Works	465.000	21,093	21,957
Supervalu Inc	775.000	22,865	23,793
V F Corp	410.000	22,247	27,847
Verizon Communications	730.000	27,431	24,448
Washington Mutual Inc	1,050.000	42,261	47,859
Whirlpool Corp	270.000	17,821	22,316
Transocean Inc	140.000	11,112	11,245
Altria Group Inc	780.000	46,812	57,275
American Express Co	1,185.000	55,289	63,066
American Intl Group Inc	850.000	51,998	50,193
Ameriprise Financial Inc	313.000	10,752	13,982
Aon Corp	270.000	6,403	9,401
Berkshire Hathaway Inc Class B	14.000	39,902	42,602
H & R Block Inc	665.000	16,394	15,867
Cardinal Health Inc	195.000	10,468	12,544
Caremark Rx Inc	300.000	15,308	14,961
Citigroup Inc	590.000	27,071	28,468
Comcast Corp Cl A	1,190.000	36,121	39,008
Conocophillips	655.000	30,290	42,922
Costco Wholesale Corp	1,035.000	47,650	59,130
Dell Inc	365.000	11,559	8,928
Devon Energy Corp	445.000	17,995	26,882
Diageo PLC Spon	230.000	12,850	15,537
Dun & Bradstreet Corp	40.000	1,690	2,787
Eog Resources Inc	375.000	13,813	26,003
Golden West Finl Corp	650.000	39,487	48,230
HCA Inc	465.000	19,821	20,065
HSBC Hldg Plc Sp	451.000	37,017	39,846
Harley-Davidson Inc	400.000	19,973	21,956
Hershey Company	170.000	9,184	9,362
Iron Mtn Inc	475.000	14,171	17,756
J P Morgan Chase & Co	1,270.000	46,960	53,340
Lloyds Tsb Grp Plc	230.000	7,728	9,078
Loews Corp	720.000	16,008	25,524

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Microsoft Corp	945.000	\$ 25,737	\$ 22,019
Moody's Corporation	275.000	10,592	14,977
News Corp Class A New	655.000	11,133	12,563
Occidental Petroleum Corp	320.000	18,746	32,816
Procter & Gamble Co	200.000	11,153	11,120
Progressive Corp	1,280.000	28,309	32,909
Sealed Air Corp	500.000	25,506	26,040
Sprint Nextel Corp	445.000	10,410	8,896
Transatlantic Hldgs Inc	235.000	14,527	13,137
Tyco Intl Ltd	1,935.000	63,442	53,213
Vulcan Materials Co	100.000	5,115	7,800
Wal-Mart Stores Inc	515.000	24,879	24,808
Wells Fargo & Co	540.000	<u>32,978</u>	<u>36,223</u>
		\$ <u>23,713,864</u>	\$ <u>26,770,106</u>

**U.S. Treasury Obligations**

Federal Natl Mtg Assn Global Notes 7.125% matures 3/15/07	315,000.000	\$ 323,795	\$ 318,348
Federal Natl Mtg Assn Global Ndebs 5.25% matures 4/15/2007	300,000.000	302,358	299,250
U.S. Treasury Notes Ser E-2007 4.375% matures 5/15/2007	164,000.000	176,120	162,744
U.S. Treasury Notes Ser E-2008 3.00% matures 2/15/2008	250,000.000	253,148	241,553
Federal Home Loan Mtg Corp Global Notes 3.625% matures 9/15/2008	420,000.000	408,740	404,250
U.S. Treasury Notes Ser D 2008 4.75% matures 11/15/2008	425,000.000	457,798	421,196
Federal Home Loan Mtg Corp Global Debs 5.75% matures 3/15/2006	295,000.000	298,764	297,304
Federal Natl Mtg Assn Global Debs 6.375% matures 6/15/2009	300,000.000	315,687	307,500
U.S. Treasury Notes Ser G-2010 4.00% matures 3/15/2010	330,000.000	331,186	317,767
Federal Home Loan Mtg Corp Med Term Notes 4.75% matures 10/18/2010	255,000.000	244,140	241,773

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Federal Natl Assn 4.75% matures 12/15/2010	260,000.000	\$ 259,038	\$ 252,606
U.S. Treasury Notes Ser C-2011 5.00% matures 8/15/2011	210,000.000	219,737	209,368
U.S. Treasury Notes Ser E-2014 4.25% matures 8/15/2014	440,000.000	438,105	414,374
U.S. Treasury Notes Ser B-2016 4.50% matures 2/15/2016	230,000.000	221,016	218,824
Federal Home Loan Mtg corp Debs 4.875% matures 3/15/2007	112,000.000	113,146	111,475
Federal Natl Mtg Assn Global 7.25% matures 1/15/2010	58,000.000	64,262	61,299
U.S. Treasury Note Ser B-2012 4.875% matures 2/15/2012	197,000.000	199,794	194,845
Federal Natl Mtg Assn Global Debs 6.125% matures 3/15/2012	273,000.000	292,392	281,275
U.S. Treasury Notes Ser D-2013 4.250% matures 8/15/2013	137,000.000	130,261	129,979
U.S. Treasury Bond 8.00% matures 11/15/2021	16,000.000	21,378	20,463
U.S. Treasury Bond 5.25% matures 2/15/2029	29,000.000	30,297	28,873
Federal Natl Mtg Assn Global Debs 6.625% matures 11/15/2030	20,000.000	23,605	22,650
Federal Home Loan Mortgage Corp Disc Note 0% matures 1/28/2033	3,145,000.000	469,838	522,353
Fed Home Loan Mtg Corp 5.05% matures 1/26/2015	473,000.000	463,578	457,462
Feb Home Loan Mtg Corp 5.5% matures 8/20/2019	515,000.000	497,486	496,470
Fed Home Loan Mtg Corp 6.15% matures 10/5/2015	670,000.000	669,498	656,600
Fed Home Loan Mtg Corp Var Rate 6.50% matures 10/5/2020	455,000.000	452,725	433,388
Fed Home Loan Mtg Corp 5.00% matures 10/18/2010	288,000.000	285,837	281,932
Fed Home Loan Mtg Corp 5.50% matures 11/22/2010	343,000.000	342,970	337,718
Fed Home Loan Mtg Corp Variable rate 6.00% matures 11/10/2008	442,000.000	440,453	428,740

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Fed Home Loan Mtg Corp 5.30% matures 11/17/2010	57,000.000	\$ 56,161	\$ 56,066
Fed Home Loan Mtg Corp 5.05% matures 12/8/2008	507,000.000	506,822	502,011
Fed Home Loan Mtg Corp 5.875% matures 12/15/2012	332,000.000	332,000	325,755
Fed Home Loan Mtg Corp 5.20% matures 12/28/2009	126,000.000	125,412	124,613
Fed Home Loan Mtg Corp 5.00% matures 1/28/2008	460,000.000	459,954	456,256
Fed Home Loan Mtg Corp 5.15% matures 1/24/2011	83,000.000	82,435	81,433
Fed Home Loan Bk Ser In13 5.45% matures 6/05/2013	505,000.000	491,744	452,480
Fed Home Loan Bank matures 11/15/2032	2,355,000.000	321,410	389,729
Fed Home Loan Bank Step Cpn 4.00% matures 3/18/2008	155,000.000	155,000	152,239
Fed Home Loan Bank 5.00% matures 2/17/2017	110,000.000	109,747	107,041
Fed Home Loan Bank 6.238% matures 3/2/2015	900,000.000	899,550	874,125
Fed Home Loan Bank 7.00% matures 3/2/2020	655,000.000	654,312	617,600
Fed Home Loan Bank 4.25% matures 4/20/2010	140,000.000	139,694	138,118
Fed Nat Mtg Assn 5.50% matures 2/9/2011	173,000.000	171,220	170,621
Fed Natl Mtg Assn 5.05% matures 2/7/2011	160,000.000	157,926	157,200
Fed Natl Mtg Assn 5.25% matures 2/23/2011	83,000.000	81,952	81,833
Fed Natl Mtg Assn 5.625% matures 3/16/2009	233,000.000	232,939	232,054
Fed Natl Mtg Assn 5.00% matures 3/2/2015	377,000.000	361,773	359,681
Fed Natl Mtg Assn 4.00% matures 9/30/2009	200,000.000	197,420	197,126
Fed Natl Mtg Assn 4.375% matures 3/22/2010	724,000.000	721,130	712,691
U.S. Treasury Bill 0% matures 7/6/2006	376,000.000	374,624	375,872
U.S. Treasury Inflation Index Bond 1.625% matures 1/15/2015	461,369.790	410,676	430,103
Fed Home Loan Mort Corp 6.00% matures 9/1/2006	966.810	927	967

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
Federal Home Ln Mtg Corp Partn CTFS 6.50% matures 9/1/2028	9,340.480	\$ 9,256	\$ 9,442
Federal Home Ln Mtg Corp Partn CTFS 8.50% matures 1/1/2030	1,796.640	1,840	1,926
Fed Home Loan Mtg Corp Pool 781135 3.398% matures 1/1/2034	80,766.880	79,997	79,925
Federal Natl Mtg Assn GTD Mtg Pool 0250953 7.00% matures 6/1/2012	7,277.390	7,422	7,433
Federal Nat Mtg Assoc Pool #252571 7.00% matures 7/1/2029	6,226.430	6,135	6,383
FNCI Pool 253678 6.50% matures 2/1/2016	13,541.020	13,997	13,735
Fed Natl Mtg Assn FNMA Pool 254199 6.50% matures 2/1/2032	17,238.470	17,098	17,396
Federal Nat Mtg Assoc 7.00% matures 10/01/2028	3,558.360	3,616	3,648
Federal Natl Mtg Assn GTD Mtg Pool 0503915 7.00% matures 7/1/2029	1,468.470	1,443	1,506
Federal Nat Mtg Assoc 7.50% matures 12/1/2029	5,370.070	5,373	5,573
Fed Natl Mtg Assn 6.50% matures 9/1/2031	12,323.010	12,351	12,435
Federal Natl Mort Association Pool #660563 6.50% matures 9/1/2032	13,205.530	13,800	13,322
Federal Natl Mort Association Pool #686004 4.922% matures 1/1/2033	33,152.480	34,033	32,618
Federal Natl Mtg Assn Pool #754755 3.798% matures 1/1/2034	261,941.040	261,204	260,490
Fed Natl Mtg Assn Pool #765675 3.67% matures 2/1/2034	197,006.740	195,806	196,662
Fed Natl Mtg Assn Pool #832254 3.135% matures 8/1/2035	71,107.340	70,807	70,435
GNMA Pool NBR 457874 Single Family 6.50% matures 2/15/2029	42,741.760	42,185	43,394
GNMA Pool NBR 470162 Single Family 7.50% matures 3/15/2029	2,671.920	2,626	2,794
GNMA 7.50% matures 7/15/2029	917.090	881	959
GNMA Pool NBR 780553 Platinum 7.00% matures 6/15/2009	35,201.460	35,877	35,602

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
GNMA 7.00% matures 9/15/2024	125,469.370	\$ 131,206	\$ 129,405
Federal Natl Mtg Assn Global Notes 7.125% matures 3/15/2007	170,000.000	174,746	171,807
Federal Natl Mtg Assn Global Debs 5.25% matures 4/15/2007	150,000.000	151,179	149,625
U.S. Treasury Notes Ser E-2007 4.375% matures 5/15/2007	81,000.000	84,215	80,380
U.S. Treasury Notes Ser E-2008 3.00% matures 2/15/2008	150,000.000	149,842	144,932
Federal Home Loan Mtg Corp Global Reference Notes 3.625% matures 9/15/2008	20,000.000	194,638	192,500
U.S. Treasury Notes Ser D-2008 4.75% matures 11/15/2008	230,000.000	244,883	227,942
Federal Home Loan Mtg Corp Global Debs 5.75% matures 3/15/2009	155,000.000	156,978	156,211
Federal Natl Mtg Assn Global Debs 6.375% matures 6/15/2009	175,000.000	184,151	179,375
U.S. Treasury Notes Ser G-2010 4.00% matures 3/15/2010	180,000.000	180,673	173,327
Federal Home Loan Mtg Corp Med Term Notes 4.125% matures 10/18/2010	200,000.000	191,406	189,626
Federal Natl Mtg Assn 4.75% matures 12/15/2010	175,000.000	173,787	170,023
U.S. Treasury Notes Ser C-2011 5.00% matures 8/15/2011	115,000.000	120,589	114,654
U.S. Treasury Notes Ser E-2014 4.25% matures 8/15/2014	240,000.000	239,053	226,022
U.S. Treasury Notes Ser B-2016 4.50% matures 2/15/2016	105,000.000	100,898	99,898
Federal Home Loan Mtg Corp Debs Global 4.875% matures 3/15/2007	62,000.000	62,807	61,709
Federal Natl Mtg Assn Global 7.25% matures 1/15/2010	32,000.000	35,541	33,820
U.S. Treasury Note Ser B-2012 4.875% matures 2/15/2012	111,000.000	113,443	109,786
Federal Natl Mtg Assn Global Debs 6.125% matures 3/15/2012	153,000.000	165,714	157,637

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Securities</u>	<u>Shares or Par Value</u>	<u>Cost</u>	<u>Market</u>
U.S. Treasury Notes Ser D-2013 4.50% matures 8/15/2013	78,000.000	\$ 74,216	\$ 74,003
U.S. Treasury Bond 8.00% matures 11/15/2021	9,000.000	12,132	11,510
U.S. Treasury Bonds 5.25% matures 2/15/2029	16,000.000	16,850	15,930
Federal Natl Mtg Assn Global Debs 6.625% matures 11/15/2030	11,000.000	<u>13,014</u>	<u>12,458</u>
		\$ <u>19,579,688</u>	\$ <u>19,266,251</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 distraint for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

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

The levy rates levied by the City of Morgantown, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2006 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Expense</u>	<u>Current</u>
Class I	\$ 16,545		11.69¢
Class II	243,398,178		23.38¢
Class IV	494,392,372		46.76¢

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**4. Capital Assets and Capital Assets Net of Depreciation**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 4,900,293	\$ 420,054	\$ -0-	\$ 5,320,347
Construction in process	<u>1,200,441</u>	<u>2,476,472</u>	<u>362,492</u>	<u>3,314,421</u>
Total nondepreciable capital assets	<u>6,100,734</u>	<u>2,896,526</u>	<u>362,492</u>	<u>8,634,768</u>
Depreciable capital assets				
Land improvements	781,111	69,834	-0-	850,945
Buildings	10,632,236	221,815	998	10,853,053
Infrastructure	2,644,224	841,053	-0-	3,485,277
Machinery and equipment	1,866,210	237,902	-0-	2,104,112
Furniture and fixtures	185,195	8,825	-0-	194,020
Vehicles	4,750,479	344,221	42,426	5,052,274
Books and videos	<u>4,678,849</u>	<u>152,012</u>	<u>193,765</u>	<u>4,637,096</u>
Totals at historical cost	<u>25,538,304</u>	<u>1,875,662</u>	<u>237,189</u>	<u>27,176,777</u>
Less: Accumulated depreciation				
Land improvements	396,298	33,796	-0-	430,094
Buildings	2,534,373	252,245	-0-	2,786,618
Infrastructure	234,541	64,234	-0-	298,775
Machinery and equipment	1,226,303	148,023	-0-	1,374,326
Furniture and fixtures	83,905	8,293	-0-	92,198
Vehicles	3,343,245	327,377	41,088	3,629,534
Books and videos	<u>1,807,053</u>	<u>912,532</u>	<u>76,306</u>	<u>2,643,279</u>
Total accumulated depreciation	<u>9,625,718</u>	<u>1,746,500</u>	<u>117,394</u>	<u>11,254,824</u>
Total depreciation capital assets, net	<u>15,912,586</u>	<u>129,162</u>	<u>119,795</u>	<u>15,921,953</u>
Governmental activities capital assets, net	\$ <u>22,013,320</u>	\$ <u>3,025,688</u>	\$ <u>482,287</u>	\$ <u>24,556,721</u>

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
<b>Enterprise Activities</b>				
Nondepreciable capital assets				
Land	\$ 2,249,881	\$ 1,702	\$ -0-	\$ 2,251,583
Construction in process	<u>2,301,127</u>	<u>6,366,555</u>	<u>-0-</u>	<u>8,667,682</u>
Total nondepreciable capital assets	<u>4,551,008</u>	<u>6,368,257</u>	<u>-0-</u>	<u>10,919,265</u>
Depreciable capital assets				
Land improvements	24,400	-0-	-0-	24,400
Buildings	12,875,188	17,579	-0-	12,892,767
Structures and improvements	20,981,348	244,662	-0-	21,226,010
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>1,807,525</u>	<u>415,249</u>	<u>-0-</u>	<u>2,222,774</u>
Total at historical cost	<u>35,779,426</u>	<u>677,490</u>	<u>-0-</u>	<u>36,456,916</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Less: Accumulated depreciation				
Land improvements	\$ 15,853	\$ 947	\$ -0-	16,800
Buildings	1,931,095	315,826	-0-	2,246,921
Structures and improvements	10,312,195	643,537	-0-	10,955,732
Leasehold improvements	80,810	5,546	-0-	86,356
Machinery and equipment	<u>1,704,598</u>	<u>162,716</u>	<u>-0-</u>	<u>1,867,314</u>
Total accumulated depreciation	<u>14,044,551</u>	<u>1,128,572</u>	<u>-0-</u>	<u>15,173,123</u>
Total depreciable capital assets, net	<u>21,734,875</u>	<u>( 451,082)</u>	<u>-0-</u>	<u>21,283,793</u>
Governmental activities capital assets, net	\$ <u>26,285,883</u>	\$ <u>5,917,175</u>	\$ <u>-0-</u>	\$ <u>32,203,058</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 146,799
Public safety	301,130
Highways and streets	110,267
Culture and recreation	<u>1,188,304</u>
Total depreciation expense	\$ <u>1,746,500</u>

**5. Long-Term Debt**

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
<b>Governmental Activities</b>						
Compensated absences	\$ 1,646,389	\$ 149,732	\$ -0-	\$ 1,796,121	\$ 398,025	\$ 1,398,096
Obligation under capital lease	<u>-0-</u>	<u>149,560</u>	<u>19,914</u>	<u>129,646</u>	<u>32,095</u>	<u>97,551</u>
Governmental activities long-term liabilities	\$ <u>1,646,389</u>	\$ <u>299,292</u>	\$ <u>19,914</u>	\$ <u>1,925,767</u>	\$ <u>430,120</u>	\$ <u>1,495,647</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2006

**Obligation Under Capital Leases**

The Board of Parks and Recreation Commissioners of the City of Morgantown entered into a capital lease on November 10, 2005 to finance the acquisition of a Zamboni Machine. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2006:

Fiscal Year Ending June 30

2007	\$ 19,914
2008	19,914
2009	<u>19,914</u>
	59,742
Less: Amount representing interest	<u>4,688</u>
	55,054
Less: Current maturities	<u>18,663</u>
 Non-current maturities	 \$ <u>36,391</u>

The Board of Parks and Recreation Commissioners of the City of Morgantown entered into a capital lease on November 10, 2005 to finance the acquisition of a Mower. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2006:

Fiscal Year Ending June 30

2007	\$ 17,348
2008	17,348
2009	17,348
2010	17,348
2011	<u>17,348</u>
	86,740
Less: Amount representing interest	<u>12,148</u>
	74,592
Less: Current maturities	<u>13,432</u>
 Non-current maturities	 \$ <u>61,160</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

The following is a schedule of future minimum lease payments required under all governmental fund capital leases and the present value of the net minimum lease payments at June 30, 2006:

Fiscal Year Ending June 30

2007	\$ 37,262
2008	37,262
2009	37,262
2010	17,348
2011	<u>17,348</u>
	146,482
Less: Amount representing interest	<u>16,836</u>
	129,646
Less: Current maturities	<u>32,095</u>
	97,551
Non-current maturities	<u>\$ 97,551</u>

The following is a summary of bonds payable at June 30, 2006:

	<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>
<b>Business-Type Activities</b>						
<b>Bonds payable:</b>						
2003 Municipal Building Lease Revenue Refunding Bonds	\$ 7,125,000	\$ -0-	\$ 375,000	\$ 6,750,000	\$ 390,000	\$ 6,360,000
2002 Parking Revenue Bonds	<u>5,741,985</u>	<u>67,090</u>	<u>186,122</u>	<u>5,622,953</u>	<u>125,000</u>	<u>5,497,953</u>
Total bonds payable	<u>12,866,985</u>	<u>67,090</u>	<u>561,122</u>	<u>12,372,953</u>	<u>515,000</u>	<u>11,857,953</u>
<b>Other long-term debt</b>						
Notes payable	69,134	-0-	12,340	56,794	12,881	43,913
Obligation under capital lease	3,302	-0-	3,302	-0-	-0-	-0-
Accrued compensated absences	<u>162,988</u>	<u>5,298</u>	<u>-0-</u>	<u>168,286</u>	<u>168,286</u>	<u>-0-</u>
Total other long-term debt	<u>235,424</u>	<u>5,298</u>	<u>15,642</u>	<u>225,080</u>	<u>181,167</u>	<u>43,913</u>
Total long-term debt	<u>\$ 13,102,409</u>	<u>\$ 72,388</u>	<u>\$ 576,764</u>	<u>\$ 12,598,033</u>	<u>\$ 696,167</u>	<u>\$ 11,901,866</u>

**2003 Municipal Building Lease Revenue Refunding Bond**

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

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>
2007	\$ 390,000	\$ 235,990	\$ 625,990
2008	395,000	228,190	623,190
2009	405,000	218,315	623,315
2010	415,000	206,165	621,165
2011	425,000	193,715	618,715
2012-2016	2,360,000	742,965	3,102,965
2017-2019	<u>2,360,000</u>	<u>218,600</u>	<u>2,578,600</u>
Total	\$ <u>6,750,000</u>	\$ <u>2,043,940</u>	\$ <u>8,793,940</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, 2006 was \$827,820.

**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, 2006**

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>
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	140,000	238,895	378,895
2012-2016	785,000	1,111,938	1,896,938
2017-2021	960,000	933,016	1,893,016
2022-2026	1,210,000	683,448	1,893,448
2027-2031	1,550,000	351,359	1,901,359
2032-2033	<u>457,953</u>	<u>26,978</u>	<u>484,931</u>
<b>Total</b>	<b>\$ <u>5,622,953</u></b>	<b>\$ <u>4,344,965</u></b>	<b>\$ <u>9,967,918</u></b>

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, 2006 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 12,881	\$ 2,037	\$ 14,918
2008	13,405	1,513	14,918
2009	13,952	966	14,918
2010	14,520	398	14,918
2011	<u>2,036</u>	<u>8</u>	<u>2,044</u>
	<b>\$ <u>56,794</u></b>	<b>\$ <u>4,922</u></b>	<b>\$ <u>61,716</u></b>

**CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2006**

**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 Board of Park Commissioners employees who are covered by the West Virginia Public Employees Retirement System. The West Virginia Employees' Retirement System is funded through employer contributions of 10.5% of payroll and member contributions of 4.5% of payroll.

The Municipality's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2006 is as follows:

Total wages	\$ 984,033
Employer share 10.50%	\$ 103,323
Employee share 4.50%	\$ 44,282

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

	<u>Public Employees' Retirement System (PERS)</u>
Eligibility to participate	All Municipal full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Municipality's contribution rate	10.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contribution service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

Public Employees' Retirement System (PERS)

Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

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

**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:

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.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

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>
<b>Total</b>	<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.

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

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Annual Required Contributions and Significant Actuarial Assumptions**

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

	<b>Policemen's and Firemen's Pension &amp; Relief Fund</b>	<b>Employees Pension and Relief Fund</b>
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%

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>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

(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

**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%

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

**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

**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%

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

**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, 2006	\$ 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, 2006	<u>608,039</u>
Increase (decrease) to NPO	( 3,342)
Net pension obligation (asset) at July 1, 2004	<u>(339,665)</u>
Net pension obligation (asset) at June 30, 2006	\$ <u>343,007</u>

**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%

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

**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.

**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.

CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2006

**7. Interfund Balances**

Individual fund interfund receivable and payable balances at June 30, 2006 for fund financial:

	<u>Due From</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$ -0-	\$ 18,492
<b>Special Revenue Funds</b>		
Board of Parks and Recreation	-0-	121,706
Public library	10,372	-0-
Life and Health Fund	-0-	675
<b>Capital Project Funds</b>		
Capital reserve	335,766	-0-
Library excess levy II	-0-	9,685
Tax increment financing	-0-	71,504
Capital projects – Clay Battelle Branch	-0-	710
<b>Enterprise Funds</b>		
Airport fund	-0-	144,474
Parking Authority	-0-	28,073
Building Commission	<u>49,181</u>	<u>-0-</u>
	<b>\$ <u>395,319</u></b>	<b>\$ <u>395,319</u></b>

**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.

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.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

**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 \$28,058. 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.

**11. Debt Service Coverage**

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2006:

Total revenues	\$ 2,066,199
Less: Gain in market value of investments	( 7,720)
Adjusted gross revenues	2,058,479
 Total expenses	 <u>2,136,600</u>
	( 78,121)
Add: Loss on sale of investments	6,056
Add: Depreciation expense	355,243
Add: Amortization of bond issue costs	3,355
Add: Interest on bonds	<u>255,586</u>
 Amount available for debt service and capital expenditures	 \$ <u>542,119</u>
 Maximum annual debt service	 \$ <u>441,580</u>
 Calculated debt service coverage factor	 1.23
 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, 2006.

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

12. Restatement of Net Assets

It was determined during our audit that the fund balance of the Board of Parks and Recreation Commissioners Fund required restatement as follows:

Fund balance as previously presented	\$ (209,129)
Add: Understatement of cash account	<u>9,709</u>
Fund balance	\$ <u>(199,420)</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
 COMBINING FUND BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS-  
 JUNE 30, 2006

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total (Memorandum Only)</u>
<b>ASSETS</b>			
Cash	\$ 296,180	\$ 83,173	\$ 379,353
Investments	2,013,295	73,614	2,086,909
Receivables (net of allowances for uncollectibles)			
Accounts	28	5,914	5,942
Grants	-0-	273,075	273,075
Due from/(to) other funds	10,372	( 81,899)	( 71,527)
Prepaid expenses	<u>43</u>	<u>-0-</u>	<u>43</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,319,918</u></b>	<b>\$ <u>353,877</u></b>	<b>\$ <u>2,673,795</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 12,110	\$ 229,132	\$ 241,242
Accrued payroll and compensated absences	<u>47,207</u>	<u>-0-</u>	<u>47,207</u>
Total liabilities	<u>59,317</u>	<u>229,132</u>	<u>288,449</u>
<b>Fund Balances</b>			
Reserved for unemployment	11,872	-0-	11,872
Unreserved	<u>2,248,729</u>	<u>124,745</u>	<u>2,373,474</u>
Total fund balances	<u>2,260,601</u>	<u>124,745</u>	<u>2,385,346</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>2,319,918</u></b>	<b>\$ <u>(353,877)</u></b>	<b>\$ <u>2,673,795</u></b>

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, 2006**

	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Capital</u> <u>Project</u> <u>Funds</u>	<u>Total</u> <u>(Memorandum Only)</u>
<b>Revenues</b>			
Charges for services	\$ 54,014	\$ -0-	\$ 54,014
Fines and forfeits	17,864	-0-	17,864
Interest	55,606	3,205	58,811
Donations	359,649	14,800	374,449
Taxes	-0-	357,602	357,602
Intergovernmental:			
Federal	616,246	323,563	939,809
State	474,982	-0-	474,982
County	220,000	15,000	235,000
Gain (loss) on investments	33,418	-0-	33,418
Other	<u>1</u>	<u>108</u>	<u>109</u>
Total revenues	<u>1,831,780</u>	<u>714,278</u>	<u>2,546,058</u>
<b>Expenditures</b>			
General government	8,362	4,055	12,417
Public safety	36,021	-0-	36,021
Culture and recreation	1,474,453	-0-	1,474,453
Community development	576,940	471,401	1,048,341
Total expenditures	<u>2,095,776</u>	<u>475,456</u>	<u>2,571,232</u>
(Deficiency) excess of revenues (under) over expenditures	( <u>263,996</u> )	<u>238,822</u>	( <u>25,174</u> )
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	500,189	50,000	550,189
Operating transfers (out)	( <u>83,009</u> )	<u>-0-</u>	( <u>83,009</u> )
Total other financing sources (uses)	<u>417,180</u>	<u>50,000</u>	<u>467,180</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	153,184	288,822	442,006
Fund balance beginning of year	<u>2,107,417</u>	( <u>164,077</u> )	<u>1,943,340</u>
Fund balance end of year	\$ <u>2,260,601</u>	\$ <u>124,745</u>	\$ <u>2,385,346</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, 2006

	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block</u> <u>Grant</u>	<u>Public</u> <u>Library</u>	<u>Police</u> <u>Forfeiture</u>	<u>Special</u> <u>Grants</u>	<u>Local Law</u> <u>Enforcement</u> <u>Grant</u>	<u>Small</u> <u>Cities</u> <u>Block</u> <u>Grant</u>	<u>Library</u> <u>Expendable</u> <u>Trust</u>	<u>Dorsey's</u> <u>Knob</u> <u>Escrow</u>	<u>Total</u> <u>(Memorandum Only)</u>
<b>ASSETS</b>										
Cash	\$ 26,864	\$ 3,165	\$ 170,188	\$ 61,891	\$ -0-	\$ 33,666	\$ 393	\$ -0-	\$ 13	\$ 296,180
Investments	-0-	79,765	952,235	-0-	-0-	-0-	-0-	981,295	-0-	2,013,295
Receivables (net of allowances for uncollectibles)										
Accounts	-0-	-0-	28	-0-	-0-	-0-	-0-	-0-	-0-	28
Due from/(to) other funds	-0-	-0-	10,372	-0-	-0-	-0-	-0-	-0-	-0-	10,372
Prepaid expenses	-0-	-0-	43	-0-	-0-	-0-	-0-	-0-	-0-	43
<b>TOTAL ASSETS</b>	<b>\$ <u>26,864</u></b>	<b>\$ <u>82,930</u></b>	<b>\$ <u>1,132,866</u></b>	<b>\$ <u>61,891</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>33,666</u></b>	<b>\$ <u>393</u></b>	<b>\$ <u>981,295</u></b>	<b>\$ <u>13</u></b>	<b>\$ <u>2,319,918</u></b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable	\$ -0-	\$ -0-	\$ 7,210	\$ -0-	\$ -0-	\$ 4,900	\$ -0-	\$ -0-	\$ -0-	\$ 12,110
Accrued payroll and compensated absences	-0-	2,130	45,077	-0-	-0-	-0-	-0-	-0-	-0-	47,207
Total liabilities	-0-	2,130	52,287	-0-	-0-	4,900	-0-	-0-	-0-	59,317
<b>Fund Balances</b>										
Reserved for unemployment	-0-	-0-	11,872	-0-	-0-	-0-	-0-	-0-	-0-	11,872
Unreserved	26,864	80,800	1,068,707	61,891	-0-	28,766	393	981,295	13	2,248,729
Total fund balances	26,864	80,800	1,080,579	61,891	-0-	28,766	393	981,295	13	2,260,601
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>26,864</u></b>	<b>\$ <u>82,930</u></b>	<b>\$ <u>1,132,866</u></b>	<b>\$ <u>61,891</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>33,666</u></b>	<b>\$ <u>393</u></b>	<b>\$ <u>981,295</u></b>	<b>\$ <u>13</u></b>	<b>\$ <u>2,319,918</u></b>

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, 2006**

	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block</u> <u>Grant</u>	<u>Public</u> <u>Library</u>	<u>Police</u> <u>Forfeiture</u>	<u>Special</u> <u>Grants</u>	<u>Local Law</u> <u>Enforcement</u> <u>Grant</u>	<u>Small</u> <u>Cities</u> <u>Block</u> <u>Grant</u>	<u>Library</u> <u>Expendable</u> <u>Trust</u>	<u>Dorsey's</u> <u>Knob</u> <u>Escrow</u>	<u>Total</u> <u>(Memorandum Only)</u>
<b>Revenues</b>										
Charges for services	\$ -0-	\$ -0-	\$ 54,014	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 54,014
Fines and forfeits	-0-	-0-	-0-	17,864	-0-	-0-	-0-	-0-	-0-	17,864
Interest	764	1,365	22,129	1,257	-0-	189	-0-	29,863	39	55,606
Donations	-0-	-0-	59,649	-0-	-0-	-0-	-0-	-0-	300,000	359,649
Intergovernmental:										
Federal	-0-	574,768	-0-	-0-	-0-	41,478	-0-	-0-	-0-	616,246
State	89,658	-0-	369,204	-0-	16,120	-0-	-0-	-0-	-0-	474,982
County	-0-	-0-	220,000	-0-	-0-	-0-	-0-	-0-	-0-	220,000
Gain (loss) on investments	-0-	-0-	7,233	-0-	-0-	-0-	-0-	26,185	-0-	33,418
Other	-0-	-0-	-0-	-0-	-0-	-0-	1	-0-	-0-	1
Total revenue	<u>90,422</u>	<u>576,133</u>	<u>732,229</u>	<u>19,121</u>	<u>16,120</u>	<u>41,667</u>	<u>1</u>	<u>56,048</u>	<u>300,039</u>	<u>1,831,780</u>
<b>Expenditures</b>										
General government	-0-	1,500	-0-	-0-	-0-	-0-	-0-	6,862	-0-	8,362
Public safety	-0-	-0-	-0-	21,376	-0-	14,645	-0-	-0-	-0-	36,021
Culture and recreation	-0-	-0-	1,106,968	-0-	16,120	-0-	-0-	-0-	351,365	1,474,453
Community development	-0-	576,940	-0-	-0-	-0-	-0-	-0-	-0-	-0-	576,940
Total expenditures	<u>-0-</u>	<u>578,440</u>	<u>1,106,968</u>	<u>21,376</u>	<u>16,120</u>	<u>14,645</u>	<u>-0-</u>	<u>6,862</u>	<u>351,365</u>	<u>2,095,776</u>
(Deficiency) excess of revenues (under) over expenditures	<u>90,422</u>	<u>( 2,307)</u>	<u>( 374,739)</u>	<u>( 2,255)</u>	<u>-0-</u>	<u>27,022</u>	<u>1</u>	<u>49,186</u>	<u>( 51,326)</u>	<u>( 263,996)</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS –  
 SPECIAL REVENUE FUNDS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block</u> <u>Grant</u>	<u>Public</u> <u>Library</u>	<u>Police</u> <u>Forfeiture</u>	<u>Special</u> <u>Grants</u>	<u>Local Law</u> <u>Enforcement</u> <u>Grant</u>	<u>Small</u> <u>Cities</u> <u>Block</u> <u>Grant</u>	<u>Library</u> <u>Expendable</u> <u>Trust</u>	<u>Dorsey's</u> <u>Knob</u> <u>Escrow</u>	<u>Total</u> <u>(Memorandum Only)</u>
<b>Other Financing Sources (Uses)</b>										
Operating transfers in	-0-	-0-	476,114	-0-	-0-	-0-	-0-	-0-	24,075	500,189
Operating transfer (out)	<u>(83,009)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 83,009)</u>
Total other financing sources (uses)	<u>(83,009)</u>	<u>-0-</u>	<u>476,114</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>24,075</u>	<u>417,180</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	\$ 7,413	\$( 2,307)	\$ 101,375	\$( 2,255)	\$ -0-	\$ 27,022	\$ 1	\$ 49,186	\$(27,251)	\$ 153,184
Fund balance beginning 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>
Fund balance end of year	\$ <u>26,864</u>	\$ <u>80,800</u>	\$ <u>1,080,579</u>	\$ <u>61,891</u>	\$ <u>-0-</u>	\$ <u>28,766</u>	\$ <u>393</u>	\$ <u>981,295</u>	\$ <u>13</u>	\$ <u>2,260,601</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, 2006

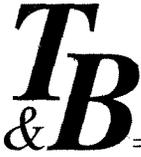
	<u>Library Excess Levy II</u>	<u>Capital Project Cheat Area Branch</u>	<u>Capital Project Clay Battelle Branch</u>	<u>Tax Increment Financing</u>	<u>Business Improvement District</u>	<u>Total (Memorandum Only)</u>
<b>ASSETS</b>						
Cash	\$ -0-	\$ -0-	\$ -0-	\$ 37,532	\$ 45,641	\$ 83,173
Investments	19,641	-0-	53,973	-0-	-0-	73,614
Accounts receivable	-0-	-0-	-0-	5,914	-0-	5,914
Grants receivable	-0-	-0-	-0-	-0-	273,075	273,075
Due from/(to) other funds	( 9,685)	-0-	( 710)	(71,504)	-0-	( 81,899)
<b>TOTAL ASSETS</b>	<b>\$ 9,956</b>	<b>\$ -0-</b>	<b>\$ 53,263</b>	<b>\$ (28,058)</b>	<b>\$ 318,716</b>	<b>\$ 353,877</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 229,132	\$ 229,132
<b>Fund Balances</b>						
Unreserved	9,956	-0-	53,263	(28,058)	89,584	124,745
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,956</b>	<b>\$ -0-</b>	<b>\$ 53,263</b>	<b>\$ (28,058)</b>	<b>\$ 318,716</b>	<b>\$ 353,877</b>

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, 2006**

	<u>Library</u> <u>Excess</u> <u>Levy II</u>	<u>Capital</u> <u>Project</u> <u>Cheat Area</u> <u>Branch</u>	<u>Capital</u> <u>Project</u> <u>Clay Battelle</u> <u>Branch</u>	<u>Tax</u> <u>Increment</u> <u>Financing</u>	<u>Business</u> <u>Improvement</u> <u>District</u>	<u>Total</u> <u>(Memorandum Only)</u>
<b>Revenues</b>						
Interest	\$ 596	\$ -0-	\$ 963	\$ 1,429	\$ 217	\$ 3,205
Donations	-0-	-0-	2,660	-0-	12,140	14,800
Taxes	-0-	-0-	-0-	314,988	42,614	357,602
Intergovernmental:						
Federal	-0-	-0-	-0-	-0-	323,563	323,563
County	-0-	-0-	15,000	-0-	-0-	15,000
Other	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>108</u>	<u>-0-</u>	<u>108</u>
Total revenues	<u>596</u>	<u>-0-</u>	<u>18,623</u>	<u>316,525</u>	<u>378,534</u>	<u>714,278</u>
<b>Expenditures</b>						
General government	3,938	-0-	-0-	87	30	4,055
Community development	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>66,848</u>	<u>404,553</u>	<u>471,401</u>
Total expenditures	<u>3,938</u>	<u>-0-</u>	<u>-0-</u>	<u>66,935</u>	<u>404,583</u>	<u>475,456</u>
(Deficiency) excess of revenues (under) over expenditures	( 3,342)	-0-	18,623	249,590	( 26,049)	238,822
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-0-	-0-	-0-	-0-	50,000	50,000
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>50,000</u>	<u>50,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	( 3,342)	-0-	18,623	249,590	23,951	288,822
Fund balance beginning 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>
Fund balance end of year	\$ <u>9,956</u>	\$ <u>-0-</u>	\$ <u>53,263</u>	\$ <u>( 28,058)</u>	\$ <u>89,584</u>	\$ <u>124,745</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 accompanying financial statements 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 and for the year ended June 30, 2006, which collectively comprise the City of Morgantown, West Virginia's basic financial statements and have issued our report thereon dated January 3, 2007. 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 opinions 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.

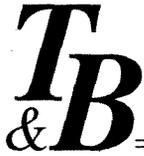
### **Compliance And Other Matters**

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 . Baubert . PLLC*

January 3, 2007



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

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

**Compliance**

We have audited the compliance of the City of Morgantown, West Virginia, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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, 2006.

### **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 B. Bantam, Ph.D.*

January 3, 2007

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**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 Airport Improvement Program CFDA number 20.106, Department of Transportation's Federal Highway Administration Highway Planning and Construction Grant CFDA number 20.205 and Department of Housing and Urban Development's Community Planning and Development Program CFDA number 14.218..
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The entity does not qualify as a low risk auditee.

**B. Findings - Financial Statements Audit**

None

CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006

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

*United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program – CFDA 20.106 – Fiscal Year Ended June 30, 2006; United States Department of Transportation – Federal Highway Administration – Highway Planning and Construction Grant – CFDA 20.205 – Fiscal year Ended June 30, 2006; United States Department of Housing and Urban Development – Community Planning and Development – Community Development Block Grant – CFDA 14.218 – Fiscal Year Ended June 30, 2006.*

None

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<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, 2005</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2006</u>
<b>Department of Transportation</b>						
<u>National Highway Traffic Safety Administration</u>						
<u>Department of Transportation</u>						
State and Community Highway Safety	20.600	F04J805	\$ -0-	\$ 1,626	\$ 1,626	\$ -0-
State and Community Highway Safety	20.600	F05-157INLOP-07	-0-	3,130	3,130	-0-
State and Community Highway Safety	20.600	F05HS08	-0-	2,470	2,470	-0-
State and Community Highway Safety	20.600	F06HS05	-0-	2,606	2,606	-0-
<u>Federal Aviation Administration</u>						
Airport Improvement Program	20.106	3-54-0015-1902	-0-	-0-	-0-	-0-
Airport Improvement Program	20.106	3-54-0015-022-2004	-0-	366,986	366,986	-0-
Airport Improvement Program	20.106	3-54-0015-023-2004	-0-	2,688,728	2,668,728	-0-
Airport Improvement Program	20.106	3-54-0015-024-2005	-0-	899,306	899,306	-0-
Airport Improvement Program	20.106	3-54-0015-020-2003	-0-	3,477	3,477	-0-
Airport Improvement Program	20.106	3-54-0015-026-2005	-0-	2,577,343	2,577,343	-0-
Airport Improvement Program	20.106	3-54-0015-027-2006	-0-	74,940	74,940	-0-
Small Communities Air Service Department	20.930	2004-8-30	-0-	80,784	80,784	-0-
<u>Federal Highway Administration</u>						
<u>West Virginia Department of Transportation –</u>						
<u>Division of Highways</u>						
Highway Planning and Construction Grant	20.205	TEA-0Q22(001)E	-0-	386,273	386,273	-0-
Highway Planning and Construction Grant	20.205	TEA-0H22(001)E	-0-	174,005	174,005	-0-
<b>United States Department of Justice</b>						
<u>Office of Justice Programs, Bureau of Justice Assistance</u>						
Edward Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-1700	-0-	41,478	41,478	-0-

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

<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, 2005</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2006</u>
<b>United States Department of Justice (cont'd)</b>						
<u>Office of Justice Programs, Bureau of Justice Assistance – State of West Virginia Division of Criminal Justice Services</u>						
Edward Byrne Memorial Formula Grant Program	16.579	06-512	\$ -0-	\$ 112,000	\$ 112,000	\$ -0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	11,871	11,871	-0-
<u>Office of Juvenile Justice and Delinquency Prevention, Office of Justice Programs</u>						
Juvenile Accountability Incentive Block Grant Program	16.523	2003-JB-BX-0001	\$ -0-	2,301	2,301	-0-
Enforcing Underage Drinking Law Programs	16.727	04UD130	-0-	-0-	-0-	-0-
<b>Corporation for National and Community Service</b>						
Retired and Senior Volunteer Programs	94.002	04SRWV003	-0-	68,892	68,892	-0-
<b>Department of Homeland Security</b>						
State Domestic Preparedness Equipment Support Program	97.004		-0-	10,129	10,129	-0-
Assistance to Firefighters	97.044	EMW-2005-FG-15290	-0-	61,097	61,097	-0-
<b>Department of Housing and Urban Development</b>						
<u>Community Planning and Development, Department of Housing and Urban Development</u>						
Community Development Block Grant/Entitlement Grants	14.218	B-06-MC-54-0007	-0-	574,768	574,768	-0-

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2006**

<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, 2005</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2006</u>
<b>Department of the Interior</b>						
<u>National Park Service</u>						
<u>West Virginia Development Office</u>						
Outdoor Recreation, Acquisition, Development and Planning	15.916	04LWCF0430	\$ -0-	\$ 250,000	\$ 250,000	\$ -0-
<u>Fish and Wildlife Service</u>						
<u>State of West Virginia Department of Transportation</u>						
<u>Public Port Authority</u>						
Sport fishing and Boating Safety Act	15.622	R-9	-0-	100,000	100,000	-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, 2006**

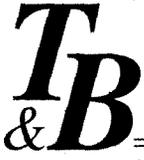
**United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program CFDA 20.106 – Fiscal Year Ended June 30, 2005; United States Department of Transportation – Federal Highway Administration – Highway Planning and Construction Grant – CFDA 20.205 – Fiscal year Ended June 30, 2005; United States Department of Housing and Urban Development – Community Planned and Development – Community Development Block Grant – CFDA 14.218 – Fiscal Year Ended June 30, 2005.**

No prior audit findings

CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF PASSENGER FACILITY CHARGES  
FOR THE YEAR ENDED JUNE 30, 2006

Balance June 30, 2005	\$ 3,220
Revenues received:	
Passenger facility charges	33,709
Interest income	16
Disbursements:	
Capital Projects	<u>33,935</u>
Balance June 30, 2006	\$ <u>3,010</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, 2006. 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, 2006.

### **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.

*Derrick Baudett, PLLC*

January 3, 2007