

**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, 2007**

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CITY OF MORGANTOWN, WEST VIRGINIA  
MUNICIPAL OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2007

Office	Name	Term
	<b>Elective</b>	
Mayor	Ronald Justice	07/01/05 - 06/30/07
Deputy Mayor	Ron Bane	07/01/05 - 06/30/07
Council Members:	James Manilla	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, 2007

GOVERNMENTAL FUND TYPES

*General Fund*

*Special Revenue Funds*

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

*Capital Projects Funds*

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

PROPRIETARY FUND TYPES

*Enterprise Funds*

Airport  
Parking Authority  
Building Commission

FIDUCIARY FUND TYPES

*Policemen's Pension and Relief*  
Firemen's Pension and Relief  
Employee's Retirement and Benefit  
Library Nonexpendable Trust  
Library Endowment Fund



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2007, 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, 2007, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2008, on our consideration of the City of Morgantown, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 16 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*

March 7, 2008

## CITY OF MORGANTOWN, WEST VIRGINIA 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, 2007. 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 \$12.3 million, or 23%, over the previous fiscal year. Before transfers between activities, net assets of governmental activities increased \$5.7 million or 18%, while the net assets of business-type activities increased approximately \$6.6 million, or 29%, over the previous year. A substantial portion of this increase can be attributed to the increase in net capital assets of \$10.7 million, most of which were funding by grants and contributions. Additionally, capital assets with a fair market value of \$3.9 million were transferred from governmental activities to the Morgantown Building Commission, a business-type activity.
- Taxes and fee revenue generated \$18.8 million, which was \$3.3 million more than the prior fiscal year. Business and occupation taxes account for approximately \$2.4 of this increase. The only rate increase was in the fire service fee, which was increased 8% as of January 1, 2007. This increase is to be used solely for the construction and equipping of a new North Side fire station and resulted in a transfer of \$66,383 to the Building Commission for this project during the current fiscal year. An additional fire service fee rate increase of 13% will be implemented in the subsequent fiscal year.
- In the City's business-type activities, operating revenues increased \$419,823, or approximately 9%, over the previous fiscal year, while operating expenses increased by \$500,853 or 11%. The Parking Authority and Building Commission reported operating income of \$215,876 and \$391,338, respectively. However, the Airport reported an operating loss of (\$730,805).
- In the General Fund, the revenues were \$1,563,682, or 8%, more than budgeted, while expenditures, including transfers, were \$853,596, or 4%, less than budgeted. The General Fund reported an excess of revenues over expenditures of \$1,468,139 for a net increase in fund balance of the same amount. While the fund balance in the General Fund at the beginning of the year is reported at \$3,993,094, only \$949,139 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 slightly more than \$3 million to the Capital Reserve Fund from the General Fund. Of the amount transferred from the General Fund during the current year, \$2.3 million 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.

# CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

## 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.

# CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD)

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 <i>Statement of changes in fiduciary net assets</i>
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.

## CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

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, reconciliation is presented at the end of the governmental funds statements that detail 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.

**CITY OF MORGANTOWN, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)**

- *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 6/30/06</b>	<b>FYE 6/30/07</b>	<b>% Change</b>
<b>Assets</b>			
Current assets	\$ 14,479,988	\$ 17,528,046	21.05%
Capital assets	56,759,779	67,502,409	18.93%
Other assets	<u>2,361,685</u>	<u>2,333,853</u>	-1.18%
<b>Total assets</b>	<b>73,601,452</b>	<b>87,364,308</b>	<b>18.70%</b>
<b>Liabilities</b>			
Current liabilities	4,380,961	4,652,624	6.20%
Long-term liabilities	<u>14,859,758</u>	<u>16,075,710</u>	8.18%
<b>Total Liabilities</b>	<b>19,240,719</b>	<b>20,728,334</b>	<b>7.73%</b>
<b>Net assets</b>			
Invested in capital assets	45,310,979	55,308,072	22.06%

The City’s combined net assets increased \$12.3 million, or 22.58%, over the fiscal year ended June 30, 2006. This compares to an increase of \$9.1 million during the prior fiscal year. Total assets increased 18.7%, while total liabilities increased 7.73%. It should be noted that a restatement of beginning net assets in the amount of \$1,468,245 was made to record the net pension obligation for the City’s three pension funds as of June 30, 2006.

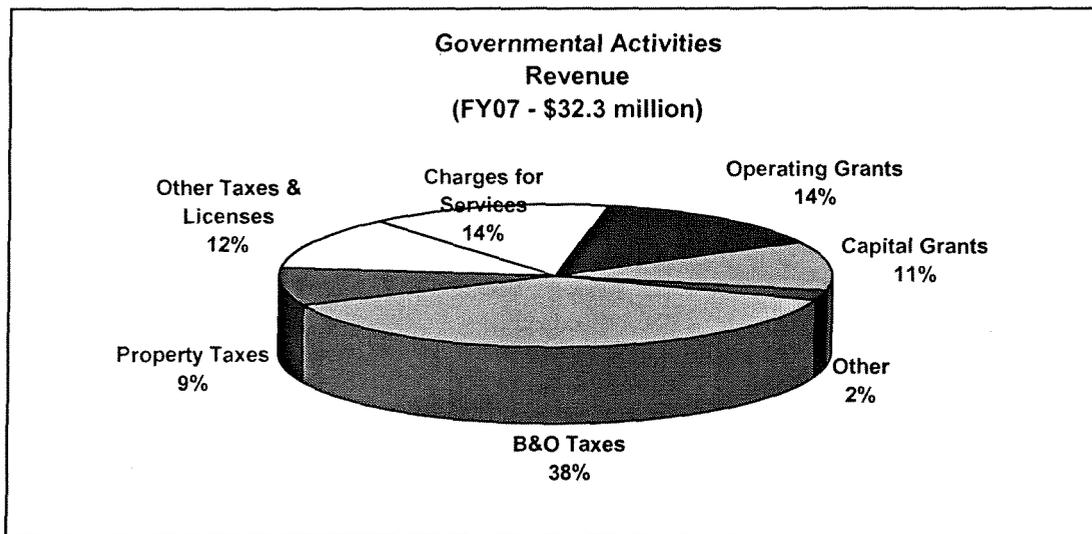
# CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

## Changes in Net Assets

In the governmental activities, total net assets increased \$1.68 million, while total net assets in the business-type activities increased \$10.6 million. Included in the net assets of governmental activities is the remaining 50 acres of the Dorsey Knob Park property, valued at nearly \$1 million, that was acquired from the greater Morgantown Community Trust. Part of the increase in business-type net assets resulted from the transfer of the newly-constructed marina facility, with a value of \$3.9 million, from a governmental activity to the Building Commission (a business-type activity). In addition, land and improvements with a fair market value of \$1.3 million were donated by the Monongalia County Commission and West Virginia University for the construction of the North Side fire station. The remainder of the increase in net assets of business-type activities can be attributed to the capital grants received by the Airport.

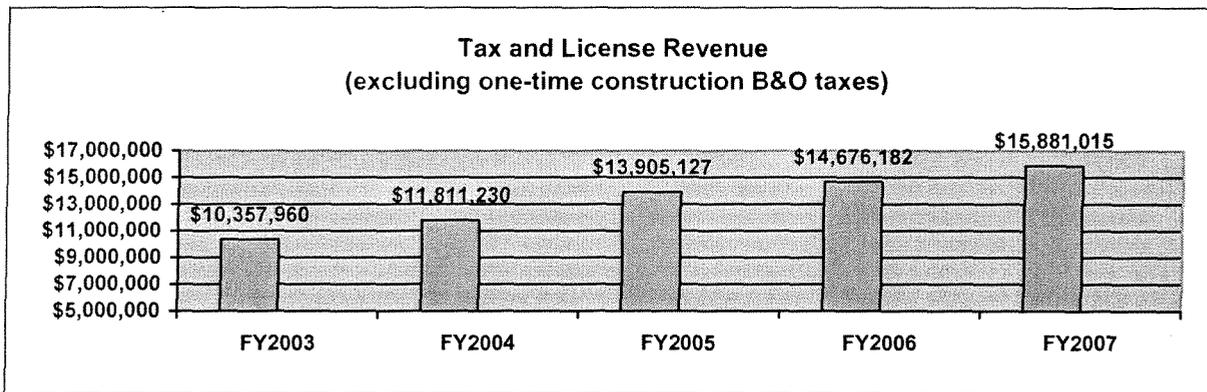
## Governmental Activities

Revenues for the City's governmental activities were \$32.3 million, including \$18.8 million generated from taxes and licenses, \$4.6 million from charges for services (includes fines), and \$9.1 million from grants and contributions. The following chart depicts a more detailed breakdown of the revenues of the City's governmental activities:

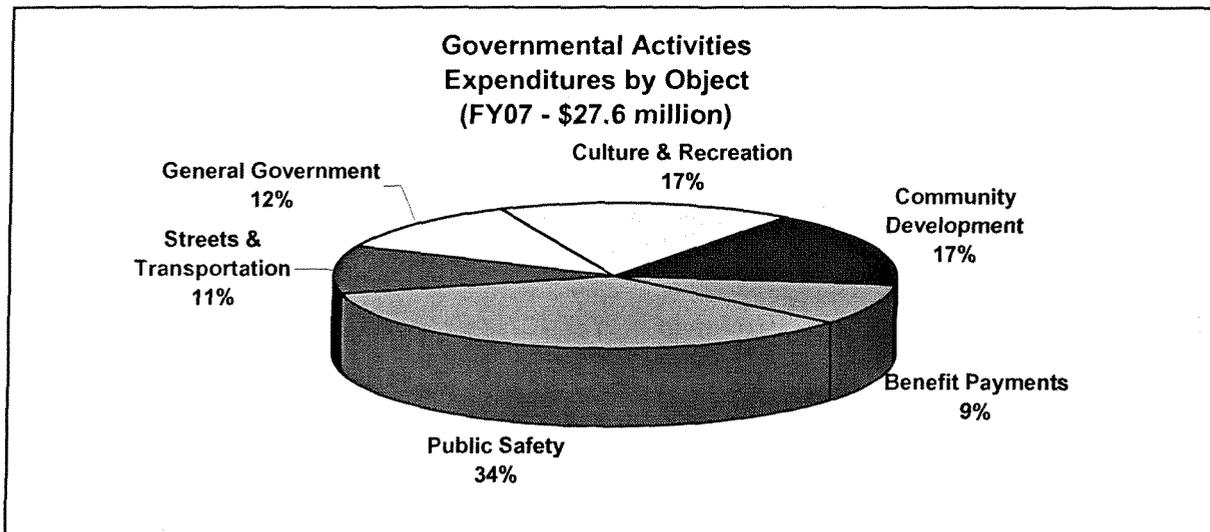


## CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

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 over 10.6% per year over the past five years. This has been accomplished with few changes in tax rates or service fees. The most significant rate increases were in the hotel occupancy tax rate in FY06 and the 8% fire service fee increase in FY07. 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 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 for the past thirteen years and has kept employee contributions for the health plan unchanged. The following chart depicts the breakdown of the City's expenses for governmental activities for the current year:



## CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

### Business-Type Activities

Service revenue in the City's business-type activities increased \$399,307, or 8.7%, while total expenses increased \$486,644, or 9.2%. This resulted in an overall deficit of (\$771,993) before grant revenue and other non-operating revenues.

The Parking Authority reported an increase in operating revenue of 4.5% over the previous year and was able to keep expenses at a modest 1.3% increase. The net operating income reported by the Parking Authority in the fund financial statements was \$215,876, an increase of \$113,698 over the previous year.

Airport charges for services and fuel sales increased 13%, while expenses increased 18%. Price increases in utilities and fuel, along with increased spending on marketing and maintenance account for much of this increase. Further compounding this situation, the Airport experienced a change in the commercial air carrier, routes and schedules, for the second time in two years, and was, in fact, without commercial air service for a brief period of time. The Airport reported an operating deficit of (\$730,805) in the fund financial statements before non-operating revenue and transfers; however, the depreciation of capital assets included in operating expenses totaled \$668,940. Transfers from other funds and the one-time sale of coal reserves covered the remaining shortfall and allowed for an overall increase in cash flow.

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

As the City completed the current year, the governmental funds reported a combined fund balance of \$11.5 million, an increase of \$2.1 million over the previous year. Almost 70% of this increase is attributable to the increase in the General Fund.

The fund balance in the General Fund increased \$1.46 million to \$5.46 million. However, the balance available for appropriation in the subsequent fiscal year was calculated at \$1,572,008 as 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 Event Center 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, grant funds totaling \$2.7 were used to complete construction of the Marina in the Wharf District, with another \$200,000 spent on engineering, project management, and contracted services for other projects. Upon completion of the Marina facility, the City transferred the property to the Morgantown Building Commission in April, 2007.

## CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

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. Tax increment revenue bonds in the amount of \$6,180,000 were issued in December, 2006, for the construction of a parking garage in the Riverfront District. These bonds are not backed by the full faith and credit of the City of Morgantown, and, consequently are not included as a liability in the financial statements. The City received total TIF property taxes of \$538,125 in fiscal year 2007, and expended \$330,621, primarily for debt service on the tax increment revenue bonds described previously.

The BID Fund is used to account for the activity in four established business improvement districts created to renovate and improve different sections of High Street. These projects are funded by assessments on the property owners in the district, contributions, Federal transportation grants, and City funds. As the fourth district was just established in this fiscal year, assessments have not yet begun for this district. Total assessments and donations in the current year were \$89,349, contributions from the City's Capital Reserve Fund totaled \$434,845, and Federal grants totaled \$447,988. Expenditures during FY07 were \$1.1 million, and the improvements in the first two districts that totaled over \$1.5 million were completed in December, 2006.

In the special revenue funds, the Board of Parks and Recreation Commissioners (BOPARC) reported a 22% increase in service revenue and a 39% increase in expenditures over the previous year. However, nearly \$700,000 of the expenditures were for capital assets, funded by contributions from the City's Capital Reserve Fund. Total funding from the Capital Reserve Fund was \$807,659, a 33% increase over the previous year's funding. Additional capital assets totaling nearly \$300,000 were funded by capital leases. Additions during the year included vehicles, a dasher board system at the Ice Arena, improvements to parks and ball fields, and major renovations and construction at the Wiles Hill Senior Recreation Center, which was placed in July, 2007.

## CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

### 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, 2006.)
- Revisions made during the year to account for additional revenue received and to increase appropriations to prevent budget overruns.

Even with these adjustments, actual expenditures, including transfers, were \$853,596 below final budgeted amounts, while revenues were \$1,563,682 above the final budgeted amounts. The additional revenues were due mainly to better-than-expected business and occupation tax collections and a rate increase in the hotel occupancy tax.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

At the end of fiscal year 2007, the City had \$96.7 million invested in capital assets, with \$67.5 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 \$10.7 million over the previous year. Major additions during the year include runway improvements at the Airport, several new police cruisers, sidewalks, and the first two phases of the High Street renovation, the Marina facility, the Wiles Hill Senior Recreation Center, the North Side fire station property, and the remaining 50 acres at Dorsey Knob Park.

#### Long-term Debt

The beginning net assets of the governmental activities were decreased by \$1,468,245 to include the net pension obligation (NPO) of the City's three pension funds at June 30, 2006. The total addition to the NPO for the current year was \$1,508,341.

## CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

At the end of the year, the City had \$12,194,337 in long-term revenue bonds, notes payable, and capital leases. This was a net decrease from the previous year of \$365,056. Aside from the TIF revenue bonds that are not included as liabilities in the financial statements, the only new debt issued was \$288,026 in capital leases for BOPARC equipment. Principal payments on all debt totaled \$653,082. 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 1.8 for the current year, compared to 1.23 for the previous year.

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

The total General Fund budget is expected to increase approximately 4% for fiscal year 2008, and for the first time in history exceed \$20 million. The FY08 budget will include a 3.5% cost of living adjustment for employees, increase in fuel and utility costs, a new housing inspector and a compliance officer in the Code Enforcement Department, and one additional full-time Evidence Technician in the Police Department. Based on information submitted regarding current construction projects, a slight decrease in the one-time business and occupation tax revenues is projected in FY08, with a budgeted amount of \$2.1 million, compared to the actual revenues collected of \$2.3 million in FY07. This revenue source is expected to increase to \$2.4 million in fiscal year 2009 as several major projects that are currently in the planning stage begin construction.

City officials will implement an additional increase in fire service fees of 13% as of July 1, 2007. The proceeds from this increase, along with the increase of 8% implemented in FY07, will be used to service the debt on a \$3.6 million revenue bond expected to be issued in fiscal year 2008 for the construction of the new North Side fire station to be constructed on land donated by West Virginia University and the Monongalia County Commission during FY07.

Two additional tax increment financing revenue bonds will be issued in the next fiscal year. A bond in the amount of \$3 million will be issued for the Falling Run District for project infrastructure costs. Another \$8.6 million bond will be issued for the Riverfront District, with the guaranteed by the full faith and credit of the City of Morgantown and will, therefore, not be included as liabilities on the City's financial statements. A third tax increment financing district, for the area adjacent to West Virginia University known as Sunnyside, is currently in the planning stages.

## CITY OF MORGANTOWN, WEST VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Although a substantial loss of Federal grant funding is expected in the Airport Improvement Program due to the declining level of air passengers, other improvements at the Airport property are expected to get underway. Federal and State funding for an access road to the Airport Industrial Park has been announced that will open the door for the construction of a new National Guard Readiness Center, as well as other facilities.

With the growth of City government, the capacity and utility of the existing City Hall has been exhausted. To remedy this situation and provide more efficient service in the future, the City will begin escrowing monies for a new City Hall facility during FY08 at the planned rate of \$500,000 per year for the next five years, providing a sizable down payment toward the project and reducing the amount of borrowing that will be required.

### **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, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 6,545,948	\$ 956,910	\$ 7,502,858
Investments	2,923,471	661,242	3,584,713
Receivables	4,814,047	1,454,504	6,268,551
Internal balances	18,370	( 18,370)	-0-
Inventory	46,903	49,981	96,884
Prepaid expenses	13,876	61,164	75,040
Restricted assets	-0-	1,660,627	1,660,627
Capital assets, net	25,860,397	41,642,012	67,502,409
Unamortized bond discount and issue costs	<u>-0-</u>	<u>673,226</u>	<u>673,226</u>
Total assets	<u>40,223,012</u>	<u>47,141,296</u>	<u>87,364,308</u>
<b>Liabilities</b>			
Accounts payable	1,825,371	1,488,572	3,313,943
Accrued payroll	451,244	35,409	486,653
Prepaid revenues	-0-	52,500	52,500
Long-term liabilities			
Due within one year	105,357	694,171	799,528
Due in more than one year	<u>4,770,193</u>	<u>11,305,517</u>	<u>16,075,710</u>
Total liabilities	<u>7,152,165</u>	<u>13,576,169</u>	<u>20,728,334</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	25,504,781	29,803,291	55,308,072
Restricted	-0-	1,660,627	1,660,627
Unrestricted	<u>7,566,066</u>	<u>2,101,209</u>	<u>9,667,275</u>
Total Net Assets	<u>\$ 33,070,847</u>	<u>\$ 33,565,127</u>	<u>\$ 66,635,974</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, 2007**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 3,203,456	\$ 306,805	\$ -0-	\$ -0-	\$( 2,896,651)	\$ -0-	\$( 2,896,651)
Public safety	9,652,619	2,713,740	188,192	-0-	( 6,750,687)	-0-	( 6,750,687)
Highways and streets	2,948,497	-0-	-0-	-0-	( 2,948,497)	-0-	( 2,948,497)
Community development	4,627,030	9,600	384,825	3,646,266	( 586,339)	-0-	( 586,339)
Culture and recreation	4,676,432	1,556,455	1,064,768	30,380	( 2,024,829)	-0-	( 2,024,829)
Benefits payments	<u>2,502,006</u>	<u>-0-</u>	<u>2,914,810</u>	<u>-0-</u>	<u>412,804</u>	<u>-0-</u>	<u>412,804</u>
Total governmental activities	<u>27,610,040</u>	<u>4,586,600</u>	<u>4,552,595</u>	<u>3,676,646</u>	<u>(14,794,199)</u>	<u>-0-</u>	<u>(14,794,199)</u>
<b>Business – Type Activities</b>							
Airport	3,080,316	2,242,386	101,300	5,326,744	-0-	4,590,114	4,590,114
Parking	2,109,891	2,073,313	-0-	-0-	-0-	( 36,578)	( 36,578)
Building commission	<u>562,197</u>	<u>664,712</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>102,515</u>	<u>102,515</u>
Total business – type activities	<u>5,752,404</u>	<u>4,980,411</u>	<u>101,300</u>	<u>5,326,744</u>	<u>-0-</u>	<u>4,656,051</u>	<u>4,656,051</u>
<b>Total</b>	<b>\$ <u>33,362,444</u></b>	<b>\$ <u>9,567,011</u></b>	<b>\$ <u>4,653,895</u></b>	<b>\$ <u>9,003,390</u></b>	<b>(14,794,199)</b>	<b>4,656,051</b>	<b>(10,138,148)</b>
<b>General Revenues</b>							
Taxes and licenses					18,525,738	-0-	18,525,738
Franchise fees					282,046	-0-	282,046
Interest and investment earnings					577,582	153,962	731,544
Donations of capital assets					997,935	1,365,600	2,363,535
Gain (loss) on disposal of capital assets					( 47,596)	377,779	330,183
Miscellaneous					<u>163,704</u>	<u>16,639</u>	<u>180,343</u>
Total general revenues					<u>20,499,409</u>	<u>1,913,980</u>	<u>22,413,389</u>
Change in net assets					5,705,210	6,570,031	12,275,241
Operating transfers in (out)					( 118,820)	118,820	-0-
Transfer of capital assets					( 3,903,845)	3,903,845	-0-
Net assets – beginning - restated					<u>31,388,302</u>	<u>22,972,431</u>	<u>54,360,733</u>
Net assets – ending					<b>\$ <u>33,070,847</u></b>	<b>\$ <u>33,565,127</u></b>	<b>\$ <u>66,635,974</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**FUND BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<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	\$ 1,860,504	\$ 314,780	\$ 539,407	\$ 2,718,892	\$ 29,710	\$ 1,082,655	\$ 6,545,948
Investments	-0-	-0-	-0-	553,755	-0-	2,369,716	2,923,471
Receivables, net of allowances:							
Taxes	3,757,389	-0-	-0-	-0-	-0-	-0-	3,757,389
Accounts	301,088	-0-	-0-	-0-	-0-	47,392	348,480
Other	173,429	13,551	10,209	-0-	-0-	-0-	197,189
Grants	30,446	-0-	-0-	-0-	-0-	45,846	211,678
Due from/(to) other funds	7,708	-0-	11,088	155,081	135,386	( 113,044)	18,370
Inventory	46,903	-0-	-0-	-0-	( 42,463)	-0-	46,903
Prepaid expenses	<u>12,051</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,825</u>	<u>13,876</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>6,189,518</u></b>	<b>\$ <u>328,331</u></b>	<b>\$ <u>560,704</u></b>	<b>\$ <u>3,427,728</u></b>	<b>\$ <u>122,633</u></b>	<b>\$ <u>3,434,390</u></b>	<b>\$ <u>14,063,304</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 198,060	\$ 167,118	\$ 541,538	\$ 259,884	\$ 92,923	\$ 565,848	\$ 1,825,371
Accrued payroll and compensated absences	312,160	77,735	-0-	-0-	-0-	61,349	451,244
Deferred revenue	<u>218,065</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>24,461</u>	<u>242,526</u>
Total liabilities	<u>728,285</u>	<u>244,853</u>	<u>541,538</u>	<u>259,884</u>	<u>92,923</u>	<u>651,658</u>	<u>2,519,141</u>
<b>Fund Balances</b>							
Reserved for unemployment	-0-	-0-	-0-	-0-	-0-	11,872	11,872
Unreserved	<u>5,461,233</u>	<u>83,478</u>	<u>19,166</u>	<u>3,167,844</u>	<u>29,710</u>	<u>2,770,860</u>	<u>11,532,291</u>
Total fund balances	<u>5,461,233</u>	<u>83,478</u>	<u>19,166</u>	<u>3,167,844</u>	<u>29,710</u>	<u>2,782,732</u>	<u>11,544,163</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>6,189,518</u></b>	<b>\$ <u>328,331</u></b>	<b>\$ <u>560,704</u></b>	<b>\$ <u>3,427,728</u></b>	<b>\$ <u>122,633</u></b>	<b>\$ <u>3,434,390</u></b>	<b>\$ <u>14,063,304</u></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, 2007

Fund balance, fund level statement June 30, 2007 \$ 11,544,163

The total fund balance of the City of Morgantown's governmental funds differs from net assets of the governmental activities reported on the Statement of Net Assets as follows:

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

Accrued compensated absences	( 1,543,348)
Obligations under capital lease	( 355,616)
Net pension benefit obligation	( 2,976,586)

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.	25,860,397
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Some assets do not provide current financial resources and are not reported as assets in the fund level statements:

Additional accounts receivable – June 30, 2007	<u>541,837</u>
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Net assets of governmental activities	\$ <u><u>33,070,847</u></u>
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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, 2007**

	<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>Revenues</b>							
Taxes and special assessments	\$ 17,342,113	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 558,133	\$ 17,900,246
Licenses and permits	356,791	-0-	-0-	-0-	-0-	-0-	356,791
Charges for services	2,237,863	1,501,061	-0-	-0-	9,600	36,205	3,784,729
Fines and forfeits	727,792	-0-	-0-	-0-	-0-	74,079	801,871
Franchise fees	282,046	-0-	-0-	-0-	-0-	-0-	282,046
Interest	227,554	19,493	35,457	43,913	-0-	109,513	435,930
Donations	5,000	186,790	-0-	75,200	-0-	98,173	365,163
Intergovernmental							
Federal	183,617	88,714	-0-	462,688	-0-	1,334,380	2,069,399
State	8,186	8,000	-0-	23,999	2,959,952	594,627	3,594,764
County	-0-	88,408	-0-	-0-	-0-	285,000	373,408
Contributions from employees	-0-	-0-	86,389	-0-	-0-	-0-	86,389
Contributions from employers	-0-	-0-	2,828,421	-0-	-0-	-0-	2,828,421
Gain (loss) on investments	-0-	-0-	-0-	-0-	-0-	141,652	141,652
Other	<u>123,383</u>	<u>-0-</u>	<u>19,903</u>	<u>15,400</u>	<u>-0-</u>	<u>5,018</u>	<u>163,704</u>
Total revenues	<u>21,494,345</u>	<u>1,892,466</u>	<u>2,970,170</u>	<u>621,200</u>	<u>2,969,552</u>	<u>3,236,780</u>	<u>33,184,513</u>
<b>Expenditures</b>							
General government	3,146,874	-0-	161,871	-0-	-0-	14,913	3,323,658
Public safety	7,963,158	-0-	-0-	-0-	-0-	94,712	8,057,870
Highways and streets	2,920,280	-0-	-0-	-0-	-0-	-0-	2,920,280
Community development	-0-	-0-	-0-	3,143,341	2,958,242	2,300,194	8,401,777
Culture and recreation	843,451	3,429,955	-0-	-0-	-0-	1,467,704	5,741,110
Benefit payments	<u>-0-</u>	<u>-0-</u>	<u>2,502,006</u>	<u>0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,502,006</u>
Total expenditures	<u>14,873,763</u>	<u>3,429,955</u>	<u>2,663,877</u>	<u>3,143,341</u>	<u>2,958,242</u>	<u>3,877,523</u>	<u>30,946,701</u>
(Deficiency) excess of revenues (under) over expenditures	<u>6,620,582</u>	<u>(1,537,489)</u>	<u>306,293</u>	<u>(2,522,141)</u>	<u>11,310</u>	<u>(640,743)</u>	<u>2,237,812</u>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	-0-	1,608,327	-0-	3,664,014	-0-	1,148,771	6,421,112
Operating transfers (out)	<u>(5,152,443)</u>	<u>-0-</u>	<u>(469,188)</u>	<u>(807,659)</u>	<u>-0-</u>	<u>(110,642)</u>	<u>(6,539,932)</u>
Total other financing sources (uses)	<u>(5,152,443)</u>	<u>1,608,327</u>	<u>(469,188)</u>	<u>2,856,355</u>	<u>-0-</u>	<u>1,038,129</u>	<u>(118,820)</u>
Net change in fund balances	1,468,139	70,838	(162,895)	334,214	11,310	397,386	2,118,992
Fund balance at beginning 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>
Fund balance at end of year	<u>\$ 5,461,233</u>	<u>\$ 83,478</u>	<u>\$ 19,166</u>	<u>\$ 3,167,844</u>	<u>\$ 29,710</u>	<u>\$ 2,782,732</u>	<u>\$ 11,544,163</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, 2007

Net change in net assets – total governmental funds	\$ 2,237,812
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	5,258,498
Less: Acquisition by capital lease.	( 288,026)
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.	( 47,596)
Capital leases provide current financial resources to governmental funds, but entering into capital leases increases long-term liabilities in the Statements of Net Assets. Repayment of capital lease obligations is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Repayment of obligation under capital lease	62,056
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 net pension benefit obligation	(1,508,341)
Increase in compensated absences	( 145,253)
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	29,571
Change in additional accounts receivable	<u>106,489</u>
Change in Net Assets of Governmental Activities	\$ <u>5,705,210</u>

The accompanying notes are an integral part of this statement.

CITY OF MORGANTOWN, WEST VIRGINIA  
 FUND BALANCE SHEETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2007

	BUSINESS TYPE ACTIVITIES			Total
	<u>Airport</u> <u>Fund</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 285,311	\$ 613,791	\$ 57,808	\$ 956,910
Investments	-0-	661,242	-0-	661,242
Receivables, net of allowances:				
Accounts	45,030	721	-0-	45,751
Grants	1,408,753	-0-	-0-	1,408,753
Inventory	49,981	-0-	-0-	49,981
Due from/(to) other funds	( 4,150)	( 14,220)	-0-	( 18,370)
Prepaid expenses	5,825	-0-	-0-	5,825
Total current assets	<u>1,790,750</u>	<u>1,261,534</u>	<u>57,808</u>	<u>3,110,092</u>
<b>Noncurrent Assets</b>				
Restricted assets	<u>-0-</u>	<u>775,269</u>	<u>885,358</u>	<u>1,660,627</u>
<b>Capital Assets</b>				
Land	50,050	1,484,326	1,439,707	2,974,083
Land improvement	-0-	-0-	667,500	667,500
Building	4,795,431	-0-	12,001,181	16,796,612
Structures and improvements	13,793,291	8,657,051	-0-	22,450,342
Leasehold improvements	-0-	90,965	-0-	90,965
Machinery and equipment	1,229,852	824,472	168,450	2,222,774
Construction in progress	12,927,473	-0-	-0-	12,927,473
Less: Accumulated depreciation	( 9,179,275)	( 3,734,001)	( 3,574,461)	(16,487,737)
Net capital assets	<u>23,616,822</u>	<u>7,322,813</u>	<u>10,702,377</u>	<u>41,642,012</u>
<b>Other Assets</b>				
Prepaid expenses	55,339	-0-	-0-	55,339
Unamortized bond discount and issue costs	-0-	55,352	617,874	673,226
Total other assets	<u>55,339</u>	<u>55,352</u>	<u>617,874</u>	<u>728,565</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>25,462,911</u></b>	<b>\$ <u>9,414,968</u></b>	<b>\$ <u>12,263,417</u></b>	<b>\$ <u>47,141,296</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-	\$ 8,204	\$ 8,204
Accounts payable	1,432,457	56,115	-0-	1,488,572
Prepaid revenues	52,500	-0-	-0-	52,500
Accrued payroll	17,043	18,366	-0-	35,409
Accrued compensated absences	<u>68,474</u>	<u>92,493</u>	<u>-0-</u>	<u>160,967</u>
Total current liabilities (payable from current assets)	<u>1,570,474</u>	<u>166,974</u>	<u>8,204</u>	<u>1,745,652</u>
<b>Current Liabilities (payable from restricted assets)</b>				
Revenue bonds payable	<u>-0-</u>	<u>130,000</u>	<u>395,000</u>	<u>525,000</u>
Total current liabilities (payable from restricted assets)	<u>-0-</u>	<u>130,000</u>	<u>395,000</u>	<u>525,000</u>
<b>Long-Term Liabilities (net of current portion)</b>				
Revenue bonds payable	-0-	5,300,472	5,965,000	11,265,472
Notes payable	<u>-0-</u>	<u>-0-</u>	<u>40,045</u>	<u>40,045</u>
Total long-term liabilities	<u>-0-</u>	<u>5,300,472</u>	<u>6,005,045</u>	<u>11,305,517</u>
Total liabilities	<u>1,570,474</u>	<u>5,597,446</u>	<u>6,408,249</u>	<u>13,576,169</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	23,616,822	1,892,341	4,294,128	29,803,291
Restricted	-0-	775,269	885,358	1,660,627
Unrestricted	<u>275,615</u>	<u>1,149,912</u>	<u>675,682</u>	<u>2,101,209</u>
Total net assets	<u>23,892,437</u>	<u>3,817,522</u>	<u>5,855,168</u>	<u>33,565,127</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>25,462,911</u></b>	<b>\$ <u>9,414,968</u></b>	<b>\$ <u>12,263,417</u></b>	<b>\$ <u>47,141,296</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, 2007**

	<b>BUSINESS TYPE ACTIVITIES</b>			
	<u>Airport Fund</u>	<u>Parking Authority</u>	<u>Building Commission</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 2,242,386	\$ 1,587,128	\$ 664,712	\$ 4,494,226
Fines	-0-	486,185	-0-	486,185
Grants	101,300	-0-	-0-	101,300
Total operating revenues	<u>2,343,686</u>	<u>2,073,313</u>	<u>664,712</u>	<u>5,081,711</u>
<b>Operating Expenses</b>				
Personal services	559,220	648,864	-0-	1,208,084
Purchases – fuel	1,253,796	-0-	-0-	1,253,796
Supplies	30,684	14,148	-0-	44,832
Liability insurance	39,160	32,371	-0-	71,531
Utilities	142,440	85,754	-0-	228,194
General and administrative	314,181	138,328	10,106	462,615
Depreciation	668,940	382,405	263,268	1,314,613
Maintenance	66,070	50,129	-0-	116,199
Rental lease	-0-	505,438	-0-	505,438
Total operating expenses	<u>3,074,491</u>	<u>1,857,437</u>	<u>273,374</u>	<u>5,205,302</u>
Operating (loss) income	( 730,805)	215,876	391,338	( 123,591)
<b>Nonoperating Revenues (Expenses)</b>				
Interest and dividends	2,306	86,279	45,198	133,783
Gain on investments	-0-	20,179	-0-	20,179
Miscellaneous income	7,364	9,275	-0-	16,639
Sale of capital assets	377,779	-0-	-0-	377,779
Donations from other entities	-0-	-0-	1,365,600	1,365,600
Interest and fiscal charges	-0-	( 249,099)	( 235,095)	( 484,194)
Amortization of bond discount and issue costs	( 5,825)	( 3,355)	( 53,728)	( 62,908)
Total nonoperating revenues (expenses)	<u>381,624</u>	<u>( 136,721)</u>	<u>1,121,975</u>	<u>1,366,878</u>
Change in net assets before nonoperating grants and operating transfers	( 349,181)	79,155	1,513,313	1,243,287
Transfers in from other funds	118,820	-0-	-0-	118,820
Donation of capital assets	-0-	-0-	3,903,845	3,903,845
Nonoperating grants	<u>5,326,744</u>	<u>-0-</u>	<u>-0-</u>	<u>5,326,744</u>
Change in net assets	5,096,383	79,155	5,417,158	10,592,696
Total net assets – beginning	<u>18,796,054</u>	<u>3,738,367</u>	<u>438,010</u>	<u>22,972,431</u>
Total net assets – ending	\$ <u>23,892,437</u>	\$ <u>3,817,522</u>	\$ <u>5,855,168</u>	\$ <u>33,565,127</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, 2007

	<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	\$ 2,240,749	\$ 2,073,252	\$ 713,893	\$ 5,027,894
Receipts from other sources	531,709	29,454	-0-	561,163
Payments to suppliers	(1,661,975)	( 849,894)	( 10,106)	(2,521,975)
Payments to employees	( 542,536)	( 655,824)	-0-	(1,198,360)
Net cash provided by (used in) operating activities	<u>567,947</u>	<u>596,988</u>	<u>703,787</u>	<u>1,868,722</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Decrease (increase) in restricted assets	-0-	28,287	( 57,537)	( 29,250)
Repayment of notes payable	-0-	-0-	( 8,545)	( 8,545)
Repayments of revenue bonds	-0-	( 192,481)	(390,000)	( 582,481)
Nonoperating grants	5,054,927	-0-	-0-	5,054,927
Acquisition of capital assets	(5,409,633)	( 74,490)	-0-	(5,484,123)
Interest expense	-0-	( 249,099)	(235,095)	( 484,194)
Net cash (used in) provided by capital and related financing activities	<u>( 354,706)</u>	<u>( 487,783)</u>	<u>(691,177)</u>	<u>(1,533,666)</u>
<b>Cash Flows from Investing Activities</b>				
Decrease in investments	-0-	176,033	-0-	176,033
Interest income	<u>2,306</u>	<u>86,991</u>	<u>45,198</u>	<u>134,495</u>
Net cash provided by (used in) investing activities	<u>2,306</u>	<u>263,024</u>	<u>45,198</u>	<u>310,528</u>
Net (decrease) increase in cash	215,547	372,229	57,808	645,584
Cash at beginning of year	<u>69,764</u>	<u>241,562</u>	<u>-0-</u>	<u>311,326</u>
Cash at end of year	\$ <u>285,311</u>	\$ <u>613,791</u>	\$ <u>57,808</u>	\$ <u>956,910</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>BUSINESS TYPE ACTIVITIES</b>			<u>Total</u>
	<u>Airport</u> <u>Fund</u>	<u>Parking</u> <u>Authority</u>	<u>Building</u> <u>Commission</u>	
Reconciliation of operating income to net cash provided by operating activities				
Operating (loss) income	\$ ( 730,805)	\$ 215,876	\$ 391,338	\$ ( 123,591)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization	668,940	382,405	263,268	1,314,613
Nonoperating revenues	503,963	9,275	-0-	513,238
Gain on sale of investments	-0-	20,179	-0-	20,179
(Increase) decrease in:				
Accounts receivable	( 75,191)	( 61)	-0-	( 75,252)
Inventory	( 346)	-0-	-0-	( 346)
Due from/(to) other funds	( 140,324)	( 13,853)	49,181	( 104,996)
Increase (decrease) in:				
Accounts payable	325,026	( 25,684)	-0-	299,342
Accrued payroll and compensated absences	<u>16,684</u>	<u>8,851</u>	<u>-0-</u>	<u>25,535</u>
Net cash provided by (used in) operating activities	\$ <u>567,947</u>	\$ <u>596,988</u>	\$ <u>703,787</u>	\$ <u>1,868,722</u>

**Supplemental Schedule of Non-Cash Flow Information**

Capital assts in the amount of \$5,269,445 were transferred to the Building Commission Fund during the current fiscal year. \$1,365,600 were transferred from other entities and \$3,903,845 were transferred from other funds.

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, 2007**

	<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	\$ 2,841,264	\$ 2,841,264	\$ 2,873,433	\$ 23,749	\$ 2,897,182	\$ 32,169
Other taxes – business and public service	<u>11,840,000</u>	<u>13,110,000</u>	<u>14,468,680</u>	<u>121,602</u>	<u>14,590,282</u>	<u>1,358,680</u>
Total taxes	14,681,264	15,951,264	17,342,113	145,351	17,487,464	1,390,849
Licenses and permits	213,500	290,000	356,791	-0-	356,791	66,791
Charges for services	2,047,144	2,128,527	2,237,863	-0-	2,237,863	109,336
Fines and forfeitures	575,000	675,000	727,792	-0-	727,792	52,792
Franchise fees	260,000	280,000	282,046	-0-	282,046	2,046
Contributions	82,052	100,052	5,000	-0-	5,000	( 95,052)
Interest	50,000	185,000	227,554	-0-	227,554	42,554
Intergovernmental:						
Federal	175,120	175,120	183,617	( 23,504)	160,113	8,497
State	-0-	13,000	8,186	-0-	8,186	( 4,814)
Miscellaneous	<u>132,700</u>	<u>132,700</u>	<u>123,383</u>	<u>-0-</u>	<u>123,383</u>	<u>( 9,317)</u>
Total revenues	<u>18,216,780</u>	<u>19,930,663</u>	<u>21,494,345</u>	<u>121,847</u>	<u>21,616,192</u>	<u>1,563,682</u>
<b>Expenditures</b>						
General government	4,111,517	3,258,352	3,146,874	( 123,932)	3,022,942	111,478
Public safety	7,960,752	8,289,057	7,963,158	1,608,757	9,571,915	325,899
Highways and streets	3,117,946	3,265,885	2,920,280	28,217	2,948,497	345,605
Health and sanitation	-0-	-0-	-0-	-0-	-0-	-0-
Culture and recreation	<u>1,239,065</u>	<u>914,065</u>	<u>843,451</u>	<u>88,816</u>	<u>932,267</u>	<u>70,614</u>
Total expenditures	<u>16,429,280</u>	<u>15,727,359</u>	<u>14,873,763</u>	<u>1,601,858</u>	<u>16,475,621</u>	<u>853,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,787,500</u>	<u>4,203,304</u>	<u>6,620,582</u>	<u>( 1,480,011)</u>	<u>5,140,571</u>	<u>2,417,278</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers (out)	( 2,538,579)	( 5,152,443)	( 5,152,443)	-0-	( 5,152,443)	-0-
Total other financing sources (uses)	( 2,538,579)	( 5,152,443)	( 5,152,443)	-0-	( 5,152,443)	-0-
Net change in fund balance	( 751,079)	( 949,139)	1,468,139	( 1,480,011)	( 11,872)	2,417,278
Fund balance at beginning of year	<u>751,079</u>	<u>949,139</u>	<u>3,993,094</u>	<u>17,207,767</u>	<u>21,200,861</u>	<u>3,043,955</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,461,233</u>	\$ <u>15,727,756</u>	\$ <u>21,188,989</u>	\$ <u>5,461,233</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, 2007

**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, 2007**

	<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	\$ 200	\$ 200	\$ 2,923	\$ -0-	\$ 2,923	\$ 2,723
Intergovernmental:						
State	<u>87,000</u>	<u>87,000</u>	<u>96,435</u>	<u>2,403</u>	<u>98,838</u>	<u>9,435</u>
Total revenues	<u>87,200</u>	<u>87,200</u>	<u>99,358</u>	<u>2,403</u>	<u>101,761</u>	<u>12,158</u>
<b>Expenditures</b>						
General government	2,495	3,421	16	-0-	16	3,405
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>2,495</u>	<u>3,421</u>	<u>16</u>	<u>-0-</u>	<u>16</u>	<u>3,405</u>
Excess of revenues over expenditures	<u>84,705</u>	<u>83,779</u>	<u>99,342</u>	<u>2,403</u>	<u>101,745</u>	<u>15,563</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers (out)	<u>(87,695)</u>	<u>(110,642)</u>	<u>(110,642)</u>	<u>-0-</u>	<u>(110,642)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(87,695)</u>	<u>(110,642)</u>	<u>(110,642)</u>	<u>-0-</u>	<u>(110,642)</u>	<u>-0-</u>
Net change in fund balance	( 2,990)	( 26,863)	( 11,300)	2,403	( 8,897)	15,563
Fund balance at beginning of year	<u>2,990</u>	<u>26,863</u>	<u>26,864</u>	<u>22,500</u>	<u>49,364</u>	<u>( 1)</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>15,564</u>	\$ <u>24,903</u>	\$ <u>40,467</u>	\$ <u>15,562</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, 2007

	<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	\$ 19,110	\$ 11,820	\$ 1,590	\$ -0-	\$ -0-	\$ 32,520
Investments	13,088,513	10,110,277	32,767,454	45,209	6,187	56,017,640
Receivables:						
Contributions	484,743	461,649	82,794	-0-	-0-	1,029,186
Accrued interest	<u>55,370</u>	<u>42,357</u>	<u>38,981</u>	<u>-0-</u>	<u>-0-</u>	<u>136,708</u>
Total assets	<u>13,647,736</u>	<u>10,626,103</u>	<u>32,890,819</u>	<u>45,209</u>	<u>6,187</u>	<u>57,216,054</u>
<b>Liabilities</b>						
Accounts payable	<u>-0-</u>	<u>-0-</u>	<u>4,221</u>	<u>-0-</u>	<u>-0-</u>	<u>4,221</u>
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>4,221</u>	<u>-0-</u>	<u>-0-</u>	<u>4,221</u>
Net assets held in trust	\$ <u>13,647,736</u>	\$ <u>10,626,103</u>	\$ <u>32,886,598</u>	\$ <u>45,209</u>	\$ <u>6,187</u>	\$ <u>57,211,833</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, 2007**

	<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>Additions</b>						
Contributions:						
Employer	\$ 419,497	\$ 351,854	\$ 742,845	\$ -0-	\$ -0-	\$ 1,514,196
Employee	184,280	140,841	581,047	-0-	-0-	906,168
Insurance premium tax allocations	484,743	461,649	-0-	-0-	-0-	946,392
Other	<u>1,126,477</u>	<u>1,499,389</u>	<u>135,000</u>	<u>-0-</u>	<u>-0-</u>	<u>2,760,866</u>
Total contributions	<u>2,214,997</u>	<u>2,453,733</u>	<u>1,458,892</u>	<u>-0-</u>	<u>-0-</u>	<u>6,127,622</u>
Investment income:						
Net appreciation in fair value of investments	1,226,429	1,019,198	2,910,788	1,252	569	5,158,236
Interest and dividends	<u>435,342</u>	<u>314,912</u>	<u>1,048,840</u>	<u>3,032</u>	<u>165</u>	<u>1,802,291</u>
Total investment income	<u>1,661,771</u>	<u>1,334,110</u>	<u>3,959,628</u>	<u>4,284</u>	<u>734</u>	<u>6,960,527</u>
Total additions	<u>3,876,768</u>	<u>3,787,843</u>	<u>5,418,520</u>	<u>4,284</u>	<u>734</u>	<u>13,088,149</u>
<b>Deductions</b>						
General and administrative	127,103	112,683	134,081	1,792	95	375,754
Benefit payments	<u>1,294,289</u>	<u>1,103,671</u>	<u>1,464,813</u>	<u>-0-</u>	<u>-0-</u>	<u>3,862,773</u>
Total deductions	<u>1,421,392</u>	<u>1,216,354</u>	<u>1,598,894</u>	<u>1,792</u>	<u>95</u>	<u>4,238,527</u>
Net increase (decrease)	2,455,376	2,571,489	3,819,626	2,492	639	8,849,622
Net assets – beginning 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>
Net assets – end of year	\$ <u>13,647,736</u>	\$ <u>10,626,103</u>	\$ <u>32,886,598</u>	\$ <u>45,209</u>	\$ <u>6,187</u>	\$ <u>57,211,833</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, 2007**

**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, 2007.

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, 2007**

**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, 2007**

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, 2007

**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, 2007

**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, 2007

(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, 2007**

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, 2007

***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, 2007

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, 2007

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, 2007 was \$62,908.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**(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. The fund balance has been reserved for payment of future claims including any claims incurred and not yet reported at June 30, 2007.

**(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, 2007**

**(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, 2007. 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, 2007

<u>Non-Pooled Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
General Fund	\$ 47,456	\$ 1,764,799	\$ -0-	\$ -0-	\$ 1,860,504
Special Revenue Funds	133,489	1,117,946	-0-	-0-	1,215,814
Capital Project Funds	40,238	2,202,382	-0-	-0-	3,469,630
Enterprise Funds	<u>37,299</u>	<u>755,163</u>	<u>-0-</u>	<u>-0-</u>	<u>956,910</u>
Total deposits	\$ <u>258,482</u>	\$ <u>5,840,290</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>7,502,858</u>

<u>Fiduciary Funds</u>	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Fiduciary Funds	\$ <u>324,542</u>	\$ <u>324,542</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>32,520</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, 2007

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, 2007. 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, 2007**

<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	\$ 1,351,308	\$ -0-	\$ -0-	\$ 1,351,308	\$ 1,351,308
Mutual Funds	788,126	-0-	-0-	788,126	694,715
U.S. Government Obligations	588,426	-0-	-0-	588,426	587,819
Corporate Stocks	709,925	-0-	-0-	709,925	532,584
Certificates of Deposit	<u>1,032,287</u>	<u>-0-</u>	<u>-0-</u>	<u>1,032,287</u>	<u>1,033,597</u>
Total investments	\$ <u>4,470,072</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	4,470,072	4,200,023
Investments in municipal bond commission				<u>775,268</u>	<u>775,268</u>
Total investments				\$ <u>5,245,340</u>	\$ <u>4,975,291</u>

Investments reported on financial statement as follows:

Investments	\$ 3,584,713
Restricted assets	<u>1,660,627</u>
	\$ <u>5,245,340</u>

**Credit Risk**

State law limit investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2007, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market Funds	\$ 1,351,308	AAA	AAA
Mutual Funds	788,126	AAA	AAA
U.S. Government Obligations	588,426	AAA	AAA
Corporate Stocks	709,925	N/A	N/A
Certificates of Deposit	<u>1,032,287</u>	A-AAA	A1-AAA
	\$ <u>4,470,072</u>		

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Interest Rate Risk**

As of June 30, 2007, the City had the following investments and maturities exposed to interest rate risk.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Government obligations	\$ 588,426	\$ 167,941	\$ 420,485	\$ -0-	\$ -0-
Certificates of Deposit	1,032,287	958,357	73,930	-0-	-0-
	<u>\$ 1,620,713</u>	<u>\$ 1,126,298</u>	<u>\$ 494,415</u>	<u>\$ -0-</u>	<u>\$ -0-</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	\$ 1,675,809	\$ -0-	\$ -0-	\$ 1,675,809	\$ 1,675,809
Mutual Funds	335,590	-0-	-0-	335,590	256,944
Certificates of Deposit	119,310	-0-	-0-	119,310	120,170
Corporate Stocks	29,588,448	-0-	-0-	29,588,448	22,688,266
Corporate Bonds	3,335,158	-0-	-0-	3,335,158	3,477,359
U.S. Government Obligations	<u>20,963,325</u>	<u>-0-</u>	<u>-0-</u>	<u>20,963,325</u>	<u>21,000,589</u>
Total investments	<u>\$ 56,017,640</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 56,017,640</u>	<u>\$ 49,219,137</u>

**Credit Risk**

State law limit investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code. As of June 30, 2007, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market Funds	\$ 1,675,809	AAA	AAA
Mutual Funds	335,590	A-AAA	A1-AAA
Certificates of Deposit	119,310	A-AAA	A1-AAA
Corporate Stocks	29,588,448	N/A	N/A
Corporate Bonds	3,335,158	A-AAA	AAA
U.S. Government Obligations	<u>20,963,325</u>	AAA	AAA
	<u>\$ 56,017,640</u>		

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007**

**Interest Rate Risk**

As of June 30, 2007, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Government obligations	\$ 20,963,325	\$ 812,698	\$ 7,513,362	\$ 9,043,636	\$ 3,593,629
Certificates of Deposit	119,310	-0-	-0-	119,310	-0-
Corporate Bonds	<u>3,335,158</u>	<u>105,825</u>	<u>1,731,428</u>	<u>863,536</u>	<u>634,369</u>
	\$ <u>24,417,793</u>	\$ <u>918,523</u>	\$ <u>9,244,790</u>	\$ <u>10,026,482</u>	\$ <u>4,227,998</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, 2007 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Expense</u>	<u>Current</u>
Class I	\$	-0-	12.17¢
Class II		255,642,546	24.34¢
Class IV		511,696,686	48.68¢

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 5,290,347	\$ 997,935	\$ -0-	\$ 6,288,282
Construction in process	<u>3,314,421</u>	<u>703,258</u>	<u>2,597,316</u>	<u>1,420,363</u>
Total nondepreciable capital assets	<u>8,604,768</u>	<u>1,701,193</u>	<u>2,597,316</u>	<u>7,708,645</u>
Depreciable capital assets				
Land improvements	850,945	217,077	-0-	1,068,022
Buildings	10,853,053	1,949,629	1,210,721	11,591,961
Infrastructure	3,485,277	5,037,501	2,693,124	5,829,654
Machinery and equipment	2,104,112	287,561	51,628	2,340,045
Furniture and fixtures	194,020	-0-	-0-	194,020
Vehicles	5,052,274	324,222	199,610	5,176,886
Books and videos	<u>4,665,505</u>	<u>195,984</u>	<u>127,211</u>	<u>4,734,278</u>
Totals at historical cost	<u>27,205,186</u>	<u>8,011,974</u>	<u>4,282,294</u>	<u>30,934,866</u>
Less: Accumulated depreciation				
Land improvements	430,094	42,854	-0-	472,948
Buildings	2,786,618	267,705	-0-	3,054,323
Infrastructure	298,775	92,599	-0-	391,374
Machinery and equipment	1,374,326	166,999	51,628	1,489,697
Furniture and fixtures	92,198	8,190	-0-	100,388
Vehicles	3,628,035	351,760	199,610	3,780,185
Books and videos	<u>2,643,279</u>	<u>927,246</u>	<u>76,326</u>	<u>3,494,199</u>
Total accumulated depreciation	<u>11,253,325</u>	<u>1,857,353</u>	<u>327,564</u>	<u>12,783,114</u>
Total depreciation capital assets, net	<u>15,951,861</u>	<u>6,154,621</u>	<u>3,954,730</u>	<u>18,151,752</u>
Governmental activities capital assets, net	\$ <u>24,556,629</u>	\$ <u>7,855,814</u>	\$ <u>6,552,046</u>	\$ <u>25,860,397</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Enterprise Activities</b>				
Nondepreciable capital assets				
Land	\$ 2,251,583	\$ 722,500	\$ -0-	\$ 2,974,083
Construction in process	<u>8,667,682</u>	<u>5,409,633</u>	<u>1,149,842</u>	<u>12,927,473</u>
Total nondepreciable capital assets	<u>10,919,265</u>	<u>6,132,133</u>	<u>1,149,842</u>	<u>15,901,556</u>
Depreciable capital assets				
Land improvements	24,400	643,100	-0-	667,500
Buildings	12,892,767	3,903,845	-0-	16,796,612
Structures and improvements	21,226,010	1,224,332	-0-	22,450,342
Leasehold improvements	90,965	-0-	-0-	90,965
Machinery and equipment	<u>2,222,774</u>	<u>-0-</u>	<u>-0-</u>	<u>2,222,774</u>
Total at historical cost	<u>36,456,916</u>	<u>5,771,277</u>	<u>-0-</u>	<u>42,228,193</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Less: Accumulated depreciation				
Land improvements	\$ 16,800	\$ 7,231	\$ -0-	\$ 24,031
Buildings	2,246,921	443,523	-0-	2,690,444
Structures and improvements	10,955,732	725,544	-0-	11,681,276
Leasehold improvements	86,356	4,609	-0-	90,965
Machinery and equipment	<u>1,867,314</u>	<u>133,707</u>	<u>-0-</u>	<u>2,001,021</u>
Total accumulated depreciation	<u>15,173,123</u>	<u>1,314,614</u>	<u>-0-</u>	<u>16,487,737</u>
Total depreciable capital assets, net	<u>21,283,793</u>	<u>4,456,663</u>	<u>-0-</u>	<u>25,740,456</u>
Enterprise activities capital assets, net	\$ <u>32,203,058</u>	\$ <u>10,588,796</u>	\$ <u>1,149,842</u>	\$ <u>41,642,012</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 160,719
Public safety	326,506
Highways and streets	129,716
Culture and recreation	<u>1,240,412</u>
Total depreciation expense	\$ <u>1,857,353</u>

## 5. Long-Term Debt

Long-term liability activity for the year ended June 30, 2007 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	\$ 1,398,095	\$ 145,253	\$ -0-	\$ 1,543,348	\$ -0-	\$ 1,543,348
Obligation under capital lease	129,646	288,026	62,056	355,616	105,357	250,259
Net pension benefit obligation	<u>1,468,245</u>	<u>1,508,341</u>	<u>-0-</u>	<u>2,976,586</u>	<u>-0-</u>	<u>2,976,586</u>
Governmental activities long-term liabilities	\$ <u>2,995,986</u>	\$ <u>1,941,620</u>	\$ <u>62,056</u>	\$ <u>4,875,550</u>	\$ <u>105,357</u>	\$ <u>4,770,193</u>

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007**

**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, 2007:

<u>Fiscal Year Ending June 30</u>	
2008	\$ 19,914
2009	<u>19,914</u>
	39,828
Less: Amount representing interest	<u>2,376</u>
	37,452
Less: Current maturities	<u>18,341</u>
Non-current maturities	\$ <u>19,111</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 equipment. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2007:

<u>Fiscal Year Ending June 30</u>	
2008	\$ 55,281
2009	55,281
2010	55,281
2011	<u>55,281</u>
	221,124
Less: Amount representing interest	<u>27,316</u>
	193,808
Less: Current maturities	<u>44,911</u>
Non-current maturities	\$ <u>148,897</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2007

The Board of Parks and Recreation Commissioners of the City of Morgantown entered into a capital lease to finance the acquisition of an HVAC system for the Wiles Hills Elementary School Building. The lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2007:

Fiscal Year Ending June 30

2008	\$ 50,000
2009	50,000
2010	<u>38,206</u>
	138,206
Less: Amount representing interest	<u>13,850</u>
	124,356
Less: Current maturities	<u>42,105</u>
Non-current maturities	\$ <u>82,251</u>

The following is a schedule of future minimum lease payments required under all governmental fund capital leases and the present value of the net minimum lease payments at June 30, 2007:

Fiscal Year Ending June 30

2008	\$ 125,195
2009	125,195
2010	93,487
2011	<u>55,281</u>
	399,158
Less: Amount representing interest	<u>43,542</u>
	355,616
Less: Current maturities	<u>105,357</u>
Non-current maturities	\$ <u>250,259</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

The following is a summary of bonds payable at June 30, 2007:

	<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	\$ 6,750,000	\$ -0-	\$ 390,000	\$ 6,360,000	\$ 395,000	\$ 5,965,000
2002 Parking Revenue Bonds	<u>5,622,953</u>	<u>-0-</u>	<u>192,481</u>	<u>5,430,472</u>	<u>130,000</u>	<u>5,300,472</u>
Total bonds payable	<u>12,372,953</u>	<u>-0-</u>	<u>582,481</u>	<u>11,790,472</u>	<u>525,000</u>	<u>11,265,472</u>
<b>Other long-term debt</b>						
Notes payable	56,794	-0-	8,545	48,249	8,204	40,045
Accrued compensated absences	<u>168,286</u>	<u>-0-</u>	<u>7,319</u>	<u>160,967</u>	<u>160,967</u>	<u>-0-</u>
Total other long-term debt	<u>225,080</u>	<u>-0-</u>	<u>15,864</u>	<u>209,216</u>	<u>169,171</u>	<u>40,045</u>
Total long-term debt	\$ <u>12,598,033</u>	\$ <u>-0-</u>	\$ <u>598,345</u>	\$ <u>11,999,688</u>	\$ <u>694,171</u>	\$ <u>11,305,517</u>

**2003 Municipal Building Lease Revenue Refunding Bond**

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	445,000	180,965	625,965
2013-2017	2,445,000	656,400	3,101,400
2018-2019	<u>1,830,000</u>	<u>124,200</u>	<u>1,954,200</u>
Total	\$ <u>6,360,000</u>	\$ <u>1,807,950</u>	\$ <u>8,167,950</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, 2007 was \$885,358.

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**2002 Parking Revenue Bonds**

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	145,000	233,908	378,908
2013-2017	815,000	1,080,926	1,895,926
2018-2022	1,005,000	889,405	1,894,405
2023-2027	1,270,000	623,728	1,893,728
2028-2032	1,630,000	274,193	1,904,193
2033	<u>30,472</u>	<u>4,579</u>	<u>35,051</u>
<b>Total</b>	<b>\$ <u>5,430,472</u></b>	<b>\$ <u>4,090,308</u></b>	<b>\$ <u>9,520,780</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***

6.00%: installment obligation; payable in monthly installments of \$906. Repayment at June 30, 2007 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 8,204	\$ 2,672	\$ 10,876
2009	8,711	2,165	10,876
2010	9,248	1,628	10,876
2011	9,818	1,058	10,876
2012	10,424	452	10,876
2013	<u>1,844</u>	<u>14</u>	<u>1,858</u>
	<b>\$ <u>48,249</u></b>	<b>\$ <u>7,989</u></b>	<b>\$ <u>56,238</u></b>

CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2007

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, 2007 is as follows:

Total wages	\$ 1,026,216
Employer share 10.50%	\$ 107,753
Employee share 4.50%	\$ 46,180

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, 2007

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, 2006.

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, 2006.

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, 2006.

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, 2007**

Memberships of the plans are as follows:

Group	PPRF	FPRF	ERF	Totals
Active employees:				
Fully vested and nonvested	53	47	256	356
Vested terminated benefits	-0-	-0-	6	6
Retirees and beneficiaries currently receiving benefits	<u>48</u>	<u>54</u>	<u>91</u>	<u>193</u>
Total	<u>101</u>	<u>101</u>	<u>353</u>	<u>555</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, 2007**

**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	7/1/06	7/1/06
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	6.5%	7.5%
Projected salary increases	5%	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.	None

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

**Reserves**

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

**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	\$ 593,318
(2) Employee contributions	<u>133,290</u>
(3) Net employer and state normal costs	<u>460,028</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2007

(4)	Actuarial accrued liability	\$ 23,313,655
(5)	Actuarial value of fund assets	<u>8,054,815</u>
(6)	Unfunded actuarial accrued liability [(4) minus (5)]	15,258,840
(7)	Amortization of actuarial accrued liability over 40 years	1,126,084
(8)	Total employer and state cost [(3) plus (7)]	1,586,112
(9)	Estimated state contribution	446,325
(10)	Total employer contribution [(8) minus (9)]	\$ 1,139,787

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

Annual pension cost	\$ 1,126,556
Contributions made	<u>419,497</u>
Increase in net pension obligation	707,059
Net pension obligation at beginning of year	<u>1,619,274</u>
 Net pension obligation at end of year	 \$ <u>2,326,333</u>

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 1,126,555	\$ 419,497	\$ 2,326,333
2006	1,073,468	669,286	1,619,274
2005	575,963	496,718	1,214,992
2004	576,892	1,419,026	1,135,747
2003	578,423	330,029	1,977,881
2002	557,370	299,093	1,729,487

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007**

**Schedule of Funding Status**

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

**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%
6/30/04	654,614	327,307	50%
6/30/05	700,436	350,218	50%

**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	\$ 646,134
(2) Employee contributions	<u>164,955</u>
(3) Net employer and state normal costs	<u>481,179</u>
(4) Actuarial accrued liability	25,964,649
(5) Actuarial value of fund assets	<u>11,192,360</u>
(6) Unfunded actuarial accrued liability [(4) minus (5)]	14,772,289
(7) Amortization of actuarial accrued liability over 40 years	664,772

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007

(8) Total employer and state cost [(3) plus (7)]		\$ 1,145,951
(9) Estimated state contribution		<u>472,368</u>
(10) Total employer contribution [(8) minus (9)]		\$ <u><u>673,583</u></u>

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

Annual pension cost	\$ 1,137,492
Contributions made	<u>350,218</u>
Increase in net pension obligation	787,274
Net pension obligation at beginning of year	<u>172,801</u>
 Net pension obligation at end of year	 \$ <u><u>960,075</u></u>

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 1,137,493	\$ 350,218	\$ 960,075
2006	1,090,158	1,418,840	172,801
2005	648,802	543,143	501,483
2004	683,719	3,332,444	395,824
2003	717,936	279,315	3,044,549
2002	689,570	245,085	2,605,928

**Schedule of Funding Status**

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

CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2007

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%
6/30/04	700,095	392,053	56%
6/30/05	762,722	419,497	55%

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, 2007	\$ 773,719
Interest on net pension obligation (NPO)	( 23,237)
Adjustments to NPO	<u>30,548</u>
Annual pension cost	781,030
Employer contributions for the year ended June 30, 2007	<u>650,429</u>
Increase (decrease) to NPO	130,601
Net pension obligation (asset) at July 1, 2005	<u>179,221</u>
Net pension obligation (asset) at June 30, 2006	\$ <u>309,822</u>

**CITY OF MORGANTOWN, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Employee's Pension and Relief Fund**

**Schedules of Funding Progress**

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

**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	596,106	( 9,034)
July 1, 2005	660,556	653,297	( 7,259)
July 1, 2006	773,719	NA	NA

**Deferred Compensation Plan**

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

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007**

**Other Postemployment Benefits**

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

**7. Interfund Balances**

Individual fund interfund receivable and payable balances at June 30, 2007 for fund financial:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 7,708	\$ -0-
<b>Special Revenue Funds</b>		
Public library	7,874	-0-
Life and Health Fund	11,088	-0-
Community Development Block Grant	-0-	405
Economic Development Grant	-0-	42,463
<b>Capital Project Funds</b>		
Capital reserve	155,081	-0-
Library excess levy II	-0-	9,685
Tax increment financing	-0-	71,504
Capital projects – Clay Battelle Branch	1,790	-0-
Business Improvement District	-0-	41,114
<b>Enterprise Funds</b>		
Airport fund	-0-	4,150
Parking Authority	<u>-0-</u>	<u>14,220</u>
	<b>\$ <u>183,541</u></b>	<b>\$ <u>183,541</u></b>

CITY OF MORGANTOWN, WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2007

**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.

**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. Debt Service Coverage**

The debt service coverage factor for the Parking Authority has been calculated as follows for the year ended June 30, 2007:

Total revenues	\$ 2,189,046
Less: Gain in market value of investments	( 20,179)
Adjusted gross revenues	2,168,867
 Total expenses	 <u>1,857,437</u>
	311,430
Add: Depreciation expense	<u>382,405</u>
 Amount available for debt service and capital expenditures	 \$ <u>693,835</u>
 Maximum annual debt service	 \$ <u>381,420</u>
 Calculated debt service coverage factor	 1.82
 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, 2007.

**CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007**

**11. Tax Increment Financing Bonds**

Tax Increment financing bonds are used to finance economic development within the City. The bond proceeds are used to fund various construction projects with the City of Morgantown. Real estate value is thus increased and will provide increased future tax revenue to the City. The difference in the amount of real estate taxes attributable to the Tax Increment Financing property prior to and subsequent to the development of the property constitutes the "increment" that is available to pay debt service on the bonds. The bonds are not guaranteed by the full faith and credit of the City of Morgantown, and as a result are not recorded in the City's financial statements.

As of June 30, 2007, the following is a list of Tax Increment Financing bonds outstanding:

Morgantown 2006A	\$ 5,892,103
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**12. Lease of Property**

On April 30, 2007, the City of Morgantown Building Commission entered into a lease agreement with the West Virginia University Board of Governors for the lease of docks to West Virginia University. The lease payment is \$756 per month and will be used to reduce the cost of the docks of \$90,720 expended by the City of Morgantown.

On April 30, 2007, the City of Morgantown Building Commission entered into a lease agreement with Platinum Properties Limited Liability Company for the lease of a parcel of real estate located in the First Ward of the City of Morgantown to Platinum Properties Limited Liability Company. This lease is for a period of 50 years and requires Platinum Properties Limited Liability Company to remit a rental payment of \$1 per year.

On January 1, 2007, the Board of Parks and Recreation Commissioners of the City of Morgantown entered into an operating lease for the lease of certain real estate located in the First Ward of the City of Morgantown. The lease is for sixty four months expiring on April 30, 2012 and requires a monthly rental payment of \$8,333. The following is a summary of future lease payment requirements.

<u>Fiscal Year</u>	
2008	\$ 99,996
2009	99,996
2010	99,996
2011	<u>83,330</u>
	<b>\$ <u>383,318</u></b>

CITY OF MORGANTOWN, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007

**13. Restatement of Net Assets**

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

Net assets as previously presented	\$ 32,856,547
Less: Understatement of net pension obligation	( <u>1,468,245</u> )
Net assets as restated	\$ <u>31,388,302</u>

CITY OF MORGANTOWN, WEST VIRGINIA  
 COMBINING FUND BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS-  
 JUNE 30, 2007

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total (Memorandum Only)</u>
<b>ASSETS</b>			
Cash	\$ 331,916	\$ 750,739	\$ 1,082,655
Investments	2,264,606	105,110	2,369,716
Receivables (net of allowances for uncollectibles)			
Accounts	-0-	47,392	47,392
Grants	25,520	20,326	45,846
Due from/(to) other funds	7,469	(120,513)	( 113,044)
Prepaid expenses	<u>1,825</u>	<u>-0-</u>	<u>1,825</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,631,336</u></b>	<b>\$ <u>803,054</u></b>	<b>\$ <u>3,434,390</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 28,213	\$ 537,635	\$ 565,848
Accrued payroll and compensated absences	61,349	-0-	61,349
Deferred revenue	<u>-0-</u>	<u>24,461</u>	<u>24,461</u>
Total liabilities	<u>89,562</u>	<u>562,096</u>	<u>651,658</u>
<b>Fund Balances</b>			
Reserved for unemployment	11,872	-0-	11,872
Unreserved	<u>2,529,902</u>	<u>240,958</u>	<u>2,770,860</u>
Total fund balances	<u>2,541,774</u>	<u>240,958</u>	<u>2,782,732</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>2,631,336</u></b>	<b>\$ <u>803,054</u></b>	<b>\$ <u>3,434,390</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, 2007**

	<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	\$ 36,205	\$ -0-	\$ 36,205
Fines and forfeits	74,079	-0-	74,079
Interest	96,336	13,177	109,513
Donations	26,251	71,922	98,173
Taxes	-0-	558,133	558,133
Intergovernmental:			
Federal	886,392	447,988	1,334,380
State	581,827	12,800	594,627
County	270,000	15,000	285,000
Gain (loss) on investments	141,652	-0-	141,652
Other	5,018	-0-	5,018
Total revenues	<u>2,117,760</u>	<u>1,119,020</u>	<u>3,236,780</u>
<b>Expenditures</b>			
General government	8,644	6,269	14,913
Public safety	94,712	-0-	94,712
Culture and recreation	1,467,704	-0-	1,467,704
Community development	<u>868,811</u>	<u>1,431,383</u>	<u>2,300,194</u>
Total expenditures	<u>2,439,871</u>	<u>1,437,652</u>	<u>3,877,523</u>
(Deficiency) excess of revenues (under) over expenditures	( <u>322,111</u> )	( <u>318,632</u> )	( <u>640,743</u> )
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	713,926	434,845	1,148,771
Operating transfers (out)	( <u>110,642</u> )	-0-	( <u>110,642</u> )
Total other financing sources (uses)	<u>603,284</u>	<u>434,845</u>	<u>1,038,129</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	281,173	116,213	397,386
Fund balance beginning of year	<u>2,260,601</u>	<u>124,745</u>	<u>2,385,346</u>
Fund balance end of year	\$ <u>2,541,774</u>	\$ <u>240,958</u>	\$ <u>2,782,732</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, 2007**

	<u>Coal Severance Fund</u>	<u>Community Development Block Grant</u>	<u>Public Library</u>	<u>Police Forfeiture</u>	<u>Special Grants</u>	<u>Local Law Enforcement Grant</u>	<u>Small Cities Block Grant</u>	<u>Library Expendable Trust</u>	<u>Dorsey's Knob Escrow</u>	<u>Total (Memorandum Only)</u>
<b>ASSETS</b>										
Cash	\$ 15,564	\$ 3,324	\$ 237,446	\$ 58,379	\$ -0-	\$ 16,810	\$ 393	\$ -0-	\$ -0-	\$ 331,916
Investments	-0-	80,126	1,057,532	-0-	-0-	-0-	-0-	1,126,948	-0-	2,264,606
Receivables (net of allowances for uncollectibles)										
Grants	-0-	-0-	-0-	-0-	25,520	-0-	-0-	-0-	-0-	25,520
Due from/(to) other funds	-0-	( 405)	7,874	-0-	-0-	-0-	-0-	-0-	-0-	7,469
Prepaid expenses	-0-	-0-	1,825	-0-	-0-	-0-	-0-	-0-	-0-	1,825
<b>TOTAL ASSETS</b>	<b>\$ <u>15,564</u></b>	<b>\$ <u>83,045</u></b>	<b>\$ <u>1,304,677</u></b>	<b>\$ <u>58,379</u></b>	<b>\$ <u>25,520</u></b>	<b>\$ <u>16,810</u></b>	<b>\$ <u>393</u></b>	<b>\$ <u>1,126,948</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>2,631,336</u></b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable	\$ -0-	\$ 1,807	\$ 886	\$ -0-	\$ 25,520	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 28,213
Accrued payroll and compensated absences	-0-	2,231	59,118	-0-	-0-	-0-	-0-	-0-	-0-	61,349
Total liabilities	-0-	4,038	60,004	-0-	25,520	-0-	-0-	-0-	-0-	89,562
<b>Fund Balances</b>										
Reserved for unemployment	-0-	-0-	11,872	-0-	-0-	-0-	-0-	-0-	-0-	11,872
Unreserved	15,564	79,007	1,232,801	58,379	-0-	16,810	393	1,126,948	-0-	2,529,902
Total fund balances	15,564	79,007	1,244,673	58,379	-0-	16,810	393	1,126,948	-0-	2,541,774
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>15,564</u></b>	<b>\$ <u>83,045</u></b>	<b>\$ <u>1,304,677</u></b>	<b>\$ <u>58,379</u></b>	<b>\$ <u>25,520</u></b>	<b>\$ <u>16,810</u></b>	<b>\$ <u>393</u></b>	<b>\$ <u>1,126,948</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>2,631,336</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, 2007**

<u>Only</u>	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block 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)</u>
<b>Revenues</b>										
Charges for services	\$ -0-	\$ -0-	\$ 36,205	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 36,205
Fines and forfeits	-0-	-0-	19,189	54,890	-0-	-0-	-0-	-0-	-0-	74,079
Interest	2,923	2,019	39,576	4,123	-0-	338	-0-	47,357	-0-	96,336
Donation	-0-	-0-	26,251	-0-	-0-	-0-	-0-	-0-	-0-	26,251
Intergovernmental:										
Federal	-0-	866,499	-0-	-0-	-0-	19,893	-0-	-0-	-0-	886,392
State	96,435	-0-	367,034	-0-	118,358	-0-	-0-	-0-	-0-	581,827
County	-0-	-0-	270,000	-0-	-0-	-0-	-0-	-0-	-0-	270,000
Gain (loss) on investments	-0-	-0-	36,241	-0-	-0-	-0-	-0-	105,411	-0-	141,652
Other	-0-	-0-	5,018	-0-	-0-	-0-	-0-	-0-	-0-	5,018
Total revenues	<u>99,358</u>	<u>868,518</u>	<u>799,514</u>	<u>59,013</u>	<u>118,358</u>	<u>20,231</u>	<u>-0-</u>	<u>152,768</u>	<u>-0-</u>	<u>2,117,760</u>
<b>Expenditures</b>										
General government	16	1,500	-0-	-0-	-0-	-0-	-0-	7,115	13	8,644
Public safety	-0-	-0-	-0-	62,525	-0-	32,187	-0-	-0-	-0-	94,712
Culture and recreation	-0-	-0-	1,138,247	-0-	118,358	-0-	-0-	-0-	211,099	1,467,704
Community development	-0-	868,811	-0-	-0-	-0-	-0-	-0-	-0-	-0-	868,811
Total expenditures	<u>16</u>	<u>870,311</u>	<u>1,138,247</u>	<u>62,525</u>	<u>118,358</u>	<u>32,187</u>	<u>-0-</u>	<u>7,115</u>	<u>211,112</u>	<u>2,439,871</u>
(Deficiency) excess of revenues (under) over expenditures	<u>99,342</u>	<u>( 1,793)</u>	<u>( 338,733)</u>	<u>( 3,512)</u>	<u>-0-</u>	<u>(11,956)</u>	<u>-0-</u>	<u>145,653</u>	<u>(211,112)</u>	<u>( 322,111)</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, 2007

	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Block 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</u>
<u>Only)</u>										
<b>Other Financing Sources (Uses)</b>										
Operating transfers in	\$ -0-	\$ -0-	\$ 502,827	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 211,099	\$ 713,926
Operating transfer (out)	(110,642)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	( 110,642)
Total other financing sources (uses)	(110,642)	-0-	502,827	-0-	-0-	-0-	-0-	-0-	211,099	603,284
(Deficiency) excess of revenues (under) over expenditures and other financing uses	( 11,300)	( 1,793)	164,094	( 3,512)	-0-	(11,956)	-0-	145,653	( 13)	281,173
Fund balance beginning of year	26,864	80,800	1,080,579	61,891	-0-	28,766	393	981,295	13	2,260,601
Fund balance end of year	\$ 15,564	\$ 79,007	\$ 1,244,673	\$ 58,379	\$ -0-	\$ 16,810	\$ 393	\$ 1,126,948	\$ -0-	\$ 2,541,774

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, 2007

	<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>Business</u> <u>Improvement</u> <u>District</u>	<u>Tax</u> <u>Increment</u> <u>Financing</u>	<u>Total</u> <u>(Memorandum Only)</u>
<b>ASSETS</b>						
Cash	\$ -0-	\$ -0-	\$ -0-	\$ 2,651	\$ 748,088	\$ 750,739
Investments	20,482	-0-	84,628	-0-	-0-	105,110
Accounts receivable	-0-	-0-	-0-	-0-	47,392	47,392
Grants receivable	-0-	-0-	-0-	20,326	-0-	20,326
Due from/(to) other funds	( 9,685)	-0-	1,790	(41,114)	( 71,504)	(120,513)
<b>TOTAL ASSETS</b>	<b>\$ <u>10,797</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>86,418</u></b>	<b>\$ <u>(18,137)</u></b>	<b>\$ <u>723,976</u></b>	<b>\$ <u>803,054</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ -0-	\$ -0-	\$ -0-	\$ 25,408	\$ 512,227	\$ 537,635
Deferred revenues	-0-	-0-	-0-	-0-	24,461	24,461
Total liabilities	-0-	-0-	-0-	25,408	536,688	562,096
<b>Fund Balances</b>						
Unreserved	10,797	-0-	86,418	(43,545)	187,288	240,958
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>10,797</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>86,418</u></b>	<b>\$ <u>(18,137)</u></b>	<b>\$ <u>723,976</u></b>	<b>\$ <u>803,054</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 -  
 CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

	<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>Business</u> <u>Improvement</u> <u>District</u>	<u>Tax</u> <u>Increment</u> <u>Financing</u>	<u>Total</u> <u>(Memorandum Only)</u>
<b>Revenues</b>						
Interest	\$ 841	\$ -0-	\$ 2,775	\$ 1,719	\$ 7,842	\$ 13,177
Donations	-0-	-0-	2,580	69,342	-0-	71,922
Taxes	-0-	-0-	-0-	20,008	538,125	558,133
Intergovernmental:						
Federal	-0-	-0-	-0-	447,988	-0-	447,988
State	-0-	-0-	12,800	-0-	-0-	12,800
County	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>	<u>-0-</u>	<u>-0-</u>	<u>15,000</u>
Total revenues	<u>841</u>	<u>-0-</u>	<u>33,155</u>	<u>539,057</u>	<u>545,967</u>	<u>1,119,020</u>
<b>Expenditures</b>						
General government	-0-	-0-	-0-	143	6,126	6,269
Community development	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,106,888</u>	<u>324,495</u>	<u>1,431,383</u>
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,107,031</u>	<u>330,621</u>	<u>1,437,652</u>
(Deficiency) excess of revenues (under) over expenditures	<u>841</u>	<u>-0-</u>	<u>33,155</u>	<u>( 567,974)</u>	<u>215,346</u>	<u>( 318,632)</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfer in	-0-	-0-	-0-	434,845	-0-	434,845
Operating transfer (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>434,845</u>	<u>-0-</u>	<u>434,845</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	841	-0-	33,115	( 133,129)	215,346	116,213
Fund balance beginning of year	<u>9,956</u>	<u>-0-</u>	<u>53,263</u>	<u>89,584</u>	<u>( 28,058)</u>	<u>124,745</u>
Fund balance end of year	\$ <u>10,797</u>	\$ <u>-0-</u>	\$ <u>86,418</u>	\$ <u>( 43,545)</u>	\$ <u>187,288</u>	\$ <u>240,958</u>

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2007, which collectively comprise the City of Morgantown, West Virginia's basic financial statements and have issued our report thereon dated March 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Morgantown, West Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Morgantown, West Virginia's financial statements that is more than inconsequential will not be prevented or detected by the City of Morgantown, West Virginia's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Morgantown, West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed *no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.*

This report is intended solely for the information and use of the Municipal Officials of the City of Morgantown, West Virginia, federal and state 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.

*Getrick, Bartlett, PLLC*

March 7, 2008

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, 2007. 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, 2007.

### **Internal Control Over Compliance**

The management of the City of Morgantown, West Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Morgantown, West Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Morgantown, West Virginia's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Municipal Officials of the City of Morgantown, West Virginia, federal and state 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 + Bantlett, PLLC*

March 7, 2008

CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

**A. Summary of Audit Results**

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

**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, 2007

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, 2007; United States Department of Transportation – Federal Highway Administration – Highway Planning and Construction Grant – CFDA 20.205 – Fiscal year Ended June 30, 2007; United States Department of Housing and Urban Development – Community Planning and Development – Community Development Block Grant – CFDA 14.218 – Fiscal Year Ended June 30, 2007.*

None

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Accrued or (Deferred) Revenue at July 1, 2006</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2007</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	F06-HS05-402	\$ -0-	\$ 2,009	\$ 2,009	\$ -0-
<u>Federal Aviation Administration</u>						
Airport Improvement Program	20.106	3-54-0015-028-2007	-0-	80,955	80,955	-0-
Airport Improvement Program	20.106	3-54-0015-024-2005	-0-	166,443	166,443	-0-
Airport Improvement Program	20.106	3-54-0015-020-2003	-0-	6,026	6,026	-0-
Airport Improvement Program	20.106	3-54-0015-026-2005	-0-	1,965,326	1,965,326	-0-
Airport Improvement Program	20.106	3-54-0015-027-2006	-0-	2,951,913	2,951,913	-0-
Small Communities Air Service Department	20.930	2004-8-30	-0-	27,746	27,746	-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-OQ22(001)E	-0-	197,458	197,458	-0-
Highway Planning and Construction Grant	20.205	TEA-OH22(001)E	-0-	225,995	225,995	-0-
Highway Planning and Construction Grant	20.205	TEA-OH22(001)E	-0-	20,326	20,326	-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	2006-DJ-BX-0850	-0-	19,893	19,893	-0-
Bulletproof Vest Partnership Program	16.607		-0-	1,632	1,632	-0-

**CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Accrued or (Deferred) Revenue at July 1, 2006</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2007</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	2006-DJ-BX-0057	\$ -0-	\$ 68,687	\$ 68,687	\$ -0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	6,829	6,829	-0-
Edward Byrne Memorial Formula Grant Program	16.579	06-DC-12	-0-	14,473	14,473	-0-
<u>Office of Juvenile Justice and Delinquency Prevention, Office of Justice Programs West Virginia Division of Criminal Justice Services</u>						
Enforcing Underage Drinking Law Programs	16.727	2005-AH-FX-0036	-0-	853	853	-0-
Enforcing Underage Drinking Law Programs	16.727	2006-AH-FX-0043	-0-	2,982	2,982	-0-
<b>Corporation for National and Community Service</b>						
Retired and Senior Volunteer Programs	94.002	04SRWV003	-0-	88,714	88,714	-0-
<b>Department of Homeland Security</b>						
Assistance to Firefighters	97.044	EMW-2005-FG-15290	-0-	63,438	63,438	-0-
<b>Department of Homeland Security</b>						
<u>State of West Virginia Department of Military Affairs &amp; Public Safety Homeland Security Administrative Agency</u>						
Homeland Security Grant Program	97.067	2005-GE-T5-0045	-0-	95,323	95,323	-0-

CITY OF MORGANTOWN, WEST VIRGINIA  
 SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Accrued or (Deferred) Revenue at July 1, 2006</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2007</u>
<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-	\$ 866,499	\$ 866,499	-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, 2007**

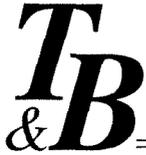
**United States Department of Transportation – Federal Aviation Administration – Airport Improvement Program CFDA 20.106 – Fiscal Year Ended June 30, 2006; United States Department of Transportation – Federal Highway Administration – Highway Planning and Construction Grant – CFDA 20.205 – Fiscal year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

No prior audit findings

CITY OF MORGANTOWN, WEST VIRGINIA  
SCHEDULE OF PASSENGER FACILITY CHARGES  
FOR THE YEAR ENDED JUNE 30, 2007

Balance June 30, 2006	\$ 3,010
Revenues received:	
Passenger facility charges	12,832
Interest income	13
Disbursements:	
Capital Projects	<u>12,576</u>
Balance June 30, 2007	\$ <u>3,279</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, 2007. 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, 2007.

**Internal Control Over Compliance**

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

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

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

*Detrick • Bartlett, PLLC*

March 7, 2008