

RFP# 07-007

MUNICIPALITY OF CHARLES TOWN
Charles Town, West Virginia

FINANCIAL STATEMENTS
(with Supplemental Information)

For the year ended June 30, 2007

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Municipality of Charles Town, West Virginia
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2007

GOVERNMENTAL FUND TYPES

Major Funds

General

Nonmajor Funds

Capital Reserve Fund

Coal Severance Fund

Community Development Fund

Law Enforcement Fund

Residual Fund

BUSINESS-TYPE FUNDS

Major Funds

Water Fund

Sewer Fund

FIDUCIARY FUND TYPES

Policemen's Pension and Relief

Municipality of Charles Town, West Virginia
CITY OFFICIALS
June 30, 2007

Elected Officials:

Mayor	Peggy A. Smith	06/01/05-06/01/09
City Council	Donald W. Clendening	06/01/05-06/01/09
	Ruth McDaniel	06/01/07-06/01/11
	Sandra Slusher McDonald	06/01/05-06/01/09
	Mary Lois Gannon-Miller	06/01/07-06/01/11
	Ann Paonessa	06/01/07-06/01/11
	Amy Schmitt	06/01/05-06/01/09
	Michael Slover	06/01/07-06/01/11
	Geraldine Willingham	06/01/05-06/01/09

Appointed Officials:

City Manager	Jane Arnett	Reappointed annually
City Clerk	Joseph Cosentini	06/01/07-06/01/09
City Attorney	James B. Crawford	Reappointed annually
	Braun A. Hamstead	Reappointed annually
	Hoy Shingleton, Jr.	Reappointed annually



J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Honorable Mayor and Council
Municipality of Charles Town
Charles Town, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Charles Town, West Virginia (Municipality), as of and for the year ended June 30, 2007, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Charles Town, 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 May 8, 2008, on our consideration of the Municipality's internal control over financial reporting and 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 overall opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, employees' retirement system and budgetary comparison information on pages 7-13 and 45-47 are not a required part of the basic financial statements but are 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.

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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Charles Town, West Virginia's basic financial statements. The introductory section, combining and nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

J.C. KUNKLE & ASSOCIATES, A.C.

Martinsburg, West Virginia
May 8, 2008

Municipality of Charles Town
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

The discussion and analysis of the City of Charles Town's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

The City's net assets increased by \$1.8 million as a result of this year's operations. Net assets of the business-type activities increased \$1.0 million compared to the previous year, or 20 percent, net assets of the governmental activities increased by \$0.8 million, or 14 percent.

During the year, the City had expenses for governmental programs that were \$2.6 million more than the \$0.9 million generated by governmental program revenues, which includes fees for services and intergovernmental aid. The remaining cost of governmental activities was financed with general revenues, which totaled \$3.5 million this year.

In the City's business-type activities, revenues increased \$0.8 million while expenses increased \$0.1 million.

The general fund ended the year with a fund balance of \$1.0 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 through 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

Governmental activities-Most of the City's basic services are reported here, including the police, streets, and general administration. Property taxes, business and occupation taxes, and general revenues finance most of these activities.

Business-type activities-The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.