

**AUDIT REPORT OF
CLEDENIN, WEST VIRGINIA
A CLASS IV MUNICIPALITY IN KANAWHA COUNTY
For the Fiscal Year Ended June 30, 2007**

**AUDIT REPORT OF
THE MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax

PROPRIETARY FUND TYPE

MAJOR FUNDS

Koontz Cemetery
Mary Osborne Cemetery

COMPONENT UNIT

Discretely Presented

Clendenin Waterworks

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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INTRODUCTORY SECTION

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2007

OFFICE	NAME	TERM
	<u>Elective</u>	
Mayor:	Robert C. Ore	07-01-05 / 06-30-07
Recorder:	Jean Mitchell	07-01-05 / 06-30-07
Council Members:	Gary Bledsoe	07-01-05 / 06-30-07
	Ronald Deel	07-01-05 / 06-30-07
	T.J. Edmonds	07-01-05 / 06-30-07
	Timothy Hopkins	07-01-05 / 06-30-07
	Neil Secrist	07-01-05 / 06-30-07
	<u>Appointive</u>	
Town Clerk:	Brenda Hall	
Police Chief:	David Brinkman	

FINANCIAL SECTION



State of West Virginia

Glen B. Gainer III
State Auditor and
Chief Inspector

Stuart T. Stickel, CPA
Deputy Chief Inspector

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Clendenin
Clendenin, West Virginia 25045

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Municipality of Clendenin, West Virginia (the 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 entity's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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.

Management has not maintained adequate billing and collection information for customer accounts and related receivables regarding the municipal service fee, which would increase the assets, net assets, and revenues of the governmental type and general fund type activities. The amount by which this departure would affect the assets, net assets, and revenues of the governmental type and general fund activities is not reasonably determinable.

Furthermore, we were unable to obtain a response from attorneys representing the Municipality regarding pending litigations, claims or assessments that may have been or are currently pending against the Municipality. The amount by which this departure would affect the assets, net assets, revenues and expenses of the governmental activities, business-type activities, and each major fund is not reasonably determinable.

In our opinion, except for the accounts receivable adjustments, and adjustments as might have been determined to be necessary had we obtained the response from the attorneys representing the Municipality regarding pending litigation, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Clendenin West Virginia, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of the Municipality of Clendenin, West Virginia, as of June 30, 2007, and the respective changes in financial position and 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 June 12, 2009, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Municipality has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,



Glen B. Gainer, III
West Virginia State Auditor

June 12, 2009

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clendenin Waterworks
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 28,978	\$ 12,627	\$ 41,605	\$ 6,604
Receivables:				
Accounts	--	--	--	92,682
Taxes	61,123	--	61,123	--
Internal balances	--	--	--	--
Due from:				
Component units	2,000	--	2,000	--
Inventory, at cost	--	--	--	1,539
Restricted assets:				
Regular account	--	--	--	7,581
Reserve account	--	--	--	6,897
Renewal and replacement	--	--	--	27,387
Customer deposits	--	--	--	3,850
Capital assets:				
Nondepreciable:				
Land	15,000	11	15,011	7,596
Depreciable:				
Structures and improvements	205,000	--	205,000	280,023
Transmission and distribution	--	--	--	844,547
Machinery and equipment	19,727	--	19,727	122,033
Less: accumulated depreciation	(140,218)	--	(140,218)	(799,455)
Total assets	\$ 191,610	\$ 12,638	\$ 204,248	\$ 601,284

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Clendenin</u>
	<u>Activities</u>	<u>Activities</u>		<u>Waterworks</u>
LIABILITIES				
Current liabilities payable				
from current assets:				
Accounts payable	\$ --	\$ --	\$ --	\$ 23,197
Payroll payable	7,332	--	7,332	4,653
Dormant checks payable	--	--	--	10,184
Leases payable	--	--	--	33,076
Due to:				
Primary government	--	--	--	2,000
Other governments	19,465	--	19,465	--
Matured bonds payable				
(defaulted bonds)	--	--	--	3,686
Matured bonds interest				
payable (defaulted bonds)	--	--	--	128
Noncurrent liabilities:				
Bonds payable - due within one year	--	--	--	98,816
	26,797	--	26,797	175,740
NET ASSETS				
Invested in capital assets				
(net of related debt)	99,509	11	99,520	319,166
Restricted for:				
Debt service	--	--	--	41,865
Unrestricted	65,304	12,627	77,931	64,513
	164,813	12,638	177,451	425,544
Total liabilities and net assets	\$ 191,610	\$ 12,638	\$ 204,248	\$ 601,284

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets				Component Unit Cledenin Waterworks
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Functions / Programs							
Primary government:							
Governmental activities:							
General government	\$ 222,346	\$ 45,958	\$ --	\$ (176,388)	\$ --	\$ (176,388)	\$ --
Public safety	85,823	23,050	--	(62,773)	--	(62,773)	--
Streets and transportation	39,026	--	--	(39,026)	--	(39,026)	--
Health and sanitation	2,704	--	--	(2,704)	--	(2,704)	--
Culture and recreation	24,566	--	--	(24,566)	--	(24,566)	--
Total governmental activities	374,465	69,008	--	(305,457)	--	(305,457)	--
Business-type activities:							
Kooztz cemetery	6,295	6,442	--	--	147	147	--
Osborne cemetery	2,456	4,157	--	--	1,701	1,701	--
Total business-type activities	8,751	10,599	--	--	1,848	1,848	--
Total primary government	\$ 383,216	\$ 79,607	\$ --	(305,457)	1,848	(303,609)	--
Component unit:							
Cledenin Waterworks	\$ 381,877	\$ 440,359	\$ 1,500	--	--	--	59,982
General revenues:							
Ad valorem property taxes				115,426	--	115,426	--
Business & occupation tax				152,647	--	152,647	--
Alcoholic beverages tax				535	--	535	--
Utility services tax				27,336	--	27,336	--
Gas and oil severance tax				1,034	--	1,034	--
Other taxes				8,273	--	8,273	--
Coal severance tax				5,870	--	5,870	--
Unrestricted investment earnings				41	63	104	--
Refunds				4,034	--	4,034	--
Reimbursement				5,320	--	5,320	--
Restricted investment earnings				--	--	--	1,753
Miscellaneous				3,019	--	3,019	--
Total general revenues and transfers				323,535	63	323,598	1,753
Change in net assets				18,078	1,911	19,989	61,735
Net assets - beginning				146,735	10,727	157,462	363,809
Net assets - ending				\$ 164,813	\$ 12,638	\$ 177,451	\$ 425,544

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	General	Coal Severance Tax	Total Governmental Funds
ASSETS			
Current:			
Cash and cash equivalents	\$ 19,030	\$ 9,948	\$ 28,978
Receivables:			
Taxes	61,123	--	61,123
Due from:			
Other funds	--	8,008	8,008
Component unit	2,000	--	2,000
 Total assets	 \$ 82,153	 \$ 17,956	 \$ 100,109
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll payable	7,332	--	7,332
Due to:			
Other funds	8,008	--	8,008
Other governments	19,465	--	19,465
Deferred revenues:			
Taxes	20,945	--	20,945
 Total liabilities	 55,750	 --	 55,750
 Fund balances:			
Unreserved, reported in:			
General fund	26,403	--	26,403
Special revenue funds	--	17,956	17,956
 Total fund balances	 26,403	 17,956	 44,359
 Total liabilities and fund balances	 \$ 82,153	 \$ 17,956	 \$ 100,109

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances on the governmental fund's balance sheet	\$ 44,359
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds (Note III-C).	99,509
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Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds (Note III-B).	<u>20,945</u>
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Net assets of governmental activities	<u><u>\$ 164,813</u></u>
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See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Ad valorem property taxes	\$ 118,082	\$ --	\$ 118,082
Business & occupation tax	152,647	--	152,647
Alcoholic beverages tax	535	--	535
Utility services tax	27,336	--	27,336
Gas and oil severance tax	1,034	--	1,034
Other taxes	8,273	--	8,273
Coal severance tax	--	5,870	5,870
Licenses and permits	3,417	--	3,417
Charges for services	42,541	--	42,541
Fines and forfeits	23,050	--	23,050
Interest and investment earnings	--	41	41
Refunds	4,034	--	4,034
Reimbursements	5,320	--	5,320
Miscellaneous	3,019	--	3,019
	<u>389,288</u>	<u>5,911</u>	<u>395,199</u>
EXPENDITURES			
Current:			
General government	221,242	--	221,242
Public safety	84,523	--	84,523
Streets and transportation	36,804	--	36,804
Health and sanitation	2,704	--	2,704
Culture and recreation	23,566	--	23,566
	<u>368,839</u>	<u>--</u>	<u>368,839</u>
Net change in fund balance	20,449	5,911	26,360
Fund balances - beginning	<u>5,954</u>	<u>12,045</u>	<u>17,999</u>
Fund balances - ending	<u>\$ 26,403</u>	<u>\$ 17,956</u>	<u>\$ 44,359</u>

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 26,360
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year (Note III-C).	(5,626)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (Note III-B).	<u>(2,656)</u>
Change in net assets of governmental activities	\$ <u><u>18,078</u></u>

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes:						
Ad valorem property taxes	\$ 102,443	\$ 102,443	\$ 118,082	\$ 17,601	\$ 135,683	\$ 33,240
Business & occupation tax	131,826	158,451	152,647	(12,459)	140,188	(18,263)
Alcoholic beverages tax	1,100	1,100	535	--	535	(565)
Utility services tax	32,428	32,428	27,336	--	27,336	(5,092)
Gas and oil severance tax	750	750	1,034	--	1,034	284
Other taxes	9,950	9,950	8,273	--	8,273	(1,677)
Licenses and permits	3,050	3,050	3,417	--	3,417	367
Charges for services	41,030	41,030	42,541	--	42,541	1,511
Fines and forfeits	20,923	20,923	23,050	--	23,050	2,127
Refunds	--	--	4,034	--	4,034	4,034
Reimbursements	--	--	5,320	--	5,320	5,320
Miscellaneous	2,500	4,500	3,019	--	3,019	(1,481)
Total revenues	346,000	374,625	389,288	5,142	394,430	19,805
EXPENDITURES						
Current:						
General government	211,637	269,541	221,242	47,124	268,366	1,175
Public safety	108,909	86,634	84,523	--	84,523	2,111
Streets and transportation	15,500	38,500	36,804	--	36,804	1,696
Health and sanitation	2,604	2,879	2,704	--	2,704	175
Culture and recreation	7,350	25,225	23,566	--	23,566	1,659
Total expenditures	346,000	422,779	368,839	47,124	415,963	6,816
Net change in fund balance	--	(48,154)	20,449	(41,982)	(21,533)	26,621
Fund balances - beginning	--	48,154	5,954	34,609	40,563	(7,591)
Fund balances - ending	\$ --	\$ --	\$ 26,403	\$ (7,373)	\$ 19,030	\$ 19,030

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
-COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes:						
Coal severance tax	\$ 2,000	\$ 2,000	\$ 5,870	\$ --	\$ 5,870	\$ 3,870
Interest earnings	15	15	41	--	41	26
Total revenues	<u>2,015</u>	<u>2,015</u>	<u>5,911</u>	<u>--</u>	<u>5,911</u>	<u>3,896</u>
EXPENDITURES						
Current:						
General government	<u>8,436</u>	<u>7,043</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,043</u>
Net change in fund balance	(6,421)	(5,028)	5,911	--	5,911	10,939
Fund balances - beginning	<u>6,421</u>	<u>5,028</u>	<u>12,045</u>	<u>(8,008)</u>	<u>4,037</u>	<u>(991)</u>
Fund balances - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,956</u>	<u>\$ (8,008)</u>	<u>\$ 9,948</u>	<u>\$ 9,948</u>

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2007

	Business-type Activities - Enterprise Funds		Totals
	Koontz Cemetery	Mary Osborne Cemetery	
ASSETS			
Current:			
Cash and cash equivalents	\$ 8,834	\$ 3,793	\$ 12,627
Capital assets:			
Nondepreciable:			
Land	1	10	11
 Total assets	 \$ 8,835	 \$ 3,803	 \$ 12,638
NET ASSETS			
Invested in capital assets (net of related debt)	1	10	11
Unrestricted	8,834	3,793	12,627
 Total net assets	 8,835	 3,803	 12,638
 Total liabilities and net assets	 \$ 8,835	 \$ 3,803	 \$ 12,638

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Koontz Cemetery	Mary Osborne Cemetery	Totals
Operating revenues:			
Miscellaneous	\$ 6,442	\$ 4,157	\$ 10,599
Operating expenses:			
Miscellaneous	6,295	2,456	8,751
Operating income (loss)	147	1,701	1,848
Nonoperating revenues (expenses):			
Interest revenue	47	16	63
Change in net assets	194	1,717	1,911
Net assets at beginning of year	8,641	2,086	10,727
Net assets at end of year	\$ 8,835	\$ 3,803	\$ 12,638

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Koontz Cemetery	Mary Osborne Cemetery	Totals
	Cash flows from operating activities:		
Cash received from customers	\$ 6,442	\$ 4,157	\$ 10,599
Cash paid for goods and services	<u>(6,295)</u>	<u>(2,456)</u>	<u>(8,751)</u>
Net cash provided (used) by operating activities	<u>147</u>	<u>1,701</u>	<u>1,848</u>
Cash flows from investing activities:			
Interest received	<u>47</u>	<u>16</u>	<u>63</u>
Net increase (decrease) in cash and cash equivalents	194	1,717	1,911
Cash and cash equivalents, July 1,	<u>8,640</u>	<u>2,076</u>	<u>10,716</u>
Cash and cash equivalents, June 30,	<u>\$ 8,834</u>	<u>\$ 3,793</u>	<u>\$ 12,627</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ <u>147</u>	\$ <u>1,701</u>	\$ <u>1,848</u>
Net cash provided by operations	<u>\$ 147</u>	<u>\$ 1,701</u>	<u>\$ 1,848</u>

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted, the accounting policies of the Municipality of Clendenin, West Virginia (the Municipality), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The Municipality of Clendenin is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component unit as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the Municipality, health and sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government and its component unit as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality.

Discretely Presented Component Unit

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

The *Clendenin Waterworks fund* serves all the citizens of the Municipality of Clendenin and is governed by a three-member board comprised of one member of council with the two remaining members appointed by council. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

Complete financial statements for each of the individual component unit can be obtained at the entity's administrative offices.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 for which they are levied and collectible. Grants and similar items are recognized as revenue 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 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 collectible within 60 days of the end of the current fiscal period. 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, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Also, certain taxpayer-assessed revenues such as business and occupation and utility taxes are accrued as revenue at year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The government reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

The government reports the following major proprietary funds:

The *Koontz Cemetery fund* serves the municipality by providing burial facilities to the public. The fund accounts for the revenues received from donations and closing fees of burial plots and the expenditures associated with operating the cemetery.

The *Mary Osborne fund* serves the municipality by providing burial facilities to the public. The fund accounts for the revenues received from donations and closing fees of burial plots and the expenditures associated with operating the cemetery.

The Municipality of Clendenin, West Virginia follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with GASB Pronouncements in both the government-wide and proprietary fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the cemetery enterprise funds and the Clendenin Waterworks, a discretely presented component unit are charges to customers for services and donations. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Municipality of Clendenin, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e, the current portion of interfund loans) or "advances to/from other funds" (i.e, the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Receivable

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 becomes delinquent on October first; the second installment is payable on the first day 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 the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are 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 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2007 were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense
Class I	\$ 17,736	12.50 cents
Class II	\$ 10,563,228	25.00 cents
Class IV	\$ 18,417,649	50.00 cents

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

3. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment are reported in the applicable governmental and business-type activities columns in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
System infrastructure	40-50
Transmission and distribution	40-50
Equipment	05-10
Vehicles	03-05
Office and computer equipment	05

4. Compensated Absences

It is the government's policy to require employees to use all earned vacation time by the end of the fiscal year; therefore no liability is reported for vacation leave. No liability is reported for unpaid accumulated sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal year end.

The Municipality of Clendenin, West Virginia prepares its budget on the cash basis of accounting. Therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for both the General and Coal Severance Tax Fund.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

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. The budget is then forthwith submitted to the State Auditor for approval. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and formally lay the levy.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year:

	<u>Amount</u>	<u>Description</u>
\$	57,904	General Government Expenditure Increase
	(22,275)	Public Safety Expenditure Increase
	23,000	Streets and Transportation Expenditure Increase
	275	Health and Sanitation Expenditure Increase
	17,875	Culture and Recreation Expenditure Increase

Encumbrance accounting is not employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) should be reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

A reconciliation of cash and investments as shown on the Statement of Net Assets of the primary government is as follows:

Cash and cash equivalents	<u><u>\$ 41,605</u></u>
---------------------------	-------------------------

B. Receivables

Receivables at year end for the government's individual major funds is follows:

	<u>General</u>
Receivables:	
Taxes	<u><u>\$ 61,123</u></u>

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connections with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (general fund)	\$ 20,945

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ --	\$ --	\$ 15,000
Capital assets being depreciated:				
Buildings and improvements	205,000	--	--	205,000
Machinery and equipment	19,727	--	--	19,727
Total accumulated depreciation	(134,592)	(5,626)	--	(140,218)
Total capital assets being depreciated, net	90,135	(5,626)	--	84,509
Governmental activities capital assets, net	\$ 105,135	(\$ 5,626)	\$ --	\$ 99,509
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 11	\$ --	\$ --	\$ 11

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,104
Public safety	1,300
Highways and streets	2,222
Culture and recreation	1,000
Total depreciation expense-governmental activities	\$ 5,626

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2007 is as follows:

Interfund receivables/payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Coal Severance	General	\$ 8,008

Interfund receivables/payables for the primary government and component unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Clendenin Waterworks	\$ 2,000

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with the West Virginia State Board of Risk for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): West Virginia utilizes a single private insurance company, Brick Street Insurance, to provide workers' compensation coverage to all employers in the state. Other private insurance companies may begin to offer coverage to private sector employers beginning July 1, 2008 and to government employers July 1, 2012. For the most part, all employers in the State, including governmental entities, must have coverage. The cost of all coverage, as determined by Brick Street, is paid by the employers. The WCF risk pool retains the risk related to the compensation of injured employees under the program.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

B. Subsequent Events

On October 7, 2007 the Clendenin Waterworks, a discretely presented component unit, was sold to West Virginia American Water Company.

C. 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.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

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

There are various lawsuits pending against the government and officials. The outcome of the pending lawsuits is not presently determinable.

V. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

V.A.1 Plan Descriptions, Contribution Information, and Funding Policies

Public Employees Retirement System (PERS)

The Municipality of Clendenin, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general Municipality employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

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

Public Employees Retirement System (PERS)	
Eligibility to participate	All Municipality full-time employees
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 contributing 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.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

V.A.2. Trend Information

Public Employees Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2007	\$ 5,010	100%
2006	\$ 2,232	100%
2005	\$ 4,020	100%
2004	\$ 9,895	100%

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.

ACCOMPANYING INFORMATION



State of West Virginia

Glen B. Gainer III
State Auditor and
Chief Inspector

Stuart T. Stickel, CPA
Deputy Chief Inspector

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Chief Inspector Division
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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*

Honorable Mayor and Council
Municipality of Clendenin
Clendenin, West Virginia 25045

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the Municipality of Clendenin, West Virginia (the Municipality), as of and for the year ended June 30, 2007, which collectively comprise the Municipality's basic financial statements and have issued our report thereon, dated June 12, 2009. In that report, our opinion was qualified due to inadequate source documentation for accounts receivable and the inability to obtain a response to the pending litigation requests. 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 Municipality'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 Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combinations of control deficiencies, that adversely affects the Municipality'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 Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2007-5 through 2007-8 to be significant deficiencies in internal control over financial reporting.

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 Municipality's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Responses, we consider items 2007-5 through 2007-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's basic 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Responses as items 2007-1 through 2007-4.

Honorable Mayor and Council
Municipality of Clendenin
Page 3

The Municipality's response to findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Municipality's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glen B. Gainer, III". The signature is written in a cursive style with a horizontal line at the end.

Glen B. Gainer, III
West Virginia State Auditor

June 12, 2009

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Maintenance of Accounting Records

2007-1

CONDITION:

We determined during our audit that officials of the Municipality of Clendenin did not maintain adequate accounting records. Specifically, they did not do the following:

1. Maintain accounts receivable information for municipal service fees.
2. Maintain monthly reconciliations on all bank accounts.
3. Maintain all canceled checks and invoices for expenditures.

CRITERIA:

West Virginia Code §6-9-2 states in part that:

"The chief inspector shall formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this article, which shall be uniform for all local governmental offices and agencies and for all public accounts of the same class and which shall exhibit true accounts and detailed statements for all public funds collected, received and expended for any purpose by all local governmental officers, employees or other persons. The accounts shall show the receipt, use and disposition of all public property under the control of local governmental officers, employees or other persons and any income derived there from and of all sources of public income, the amounts due and received from each source, all receipts, vouchers and other documents kept or required to be kept and necessary to identify and prove the validity of every transaction, all statements and reports made or required to be made for the internal administration of the office to which they pertain and all details of the financial administration of public affairs...."

CAUSE:

The Municipality of Clendenin failed to institute policies and procedures which would insure that a record of all transactions which took place during the year would be kept.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Maintenance of Accounting Records
2007-1 (Continued)**

EFFECT:

The Municipality of Clendenin did not have adequate records for financial statement preparation and certain transactions could not be properly verified which resulted in a qualification of opinion on the financial statements.

RECOMMENDATION:

The Municipality should maintain adequate accounting records.

AUDITED AGENCY'S RESPONSE:

The municipal officials will endeavor to correctly maintain its accounting records in the future.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Timely Deposit of Revenues
2007-2**

CONDITION:

It was determined during this examination that the municipal officials failed to insure that all moneys collected were deposited into the municipal treasury in a timely manner.

CRITERIA:

West Virginia Code §8-13-15 states in part that:

“Unless otherwise provided, it shall be the duty of the treasurer of the municipality or other individual who may be designated by general law, by charter provision or by the governing body, to collect and promptly pay into the municipal treasury all taxes, fines, special assessments or other moneys due to the municipality...”

CAUSE:

Internal controls were not in place to insure that all moneys collected were deposited into the municipal treasury in a timely manner.

EFFECT:

The noncompliance resulted in a failure to accurately account for the all moneys collected.

RECOMMENDATION:

Adequate controls should be put into place to insure all moneys collected are secured until deposited and that deposits be made on a timely basis.

AUDITED AGENCY’S RESPONSE:

The municipal officials stated that deposits will be made in a more timely manner.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Retirement Coverage
2007-3**

CONDITION:

It was noted during this examination that the Municipality of Clendenin, being a participating public employer of the Public Retirement System, failed to extend retirement benefits to all full time employees.

CRITERIA:

West Virginia Code §5-10-2 (11) states in part that:

'Employee means any person who serves regularly as an officer or employee, full time, on a salary basis, whose tenure is not restricted as to temporary or provisional appointment, in the service of, and whose compensation is payable, in whole or in part, by any political subdivision...'

West Virginia Code §5-10-17 states in part that:

'The membership of the retirement system consists of the following:
(a) All employees, as defined in section 5-10-2 of this article, who are in the employ of a political subdivision the day preceding the date it becomes a participating employer and who continue in the employ of the participating public employer on and after that date shall become members of the retirement system; and all persons who become employees of a participating public employer on or after that date shall thereupon become members of the system;...'

CAUSE:

The municipal officials were not familiar with the requirements of the system which mandate all eligible employees be covered.

EFFECT:

The Municipality failed to provide all employees with the benefits they were entitled to as stated in the West Virginia Code.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Retirement Coverage
2007-3 (Continued)**

RECOMMENDATION:

The Municipality should review the statutes regulating the coverage and contributions with regard to the Public Employees Retirement System and comply with the provisions set forth therein.

AUDITED AGENCY'S RESPONSE:

The municipal officials intend to comply to the provisions set forth therein.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Record of Traffic Cases
2007-4**

CONDITION:

It was determined during this examination that the court of the Municipality of Clendenin failed to maintain the municipal court docket in the proper manner or adequately record the disposition of all traffic citations issued.

CRITERIA:

West Virginia Code §17c-19-7 (b) states that:

"Upon the deposit of the original or a copy of such traffic citation with a court having jurisdiction over the alleged offense or with its traffic violations bureau as aforesaid, said original or copy of such traffic citation may be disposed of only by trial in said court or other official action by a judge of said court, including forfeiture of the bail or by the deposit of sufficient bail with or payment of a fine to said traffic violations bureau by the person to whom such traffic citation has been issued by the traffic-enforcement officer."

West Virginia Code §17c-19-8 further states that:

"Every justice or judge of a court shall keep or cause to be kept a record of every traffic complaint, or other legal form of traffic charge deposited with or presented to said court or its traffic violations bureau, and shall keep a record of every official action by said court or its traffic violations bureau in reverence thereto, including but not limited to a record of every conviction, forfeiture of bail, judgment of acquittal, and the amount of fine or forfeiture resulting from every said traffic complaint deposited with or presented to said court or traffic violations bureau."

CAUSE:

The Municipality failed to implement policies and procedures which would insure that all citations issued would be properly recorded into the municipal court docket.

EFFECT:

All cases were not properly adjudicated and source documentation on selected cases was not available for audit purposes.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Record of Traffic Cases
2007-4 (Continued)**

RECOMMENDATION:

The municipal officials of Clendenin are directed to review these statutes and establish adequate procedures to insure compliance with the provisions set forth therein. Copies of traffic citations issued should be filed in numeric order and retained for examination. Also, the municipal court docket should be maintained in such a manner as to record every conviction, forfeiture of bail, judgment of acquittal, and the amount of fine or forfeiture collected on each citation.

AUDITED AGENCY'S RESPONSE:

Municipal officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Segregation of Duties
2007-5**

CONDITION:

It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transactions were not assigned to different individuals.

CRITERIA:

Proper internal control dictates responsibility for approving, executing and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas.

CAUSE:

The size of the entity does not permit adequate segregation of duties.

EFFECT:

Internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner.

RECOMMENDATION:

The Municipality should distribute among the accounting staff the duties of approving, executing and recording transactions to the extent as being economically practicable.

AUDITED AGENCY'S RESPONSE:

The municipal officials stated that accounting duties will be distributed as much as feasibly possible.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Accounts Receivable - Municipal Service Fees
2007-6**

CONDITION:

We determined during our examination that the Municipality did not accrue municipal service fees at June 30, 2007 as accounts receivable.

CRITERIA:

To properly reflect the correct amount of revenues, fees should be accrued as receivables when earned and shown as revenue in that time period.

CAUSE:

The Municipality failed to recognize as revenues and receivables all fees at the time they were earned.

EFFECT:

Account's receivable were not properly accrued and therefore all revenues are not being adequately recorded in the proper time period which resulted in a qualification of opinion.

RECOMMENDATION:

The Municipality should account for all revenues on the modified accrual basis of accounting whereby revenues are recognized when measurable and available rather than at the time collection is made. This method would properly reflect revenues and receivables in the correct fiscal period.

AUDITED AGENCY'S RESPONSE:

The municipal officials stated that they would require adequate source documents for customer account billings and collections for municipal service fees.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Financial Statement Preparation

2007-7

CONDITION:

We noted during our audit of the Municipality of Clendenin, West Virginia, that employees or management did not possess the requisite of knowledge or experience necessary to prevent, detect and correct a material misstatement in the financial statements prepared in accordance with generally accepted accounting principles.

CRITERIA:

Paragraph 18 of Statement Auditing Standards No. 112 *Communicating Internal Control Related Matters Identified in an audit*, states in part that:

Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:

Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles.

Controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record and process journal entries into the general ledger; and record recurring and non recurring adjustments to the financial statements.

Furthermore, paragraph 19 states in part;

Each of the following is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Ineffective oversight of the entity's financial reporting and internal control by those charged with governance.

CAUSE:

Inadequate policies and procedures related to controls necessary to minimize the risk of a material misstatement of financial statements prepared in accordance with generally accepted accounting principles.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Financial Statement Preparation
2007-7 (Continued)**

EFFECT:

A significant potential exists for misstatements to occur in the financial statements without being detected by employees or management in a timely manner.

RECOMMENDATION:

The Municipality of Clendenin West Virginia, should develop policies and procedures to ensure financial statements are prepared in accordance with generally accepted accounting principles. This may be accomplished by employing qualified personnel that are knowledgeable with the complex requirements associated with governmental financial statements prepared in accordance with generally accepted accounting principles. Conversely, the entity may consider contracting with an outside firm knowledgeable in this specialized area to facilitate with this management function.

AUDITED AGENCY'S RESPONSE:

The municipal officials were not aware that the standards have recently changed and they will maintain all necessary source documentation and seek assistance to prepare financial statements in the future.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Capitalization Policy
2007-8**

CONDITION:

The Municipality of Clendenin failed to implement a capitalization policy regarding capital asset acquisitions, dispositions and depreciation calculation procedures.

CRITERIA:

Proper internal controls dictate that a capitalization policy be adopted outlining the dollar threshold to be met in order to capitalize as well as depreciation methods and estimated useful lives of various classifications of assets.

CAUSE:

The Municipality has no controls in place to ensure that a particular asset is properly capitalized and depreciated in accordance with Generally Accepted Accounting Principles.

EFFECT:

By not having a capitalization policy, the Municipality loses custodial control over certain assets and creates a control environment conducive to material misstatement.

RECOMMENDATION:

The Municipality should implement a capitalization policy outlining the dollar threshold required to capitalize, depreciation methods and anticipated useful lives of all classifications of assets on hand.

AUDITED AGENCY'S RESPONSE:

The municipal officials will endeavor to establish, approve and implement a capitalization policy.