

**AUDIT REPORT OF
CLEDENIN, WEST VIRGINIA
A CLASS IV MUNICIPALITY IN KANAWHA COUNTY
For the Fiscal Year Ended June 30, 2009**

**AUDIT REPORT OF
THE MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax
Say No to Drugs

PROPRIETARY FUND TYPE

MAJOR FUNDS

Koontz Cemetery
Mary Osborne Cemetery

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
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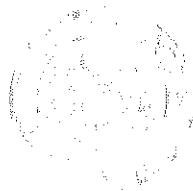
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INTRODUCTORY SECTION

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2009

| OFFICE | NAME | TERM |
|------------------|-----------------------|---------------------|
| | <u>Elective</u> | |
| Mayor: | Robert C. Ore | 07-01-07 / 06-30-09 |
| Recorder: | Robert S. Evans | 07-01-07 / 06-30-09 |
| Council Members: | Marie R. Hinkle | 07-01-07 / 06-30-09 |
| | Timothy F. Huffman | 07-01-07 / 06-30-09 |
| | Sidney E. Oliver, Sr. | 07-01-07 / 06-30-09 |
| | Kenneth E. Payne | 07-01-07 / 06-30-09 |
| | Bernard Mike Stout | 07-01-07 / 06-30-09 |
| | <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 and each major fund of the Municipality of Clendenin, West Virginia (the Municipality), as of and for the year ended June 30, 2009, 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.

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. Accounting principles generally accepted in the United States of America require that customer account names, numbers and billed amounts be maintained and available for all accounts receivable, which would increase the assets, net assets, and expenses of the general fund and governmental type activities. The amount by which this departure would affect the assets, net assets, and expenses of the general fund and governmental type 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 actives, business-type activities, and each major fund is not reasonably determinable.

In our opinion, except for the accounts receivable and adjustments as might have been determined to be necessary had we obtained the response from the attorneys representing the Municipality regarding pending litigation, 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, 2009, 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.

As discussed in Note I.D.5, the Municipality implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2010 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

July 29, 2010

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2009

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|--|--|---|-----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 21,434 | \$ 10,359 | \$ 31,793 |
| Receivables: | | | |
| Taxes | 61,229 | -- | 61,229 |
| Capital assets: | | | |
| Nondepreciable: | | | |
| Land | 15,000 | 11 | 15,011 |
| Depreciable: | | | |
| Structures and improvements | 205,000 | -- | 205,000 |
| Machinery and equipment | 69,665 | -- | 69,665 |
| Less: accumulated depreciation | <u>(150,366)</u> | <u>--</u> | <u>(150,366)</u> |
| Total assets | <u>\$ 221,962</u> | <u>\$ 10,370</u> | <u>\$ 232,332</u> |
| LIABILITIES | | | |
| Current liabilities payable | | | |
| from current assets: | | | |
| Accounts payable | 6,108 | -- | 6,108 |
| Payroll payable | 7,776 | -- | 7,776 |
| Other post employment benefits payable | <u>5,607</u> | <u>--</u> | <u>5,607</u> |
| Total liabilities | <u>19,491</u> | <u>--</u> | <u>19,491</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 139,299 | 11 | 139,310 |
| Unrestricted | <u>63,172</u> | <u>10,359</u> | <u>73,531</u> |
| Total net assets | <u>202,471</u> | <u>10,370</u> | <u>212,841</u> |
| Total liabilities and net assets | <u>\$ 221,962</u> | <u>\$ 10,370</u> | <u>\$ 232,332</u> |

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

| | Program Revenues | | | Net (Expense) Revenues and Changes in Net Assets | | | |
|---|------------------|----------------------------|--|---|----------------------------|-----------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| <u>Functions / Programs</u> | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 171,597 | \$ 39,884 | \$ -- | \$ -- | \$ (131,713) | \$ -- | \$ (131,713) |
| Public safety | 202,254 | 18,592 | 557 | 8,113 | (174,992) | -- | (174,992) |
| Streets and transportation | 164,061 | -- | -- | -- | (164,061) | -- | (164,061) |
| Health and sanitation | 5,605 | -- | -- | -- | (5,605) | -- | (5,605) |
| Culture and recreation | 11,506 | -- | -- | -- | (11,506) | -- | (11,506) |
| Capital projects | 51,313 | -- | -- | -- | (51,313) | -- | (51,313) |
| Total governmental activities | 606,336 | 58,476 | 557 | 8,113 | (539,190) | -- | (539,190) |
| Business-type activities: | | | | | | | |
| Koontz cemetery | 7,691 | 7,515 | -- | -- | -- | (176) | (176) |
| Osborne cemetery | 5,093 | 8,839 | -- | -- | -- | 3,746 | 3,746 |
| Total business-type activities | 12,784 | 16,354 | -- | -- | -- | 3,570 | 3,570 |
| Total government | \$ 619,120 | \$ 74,830 | \$ 557 | \$ 8,113 | (539,190) | 3,570 | (535,620) |
| General revenues: | | | | | | | |
| Ad valorem property taxes | | | | | 131,972 | -- | 131,972 |
| Business & occupation tax | | | | | 182,229 | -- | 182,229 |
| Alcoholic beverages tax | | | | | 1,963 | -- | 1,963 |
| Utility services tax | | | | | 34,622 | -- | 34,622 |
| Gas and oil severance tax | | | | | 1,290 | -- | 1,290 |
| Other taxes | | | | | 35,460 | -- | 35,460 |
| Coal severance tax | | | | | 5,495 | -- | 5,495 |
| Unrestricted investment earnings | | | | | 82 | -- | 82 |
| Refunds | | | | | 6,386 | -- | 6,386 |
| Reimbursement | | | | | 18,697 | -- | 18,697 |
| Miscellaneous | | | | | 5,881 | -- | 5,881 |
| Total general revenues | | | | | 424,077 | -- | 424,077 |
| Change in net assets | | | | | (115,113) | 3,570 | (111,543) |
| Net assets - beginning, as restated Note III.E. | | | | | 317,584 | 6,800 | 324,384 |
| Net assets - ending | | | | | \$ 202,471 | \$ 10,370 | \$ 212,841 |

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

| | General | Coal Severance Tax | Say No to Drugs | Total Governmental Funds |
|--|------------------|--------------------------|--------------------|--------------------------------|
| ASSETS | | | | |
| Current: | | | | |
| Cash and cash equivalents | \$ 7,760 | \$ 13,383 | \$ 291 | \$ 21,434 |
| Receivables: | | | | |
| Taxes | 61,229 | -- | -- | 61,229 |
| Due from: | | | | |
| Other funds | -- | 8,008 | -- | 8,008 |
| | <u>\$ 68,989</u> | <u>\$ 21,391</u> | <u>\$ 291</u> | <u>\$ 90,671</u> |
| | | | | |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 6,108 | -- | -- | 6,108 |
| Payroll payable | 7,776 | -- | -- | 7,776 |
| Other post employment benefits payable | 5,607 | -- | -- | 5,607 |
| Due to: | | | | |
| Other funds | 8,008 | -- | -- | 8,008 |
| Deferred revenues: | | | | |
| Taxes | 11,226 | -- | -- | 11,226 |
| | <u>38,725</u> | <u>--</u> | <u>--</u> | <u>38,725</u> |
| | | | | |
| Fund balances: | | | | |
| Unreserved, reported in: | | | | |
| General fund | 30,264 | -- | -- | 30,264 |
| Special revenue funds | -- | 21,391 | 291 | 21,682 |
| | <u>30,264</u> | <u>21,391</u> | <u>291</u> | <u>51,946</u> |
| | | | | |
| Total liabilities and fund balances | <u>\$ 68,989</u> | <u>\$ 21,391</u> | <u>\$ 291</u> | <u>\$ 90,671</u> |

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, 2009

| | |
|---|-------------------|
| Total fund balances on the governmental fund's balance sheet | \$ 51,946 |
| 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.). | 139,299 |
| Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds (Note III.B.). | <u>11,226</u> |
| Net assets of governmental activities | <u>\$ 202,471</u> |

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, 2009

| | General | Coal Severance Tax | Say No to Drugs | Total Governmental Funds |
|---|------------------|--------------------------|--------------------|--------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Ad valorem property taxes | \$ 133,390 | \$ -- | \$ -- | \$ 133,390 |
| Business & occupation tax | 182,229 | -- | -- | 182,229 |
| Alcoholic beverages tax | 1,963 | -- | -- | 1,963 |
| Utility services tax | 34,622 | -- | -- | 34,622 |
| Gas and oil severance tax | 1,290 | -- | -- | 1,290 |
| Other taxes | 35,460 | -- | -- | 35,460 |
| Coal severance tax | -- | 5,495 | -- | 5,495 |
| Licenses and permits | 4,202 | -- | -- | 4,202 |
| Intergovernmental: | | | | |
| State | 8,113 | -- | -- | 8,113 |
| Charges for services | 35,682 | -- | -- | 35,682 |
| Fines and forfeits | 18,592 | -- | -- | 18,592 |
| Interest and investment earnings | 82 | -- | -- | 82 |
| Refunds | 6,386 | -- | -- | 6,386 |
| Reimbursements | 18,697 | -- | -- | 18,697 |
| Contributions and donations | -- | -- | 557 | 557 |
| Miscellaneous | 5,881 | -- | -- | 5,881 |
| | <u>486,589</u> | <u>5,495</u> | <u>557</u> | <u>492,641</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 168,820 | 30 | 1,643 | 170,493 |
| Public safety | 218,360 | -- | -- | 218,360 |
| Streets and transportation | 166,487 | -- | -- | 166,487 |
| Health and sanitation | 5,605 | -- | -- | 5,605 |
| Culture and recreation | 10,506 | -- | -- | 10,506 |
| Capital projects | 51,313 | -- | -- | 51,313 |
| | <u>621,091</u> | <u>30</u> | <u>1,643</u> | <u>622,764</u> |
| Net change in fund balances | (134,502) | 5,465 | (1,086) | (130,123) |
| Fund balances - beginning, as restated Note III.E | <u>164,766</u> | <u>15,926</u> | <u>1,377</u> | <u>182,069</u> |
| Fund balances - ending | <u>\$ 30,264</u> | <u>\$ 21,391</u> | <u>\$ 291</u> | <u>\$ 51,946</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, 2009

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

| | | |
|---|----|--------------------------|
| Net change in fund balances - total governmental funds | \$ | (130,123) |
| Capital outlays are reported as an expenditure in the governmental funds, but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year (Note III.C.). | | 25,150 |
| 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.). | | (8,722) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between current year deferred revenues of \$11,226 and prior year deferred revenues of \$12,644. | | <u>(1,418)</u> |
| Change in net assets of governmental activities | \$ | <u><u>(115,113)</u></u> |

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL BASIS - GENERAL FUND
For the Fiscal Year Ended June 30, 2009

| | <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 \$ | 120,213 | \$ 120,213 | \$ 133,390 | \$ 4,251 | \$ 137,641 | \$ 17,428 |
| Business & occupation tax | 152,935 | 152,935 | 182,229 | (1,090) | 181,139 | 28,204 |
| Alcoholic beverages tax | 1,875 | 1,875 | 1,963 | -- | 1,963 | 88 |
| Utility services tax | 39,045 | 39,045 | 34,622 | -- | 34,622 | (4,423) |
| Gas and oil severance tax | 735 | 735 | 1,290 | -- | 1,290 | 555 |
| Other taxes | 17,830 | 17,830 | 35,460 | -- | 35,460 | 17,630 |
| Licenses and permits | 3,350 | 3,350 | 4,202 | -- | 4,202 | 852 |
| Intergovernmental: | | | | | | |
| State | -- | -- | 8,113 | -- | 8,113 | 8,113 |
| Charges for services | 33,950 | 33,950 | 35,682 | -- | 35,682 | 1,732 |
| Fines and forfeits | 17,431 | 17,431 | 18,592 | -- | 18,592 | 1,161 |
| Interest earnings | -- | -- | 82 | -- | 82 | 82 |
| Refunds | -- | -- | 6,386 | -- | 6,386 | 6,386 |
| Reimbursements | 3,000 | 3,000 | 18,697 | -- | 18,697 | 15,697 |
| Miscellaneous | 1,600 | 1,600 | 5,881 | -- | 5,881 | 4,281 |
| Total revenues | 391,964 | 391,964 | 486,589 | 3,161 | 489,750 | 97,786 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 172,095 | 165,881 | 168,820 | (3,393) | 165,427 | 454 |
| Public safety | 170,450 | 161,927 | 218,360 | -- | 218,360 | (56,433) |
| Streets and transportation | 134,895 | 128,150 | 166,487 | -- | 166,487 | (38,337) |
| Health and sanitation | 2,800 | 2,800 | 5,605 | (4,500) | 1,105 | 1,695 |
| Culture and recreation | 11,495 | 10,920 | 10,506 | -- | 10,506 | 414 |
| Capital projects | -- | 53,911 | 51,313 | -- | 51,313 | 2,598 |
| Total expenditures | 491,735 | 523,589 | 621,091 | (7,893) | 613,198 | (89,609) |
| Excess (deficiency) of revenues over (under) expenditures | (99,771) | (131,625) | (134,502) | 11,054 | (123,448) | 8,177 |

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL BASIS - GENERAL FUND
For the Fiscal Year Ended June 30, 2009

| | <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> | | | | |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from the sale of assets | \$ 54,912 | \$ 54,912 | \$ -- | \$ -- | \$ -- | \$ (54,912) |
| Net change in fund balance | (44,859) | (76,713) | (134,502) | 11,054 | (123,448) | (46,735) |
| Fund balances - beginning (see Note III.E.) | 44,859 | 76,713 | 164,766 | (33,558) | 131,208 | 54,495 |
| Fund balances - ending | \$ -- | \$ -- | \$ 30,264 | \$ (22,504) | \$ 7,760 | \$ 7,760 |

See accompanying notes to the financial statements.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL BASIS - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2009

| | <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 | \$ <u>3,000</u> | \$ <u>3,000</u> | \$ <u>5,495</u> | \$ <u>--</u> | \$ <u>5,495</u> | \$ <u>2,495</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | <u>8,739</u> | <u>8,739</u> | <u>30</u> | <u>--</u> | <u>30</u> | <u>8,709</u> |
| Net change in fund balance | (<u>5,739</u>) | (<u>5,739</u>) | <u>5,465</u> | <u>--</u> | <u>5,465</u> | <u>11,204</u> |
| Fund balances - beginning | <u>5,739</u> | <u>5,739</u> | <u>15,926</u> | <u>(8,008)</u> | <u>7,918</u> | <u>2,179</u> |
| Fund balances - ending | \$ <u><u>--</u></u> | \$ <u><u>--</u></u> | \$ <u><u>21,391</u></u> | \$ <u><u>(8,008)</u></u> | \$ <u><u>13,383</u></u> | \$ <u><u>13,383</u></u> |

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2009

| | Business-type Activities - Enterprise Funds | | Totals |
|--|--|----------|-----------|
| | Koontz | Mary | |
| | Cemetery | Cemetery | |
| ASSETS | | | |
| Current: | | | |
| Cash and cash equivalents | \$ 5,369 | \$ 4,990 | \$ 10,359 |
| Capital assets: | | | |
| Nondepreciable: | | | |
| Land | 1 | 10 | 11 |
| Total assets | \$ 5,370 | \$ 5,000 | \$ 10,370 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1 | 10 | 11 |
| Unrestricted | 5,369 | 4,990 | 10,359 |
| Total net assets | 5,370 | 5,000 | 10,370 |
| Total liabilities and net assets | \$ 5,370 | \$ 5,000 | \$ 10,370 |

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

| | Business-type Activities - Enterprise Funds | | |
|---------------------------------|--|-----------------------------|-----------|
| | Koontz Cemetery | Mary Osborne Cemetery | Totals |
| | Operating revenues: | | |
| Miscellaneous | \$ 7,515 | \$ 8,839 | \$ 16,354 |
| Operating expenses: | | | |
| Miscellaneous | 7,691 | 5,093 | 12,784 |
| Change in net assets | (176) | 3,746 | 3,570 |
| Net assets at beginning of year | 5,546 | 1,254 | 6,800 |
| Net assets at end of year | \$ 5,370 | \$ 5,000 | \$ 10,370 |

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, 2009

| | Business-type Activities - Enterprise Funds | | |
|--|--|-----------------------------|-----------|
| | Koontz Cemetery | Mary Osborne Cemetery | Totals |
| | Cash flows from operating activities: | | |
| Cash received from customers | \$ 7,515 | \$ 8,839 | \$ 16,354 |
| Cash paid for goods and services | (7,691) | (5,093) | (12,784) |
| Net increase (decrease) in cash and cash equivalents | (176) | 3,746 | 3,570 |
| Cash and cash equivalents, July 1, 2008 | 5,545 | 1,244 | 6,789 |
| Cash and cash equivalents, June 30, 2009 | \$ 5,369 | \$ 4,990 | \$ 10,359 |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (176) | 3,746 | \$ 3,570 |

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 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 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 or specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality.

Based upon the above criteria, the Municipality does not have any component units.

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 activities of the government. 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.

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.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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.

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 *Say No to Drugs fund*, a special revenue fund, accounts for revenues and expenses of donations from the public to implement drug programs and educate school children about drugs.

The government reports the following major proprietary funds:

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 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 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 are charges for burial 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.

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.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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."

Trade Receivables

The government should periodically analyze delinquent accounts and write-off amounts deemed to be uncollectible.

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, 2009 were as follows:

| <u>Class of Property</u> | <u>Assessed Valuation For Tax Purposes</u> | <u>Current Expense</u> |
|------------------------------|--|----------------------------|
| Class II | \$ 11,791,110 | 24.70 cents |
| Class IV | \$ 20,776,029 | 49.40 cents |

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 government are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------|--------------|
| Structures and improvements | 40-50 |
| Machinery and equipment | 05-10 |

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.

5. Change in Accounting Policy

Effective July 1, 2008, the Municipality adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. As required by the standard, the long-term liability and related expense have been included in the governmental activities in the amount of \$5,607. All OPEB note disclosures have been included in the notes to the financial statements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 Funds.

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> |
|---------------|---|
| \$ (6,214) | General Government Expenditure Decrease |
| (8,523) | Public Safety Expenditure Decrease |
| (6,745) | Streets and Transportation Expenditure Decrease |
| (575) | Culture and Recreation Expenditure Decrease |
| 53,911 | Capital Projects 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 re-appropriated and honored during the subsequent year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2009, expenditures exceeded appropriations in the General Fund by \$89,609. This over expenditure was funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the government's bank balances were \$31,793, which were fully collateralized by Federal Depository Insurance Corporation limits.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

B. Receivables

Receivables at year end for the government's are as follows:

| | |
|--------------|------------------|
| | <u>General</u> |
| Receivables: | |
| Taxes | <u>\$ 61,229</u> |

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 connection 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:

| | |
|--|--------------------|
| | <u>Unavailable</u> |
| Property taxes receivable (general fund) | <u>\$ 11,226</u> |

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

| | <u>Governmental Activities</u> | | | |
|---|--------------------------------|------------------|------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 15,000 | \$ -- | \$ -- | \$ 15,000 |
| Capital assets being depreciated: | | | | |
| Structures and improvements | 205,000 | -- | -- | 205,000 |
| Machinery and equipment | 44,515 | 25,150 | -- | 69,665 |
| Total accumulated depreciation | <u>(141,644)</u> | <u>(8,722)</u> | <u>--</u> | <u>(150,366)</u> |
| Total capital assets being depreciated, net | <u>107,871</u> | <u>16,428</u> | <u>--</u> | <u>124,299</u> |
| Governmental activities capital assets, net | <u>\$ 122,871</u> | <u>\$ 16,428</u> | <u>\$ --</u> | <u>\$ 139,299</u> |
| | | | | |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 11 | \$ -- | \$ -- | \$ 11 |

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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

| | |
|--|----------------------------|
| Governmental activities: | |
| General government | \$ 1,104 |
| Public safety | 3,234 |
| Highways and streets | 3,384 |
| Culture and recreation | <u>1,000</u> |
| Total depreciation expense-governmental activities | <u><u>\$ 8,722</u></u> |

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009 is as follows:

Interfund receivables/payables:

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

E. Prior Period Adjustment

The following fund balances/net assets required restatement at the beginning of the year as follows:

| | General Fund | Governmental Activities |
|---|--------------------------|----------------------------|
| Fund balances/Net Assets, as previously stated | \$ 168,234 | \$ 319,675 |
| Add: | | |
| Prior year checking account | -- | 1,377 |
| OPEB | <u>(3,468)</u> | <u>(3,468)</u> |
| Fund balances/Net Assets, restated | <u><u>\$ 164,766</u></u> | <u><u>\$ 317,584</u></u> |

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.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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. 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 grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Municipality was 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.

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 |

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

| | |
|---|--|
| 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 |

V.B.2. Trend Information

Public Employees Retirement System (PERS)

| <u>Fiscal Year</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> |
|--------------------|--------------------------------|-----------------------------------|
| 2009 | \$ 19,012 | 100% |
| 2008 | \$ 15,040 | 100% |
| 2007 | \$ 5,010 | 100% |
| 2006 | \$ 2,232 | 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, 4101 MacCorkle Ave S.E., Charleston, WV 25304.

VI. RETIREMENT HEALTH PLAN (RHP)

V.1 Plan Description:

The Municipality contributes to the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia, 25305-0710.

MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

V. 2 Authority Establishing the Plan and Funding Policy

Chapter 5, Article 16D of the West Virginia Code assigns the authority to establish and amend benefits and provisions to the RHBT. Plan members are currently required to contribute \$388.22 per month per active health policy. Participating employers are contractually required to contribute at a rate assessed each year by RHBT. The RHBT board sets the employer contribution rate based on the annual required contributions of the plan (ARC), and amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The entity's contribution to RHBT for the year ended June 30, 2009 was \$3,952, which represents 41% of the required contribution this year.

V.3 Trend Information

West Virginia Retiree Health Benefits Trust Fund (RHBT)

| Fiscal Year | Annual OPEB Cost | Percentage Contributed |
|-------------|---------------------|---------------------------|
| 2009 | \$ 9,557 | 41% |
| 2008 | \$ 8,171 | 58% |

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 and each major fund of the Municipality of Clendenin, West Virginia (the Municipality), as of and for the year ended June 30, 2009, which collectively comprise the Municipality's basic financial statements and have issued our report thereon, dated July 29, 2010. 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 2009-6 through 2009-8 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 financial reporting described in the accompanying Schedule of Findings and Responses, we consider items 2009-6 and 2009-7 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 2009-1 through 2009-5.

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.

Honorable Mayor and Council
Municipality of Clendenin
Page 3

This report is intended solely for the information and use of management, others within the entity 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 prominent initial "G".

Glen B. Gainer, III
West Virginia State Auditor

July 29, 2010

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Maintenance of Accounting Records
2009-1**

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 adequate source documents verifying all revenues.

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 municipal officials failed to keep a record of all transactions which took place during the year.

EFFECT:

The Municipality of Clendenin did not have adequate financial records thus certain transactions could not be properly verified. This necessitated a qualification to the audit opinion for the fiscal year.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Maintenance of Accounting Records
2009-1 (continued)**

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, 2009**

**Timely Deposit of Revenues
2009-2**

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 the failure to accurately account for the moneys collected.

RECOMMENDATION:

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

AUDITED AGENCY'S RESPONSE:

The municipal officials have implemented proper internal control procedures which require deposits to be made in a more timely manner.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Failure to Submit Budget Revision to Appropriate
the Unexpended Balance - General Fund
2009-3**

CONDITION:

We determined during our audit that the officials of the Municipality of Clendenin failed to submit a budget revision for the General Fund to appropriate \$54,495 of the actual unexpended fund balance at June 30, 2008.

CRITERIA:

West Virginia Code §6-9-3 states in part that:

"...All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a State Supreme Court decision stated that:

"...Any excesses or balances should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year... Ireland v Board of Education, 115WV614, 177S.E.452(1934)."

CAUSE:

The Municipality failed to revise the carryover balance of the General Fund.

EFFECT:

The Municipality did not appropriate all funds available for expenditure.

RECOMMENDATION:

The Municipality should exercise proper budgetary practices.

AUDITED AGENCY'S RESPONSE:

The municipal officials stated that proper budgetary controls will be implemented in the future.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Failure to Submit Budget Revision to Appropriate
the Unexpended Balance - Coal Severance Tax Fund**

2009-4

CONDITION:

We determined during our audit that the officials of the Municipality of Clendenin failed to submit a budget revision for the Coal Severance Tax Fund to appropriate \$2,179 of the actual unexpended fund balance at June 30, 2008.

CRITERIA:

West Virginia Code §6-9-3 states in part that:

"...All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a State Supreme Court decision stated that:

"...Any excesses or balances should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year... Ireland v Board of Education, 115 WV 614, 177 S.E. 452 (1934)."

CAUSE:

The Municipality failed to revise the carryover balance for the Coal Severance Tax

EFFECT:

The Municipality did not appropriate all funds available.

RECOMMENDATION:

The Municipality should exercise proper budgetary practices.

AUDITED AGENCY'S RESPONSE:

The municipal officials stated that proper budgetary controls will be implemented in the future.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Expenditure in Excess of Amounts Allocated
in the Levy Estimate - General Fund
2009-5**

CONDITION:

It was determined during this examination that municipal officials of Clendenin incurred expenditures and/or encumbrances for certain items in the General Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the following categories exceeded budgeted amounts:

| | <u>Budget</u> | | <u>Actual</u> | | <u>Variance</u> |
|----------------------------|---------------|----|---------------|----|-----------------|
| Public Safety | \$ 161,927 | \$ | 218,360 | \$ | (56,433) |
| Streets and Transportation | \$ 128,150 | \$ | 166,487 | \$ | (38,337) |

CRITERIA:

West Virginia Code §11-8-26 states in part that:

"...a local fiscal body shall not expend money or incur obligations:

- (1) In an unauthorized manner;
- (2) For an unauthorized purpose;
- (3) In excess of the amount allocated to the fund in the levy order;
- (4) In excess of the funds available for current expenses...

CAUSE:

The Municipality failed to implement policies and procedures which should regulate expenditures and insure that adequate revisions be made to the budget prior to actual disbursements being made.

EFFECT:

By not exercising adequate policies and procedures, the Municipality compromises its budgetary control.

RECOMMENDATION:

The Municipality should implement controls that will insure compliance with budgetary requirements.

AUDITED AGENCY'S RESPONSE:

The municipal officials stated that better budgetary control will be exercised in the future to prevent overexpenditures.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Segregation of Duties

2009-6

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, 2009**

**Financial Statement Preparation
2009-7**

CONDITION:

We noted during our audit of the Municipality of Clendenin, West Virginia, that employees or management did not possess the requisite 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, 2009**

**Financial Statement Preparation
2009-7 (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 this with management.

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, 2009**

**Capitalization Policy
2009-8**

CONDITION:

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

CRITERIA:

Proper internal control structure dictates 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 establish, approve and implement a capitalization policy.

**MUNICIPALITY OF CLENDENIN, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2009**

Status of Prior Year Audit Findings

| <u>Finding Number</u> | <u>Title</u> | <u>Status</u> |
|---------------------------|---|---------------|
| 2008-1 | Maintenance of Accounting Records | Restated |
| 2008-2 | Timely Deposit of Revenues | Restated |
| 2008-3 | Failure to Submit Budget Revisions to Appropriate the Unexpended Balance - Coal Severance Tax Fund | Restated |
| 2008-4 | Record of Traffic Cases | Corrected |
| 2008-5 | Segregation of Duties | Restated |
| 2008-6 | Accounts Receivable - Municipal Service Fees | Corrected |
| 2008-7 | Financial Statement Preparation | Restated |
| 2008-8 | Capitalization Policy | Restated |
| 2008-9 | Uncollateralized Deposits | Corrected |