

# FINANCE DEPARTMENT



Denise White, Finance Director

## GOALS / PURPOSE

The Finance Department is an integral component of the administrative structure of the City of Morgantown, rendering services in a staff capacity to the other City administrative and operating Departments. However, the principal focus of the Finance Department staff is to render professional and courteous service to the citizens and taxpayers of Morgantown. As the Finance Department is often the primary contact a resident or business taxpayer has with City personnel, the staff strives to make it a positive experience, while ensuring that all aspects of the City's financial administration are performed in an efficient and equitable manner.

## CURRENT PROGRAMS / SERVICES

Finance Department staff is responsible for the collection of all revenue for the various funds of the City of Morgantown, which include the General Fund, the operating fund of City government; eleven special revenue funds; two capital improvement funds; three pension trust funds; and three enterprise funds - Airport, Parking Authority, and Building Commission. In addition, the Department is also responsible for all disbursements made from these funds, including payroll for all employees and retirees, as well as the overall general ledger accounting functions.

The accounting functions of the Board of Parks and Recreation Commissioners Fund (BOPARC) are also under the supervision of the Finance Director, with the Finance Director attending all BOPARC meetings and presenting the monthly financial reports to the Board. The Finance Director also coordinates the annual audit of the City's financial statements, which includes the Morgantown Public Library in addition to the funds previously listed.

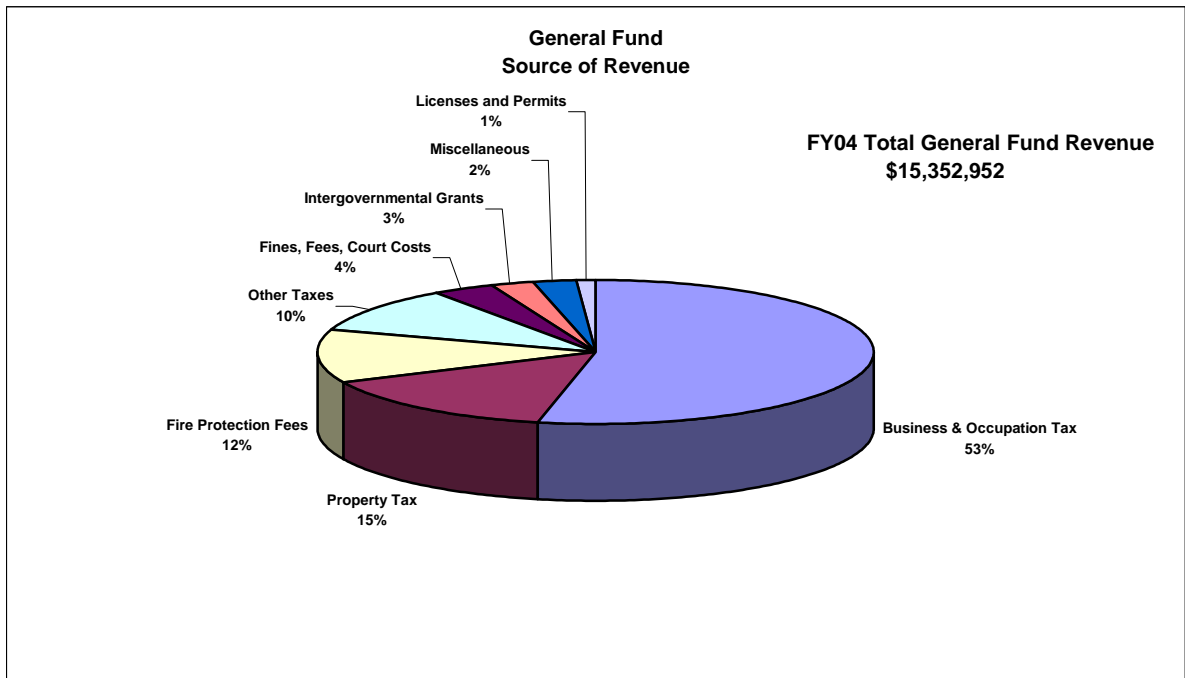
Along with the many duties and responsibilities related to providing the various financial and accounting functions, the Finance Director also oversees the risk management and insurance programs for the City and its agencies, including BOPARC and the Library. With the rapidly rising cost of liability and property

insurance in West Virginia, both insurance procurement and claims management are consuming an increasingly significant amount of staff resources.

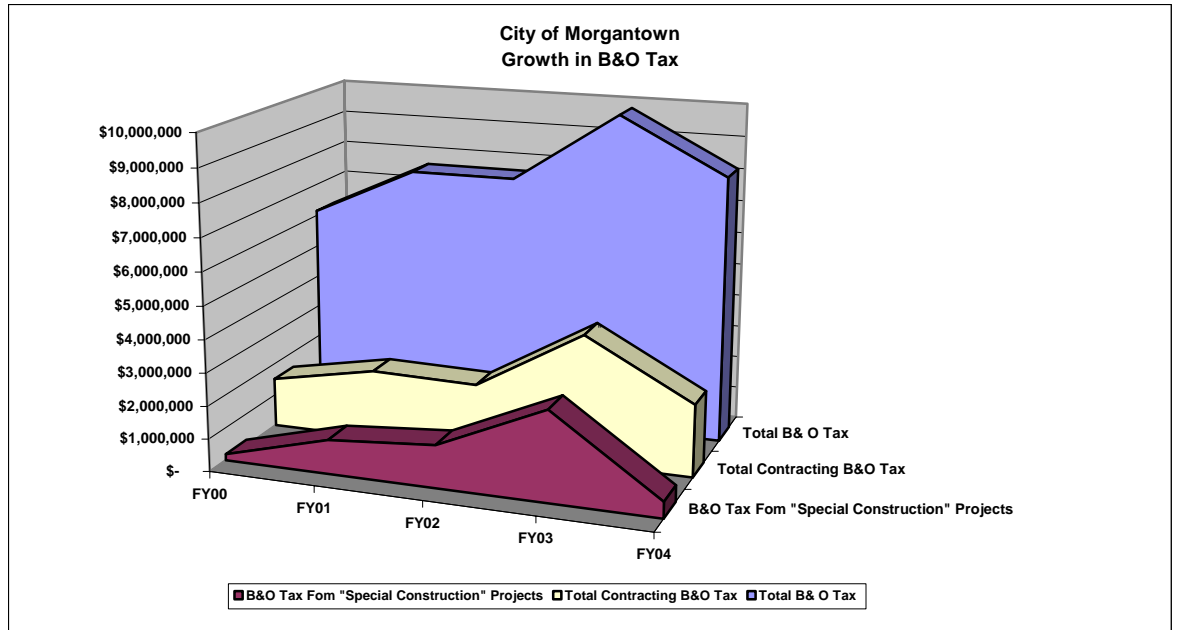
Additionally, the Finance Department provides various accounting services, including payroll, accounts payable, general ledger accounting, and tax reporting, to Main Street Morgantown and the Campus Neighborhoods Revitalization Corporation.

**Revenue Administration**

As evidenced by the following chart, business and occupation (B&O) taxes accounted for approximately 53% of the City’s General Fund Revenue. This percentage is in line with previous years and underscores the importance of this particular source of revenue to the City’s financial health.



With the economic growth experienced in Morgantown in recent years, revenue administration has become increasingly challenging for the staff of the Finance Department. As depicted by the following graph, business and occupation tax revenue, which comprises over half of the General Fund budget, has grown significantly over the past several years:



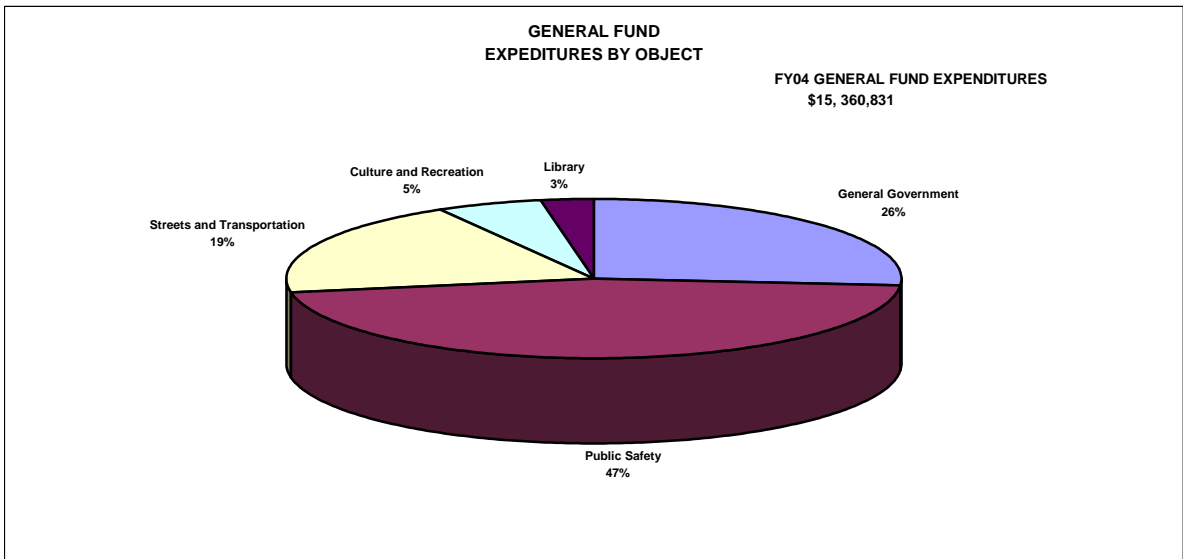
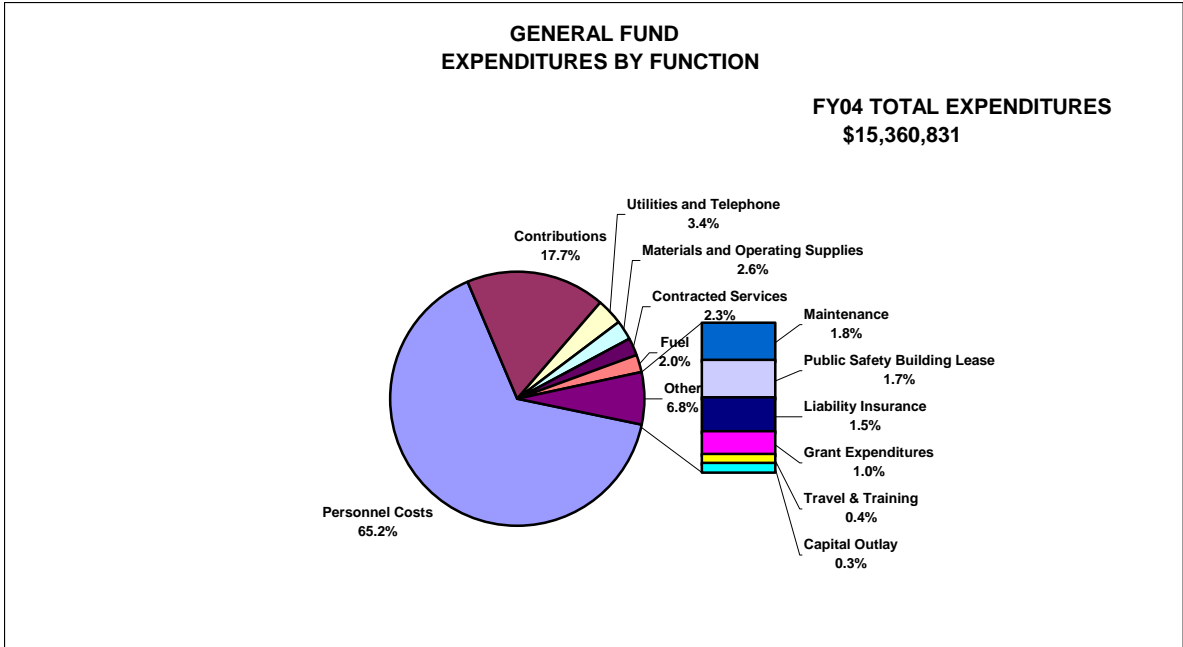
The B&O Tax from “Special Construction Projects” is the tax collected from specifically identified major projects, which includes the WVU Recreation Center, Life Sciences Building, WVU Administrative Building, Wise Library, Wharf Parking Garage, the Radisson Hotel, and the various phases of the WVU Hospital expansion. All of this extraordinary B&O tax revenue was contributed to the Capital Escrow Fund for capital improvements and contributions to other agencies. Over the past five years, \$9,865,813 has been contributed from the General Fund to the Capital Escrow Fund, with \$5,777,180 coming from these special construction projects.

### **Analysis of Expenditures**

Finance Department staff is responsible for processing all purchase orders and issuing all disbursements checks for all funds of the City of Morgantown, with the exception of BOPARC and the Library. During the last fiscal year, approximately 1,693 purchase orders were processed and 3,975 accounts payable checks were issued.

Personnel costs comprise over 65% of total expenditures. These expenditures include salaries and wages, payroll taxes, and fringe benefits including retirement and health insurance. The Finance Department staff processes payroll disbursements bi-weekly for approximately 204 full-time employees and 25 part-time employees. In addition, monthly pension disbursements are also processed for approximately 190 retirees and/or survivors of the City's three pension funds.

The following charts illustrate total expenditures for the General Fund by function and object:



**Treasury Management**

Another important responsibility of the Finance Department is the management and investment of all City funds. Cash accounts and investments totaled \$49,422,574 on June 30, 2004. Of this amount, \$42,385,303 represent pension fund assets, which are managed by professional money managers. For the most part, the remaining funds are held in local banks in checking and money market accounts and certificates of deposit. Currently, the Finance Department manages twenty-six checking and money market accounts and oversees ten trust accounts.

As funds become available for temporary investment, Finance Department staff seeks competitive rates from the local financial institutions that have been approved

by City Council as authorized depositories. However, due to the very low interest rates experienced in the past few years, the difference in rates between banks has been minimal, and interest revenue in total has declined significantly.

## **RESOURCES**

### **Finance Department Staff**

The most valuable resource in the Finance Department is its dedicated and experienced staff. The staff of seven includes the Finance Director, Assistant Finance Director, and five accounting clerks, each of whom is responsible for a specific functional area. In addition, the accounting clerk for BOPARC is located in the Finance Department. This clerk performs payroll, accounts payable, and general ledger accounting for BOPARC using the Finance Department computer system and is supervised by the Finance Director. In addition to the Finance Department staff, the Finance Director oversees the staff of Municipal Court. Of the eight staff members located in the Finance Department, five have over eighteen years of experience with the City of Morgantown.

With the resignation of the Cashier this year, the duties of the Business and License Clerk and the Cashier were realigned. The Cashier is now responsible for business licensing, in addition to the regular duties of revenue collection. Consequently, the Business and License Clerk has now become the Business & Occupation Tax Clerk, concentrating solely on this critical area of revenue. The Fire Fee Clerk now is responsible for the accounting of all other taxes and revenue in addition to the regular duties associated with the fire fee billing and collection system.



Judy Simons, Cashier & Business Licenses

### **Computer System**

The Finance Department utilizes an IBM iSeries 820 computer system that is used for all accounting functions including budgeting, general ledger, accounts payable, accounts receivable, payroll, and revenue collection. All staff members have PC workstations, which are networked to the main City Hall computer network and have Internet access and email capability.

Currently, the City Manager's Office, Public Works, Police, Parking Authority, and BOPARC have inquiry access to the Finance Department computer system. The Fire Department and Airport will be given access as soon as their individual computer network issues are resolved. This enables Department heads to check budget lines, invoices, purchase orders, and other data. As a result, accurate, timely

financial information is now available to the various Departments. Ideally, this should eliminate the duplication of accounting activities that currently exists within some of the Departments so that Department resources can be utilized for more vital operating purposes.

## **REVIEW OF THE PAST YEAR**

### **Audit Results**

The City of Morgantown received an unqualified opinion on its financial statements from the accounting firm of Tetrick and Bartlett, PLLC for the fiscal year ended June 30, 2003. In addition, there were no reportable conditions pertaining to the system of internal controls, nor any instances of noncompliance that were required to be reported. The firm completed its fieldwork in November, 2004, for the year ended June 30, 2004, and it is expected that the report will be issued by the end of December, 2004.

The year ended June 30, 2003, was the first year the financial statements were presented in accordance with the new financial reporting model required by the Government Accounting Standards Board (GASB) Statement 34. Significant changes included the presentation of government-wide financial statements presented on a full-accrual basis of accounting, in addition to the regular fund financial statements, the inclusion of management's discussion and analysis (MD&A) of the financial condition of the City, and the inclusion of capital assets and related depreciation in governmental funds on the government-wide financial statements.

### **Staff Training and Development**

The Finance Director attended the National Government Finance Officers Association's (GFOA) annual conference this year, which offered a variety of courses on timely topics dealing with budgeting, financial reporting, debt management, cash management and investments, pension and benefits, and technology. The New World Software's annual user conference was also attended, which is always important for keeping current on changes and enhancements being made to the various software applications as well as new developments in technology.

The Assistant Finance Director attended the two-day computer training session for HUD programs offered in conjunction with the City's Community Development Block Grant (CDBG) program. Other staff members attended classes in PC applications and payroll issues.

Staff members continue to be involved in the activities of the Government Finance Officers Association, both on the State and National levels and in the activities of the West Virginia Municipal League that deal with municipal finance and taxation. The Finance Director is currently serving on the Municipal League's Insurance Pooling Steering Committee.

### **Additional Funds and Departments**

The past year has seen the addition of three new funds to the City's financial and accounting structure: the Tax Increment Financing (TIF) Fund, the Business Improvement District (BID) Fund, and the WV Economic Development Grant (WVEDG) Fund.

The TIF Fund currently has two separate accounting units which parallel the two TIF Districts created by Council and approved by the WV Economic Development Office: Falling Run and Riverfront. The fiscal year beginning July 1, 2004, is the first year that the City has received TIF property taxes from the two Districts.

The BID Fund is currently used for the Upper High Street District but will soon be expanded for the Central High Street District. Revenues in the BID Fund include TEA 21 grant monies, contributions from the City's Capital Escrow Fund, and assessments on property owners within the first BID District.

Three separate grant projects are being tracked in the WVEDG Fund: The Square at Falling Run Project, The National Biometrics Security Project, and the WV Public Theater and Marina Project.

A new accounting department was added to the Community Development Fund to account for the activity in the CDBG Program, which began incurring expenses in March, 2004, with the hiring of a Director. Grant funds totaling \$675,000 have been awarded for the fiscal year ending June 30, 2005, funding a myriad of programs that all must be tracked and accounted for separately.

Along with the above described accounting funds and departments that have been added in the past year, five new checking accounts have been opened thus far to meet the requirements of separate accounting and reporting mandated by the various applicable statutes and grantors regulations.

### **Business and Occupation Tax Revision**

In October, 2004, City Council approved a comprehensive revision to the City's Business and Occupation Tax Code. Many of the changes were administrative in nature, formally incorporating into City Code certain procedures and rules that were promulgated by State statute and that were currently being followed by the City. Other changes merely reorganized existing sections to make the Code more understandable and user friendly.

A significant new feature is the imposition of interest in addition to the penalties for late payment that were currently in City Code. The Finance Department will begin implementation of the interest provision with returns filed for the first quarter of 2005, as some programming changes must be made to accommodate this new charge. The other significant change grants the authority to the Finance Director to revoke or refuse to issue business licenses to businesses that are delinquent in paying their

B&O taxes. It is expected that this provision will significantly enhance collection efforts.

### **Acceptance of Credit and Check Cards**

Although Council approved the acceptance of credit and check cards in the previous year, the Finance Department recently implemented this service in October, 2004. Utilization to date has not been significant, but it is expected that utilization will increase substantially as the Department's tax forms and invoices are modified to accommodate this feature.

The benefit of increased and more timely collections that may be made from the acceptance of credit and check cards will most likely be offset by the fees charged by the credit card companies and the financial institution for this service. Credit card acceptance was implemented though more as a customer service tool to respond to changes in consumer behavior, than as a collection tool.

### **FORECAST FOR THE COMING YEAR**

The coming year will certainly bring some important new challenges and opportunities to the Finance Department.

### **Continued Implementation of GASB 34**

As previously discussed, the main features of GASB 34, including the reporting of the capital assets of governmental funds, were implemented during the year ended June 30, 2003. The retroactive reporting of infrastructure assets though, is not required for Morgantown until the fiscal year ending June 30, 2007. While the City began prospective reporting of infrastructure assets with the GASB 34 implementation year, Finance Department staff will be required to commence work on determining cost values for previously acquired infrastructure assets, in order to comply with this provision by the end of the phase-in period. GASB 34 allows entities to elect to report only infrastructure assets acquired since 1980, and the Finance Director expects to make this election.

### **Accounting for Other Post -Employment Benefits (OPEB)**

GASB Statements 43 and 45, issued in 2004, establishes the accounting and reporting requirements for post-employment benefit plans other than pensions. According to GASB, post-employment healthcare benefits are always considered to be OPEB, and, therefore, the City of Morgantown will be required to implement these statements.

Many of the provisions promulgated in these statements mirror the provisions already in place for pension plans. The City will be required to present the cost and the related liability associated with the provision of post-employment health care benefits in the periods in which these benefits are earned, as well as amortize the costs already incurred but not recorded. Typically, the benefits are earned during

the period of active employment. In addition, actuarial valuations will be required to estimate the actuarial accrued liability (AAL). Valuations will be required every two years for plans with 200 or more total members and every three years for plans with 100 or more but less than 200 members.

The implementation year, which is based on revenue, for the City of Morgantown will be the fiscal year beginning July 1, 2008. While this is still four years in the future, the significance of this impact on the City's financial statements needs to be investigated and understood so that City management can take a proactive course of action. For plans that do not currently fund the cost of these post-employment benefits, the AAL and the OPEB cost can be expected to have a significant impact on the entity's financial condition.

### **Other Plans for the Coming Year**

In addition to continuing with the ongoing programs and activities previously described, the Finance Department plans to provide certain tax forms and license applications via the City's web site. Now that the acceptance of credit and check cards has been implemented, the Department also anticipates implementing the filing of certain tax returns and applications, along with the payment of the same, via the Internet. Finally, the Finance Director is currently in the process of implementing a solicitation system for temporary investments using email.

### **SUMMARY**

The staff of the Finance Department continually strives to be of assistance to City management and other City Departments and agencies in reaching their goals. This is accomplished by providing accurate and timely information, which is necessary in making decisions critical to proper financial management and planning, as well as providing expertise in a number of different financial and managerial areas. However, the Finance Department is, however, primarily committed to making all citizens' experience with City government a positive one by continually emphasizing equity in revenue administration, professionalism, and customer service.

As the economic growth and expansion of the City of Morgantown continues to increase, so do the duties and responsibilities of the Finance Department. The Finance Department staff is committed to rising to the challenges presented and anticipating those yet to come.

