

FINANCE DEPARTMENT

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 departments. In addition to providing timely management reports and information to internal users, Finance Department staff is also responsible for the financial reporting function of the City of Morgantown and its agencies to external users such as bond trustees, rating agencies, Federal and State grantors, and the State of West Virginia.

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, eight special revenue funds, three 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 bi-weekly payroll for all employees, monthly payments to retirees, as well as the overall general ledger accounting functions. The Finance Director also oversees the accounting functions of BOPARC and presents monthly reports to its Board

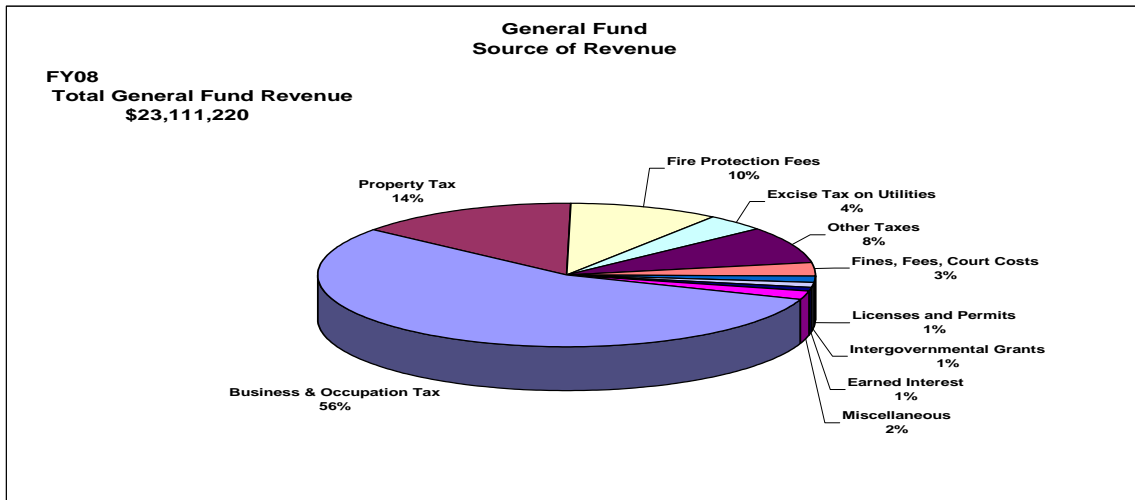
The Finance Department performs an integral function in the overall budget process of the City. This includes coordinating the budget process with all departments, revenue forecasting, assisting in the initial budget formulation, monitoring budget progress and approving all disbursements, and making recommendations for revisions as necessary..

The Finance Director oversees the risk management and insurance programs, which include the property and liability package, workers' compensation, and the self-funded employee health benefits plan, for the City and its agencies. This encompasses the procurement process, claims administration, and coordination of risk management activities.

The Finance Director also coordinates the annual audit of the City's financial statements, which include all of the City funds listed previously, as well as the Morgantown Public Library and BOPARC. In addition, the Finance Director provides various accounting services including payroll, accounts payable, general ledger accounting, and tax reporting, as in-kind contributions, to Main Street Morgantown and the Campus Neighborhoods Revitalization Corporation.

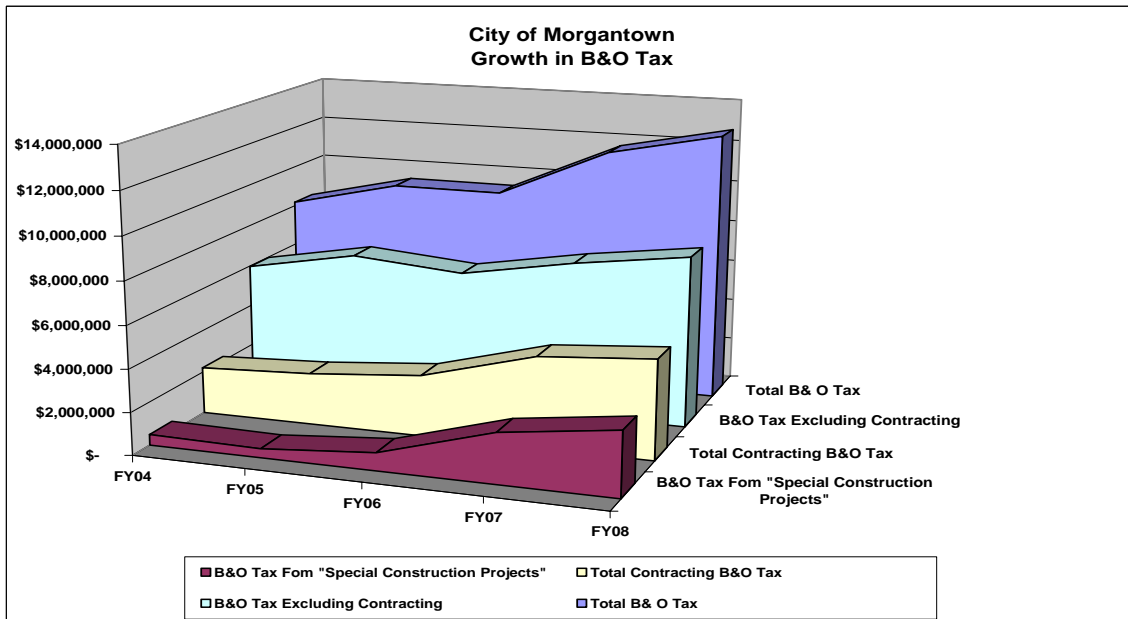
Revenue Administration

As evidenced by the following chart, business and occupation (B&O) taxes account for approximately 56% of the City's General Fund Revenue, while Property taxes account for 14% of total revenue. Fire service fees account for 10% of total General Fund revenue, all of which must be used to support the Fire Department operations and facilities.



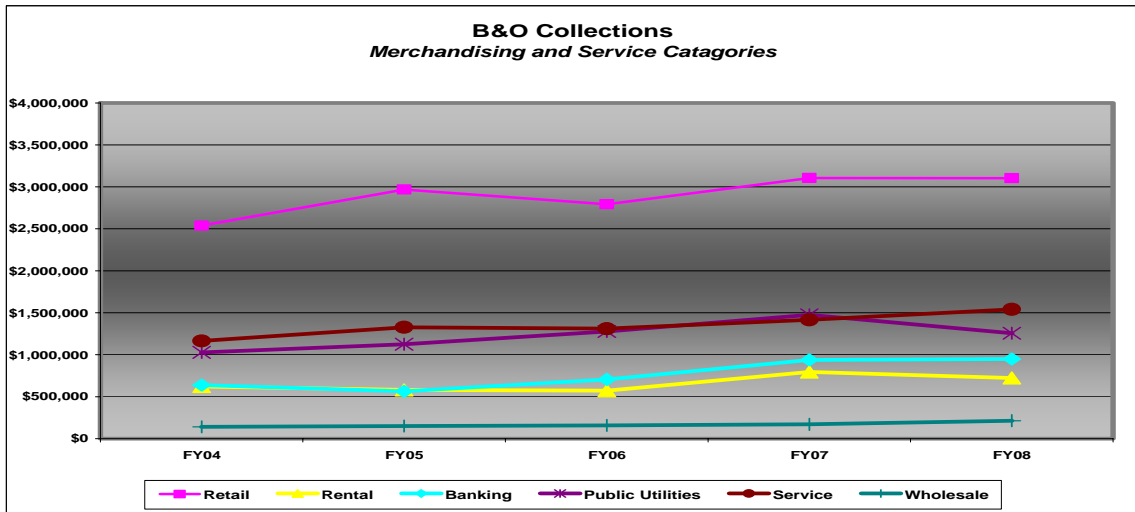
Business and Occupation Taxes

Because B&O taxes account for over half of the General Fund budget, much staff time and resources must be devoted to this revenue source. The following graph depicts the growth in B&O tax collections over the past five years:



Total B&O taxes have grown approximately 56% since FY04, with non-contracting B&O taxes growing approximately 36% during that time. The B&O tax from “Special Construction Projects” is the tax collected from specifically identified major projects, those single projects exceeding \$5 million in total cost. All of this extraordinary B&O tax revenue, which totaled over \$7.1 million over the five years shown on the graph, is contributed to the Capital Escrow Fund for capital improvements.

However, an analysis of the growth in merchandising and service activities is particularly important when forecasting future revenues available for on-going operations. The growth in B&O tax revenue from these activities has generally leveled off or declined in recent years as depicted in the following graph:

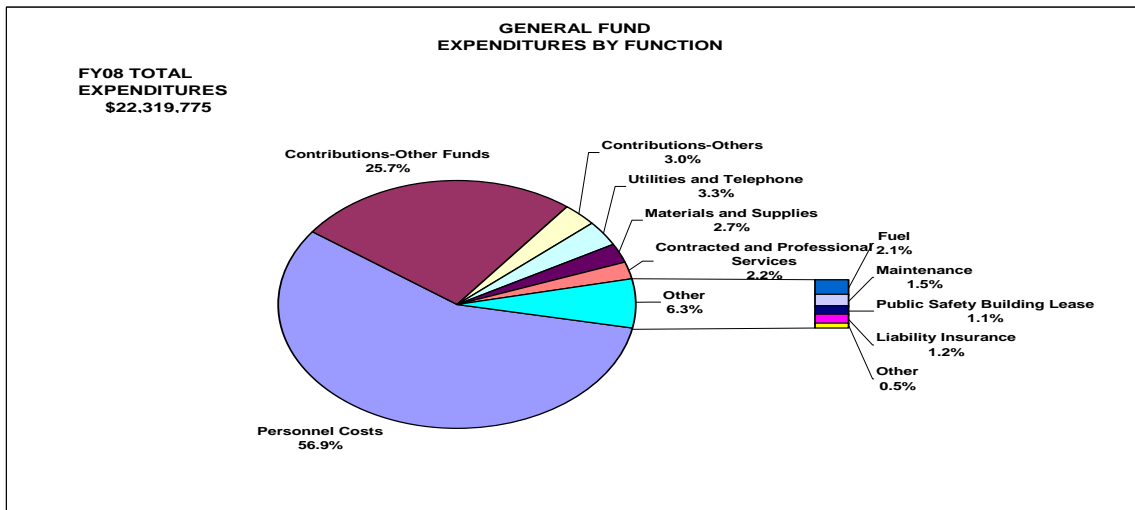
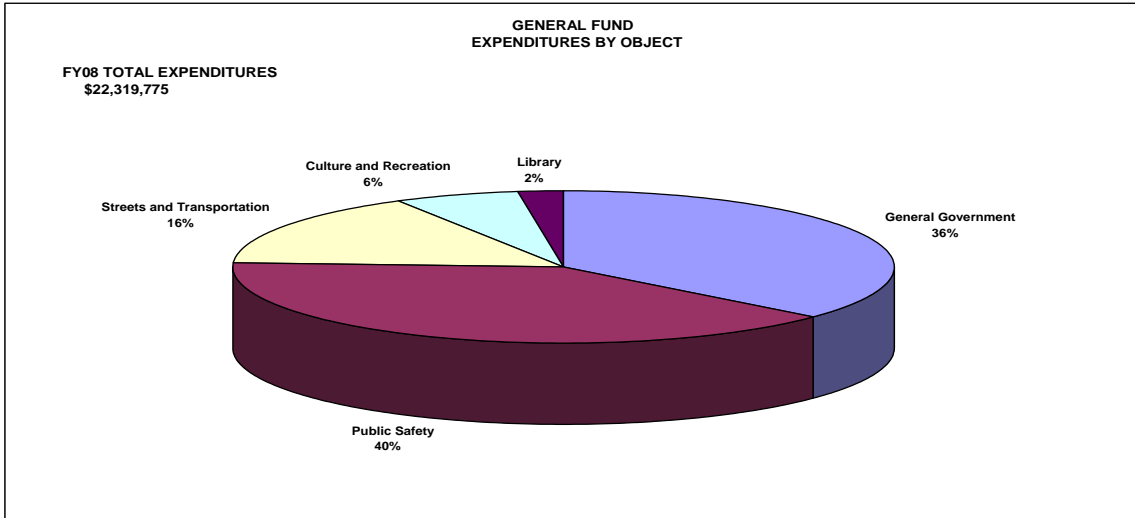


Analysis of Expenditures

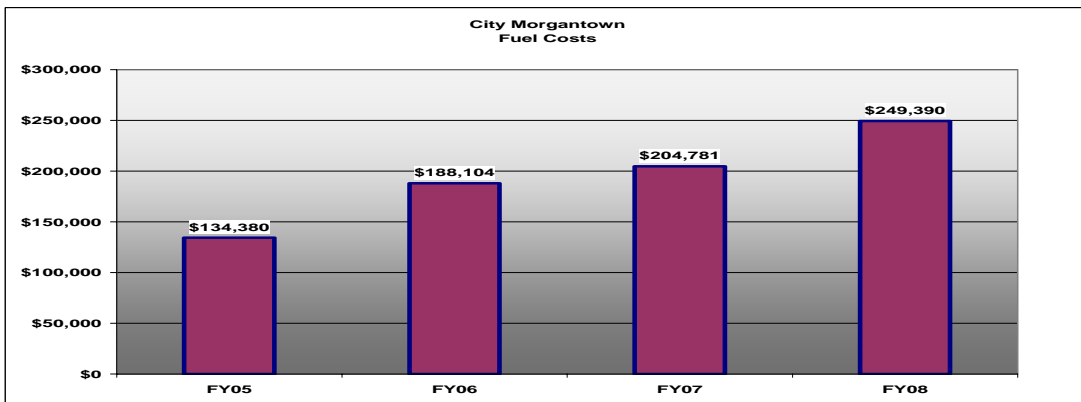
Finance Department staff is responsible for processing all purchase orders and issuing all disbursements checks for all funds of the City of Morgantown. During the last fiscal year, approximately 1,787 purchase orders were processed, and 3,998 accounts payable checks were issued for all City funds, the Airport, and Parking Authority.

Personnel costs comprise almost 57% 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 227 full-time employees and 26 part-time employees, and provides bi-weekly payroll services for BOPARC, which has 18 full-time and up to 250 part-time, seasonal staff. In addition, monthly pension disbursements are also processed for approximately 100 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:



While the City experienced continued increases in fuel costs during the past fiscal year, as depicted in the following chart, significant savings are expected in the coming fiscal year as costs for gasoline and diesel have dropped approximately 60% and 24%, respectively, since June, 2008.



Additionally, the City realized an 8% decrease in health care costs in FY08. However, an increase of approximately 19% will be seen beginning in January, 2009 due to higher than expected claims during the past year, coupled with the ever-rising costs of medical care and prescription drugs.

Treasury Management

Another important responsibility of the Finance Department is the management and investment of all City funds. Cash accounts and investments totaled \$66 million at June 30, 2008. Of this amount, \$53.6 million represents 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 over forty checking and money market accounts and oversees fourteen trust accounts.

RESOURCES

Finance Department Staff

The most valuable resource in the Finance Department is its dedicated and experienced staff. The staff consists of seven full-time employees, which includes the Finance Director, Assistant Finance Director, Business Tax Auditor, four accounting clerks, and a permanent, part-time accounting clerk. The full-time accounting clerks each have primary responsibility for a specific functional area, while the part-time clerk backs up the cashier function, performs data entry, mail processing, and filing for all functional areas. Of the seven full-time staff members located in the Finance Department, five have over twenty years of experience with the City of Morgantown.



The Finance Department also utilizes the services of temporary, part-time staff, often interns from West Virginia University, to supplement staffing needs during busy times. In addition to the Finance Department staff, the Finance Director also oversees the staff of Municipal Court.

Computer System

The Finance Department utilizes an IBM iSeries 820 computer system and New World Systems software 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

During the past year, an upgrade to the IBM operating system was necessary. This upgrade is expected to provide utility for at least another three years. Currently, the Code Enforcement Department is in the process of implementing the New World Systems PC/Windows-based Community Development software, which includes a module for business and contractors licensing. The Finance Department will be converting to this system for its licensing applications, so that data sharing between departments is improved. Eventually, the Finance Department expects to convert to the New World Systems PC/Windows-based system for its financial and accounting software as well.

REVIEW OF THE PAST YEAR

North Side Fire Station Financing

The Finance Department coordinated the financing activities for the Morgantown Building Commission which issued a \$4.5 million Lease Revenue Bond on October 14, 2008, for the construction and equipping of the new North Side Fire Station. The bonds are payable over 20 years at an interest rate of 4.05%. The bond payments will be made by the lease revenue received from the City for the North Side Fire Station, which will be paid by the 23% increase in fire service fees implemented over the past two years.

Staff Training and Development

New World Systems provided a week of on-site refresher training to Department staff this past year. Benefits resulting from this training include enhancements to user security and administration, elimination of much of the manual processes required when preparing the quarterly B&O tax returns for distribution, streamlining payroll leave accrual procedures, and improving adjustment procedures.

The Finance Director attended the National Government Finance Officers Association's (GFOA) annual conference in June of this year. These conferences and meetings are important for keeping current on new developments in financial reporting, budgeting, State mandates, taxation issues, management, and technology. The Director also attended New World Systems annual user conference, during which there are various seminars offered that detail new software enhancements, teach helpful user tips, and provide a chance to network with other NWS users. Finance Department staff also attended the semi-annual meetings of the West Virginia Government Finance Officers Association and the West Virginia Municipal League.

Annual Audit

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, 2007. In addition, there were no reportable conditions pertaining to the system of internal controls or instances of noncompliance.

Pursuant to West Virginia State Code, the City's audit for the fiscal year ended June 30, 2008 is being conducted by the Chief Inspector Division of the State Auditor's Office. Fieldwork commenced December 8, 2008 and is expected to continue through January, 2009, with a tentative issue date for the audit of March 31, 2009.

Tax Increment Financing

The City issued another Tax Increment Financing (TIF) bond during the past year, the third such TIF Bond to be issued in two years. Each bond has annual continuing disclosure requirements and fiscal responsibilities that must be met, and the Finance Department staff is responsible for meeting these requirements. In addition to the responsibilities imposed by the bond covenants described previously, the Finance Department is also responsible for certain annual reporting requirements mandated by WV State Code for each TIF district and project.

FORECAST FOR THE COMING YEAR

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

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 effective with FY10.

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).

To meet this mandate, the City has entered into an agreement with an actuary firm to conduct the initial assessment of the City's OPEB liability, and staff is currently compiling the data needed for this valuation. In addition, City Council has set aside \$250,000 in the Capital Escrow Fund for initial funding of the expected OPEB liability

Economic Conditions

While the City of Morgantown and its surrounding areas have not been impacted as dramatically by the current economic downturn as other areas of the country, the City's pension plans have sustained significant declines in market values, which will most certainly impact future funding requirements. In addition, the growth in tax revenue is leveling off, while expenditures for certain significant items such as health care is increasing. Much careful analysis and consideration will need to be utilized in setting goals for the City's future and budgeting for the same.

Issuance of Bonds

Planned issuances of bonds include a bond to fund energy-saving expenditures, to be repaid by guaranteed future savings in energy costs, and a possible fourth TIF bond for the recently approved Redevelopment District No. 3 – Sunnyside Up Project Plan No. 1.

Other Plans for the Coming Year

In addition to continuing with the ongoing programs and activities previously described, Finance Department staff plans to:

- Review and strengthen cross-training of department staff
- Promulgate written operating policies and procedures for various functional areas
- Implement remote entry of payroll and purchase requisitions by departments
- Implement the filing of certain tax returns and applications, along with the payment of the same, via the Internet

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 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 meeting the challenges presented and anticipating those yet to come.