

**AUDIT REPORT OF  
WOOD COUNTY, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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WOOD COUNTY, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FUNDS INCLUDED IN REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**GOVERNMENTAL FUND TYPES**

**MAJOR FUNDS**

General  
Coal Severance Tax  
Home Confinement  
Community Criminal Justice  
Building Commission Debt Service  
Capital Reserve  
Special Building

**NONMAJOR FUNDS**

*Special Revenue Funds*

Dog and Kennel  
General School  
Magistrate Court  
Worthless Check  
Emergency Communication 911  
Assessor's Valuation  
Concealed Weapons  
Special Law Enforcement  
Local Law Enforcement  
Small Cities Block Grant  
Drug Court  
Treasury Forfeiture  
DOJ Forfeiture  
Teen Drug Court

**FIDUCIARY FUND TYPE**

*Agency Funds*

State  
School  
Municipal  
Other Agency

**BLENDED COMPONENT UNIT**

Wood County Building Commission

**WOOD COUNTY, WEST VIRGINIA  
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## ***INTRODUCTORY SECTION***

**WOOD COUNTY, WEST VIRGINIA  
COUNTY OFFICIALS  
For the Fiscal Year Ended June 30, 2012**

OFFICE	NAME	TERM
<u>Elective</u>		
County Commission:	David Blair Couch	01-01-07 / 12-31-12
	Wayne Dunn	01-01-09 / 12-31-14
	Stephen Gainer	01-01-11 / 12-31-16
Clerk of the County Commission:	Jamie Six	01-01-11 / 12-31-16
Clerk of the Circuit Court:	Carole Jones	01-01-11 / 12-31-16
Sheriff:	Jeff Sandy	01-01-09 / 12-31-12
Prosecuting Attorney:	Jason Wharton	01-01-09 / 12-31-12
Assessor:	Rich Shaffer	01-01-09 / 12-31-12

***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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Chief Inspector Division  
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## *INDEPENDENT AUDITOR'S REPORT*

Honorable Members of the  
Wood County Commission  
Parkersburg, West Virginia 26101

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County, West Virginia (the County), as of and for the year ended June 30, 2012, which collectively comprise the County'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 did not implement Governmental Accounting Standards Board statement number forty-five. Accounting principles generally accepted in the United States of America require the expenses and associated liability related to other postemployment benefits (OPEB) be recognized during the period in which the liability is incurred, thereby increasing the expenses, liabilities and reducing the net assets for the governmental activities. The amount by which this departure would affect the expenses and net assets and the associated notes to the financial statements related to the governmental activities is not reasonably determinable.

Management also has not properly recorded the prior year audit adjustments to the capital assets and is not properly depreciating their capital assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated properly, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not determinable.

Management also has not accurately recorded the compensated absences liability in the governmental activities. Accounting principles generally accepted in the United States of America require that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned, thereby increasing the expenses, liabilities and reducing the net assets for the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not determinable.

In our opinion, except for the effects of not presenting the expenses and the corresponding liability related to other postemployment benefits, of not properly presenting the capital assets and related depreciation, and of not properly presenting the compensated absences liability as described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Wood County, West Virginia, as of June 30, 2012, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Wood County, West Virginia, as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013, on our consideration of the County'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 County has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The budgetary comparison for the Assessor's Valuation Fund, and the schedule of expenditures of federal awards as required by the Office of Management Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison for the Assessor's Valuation Fund and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole. The introductory section listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Glen B. Gainer III", with a stylized flourish at the end.

Glen B. Gainer III  
West Virginia State Auditor

March 26, 2013

**WOOD COUNTY, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,027,585
Receivables:	
Taxes	671,221
Due from:	
Other governments	272,837
Total current assets	<u>7,971,643</u>
Noncurrent assets:	
Restricted assets:	
Restricted cash	210,757
Capital assets:	
Nondepreciable:	
Land	1,863,789
Depreciable:	
Buildings	7,693,364
Structures and improvements	13,161,762
Machinery and equipment	8,157,816
Less: accumulated depreciation	( 10,475,066)
Other debits:	
Unamortized bond issue costs	83,884
Total noncurrent assets	<u>20,696,306</u>
Total assets	<u>\$ 28,667,949</u>
<b>LIABILITIES</b>	
Current liabilities payable	
from current assets:	
Accounts payable	60,470
Payroll payable	16,679
Other accrued expenses	210,697
Noncurrent liabilities:	
Bonds payable - due within one year	245,000
Bonds payable - due in more than one year	5,988,178
Notes payable - due within one year	73,879
Leases payable - due within one year	113,541
Leases payable - due in more than one year	129,491
Compensated absences payable	401,893
Total liabilities	<u>7,239,828</u>
<b>NET ASSETS</b>	
Invested in capital assets,	
net of related debt	13,851,576
Restricted for:	
Debt service	210,757
Unrestricted	<u>7,365,788</u>
Total net assets	<u>21,428,121</u>
Total liabilities and net assets	<u>\$ 28,667,949</u>

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

	Program Revenues				Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>Functions / Programs</u></b>					
Governmental activities:					
General government	\$ 12,081,721	\$ 739,058	\$ --	\$ 555,119	\$ ( 10,787,544)
Public safety	10,114,470	2,925,311	923,612	794,777	( 5,470,770)
Health and sanitation	161,771	--	--	1,141,053	979,282
Culture and recreation	960,702	76,952	10,399	--	( 873,351)
Social services	50,512	--	--	--	( 50,512)
Capital projects	( 5,517,884)	--	--	--	5,517,884
Economic Development	2,493,976	--	--	--	( 2,493,976)
Interest on long-term debt	426,547	--	--	--	( 426,547)
Total governmental activities	<u>20,771,815</u>	<u>3,741,321</u>	<u>934,011</u>	<u>2,490,949</u>	<u>( 13,605,534)</u>
Total government	<u>\$ 20,771,815</u>	<u>\$ 3,741,321</u>	<u>\$ 934,011</u>	<u>\$ 2,490,949</u>	<u>( 13,605,534)</u>
General revenues:					
Ad valorem property taxes					12,405,563
Alcoholic beverages tax					41,970
Hotel occupancy tax					540,684
Animal tax					37,073
Gas and oil severance tax					59,571
Other taxes					1,335,649
Coal severance tax					223,095
Licenses and permits					114,022
Unrestricted investment earnings					41,349
Refunds					561,899
Reimbursement					20,057
Miscellaneous					506,709
Total general revenues					<u>15,887,641</u>
Change in net assets					2,282,107
Net assets - beginning					<u>19,146,014</u>
Net assets - ending				\$	<u>21,428,121</u>

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2012**

		Coal Severance Tax	Home Confinement	Community Criminal Justice	Building Commission Debt Service	Capital Reserve	Special Building	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
<b>Current:</b>									
Cash and cash equivalents	\$ 2,679,377	\$ 82,747	\$ 34,246	\$ 57,137	\$ --	\$ 1,133,654	\$ 2,090,160	\$ 950,264	\$ 7,027,585
Receivables:									
Taxes	671,221	--	--	--	--	--	--	--	671,221
Due from:									
Other funds	432,329	--	--	--	--	--	--	--	432,329
Other governments	272,837	--	--	--	--	--	--	--	272,837
Restricted cash	--	--	--	--	210,757	--	--	--	210,757
Total assets	\$ 4,055,764	\$ 82,747	\$ 34,246	\$ 57,137	\$ 210,757	\$ 1,133,654	\$ 2,090,160	\$ 950,264	\$ 8,614,729
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	58,137	--	283	--	--	--	--	2,050	60,470
Payroll payable	16,679	--	--	--	--	--	--	--	16,679
Other accrued expenses	--	--	--	--	210,697	--	--	--	210,697
Due to:									
Other funds	--	--	154,727	277,602	--	--	--	--	432,329
Deferred revenues:									
Taxes	510,382	--	--	--	--	--	--	--	510,382
Total liabilities	585,198	--	155,010	277,602	210,697	--	--	2,050	1,230,557
<b>Fund balances:</b>									
Restricted	--	--	--	--	60	1,133,654	2,090,160	948,214	4,172,088
Committed	1,203,157	--	--	--	--	--	--	--	1,203,157
Assigned	1,382,870	82,747	--	--	--	--	--	--	1,465,617
Unassigned	884,539	--	(120,764)	(220,465)	--	--	--	--	543,310
Total fund balances	3,470,566	82,747	(120,764)	(220,465)	60	1,133,654	2,090,160	948,214	7,384,172
Total liabilities and fund balances	\$ 4,055,764	\$ 82,747	\$ 34,246	\$ 57,137	\$ 210,757	\$ 1,133,654	\$ 2,090,160	\$ 950,264	\$ 8,614,729

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

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Total fund balances on the governmental fund's balance sheet	\$ 7,384,172
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 are therefore not reported in the funds. (Note IV.C.)	20,401,665
Other long-term assets (unamortized bond issuance costs) that are not available to pay for current-year expenditures and therefore are deferred in the funds.	83,884
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. (Note IV.B.)	510,382
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note IV.G.)	<u>( 6,951,982)</u>
Net assets of governmental activities	<u>\$ 21,428,121</u>

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>General</u>	<u>Coal</u> <u>Severance</u> <u>Tax</u>	<u>Home</u> <u>Confinement</u>	<u>Community</u> <u>Criminal</u> <u>Justice</u>	<u>Building</u> <u>Commission</u> <u>Debt Service</u>	<u>Capital</u> <u>Reserve</u>	<u>Special</u> <u>Building</u>	<u>Other Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>									
Taxes:									
Ad valorem property taxes	\$ 12,257,089	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 12,257,089
Alcoholic beverages tax	41,970	--	--	--	--	--	--	--	41,970
Hotel occupancy tax	540,684	--	--	--	--	--	--	--	540,684
Animal tax	--	--	--	--	--	--	--	37,073	37,073
Gas and oil severance tax	59,571	--	--	--	--	--	--	--	59,571
Other taxes	362,141	--	--	--	--	--	--	691,519	1,053,660
Coal severance tax	--	223,095	--	--	--	--	--	--	223,095
Licenses and permits	37,462	--	--	--	--	--	--	76,560	114,022
Intergovernmental:									
Federal	1,470,302	--	--	--	--	--	--	1,263,950	2,734,252
State	646,008	--	--	--	--	--	--	44,700	690,708
Charges for services	641,709	--	258,124	361,642	--	--	--	1,932,271	3,193,746
Fines and forfeits	191,630	--	--	--	--	--	--	355,945	547,575
Interest and investment earnings	22,145	365	--	--	991	335	8,380	9,133	41,349
Refunds	561,899	--	--	--	--	--	--	--	561,899
Reimbursements	--	--	--	20,057	--	--	--	--	20,057
Payments in lieu of taxes	281,989	--	--	--	--	--	--	--	281,989
Miscellaneous	505,064	--	--	--	--	--	--	1,645	506,709
Total revenues	17,619,663	223,460	258,124	381,699	991	335	8,380	4,412,796	22,905,448
<b>EXPENDITURES</b>									
Current:									
General government	10,145,825	--	--	--	--	--	310	1,256,580	11,402,715
Public safety	9,055,635	--	71,821	271,877	--	24,822	--	404,919	9,829,074
Health and sanitation	161,771	--	--	--	--	--	--	--	161,771
Culture and recreation	941,392	--	--	--	--	--	--	--	941,392
Social services	50,512	--	--	--	--	--	--	--	50,512
Capital outlay	557,580	523,578	--	--	--	--	462,109	--	1,543,267
Economic development	--	--	--	--	2,493,976	--	--	--	2,493,976
Debt service:									
Principal	--	--	--	--	230,000	--	--	--	230,000
Interest	--	--	--	--	426,547	--	--	--	426,547
Total expenditures	20,912,715	523,578	71,821	271,877	3,150,523	24,822	462,419	1,661,499	27,079,254
Excess (deficiency) of revenues over expenditures	( 3,293,052)	( 300,118)	186,303	109,822	( 3,149,532)	( 24,487)	( 454,039)	2,751,297	( 4,173,806)



**WOOD COUNTY, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Home Confinement</u>	<u>Community Criminal Justice</u>	<u>Building Commission Debt Service</u>	<u>Capital Reserve</u>	<u>Special Building</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	5,014,024	--	--	12,961	656,547	490,683	1,709,613	550	7,884,378
Transfers (out)	(2,155,703)	--	(264,248)	(3,061)	(1,952,849)	--	(210,697)	(3,297,820)	(7,884,378)
Proceeds from the sale of assets	12,665	--	--	--	--	--	--	--	12,665
Capital leases	--	148,446	--	--	--	--	--	--	148,446
Total other financing sources (uses)	2,870,986	148,446	(264,248)	9,900	(1,296,302)	490,683	1,498,916	(3,297,270)	161,111
Net change in fund balances	(422,066)	(151,672)	(77,945)	119,722	(4,445,834)	466,196	1,044,877	(545,973)	(4,012,695)
Fund balances - beginning	3,892,632	234,419	(42,819)	(340,187)	4,445,894	667,458	1,045,283	1,494,187	11,396,867
Fund balances - ending	\$ 3,470,566	\$ 82,747	\$ (120,764)	\$ (220,465)	\$ 60	\$ 1,133,654	\$ 2,090,160	\$ 948,214	\$ 7,384,172

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, 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, 2012**

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

Net change in fund balances - total governmental funds	\$ ( 4,012,695)
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 IV.C.)	8,899,476
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 IV.C.).	( 1,573,434)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (Note IV.C.)	( 1,563,696)
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 prior and current year deferred revenues.	148,474
Prior year deferred revenues: \$361,908	
Current year deferred revenues: \$510,382	
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note II)	( 159,565)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note II)	<u>543,547</u>
Change in net assets of governmental activities	\$ <u><u>2,282,107</u></u>

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Modified</u>	<u>Budget</u>	<u>Budget</u>	<u>Final Budget</u>
			<u>Accrual Basis</u>	<u>Basis</u>	<u>Basis</u>	<u>Positive</u>
						<u>(Negative)</u>
<b>REVENUES</b>						
Taxes:						
Ad valorem property taxes	\$ 11,609,527	\$ 11,794,427	\$ 12,257,089	\$ ( 73,448)	\$ 12,183,641	\$ 389,214
Alcoholic beverages tax	30,000	30,000	41,970	--	41,970	11,970
Hotel occupancy tax	473,760	535,760	540,684	--	540,684	4,924
Gas and oil severance tax	40,000	40,000	59,571	--	59,571	19,571
Other taxes	310,000	355,000	362,141	--	362,141	7,141
Licenses and permits	31,200	31,200	37,462	--	37,462	6,262
Intergovernmental:						
Federal	--	2,093,007	1,470,302	( 15,188)	1,455,114	( 637,893)
State	--	793,260	646,008	--	646,008	( 147,252)
Charges for services	638,129	666,923	641,709	--	641,709	( 25,214)
Fines and forfeits	20,000	20,000	191,630	( 174,598)	17,032	( 2,968)
Interest and investment earnings	170,000	170,000	22,145	161,761	183,906	13,906
Refunds	285,000	628,240	561,899	--	561,899	( 66,341)
Payments in lieu of taxes	255,000	281,900	281,989	--	281,989	89
Contributions and donations	32,000	32,000	--	--	--	( 32,000)
Miscellaneous	439,100	2,501,680	505,064	1,952,849	2,457,913	( 43,767)
Total revenues	<u>14,333,716</u>	<u>19,973,397</u>	<u>17,619,663</u>	<u>1,851,376</u>	<u>19,471,039</u>	<u>( 502,358)</u>
<b>EXPENDITURES</b>						
Current:						
General government	8,765,330	14,488,219	10,145,825	581,195	10,727,020	3,761,199
Public safety	8,959,356	9,885,199	9,055,635	--	9,055,635	829,564
Health and sanitation	171,250	171,250	161,771	--	161,771	9,479
Culture and recreation	821,608	916,011	941,392	--	941,392	( 25,381)
Social services	51,500	51,500	50,512	--	50,512	988
Capital outlay	277,937	255,359	557,580	( 318,195)	239,385	15,974
Total expenditures	<u>19,046,981</u>	<u>25,767,538</u>	<u>20,912,715</u>	<u>263,000</u>	<u>21,175,715</u>	<u>4,591,823</u>
Excess (deficiency) of revenues over expenditures	<u>( 4,713,265)</u>	<u>( 5,794,141)</u>	<u>( 3,293,052)</u>	<u>1,588,376</u>	<u>( 1,704,676)</u>	<u>4,089,465</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	3,798,265	4,008,230	5,014,024	( 2,034,130)	2,979,894	( 1,028,336)
Transfers (out)	--	--	( 2,155,703)	445,850	( 1,709,853)	( 1,709,853)
Proceeds from the sale of assets	15,000	15,000	12,665	--	12,665	( 2,335)
Total other financing sources (uses)	<u>3,813,265</u>	<u>4,023,230</u>	<u>2,870,986</u>	<u>( 1,588,280)</u>	<u>1,282,706</u>	<u>( 2,740,524)</u>
Net change in fund balance	( 900,000)	( 1,770,911)	( 422,066)	96	( 421,970)	1,348,941
Fund balance - beginning	900,000	1,770,911	3,892,632	( 2,121,721)	1,770,911	--
Fund balance - ending	\$ <u>--</u>	\$ <u>--</u>	\$ <u>3,470,566</u>	\$ <u>( 2,121,625)</u>	\$ <u>1,348,941</u>	\$ <u>1,348,941</u>

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Modified</u>	<u>Budget</u>	<u>Budget</u>	<u>Final Budget</u>
			<u>Accrual Basis</u>	<u>Basis</u>	<u>Basis</u>	<u>Positive</u>
						<u>(Negative)</u>
<b>REVENUES</b>						
Taxes:						
Coal severance tax	\$ 150,000	\$ 150,000	\$ 223,095	\$ --	\$ 223,095	\$ 73,095
Interest and investment earnings	900	900	365	--	365	( 535)
Total revenues	150,900	150,900	223,460	--	223,460	72,560
<b>EXPENDITURES</b>						
Current:						
Capital outlay	309,608	385,319	523,578	( 148,446)	375,132	10,187
Total expenditures	309,608	385,319	523,578	( 148,446)	375,132	10,187
Excess (deficiency) of revenues over expenditures	( 158,708)	( 234,419)	( 300,118)	148,446	( 151,672)	82,747
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital leases	--	--	148,446	( 148,446)	--	--
Total other financing sources (uses)	--	--	148,446	( 148,446)	--	--
Net change in fund balance	( 158,708)	( 234,419)	( 151,672)	--	( 151,672)	82,747
Fund balance - beginning	158,708	234,419	234,419	--	234,419	--
Fund balance - ending	\$ --	\$ --	\$ 82,747	\$ --	\$ 82,747	\$ 82,747

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Non-pooled cash	\$ <u>1,913,322</u>
Total cash	<u>1,913,322</u>
Total assets	\$ <u><u>1,913,322</u></u>
<b>LIABILITIES</b>	
Due to: other governments	<u>1,913,322</u>
Total liabilities	\$ <u><u>1,913,322</u></u>

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

Wood County is one of fifty-five counties established under the Constitution and the Laws of the State of West Virginia. There are six offices elected county-wide, which are: County Commission, County Clerk, Circuit Clerk, Assessor, Sheriff, and Prosecuting Attorney.

The County Commission is the legislative body for the government, and as such budgets and provides all the funding used by the separate Constitutional Offices except for the offices of the Assessor and the Sheriff, which also have additional revenue sources. The County Clerk's office maintains the accounting system for the County's operations. The operations of the County as a whole, however, including all the Constitutional offices, have been combined in these financial statements.

The services provided by the government and accounted for within these financial statements include law enforcement for unincorporated areas of the County, health and social services, cultural and recreational programs, and other governmental services.

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

*Blended Component Unit*

The entity below is legally separate from the County and meets GASB criteria for component units. This entity is blended with the primary government because it provides services entirely or almost entirely to the County.

The Wood County Building Commission serves Wood County, West Virginia, and is governed by a board comprised of 3 members appointed by the County Commission for a term of 5 years each. The Building Commission acquires property and debt on behalf of the County.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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*Jointly Governed Organizations*

The County, in conjunction with Wirt County, Roane County, Ritchie County, Calhoun County, and Pleasants County, has created the Mid-Ohio Valley Board of Health. The board is composed of 12 members with 2 members appointed by the Wood County Commission and 10 members from the other counties. The County appropriated \$94,000 for an operating grant for the Mid-Ohio Valley Board of Health for the fiscal year.

The County, in conjunction with Washington County, OH, and Ritchie County, WV, has created the Mid-Ohio Valley Regional Airport Authority. The authority is composed of 8 members with 4 members appointed by the Wood County Commission and 4 members from the other counties. The County appropriated \$100,000 for an operating grant for the Mid-Ohio Valley Regional Airport Authority for the fiscal year.

*Related Organizations*

The County's officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The County Commission appoints board members to the following organizations:

<u>Name of Organization</u>	<u>Operating grant made during the year</u>
Mid-Ohio Valley Workforce Investment Authority	West Virginia Little Kanawha River Parkway
Mid-Ohio Valley Regional Council	Wood County Community Resources
Wood County Board of Parks and Recreation	Wood County Recreation Commission
Northeastern Area Agency on Aging	Wood County Solid Waste Authority
Parkersburg/Wood County Convention & Visitors' Bureau	Wood County Development Authority
Parkersburg/Wood County Public Library	Wood County Planning Commission

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

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. Interest on general long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 fiduciary 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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. 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 counties. The State Auditor's Office requires an annual budget be submitted for approval for this fund.

The *Home Confinement fund*, a special revenue fund, accounts for all incarceration fees ordered to be paid to the county sheriff. The fees are to be used solely for the purpose of administering a home incarceration program.



**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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The *Community Criminal Justice fund*, a special revenue fund, accounts for fees collected from participants of the Wood County Day Report Center. The fees are used to support the program.

The *Building Commission Debt Service fund*, a debt service fund, accounts for the activity associated with the issuance of bonds for the Wood County Justice Center.

The *Capital Reserve fund*, a capital projects fund, accounts for major purchases of capital assets for the Emergency 911 Center.

The *Special Building fund*, a capital projects fund, accounts for major purchases and/or renovations of buildings owned by the County.

Additionally, the government reports the following fund types:

The agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the full accrual basis of accounting. These funds are used to account for assets that Wood County, West Virginia holds for others in an agency capacity.

Wood County, West Virginia follows 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 the government-wide 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.

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Deposits and Investments**

Wood County, 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.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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## **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."

### *Property Tax Receivable*

The property tax receivable allowance is equal to 80 percent of the property taxes outstanding at June 30, 2012.

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. Taxes paid on or before the due date are allowed a two and one half percent discount. A tax lien is issued for all unpaid real estate taxes as of the date of the sheriff's sale and these liens are sold between October 14th and November 23rd of each year. Sixty days of estimated property tax collections are recorded in revenues at the end of each fiscal year.

All counties 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, fourteen and three-tenths cents (14.30 cents); On Class II property, twenty-eight and six-tenths cents (28.60 cents); On Class III property, fifty-seven and two-tenths cents (57.20 cents); On Class IV property, fifty-seven and two-tenths cents (57.20 cents). In addition, counties 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 County per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2012, were as follows:

<u>Class of Property</u>	<u>Assessed Valuation For Tax Purposes</u>	<u>Current Expense</u>
Class I	\$ - -	13.14 cents
Class II	1,587,169,336	26.28 cents
Class III	753,755,846	52.56 cents
Class IV	759,021,885	52.56 cents

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**3. Inventories and Prepaid Items**

There are no material inventories maintained; therefore they do not appear on the financial statements.

**4. Restricted Assets**

Certain assets of the Building Commission debt service fund are classified as restricted assets because their use is restricted by bond agreements.

**5. Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

The government depreciates the capital assets using the straight-line method. Capital assets depreciation and capitalization policies are defined by the government as follows:

<u>Asset</u>	<u>Straight-line Years</u>	<u>Inventory Purposes</u>	<u>Capitalize/ Depreciate</u>
Land	not applicable	\$ 1	\$ Capitalize only
Land improvement	20 to 30 years	1	Capitalize only
Building	40 years	1	50,000.00
Building improvements	20 to 25 years	1	50,000.00
Construction in progress	not applicable	1	Capitalize only
Equipment	5 to 10 years	1,000	5,000.00
Vehicles	5 to 10 years	1,000	5,000.00
Infrastructure	40 to 50 years	50,000	250,000.00

**6. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**7. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund Balances**

In the governmental fund financial statements, fund balance is reported in five classifications.

Nonspendable fund balance	Inventories and prepaid amounts represent fund balance amounts that are not in spendable form.
Restricted	The restricted category is the portion of fund balance that is externally imposed by creditors, grantors, contributors or laws or regulations. It also is imposed by law through constitutional provisions or enabling legislation.
Committed	The committed category is the portion of fund balance whose use is constrained by limitations have been approved by an order (the highest level of formal action) of the County Commission, and that remain binding unless removed in the same manner. The approval does not automatically lapse at the end of the fiscal year.
Assigned	The assigned category is the portion of fund balance that has been approved by formal action of the County Commission for any amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
Unassigned	The unassigned category is the portion of fund balance that has not been reported in any other classification. Only the general fund can report a positive amount of unassigned fund balance. However, any governmental fund in a deficit position could report a negative amount of unassigned fund balance.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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The County Commission is the government's highest level of decision-making authority. The Commission would take formal action to establish, and modify or rescind, a fund balance commitment or to assign fund balance amounts to a specific purpose. The government has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The government has the authority to deviate from this policy if it is in the best interest of the County.

**9. Stabilization Arrangements**

The government has created a stabilization arrangement in accordance with West Virginia Code § 7-21-3. The government may appropriate a sum to the arrangement from any surplus in the general fund at the end of each fiscal year or from other money available. The amount of money committed to the arrangement may not exceed thirty percent of the government's most recent general fund budget. The money may be used for whatever the County Commission chooses. The stabilization balance at fiscal year-end was \$1,203,157.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "The issuance of long-term debt (i.e. bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ ( 148,446)
Amortization expense:	
Bond issue costs	( 4,534)
Bond discount	<u>( 6,585)</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ ( 159,565)</u></u>

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

Another element of that reconciliation states that, "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ ( 14,252)
Notes	116,262
Bonds	230,000
Leases	<u>211,537</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 543,547</u>

### III. 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 Special Revenue Fund. All annual appropriations lapse at fiscal year end.

Wood County, West Virginia prepares its budget on the cash less payables basis of accounting except that the budget for the General County fund includes General County cash but not money reserved for the Financial Stabilization fund. 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.

Prior to March 2nd of each year, the various elected officials submit to the County Commission proposed requests for their respective offices for the fiscal year commencing July 1. Upon review and approval of these requests, the County Commission prepares proposed budgets on forms prescribed by the State Auditor and submits them to the State Auditor by March 28 for approval. The County Commission then reconvenes on the third Tuesday in April to hear objections from the public and to 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>Description</u>	<u>Amount</u>
<u>General County Fund</u>	
General government expenditure increase	\$ 5,722,889
Public safety expenditure increase	925,843
Culture and recreation expenditure increase	94,403
Capital projects expenditure decrease	( 22,578)
<u>Coal Severance Tax Fund</u>	
Capital projects expenditure increase	\$ 75,711

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**B. Deficit Fund Equity**

The Home Confinement Fund had a deficit fund balance of (\$120,764) as of June 30, 2012. The fund owes the General County Fund \$154,727 for reimbursement of payroll expenses.

The Community Criminal Justice Fund had a deficit fund balance of (\$220,465) as of June 30, 2012. The fund owes the General County Fund \$277,602 for reimbursement of expenses.

**C. Encumbrances**

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances are listed below for major funds, and nonmajor funds in the aggregate.

<u>Encumbrance Description</u>	<u>General County</u>	<u>Home Confinement</u>	<u>Communit Criminal Justice</u>	<u>Capital Reserve</u>	<u>Non-major Funds</u>
General Government	\$ 34,063	\$ --	\$ --	\$ --	\$ 507
Public Safety	37,237	287	7,127	207,391	52,911
Health and Sanitation	391	--	--	--	--
Culture and Recreation	713	--	--	--	--
Social Services	73	--	--	--	--
Capital Projects	3,139	--	--	--	--
	<u>\$ 75,616</u>	<u>\$ 287</u>	<u>\$ 7,127</u>	<u>\$ 207,391</u>	<u>\$ 53,418</u>

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At year-end, the government had no investments.

*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's policy for custodial credit risk is to comply with statutory provisions for depository bond coverage, which provides that no public money should be deposited until the banking institution designated executes a bond with good and sufficient sureties which may not be less than the maximum sum that is deposited in the depository at any one time.

At year end, the government's bank balances were \$9,151,664. The bank balance was collateralized by federal depository insurance or with securities held by the pledging financial institution's trust department or agent in the government's name.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

Cash and cash equivalents	\$ 9,151,664
Total	<u>\$ 9,151,664</u>
Cash and cash equivalents	\$ 7,027,585
Cash and cash equivalents-restricted	1,913,322
Building Commission Debt Service fund-restricted cash	<u>210,757</u>
Total	<u>\$ 9,151,664</u>

**B. Receivables**

Receivables at year end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>
Receivables:	
Taxes	\$ <u>839,026</u>
Gross Receivables	<u>839,026</u>
Less: Allowance for Uncollectible	<u>( 167,805)</u>
Net Total Receivables	<u>\$ 671,221</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>
Delinquent property taxes receivable (General Fund)	\$ <u>510,382</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 510,382</u>



**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<b>Governmental</b>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,822,975	\$ 40,814	\$ --	\$ 1,863,789
Construction in progress	<u>939,078</u>	<u>--</u>	<u>( 939,078)</u>	<u>--</u>
Total capital assets not being depreciated	<u>2,762,053</u>	<u>40,814</u>	<u>( 939,078)</u>	<u>1,863,789</u>
Capital assets being depreciated:				
Buildings and improvements	8,027,507	246,186	( 580,329)	7,693,364
Structures and improvements	5,368,404	7,793,358	--	13,161,762
Machinery and equipment	7,577,233	819,118	( 238,535)	8,157,816
Less: Total accumulated depreciation	<u>( 9,095,878)</u>	<u>( 1,573,434)</u>	<u>194,246</u>	<u>( 10,475,066)</u>
Total capital assets being depreciated, net	<u>11,877,266</u>	<u>7,285,228</u>	<u>( 624,618)</u>	<u>18,537,876</u>
Governmental activities capital assets, net	<u>\$ 14,639,319</u>	<u>\$ 7,326,042</u>	<u>\$ ( 1,563,696)</u>	<u>\$ 20,401,665</u>

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

<b>Governmental activities:</b>	
General government	\$ 388,493
Public safety	276,692
Culture and recreation	29,310
Capital Projects	<u>878,939</u>
Total depreciation expense-governmental activities	<u>\$ 1,573,434</u>

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of the fiscal year ended June 30, 2012 is as follows:

*Due to/from other funds*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General County	Home Confinement	payroll reimbursement	\$ 154,727
General County	Community Criminal Justice	expense reimbursement	277,602
Total			<u>\$ 432,329</u>

*Interfund Transfers:*

<u>Transferred from:</u>	<u>Transferred to:</u>	<u>Purpose</u>	<u>Amount</u>
General County	Special Building	reimbursement	\$ 1,709,303
General County	Special Law Enforcement	sale of assets	550
General County	Building Commission Debt Service	bond payments	445,850
Special Building	Building Commission Debt Service	bond interest payment	210,697
Building Commission Debt Service	General County	reimbursement	1,952,849
Assessor's Valuation	General County	payroll	699,348
Community Criminal Justice	General County	payroll	3,061
Concealed Weapons	General County	payroll	12,409
Emergency 911	General County	payroll	1,516,531
General School	General County	regional jail bills	302,461
Home Confinement	General County	payroll	251,287
Local Law Enforcement	General County	grant reimbursement	172,583
Magistrate Court	General County	rent	58,795
Small Cities Block Grant	General County	grant reimbursement	44,700
Emergency 911	Capital Reserve	classify CDs correctly	490,683
Home Confinement	Community Criminal Justice	drug fee reimbursement	12,961
Special Law Enforcement	Special Building	correct error	310
Total			<u>\$ 7,884,378</u>

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**E. Fund Balance Detail**

At year-end, the detail of the government's fund balances is as follows:

	General Fund	Coal Severance Fund	Home Confinement	Community Criminal Justice	Building Commission Debt Service
Restricted:					
General government	\$ --	\$ --	\$ --	\$ --	\$ --
Public safety	--	--	--	--	--
Capital projects	--	--	--	--	60
Committed:					
Financial Stabilization	1,203,157	--	--	--	--
Assigned:					
Budget Carryover	1,382,870	82,747	--	--	--
Unassigned	<u>884,539</u>	<u>--</u>	<u>( 120,764)</u>	<u>( 220,465)</u>	<u>--</u>
Total fund balances	<u>\$ 3,470,566</u>	<u>\$ 82,747</u>	<u>\$ ( 120,764)</u>	<u>\$ ( 220,465)</u>	<u>\$ 60</u>

	Capital Reserve	Special Building	Non-major Funds	Total
Restricted:				
General government	\$ --	\$ --	\$ 224,138	\$ 224,138
Public safety	--	--	724,076	724,076
Capital projects	1,133,654	2,090,160	--	3,223,874
Committed:				
Financial Stabilization	--	--	--	1,203,157
Assigned:				
Budget Carryover	--	--	--	1,465,617
Unassigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>543,310</u>
Total fund balances	<u>\$ 1,133,654</u>	<u>\$ 2,090,160</u>	<u>\$ 948,214</u>	<u>\$ 7,384,172</u>

**F. Leases**

*Capital Leases*

The government has entered into lease agreements as lessee for financing the acquisition of public safety equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

The future minimum lease obligations and the net present value of these minimum lease payments as of the fiscal year ended June 30, 2012 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2013	\$ 118,014
2014	66,008
2015	63,765
2016	<u>3,258</u>
Total minimum lease payments	251,045
Less: amount representing interest	<u>( 8,013)</u>
Present value of minimum lease payments	<u>\$ 243,032</u>

**G. Long-term Debt**

*Notes Payable*

The Wood County Building Commission, a blended component unit, entered into a loan agreement dated May 24, 2005, with United Bank, Inc. The economic substance of the loan is that the Commission is financing the renovation and acquisition of furniture for the Wood County Judge Black Annex and, accordingly, it is recorded in the County Commission's assets and liabilities. The loan was for \$1,000,000, but only \$797,910 has been drawn down. This amount was drawn down prior to this fiscal year. The outstanding balance at June 30, 2012, was \$73,879.

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 73,879	\$ 1,049
Total	<u>\$ 73,879</u>	<u>\$ 1,049</u>

*Revenue Bonds*

The County issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

<u>Governmental Activities</u>					
<u>Purpose</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2012</u>
Justice Center 2010 B	1/1/2012	2.500%	\$ 95,000	\$ 95,000	\$ --
Justice Center 2010 A	1/1/2021	5.875%	2,635,000	135,000	2,500,000
Justice Center 2010 A	1/1/2026	6.750%	1,745,000	--	1,745,000
Justice Center 2010 A	1/1/2029	7.375%	1,215,000	--	1,215,000
Justice Center 2010A	1/1/2031	7.500%	895,000	--	895,000
Total revenue bonds			<u>\$ 6,585,000</u>	<u>\$ 230,000</u>	<u>\$ 6,355,000</u>

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

*Wood County Building Commission Taxable Lease Revenue Bonds, Series 2010 A (Recovery Zone Economic Development Bonds)*

On December 22, 2010, the Wood County Building Commission, a blended component unit of Wood County, West Virginia, issued \$6,585,000 of Wood County Building Commission Taxable Lease Revenue Bonds, Series 2010 A (Recovery Zone Economic Development Bonds), bearing interest at 5.875% to be adjusted on January 1 in the years 2021, 2026, and 2029. The proceeds of these bonds are being used to finance a Justice Center in Wood County and appurtenant facilities to house various public officials and county offices for the County Commission of Wood County, West Virginia. The bonds are secured by the Justice Center and an irrevocable pledge of lease payments which are required to be in sufficient amount to pay principal and interest on the bonds when due. The total principal and interest remaining to be paid on the bond is \$11,220,689.

Lease revenue bond debt service requirement to maturity are as follows:

Year Ended	Governmental Activities	
	Principal	Interest
2013	\$ 245,000	\$ 421,394
2014	250,000	407,000
2015	260,000	392,313
2016	270,000	377,038
2017	275,000	361,175
2018 - 2022	1,525,000	1,551,781
2023 - 2027	1,810,000	1,027,669
2028 - 2031	1,720,000	327,319
Totals	\$ 6,355,000	\$ 4,865,689

The Wood County Building Commission, a blended component unit of Wood County, West Virginia, has pledged future lease rentals to be paid by the Wood County Commission to repay \$6,585,000 in lease revenue bonds issued in 2010. Proceeds from the bonds provided financing for a Justice Center and appurtenant facilities to house various public officials and county offices for the County Commission of Wood County, West Virginia. The bonds are payable solely from lease revenues paid by the County Commission through 2031. Annual principal and interest payments on the bonds are expected to require 90 percent of net revenues. The total principal and interest remaining to be paid on the bonds outstanding is \$11,220,689. Principal and interest paid for the current year and total customer net revenues were \$672,493 and \$778,345, respectively.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**Changes in Long-term Liabilities**

	<b>Governmental Activities</b>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease revenue					
bonds payable	\$ 6,585,000	\$ --	\$ (230,000)	\$ 6,355,000	\$ 245,000
Less: Unamortized					
bond discount	(128,407)	--	6,585	(121,822)	--
Total bonds payable	<u>6,456,593</u>	<u>--</u>	<u>(223,415)</u>	<u>6,233,178</u>	<u>245,000</u>
Capital leases	306,123	148,446	(211,537)	243,032	113,541
Notes	190,141	--	(116,262)	73,879	73,879
Compensated absences	<u>387,641</u>	<u>14,252</u>	<u>--</u>	<u>401,893</u>	<u>--</u>
Governmental activities					
Long-term liabilities	<u>\$ 7,340,498</u>	<u>\$ 162,698</u>	<u>\$ (551,214)</u>	<u>\$ 6,951,982</u>	<u>\$ 432,420</u>

**H. Restricted Assets**

The balances of the restricted asset accounts for the government and its blended component unit are as follows:

	<u>Governmental Activities</u>
Revenue bond debt service account	<u>\$ 210,757</u>
Total restricted assets	<u>\$ 210,757</u>

**V. 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 Counties Risk Pool for umbrella (general liability) insurance for these various risks.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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Workers' Compensation Fund (WCF): Private insurance companies may begin to offer coverage to private sector employees beginning July 1, 2008 and to government employers beginning July 1, 2010. For the most part, all employers in the state, including governmental entities, must have coverage. The cost of all coverage, as determined by the private carrier, is paid by the employers. The WCF risk pool retains the risk related to the compensation of injured employees under the program. Wood County's worker's compensation coverage is currently being provided by the WV Corp.

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 grantor 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 government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material effect on the financial condition of the government.

**C. Deferred Compensation Plan**

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held for the exclusive benefit of the participants and their beneficiaries.

**VI. EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

*Plan Descriptions, Contribution Information, and Funding Policies*

Wood County, West Virginia participates in state-wide, cost-sharing, multiple-employer defined benefit plans on behalf of county 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.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**Public Employees Retirement System (PERS)**

Eligibility to participate	All county full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
County's contribution rate	14.50%
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

**West Virginia Deputy Sheriff Retirement System (WVDRS)**

Eligibility to participate	West Virginia deputy sheriffs first employed after the effective date and any deputy sheriffs hired prior to the effective date who elect to become members.
Authority establishing contribution obligations and benefit provisions	State Statute
Funding policy and contributions	Certain fees for reports generated by sheriff's offices are paid to this plan in accordance with West Virginia State Code. WVDRS members are required to contribute 8.5% of their annual covered salary and the county is required to contribute 13%. The contribution requirements of WVDRS members are established and may be amended only by the State of West Virginia Legislature. The government's contribution to WVDRS for the current fiscal year ending was \$150,280 for employees' share and \$229,840 for employer's share.



**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

Period required to vest	Five years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 or more years of contributing service or age 50 and if the sum of his/her age plus years of credited service is equal to or greater than 70. The final average salary (three highest consecutive years in the last ten years) times the years of service times 2.25% equals the annual retirement benefit.
Deferred retirement option	No deferred retirement option is available.
Provisions for:	
Cost of living	No
Death benefits	Yes
Annual pension cost and amount contributed:	For the current fiscal year ended, the annual cost was \$380,120 for all covered employees with a contributed percentage of 100%.

*Trend Information*

<u>Fiscal Year</u>	<b>Public Employees Retirement System (PERS)</b>		<b>West Virginia Deputy Sheriff Retirement System (WVDRS)</b>	
	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2012	\$ 1,167,912	100%	\$ 380,120	100%
2011	\$ 1,022,956	100%	\$ 340,282	100%
2010	\$ 912,777	100%	\$ 329,349	100%

PERS and WVDRS issue 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 Avenue, SE, Charleston, WV 25304.

***SUPPLEMENTARY INFORMATION***

**WOOD COUNTY, WEST VIRGINIA**  
**BUDGETARY COMPARISON SCHEDULE -**  
**ASSESSOR'S VALUATION FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive (Negative)</u>
<b>REVENUES:</b>				
Other taxes	\$ 632,896	\$ 632,896	\$ 691,519	\$ 58,623
Map sales	6,500	6,500	6,872	372
Interest	9,600	9,600	890	( 8,710)
	<u>648,996</u>	<u>648,996</u>	<u>699,281</u>	<u>50,285</u>
Total revenues				
<b>EXPENDITURES:</b>				
Current:				
General government	831,440	132,092	95,662	36,430
Capital outlay	59,000	46,471	--	46,471
	<u>890,440</u>	<u>178,563</u>	<u>95,662</u>	<u>82,901</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>( 241,444)</u>	<u>470,433</u>	<u>603,619</u>	<u>133,186</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	<u>--</u>	<u>( 699,348)</u>	<u>( 699,348)</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>( 699,348)</u>	<u>( 699,348)</u>	<u>--</u>
Net change in fund balance	( 241,444)	( 228,915)	( 95,729)	133,186
Fund balance at beginning of year	<u>241,444</u>	<u>228,915</u>	<u>122,519</u>	<u>( 106,396)</u>
Fund balance at end of year	\$ <u><u>--</u></u>	\$ <u><u>--</u></u>	\$ <u><u>26,790</u></u>	\$ <u><u>26,790</u></u>

***ACCOMPANYING INFORMATION***



## State of West Virginia

Office of the State Auditor  
Chief Inspector Division

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Glen B. Gainer III  
State Auditor and  
Chief Inspector

Stuart T. Stickel, CPA  
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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 Members of the  
Wood County Commission  
Parkersburg, West Virginia 26101

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County, West Virginia (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon, dated March 26, 2013. In that report, our opinion was qualified for the omission of the expenses and related liabilities related to other postemployment benefits (OPEB), for not accurately recording the compensated absences, and for not properly recording and depreciating the capital assets. 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

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3, 2012-4, and 2012-6 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-8, 2012-9, 2012-12, and 2012-13 to be significant deficiencies.

### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the County's 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* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, 2012-2, 2012-5, 2012-7, 2012-10, and 2012-11.

We noted certain matters that we reported to management of the County in a separate letter dated March 26, 2013.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the County Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Glen B. Gainer III", with a stylized flourish at the end.

Glen B. Gainer III  
West Virginia State Auditor

March 26, 2013



## State of West Virginia

Glen B. Gainer III  
State Auditor and  
Chief Inspector

Stuart T. Stickel, CPA  
Deputy Chief Inspector

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### REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

#### *INDEPENDENT AUDITOR'S REPORT*

Honorable Members of the  
Wood County Commission  
Parkersburg, West Virginia 26101

#### **Compliance**

We have audited the compliance of Wood County, West Virginia (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.



In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the County Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Glen B. Gainer III  
West Virginia State Auditor

March 26, 2013

**WOOD COUNTY, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
<b>U. S. Department of Housing and Urban Development</b>			
Pass-through Programs From: West Virginia Development Office			
Community Development Block Grants-State's Program	14.228	08-SCBG-0058	\$ <u>1,141,053</u>
<b>Total U. S. Department of Housing and Urban Development</b>			<u>1,141,053</u>
<b>U. S. Department of the Interior</b>			
Direct Programs:			
Payments in Lieu of Taxes	15.226	N/A	<u>8,698</u>
<b>Total U. S. Department of the Interior</b>			<u>8,698</u>
<b>U. S. Department of Justice</b>			
<u>JAG Program Cluster:</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	22,075
Pass-through Programs From: City of Parkersburg			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program - Grants to States and Territories	16.803	09-RAJ-109	<u>25,000</u>
<u>Total JAG Program Cluster</u>			47,075

**WOOD COUNTY, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
Direct Programs:			
Edward Byrne Memorial Formula Grant Program	16.579	N/A	742
Public Safety Partnership and Community Policing Grants	16.710	N/A	41,871
Pass-through Programs From:			
West Virginia Division of Justice and Community Services			
Crime Victim Assistance	16.575	10-VA-40	38,278
Edward Byrne Memorial Formula Grant Program	16.579	11-JAG-09	25,000
Violence Against Women Formula Grants	16.588	08-VAW-013	228
ARRA - Violence Against Women Formula Grants	16.588	09-VAWR-11	27,213
Enforcing Underage Drinking Laws Program	16.727	10-EUD-011 and 11-EUD-015	22,989
<b>Total U. S. Department of Justice</b>			<b>156,321</b>
<b>U.S. Department of Transportation</b>			
Pass-through Programs From:			
West Virginia Division of Motor Vehicles			
State and Community Highway Safety	20.600	F11-HS-03 and F12-HS-03	293,625
Pass-through Programs From:			
West Virginia Division of Homeland Security and Emergency Management			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	LEPC-HMEP	5,000
<b>Total U.S. Department of Transportation</b>			<b>298,625</b>

**WOOD COUNTY, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Center Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Grantor Expenditures</u>
<b>General Services Administration:</b>			
Pass-through Programs From: West Virginia Intelligence Exchange			
Donation of Federal Surplus Personal Property	39.003	Not available	<u>224,834</u>
<b>Total General Services Administration</b>			<u>224,834</u>
<b>U.S. Department of Health and Human Services</b>			
Pass-through Programs From: West Virginia Secretary of State			
Voting Access for Individuals with Disabilities _Grants to States	93.617	Not available	<u>4,306</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>4,306</u>
<b>U.S. Department of Homeland Security</b>			
Pass-through Programs From: West Virginia Office of Homeland Security and Emergency Management			
Hazard Mitigation Grant	97.039	FEMA-DR-1769-WV	392,781
Emergency Management Performance Grants	97.042	2010-EMPG and EMPG2011	99,314
Pass-through Programs From: West Virginia Port of Huntington Tri-State Area Maritime Security Committee			
Port Security Grant Program	97.056	2008-GB-T8-5-K061	272,837

**WOOD COUNTY, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Center Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Grantor Expenditures</u>
Pass-through Programs From: West Virginia Department of Military Affairs and Public Safety			
Homeland Security Grant Program	97.067	10-SHS-23	87,162
Pass-through Programs From: Kanawha County Commission			
Homeland Security Grant Program	97.067	09-SHS-20	47,723
Pass-through Programs From: Jackson County Commission			
Homeland Security Grant Program	97.067	10-SHS-03	<u>29,500</u>
<b>Total U.S. Department of Homeland Security</b>			<u>929,317</u>
<b>U.S. Department of Treasury</b>			
Direct Programs:			
ARRA - Recovery Zone Economic Development Bond Interest Subsidy	None	N/A	<u>191,412</u>
<b>Total U.S. Department of Treasury</b>			<u>191,412</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b>\$ <u>3,001,641</u></b>

N/A = Not applicable

The accompanying notes are an integral part of this schedule.

**WOOD COUNTY, WEST VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 - SUBRECIPIENT DISBURSEMENTS**

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
Community Development Block Grants - State's Program	14.228	\$ 1,111,228
State and Community Highway Safety	20.600	\$ 170,176

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2012**

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued:	Qualified
Internal Control over Financial Reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Non compliance material to the financial statements noted?	Yes

**Federal Awards**

**Internal Control over Major Programs:**

Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with § .510(a) of Circular A-133?	No

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants - State's Program
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B Program:	\$ 300,000
Auditee qualify as a low-risk auditee?	No

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Section II - Financial Statement Findings**

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**Preparation and Publication of the Annual Financial Statement**

**2012 - 1**

**CONDITION:**

We noted during our audit that the Wood County Commission failed to prepare and cause to be published within the prescribed time the annual financial statement for the fiscal year ended June 30, 2012.

**CRITERIA:**

West Virginia Code §7-5-16 states, in part, that:

"The County Commission of every county, within ninety days after the first session held after the beginning of each fiscal year, shall prepare on a form to be prescribed by the state auditor, and cause to be published a statement revealing (a) the receipts and expenditures of the county during the previous fiscal year arranged under descriptive headings, (b) the name of each firm, corporation, and person who received more than fifty dollars from any fund during the previous fiscal year, together with the amount received and the purpose for which paid, and (c) all debts of the county, the purpose for which each debt was contracted, its due date, and to what date the interest thereon has been paid. Such statement shall be published as a class 1-0 legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for such publication shall be the county."

**CAUSE:**

There is no policy in place to monitor compliance with this statute.

**EFFECT:**

The financial position of Wood County was not properly advertised.

**RECOMMENDATION:**

The Wood County Commission is directed to review this statute and comply with the provisions set forth therein.

**AUDITED AGENCY'S RESPONSE:**

The County Commission contracted with the Local Government Services Division of the State Auditor's Office for training and assistance in the preparation of the Financial Statement.



**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Schedule of Expenditures of Federal Awards  
2012 - 2**

**CONDITION:**

We noted during our audit that the Schedule of Expenditures of Federal Awards included in the financial statements required several adjustments in order to fairly state the federal expenditures. Specifically, the client prepared records did not include expenditures for programs involving payroll reimbursements, federal payments in lieu of taxes, interest subsidy payments from Recovery Zone Economic Development Bonds, and federal surplus property received.

**CRITERIA:**

Federal guidelines require that counties receive a Single Audit if their federal grant expenditures exceed the amount of \$500,000. It is therefore imperative that the county accurately report all federal grant expenditures on the Schedule of Expenditures of Federal Awards.

OMB Circular A133 §310(b) states in part that:

§\_\_ .310(b) Financial statements.

(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a sub recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub recipients from each Federal program.

**CAUSE:**

The Wood County Commission and County Clerk have not implemented an efficient system for keeping track of all federal grant expenditures, program names, and CFDA numbers for reporting purposes. This inefficiency makes the compilation of the necessary information very time-consuming.

**EFFECT:**

As a result of these weaknesses, additional time was used by the auditor in order to acquire the necessary documentation for the Schedule of Expenditures of Federal Awards.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Schedule of Expenditures of Federal Awards  
2012 - 2 (continued)**

**RECOMMENDATION:**

The County should designate a grant coordinator to be responsible for compiling all federal grant information necessary to accurately and completely present the Schedule of Expenditures of Federal Awards. This person would also be responsible for ensuring that said schedule is included in the client prepared financial statement. The Wood County Commission, County Clerk, and Sheriff should work together to establish procedures to ensure that all federal award information is given to the grant coordinator. Further, salaries being reimbursed by federal programs should be budgeted, received in, and paid out of revenue and expenditures line items designated for the applicable program.

**AUDITED AGENCY'S RESPONSE:**

Interest rebates, Payment in Lieu of Taxes and Surplus Property are revenue items, not expenditures and overlooked. The County Clerk's Office will propose to the County Commission that any person paid from grant awards be paid directly from the grant line item instead of a departmental item.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Other Postemployment Benefits Obligation**

**2012 - 3**

**CONDITION:**

We noted during this audit that the Wood County Commission failed to record the Other Postemployment Benefits obligation payable in the County's financial statements in accordance with GASB Statement Number 45 and generally accepted accounting standards.

**CRITERIA:**

Governmental Accounting Standards Board (GASB) Statement Number 45 requires that state and local government employers report the costs and obligation associated with postemployment healthcare and other non-pension benefits known as other postemployment benefits. The requirements of this statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with annual revenues of \$100 million or more (Phase 1 governments) are required to implement in the periods beginning after December 15, 2006. Governments with annual revenues between \$10 million and \$100 million (Phase 2 governments) are required to implement in the periods after December 15, 2007. Governments with revenues less than \$10 million (Phase 3 governments) are required to implement in the periods after December 15, 2008. Component units are required to implement GASB 45 the same fiscal year as the primary government.

**CAUSE:**

Officials did not obtain the actuarial study to determine a correct calculation of the annual required contributions which were necessary to reflect this liability in the financial statements and failed to account for the Other Postemployment Benefits obligation.

**EFFECT:**

The liabilities are substantially understated which necessitates a qualification of opinion on the financial statements.

**RECOMMENDATION:**

The County should review the requirements set forth in GASB Statement Number 45 and calculate the liability related to Other Postemployment Benefits accordingly.

**AUDITED AGENCY'S RESPONSE:**

The County Commission's position is the same today as in the past: The County has no OPEB liability. The State of West Virginia has never notified the County of a liability debt owed, and the County will contest any such invoice. The County's position is that this finding should be removed.

**AUDITOR RESPONSE:**

As stated in the finding, GASB Statement Number 45 requires that local government employers report the costs and obligation associated with postemployment healthcare and other non-pension benefits known as other postemployment benefits. An actuarial study would determine what amount, if any, those costs come to.

**WOOD COUNTY, WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Capital Assets**

**2012 - 4**

**CONDITION:**

We noted during our audit of Wood County that there was a significant deficiency in the accounting policy for capital assets in the County Clerk's bookkeeping system. Specifically, prior year audit adjustments had not all been correctly applied to the client prepared asset records to the beginning balance total and correspondingly to additions, deletions, and depreciation expense for the fiscal year. Further, the client did properly calculate depreciation for the entire year.

**CRITERIA:**

The State Auditor as the ex officio Chief Inspector and Supervisor of Public Offices has directed all counties throughout the state to maintain their financial records of all funds in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is recognized as the authoritative source on generally accepted accounting principles for governmental entities. Pronouncements of the GASB apply to the financial reports of all state and local governmental entities. These pronouncements require that capital assets and accumulated depreciation to be properly reconciled and balanced on the annual financial statement.

**CAUSE:**

The Wood County Clerk's Office did not properly record the capital assets and accumulated depreciation on their financial records. This in turn caused the annual financial statements to be materially misstated.

**EFFECT:**

Numerous adjustments would have been required to be made by the auditors to correctly state the capital assets and accumulated depreciation. Therefore, a qualified opinion was issued for capital assets on the annual audit report.

**RECOMMENDATION:**

A record of capital assets should be properly maintained on the County's financial system. This record should be reconciled with the annual financial statement and with additions and disposals made throughout the year.

**AUDITED AGENCY'S RESPONSE:**

The County Clerk's Office will work closer with the Sheriff's Office to ensure surplus items are accounted.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Miscellaneous Revenue Receipts**

**2012 - 5**

**CONDITION:**

We noted during our audit that the Wood County Sheriff's tax office failed to consistently issue receipts in a timely fashion. In addition, several issues were noted in receipting revenue correctly. Numerous errors were made and corrected by the tax office during the year. However, not all errors were caught and corrected. Specifically, we noted receipts being issued to the incorrect payer and to the incorrect fund and/or line items.

**CRITERIA:**

West Virginia Code §7-5-1 states in part:

"When any money is paid to the Sheriff, except for taxes, the Sheriff shall give to the person paying the same duplicate receipts therefore, stating briefly the fund or account for which paid....."

**CAUSE:**

The Wood County Sheriff's tax office does not have procedures in place to ensure that receipts are accurately issued in a timely fashion.

**EFFECT:**

There is a greater risk of inaccuracies occurring when preparing the reconciliation of funds report. Additionally, there is a greater risk that a misuse of funds collected could occur and not be detected in a timely fashion.

**RECOMMENDATION:**

Receipts should always be prepared and given to the actual payer at the time the money is collected. In order to maintain accurate financial records, it is imperative that the receipt issued accurately shows the date of the collection, from whom it was collected, and is receipted to the correct fund and line item.

**AUDITED AGENCY'S RESPONSE:**

We have a different person doing the receipts and they are done on a daily basis or as we receive money to receipt and we have not had any recent problems with money being receipted into the incorrect fund or line item.

**WOOD COUNTY, WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Compensated Absences**

**2012 - 6**

**CONDITION:**

We noted during our audit that the Wood County Commission failed to include an accurate accounting of compensated absences on the County's financial statements.

**CRITERIA:**

GASB statement No.16, *Accounting for Compensated Absences*, states in part that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned if both the following conditions are met: a) The employee's rights to receive compensation are attributable to service already rendered, b) It is probable that the employer will compensate the employee for benefits through paid time off or some other means, such as cash payments at termination or retirement. It also requires additional amounts to be accrued for certain salary-related payments associated with the payment of compensated absences, for example, the employer's share of social security and Medicare taxes.

Proper internal control procedures require that the county should accumulate the compensated absences earned and unused by its employees to ensure that the related liability is properly reported in the County's financial statement. Additionally, accurate compensated absences records are necessary to ensure the employees that separate from employment with the County are paid only for the leave actually earned and unused at the time of separation. The County Clerk's Finance Department is responsible for the accounting functions, including payroll, for all offices of the County.

**CAUSE:**

The Wood County elected officials and/or department heads failed to maintain and report an accurate accounting of compensated absences to the Wood County Clerk's office to be included on the County's financial statements.

**EFFECT:**

The compensated absences liability as presented on the financial statement was materially misstated necessitating a qualification of the audit opinion. Further, without an accurate accounting of accrued and unpaid leave, the possibility of an improper expenditure being made is greatly increased. Employees could be paid for accrued leave for which they are not entitled.

**RECOMMENDATION:**

We recommend that the County develop procedures to ensure that all employee leave balances and usage is accurately reported to the County Clerk's Finance Department for all County employees, including annual, sick, and compensatory time in a timely manner.

**AUDITED AGENCY'S RESPONSE:**

The Clerk's Office will require department heads to submit compensated absences in hours instead of days to determine the liability.

**WOOD COUNTY, WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Expenditures in Excess of Amounts Allocated in the Levy Estimate - General County Fund**

**2012 - 7**

**CONDITION:**

We noted during our audit that the Wood County Commission incurred expenditures for certain items in the General County Fund in excess of the amounts allocated for that item in the official estimate (budget) as last revised. Specifically, expenditures in the following budget categories exceeded the approved amount:

<u>Account</u> <u>Number</u>		<u>Budget</u>		<u>Actual</u>		<u>Over</u> <u>Expenditure</u>
704	\$	2,050,000	\$	2,062,212	\$	(12,212)
716		199,838		208,522		(8,684)
900		219,153		250,689		(31,536)
902		20,000		23,797		(3,797)
903		40,302		41,222		(920)

**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. . ."

This over expenditure did not cause the total levy estimate (budget) of the General County Fund to be overexpended.

**CAUSE:**

The Wood County Commission, Wood County elected officials and/or department heads did not have a policy to monitor compliance with this statute.

**EFFECT:**

The Wood County Commission, Wood County elected officials and/or departments head incurred expenditures and/or encumbrances that were in excess of the amount allocated in their various budget line items.

**RECOMMENDATION:**

The Wood County Commission, Wood County elected officials and/or department heads are directed to implement effective budgetary controls to insure that actual expenditures and/or encumbrances do not exceed the amounts allocated for those expenditures in the official levy estimate (budget) as approved by the State Auditor. Revisions are authorized with prior written approval if submitted prior to the end of the fiscal year.

**AUDITED AGENCY'S RESPONSE:**

The County attempts to budget expenditures accurately without over budgeting. Situations such as May and June Regional Jail bills, that do not come in until the budget revision deadline has expired, are unavoidable unless the State moves the deadline to June 30. Situations that are avoidable, such as a department head submitting requisitions and the County Commission approving a Purchase Order that put a line item over budget, will be handled by the Finance Department by notifying the department head that payment will not be made until a budget revision is completed to cover the deficit.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Sheriff's Tax Refund Account**

**2012 - 8**

**CONDITION:**

We noted during our audit that the Wood County Sheriff's Tax Office is not properly maintaining the tax refund account. An unidentified balance is being carried in this account. If properly maintained, this account would come to a reconciled zero balance at the end of each month.

**CRITERIA:**

Account balances should be properly reconciled. Proper internal controls require that accounting controls be established and maintained to identify and correct all bank reconciliation differences in a timely manner.

**CAUSE:**

The Sheriff's Tax Office did not have proper internal control procedures in place for issuing refunds. The tellers write the refund checks from the tax refund account as necessary. They then give these checks to the office manager for review. The office manager generates a computer report showing the amount of refunds that should have been issued that day. She then issues a check from the tax distribution account to be transferred into the refund account for the amount on the computer report. At no time is the computer report being reconciled to the checks written for that day.

**EFFECT:**

Discrepancies were not discovered and corrected in a timely manner. Money has been transferred from the tax distribution account without the corresponding refund checks being issued. An unidentified balance is being held in this account.

**RECOMMENDATION:**

The Wood County Sheriff's Tax Office should take steps to properly reconcile this account. Computer reports should be compared to checks issued to determine to whom the money in the refund account is owed. Checks should be remitted to the proper taxpayers to bring this account to a reconciled zero balance. Further, any old outstanding checks should be turned over to the State Treasurer as unclaimed property.

**AUDITED AGENCY'S RESPONSE:**

We have been working on going over the refund account so that it comes back to a zero balance. We are also going back through the computer reports and comparing them to the checks written making sure that the correct people were given the correct amount of money. We have started the process of going over the old outstanding checks to be able to turn them over to the State Treasurer as unclaimed property.



**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**County Clerk's Office Account - Reconciliations**

**2012 - 9**

**CONDITION:**

We noted during our audit that the County Clerk's Office bank account was not being properly reconciled. At June 30, 2012, there was an additional \$1,784.12 in the County Clerk's bank account which is unaccounted for. This account should normally come to a reconciled zero balance at the end of each month.

**CRITERIA:**

Account balances should be properly reconciled with bank accounts. Proper internal controls require that accounting controls be established and maintained to identify and correct all differences in a timely manner.

**CAUSE:**

The County Clerk's office did not have adequate control procedures in place to ensure that a proper bank reconciliation was being performed on a monthly basis. The reconciled balance was not being compared to the monthly collections. Further, documents sold online were not being properly reconciled to the electronic funds deposits into the bank account.

**EFFECT:**

Discrepancies were not discovered and corrected in a timely manner.

**RECOMMENDATION:**

The County Clerk's bank account should be reconciled to actual collections and remittances each month, and any discrepancies should be investigated and corrected immediately.

**AUDITED AGENCY'S RESPONSE:**

Problem corrected with training.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Expenditures - Community Criminal Justice Fund  
2012 - 10**

**CONDITION:**

We noted during our audit that expenditures were made from the Community Criminal Justice Fund which are unallowable. Further, the Day Report Center was not following the County's purchasing procedures policy.

**CRITERIA:**

West Virginia Code §62-11C-8(a) states, in part, that:

"The treasurer of the county designated as the fiscal agent for the board... shall establish a separate fund designated the community criminal justice fund. He or she shall deposit all fees remitted by the municipal, magistrate and circuit clerks... and all funds appropriated by a county commission...and all funds provided by the governor's committee for approved community corrections programs in the community criminal justice fund. Funds in the community criminal justice account are to be expended by order of the designated county's commission upon recommendation of the community criminal justice board in furtherance of the operation of an approved community corrections program."

The Wood County Commission's purchasing policy states in part:

"The Elected Official or authorized person shall submit a requisition via paper or email to the County Administrator's Office. If the request does not exceed budgeted amount, the Purchase Order will be issued. If the request exceeds budgeted amount the request will be denied until a budget revision is submitted."

**CAUSE:**

Adequate policies and procedures were not in place to ensure compliance with this statute and policy.

**EFFECT:**

The Wood County Commission authorized the Wood County Clerk to make expenditures from the Community Criminal Justice Fund which are not in compliance with West Virginia Code. Further, purchase orders were not issued for all appropriate expenditures from this fund in the current fiscal year.

**RECOMMENDATION:**

The Wood County Commission and the Wood County Day Report Center are directed to review these requirements and develop policies to ensure that monies from the Community Criminal Justice Fund are used only to administer the community corrections program and not for an unlawful purpose. The director of the Day Report Center should be given a copy of the current County purchasing policy and comply with it as such.

**AUDITED AGENCY'S RESPONSE:**

We will review the current purchasing policy and our staff will meet with county officials to review current procedures. We will comply with current and future purchasing practices if changes are implemented. We will hold a class with all employees instructing them on proper procedures.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Day Report Center Daily Deposits**

**2012 - 11**

**CONDITION:**

It was noted during our audit that the Wood County Day Report Center failed to make daily deposits of all public monies. Specifically, fees collected relating to the Drug Court program were being held at the Day Report Center and not deposited in a bank account or with the Sheriff's Tax Office.

**CRITERIA:**

West Virginia Code §59-1-37 states in part:

"...When any fee, cost, percentage, penalty, commission allowance, bond, deposit, surety or other cash payment or sum is to be held by the sheriff, the prosecuting attorney, the county commission, an official of an agency or entity created by the county commission, the clerk of the county commission, the clerk of the circuit court or the assessor or any county under any provision of law or proper order to the circuit court, said officer shall deposit the same in an account or accounts which may, at his or her sole discretion, be an interest bearing account or accounts in a secure and properly insured banks. All money collected, including cash and checks, shall be deposited intact on the first available business day: Provided, that the requirement for deposits on the first business day shall not apply...if the amount to be deposited is less than five hundred dollars."

**CAUSE:**

The Wood County Day Report Center does not have controls in place to insure that monies received are deposited on a daily basis.

**EFFECT:**

With deposits not being made on a daily basis, the possibility of a misuse of funds increases, and the difficulty of preparing an accurate reconciliation of funds is also increased.

**RECOMMENDATION:**

The Wood County Day Report Center is directed to deposit intact on a daily basis all public monies received in either a separate bank account or with the Sheriff's Tax Office.

**AUDITED AGENCY'S RESPONSE:**

All cash, money orders and checks are maintained in a new office safe during working hours. Three employees count the funds and all three sign off on all deposits. Deposits are being made each day if funds are received.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Day Report Center Receipts**

**2012 - 12**

**CONDITION:**

We noted during our audit that money collected at the Wood County Day Report Center was not always being properly receipted. The computer system used at the Day Report Center cannot issue receipts. To compensate, the Center is using a three part receipt book in order to provide the client with a record of their payments. These receipts are then being entered into the computer system to maintain an accounts receivable listing. However, the manual receipts are not being properly reconciled to the receipts per the computer system. Reports from the computer system are being generated as backup for deposits made into the bank.

**CRITERIA:**

Proper internal controls would require that an effective, accurate and secure transacting and accounting of monies that flow through the Wood County Day Report Center be maintained.

**CAUSE:**

The Wood County Day Report Center did not have sufficient controls in effect concerning the accounting for transactions at the Center.

**EFFECT:**

The records maintained by the Wood County Day Report Center could not be reconciled with actual amounts deposited with the Wood County Sheriff's tax office. With a lack of proper reconciliation, the possibility of discrepancies occurring without being detected, or of an improper use of funds, is greatly increased.

**RECOMMENDATION:**

Receipts should be written at the Center for all payments received. The manual receipts should be entered into the computer by someone other than the person issuing the manual receipts. A computer report should be generated daily that reconciles with the manual receipts and with the deposit made. These reports should be filed onsite with the indication that the reconciliation was made including copies of the manual receipts associated with that deposit. A monthly computer report should also be generated that reconciles with deposits and be used to prepare the monthly report and remittance to the Sheriff's tax office.

**AUDITED AGENCY'S RESPONSE:**

The DRC is in the process of revising our procedures involving receipts and handling funds. We will comply with your recommendations.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Segregation of Duties**

**2012 - 13**

**CONDITION:**

We noted during our audit that there is an insufficient segregation of duties in the Wood County Day Report Center. Specifically, we noted that the same employee can collect fees and other revenue, prepare and make deposits, prepare checks, sign checks, reconcile bank accounts, and prepare monthly reports.

**CRITERIA:**

Proper internal control procedures require that various duties be segregated among different employees, to make the likelihood of an improper use of monies less possible. The duties of collecting, recording, depositing, reconciling, and disbursing of monies should be separated. A segregation of duties also can make it more likely that errors made can be discovered and corrected.

**CAUSE:**

The Wood County Day Report Center does not have a system to insure that these duties are properly segregated.

**EFFECT:**

By not having a sufficient segregation of duties between different employees, the possibility of discrepancies occurring without being detected, or of an improper use of funds, is greatly increased.

**RECOMMENDATION:**

The duties of collecting revenues and writing receipts, preparing and making deposits, issuing checks, reconciling bank accounts, and preparing the monthly statements should be segregated among different employees.

**AUDITED AGENCY'S RESPONSE:**

Funds are handled in Jackson, Roane and Wood Counties. Multiple employees receive funds, write receipts and prepare deposits. Each deposit must be counted by three employees and their signature is required on the deposit slip to verify the amount of the deposit.

Manual receipts are numbered and the manual receipt number is recorded in our Quick Book accounting system.

**WOOD COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Section III - Federal Award Findings and Questioned Costs**

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There were no findings at the single audit level for this audit.

**WOOD COUNTY, WEST VIRGINIA  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2012**

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There were no findings at the federal program level therefore no corrective action plan is necessary.

**WOOD COUNTY, WEST VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Fiscal Year Ended June 30, 2012**

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**Status of Prior Year Audit Findings - Financial Statements**

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2011 - 1	Annual Financial Statements	Corrected
2011 - 2	Preparation and Publication of the Annual Financial Statement	Repeated
2011 - 3	Schedule of Expenditures of Federal Awards	Restated
2011 - 4	Preparation of the Sheriff's Settlement	Corrected
2011 - 5	Other Postemployment Benefits Obligation	Repeated
2011 - 6	Miscellaneous Revenue Receipts	Restated
2011 - 7	Capital Assets	Repeated
2011 - 8	Expenditures	Corrected
2011 - 9	Purchasing Card Controls	Corrected
2011 - 10	Concealed Weapons Invoices	Corrected
2011 - 11	Improper Transfer of Funds	Corrected
2011 - 12	Day Report Center Daily Deposits	Repeated
2011 - 13	Day Report Center Backup of Records	Not Restated

**Status of Prior Year Audit Findings - Federal Awards**

None





## State of West Virginia

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Chief Inspector Division

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Glen B. Gainer III  
State Auditor and  
Chief Inspector

Stuart T. Stickel, CPA  
Deputy Chief Inspector

### ***MANAGEMENT LETTER***

Honorable Members of the  
Wood County Commission  
Parkersburg, West Virginia 26101

In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the financial statements of Wood County, West Virginia, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 26, 2013.

We are also submitting for your consideration the following comments that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or significant deficiencies in internal controls, we believe represent matters for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. We have already discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. If you have any questions, please do not hesitate to contact us.

#### **Legal Compliance Matters**

##### **Taxable Fringe Benefits**

We noted certain expenditures for clothing that could possibly qualify as taxable fringe benefits to the employees of Wood County. The Internal Revenue Service: Federal, State, Local Governments(FSLG) Fringe Benefit Guide states in part, "Clothing or uniforms are excluded from wages of an employee if they are: specifically required as a condition of employment, and are not worn or adaptable to general usage as ordinary clothing. The accountable plan rules must be met for reimbursements or clothing allowances."

##### **Recommendation**

We recommend that the Wood County Commission and elected officials review this statute and comply with the provisions set forth therein. The County can review the IRS Code and the FSLG Fringe Benefit Guide at: [http://www.irs.gov/pub/irs-tege/fringe\\_benefit\\_fslg\\_2013.pdf](http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg_2013.pdf).

Itemized Receipts/Invoices for Conservator Account Expenditures

We noted during our audit that some expenditures were made from the Sheriff's conservator accounts without requiring itemized receipts or invoices to support the disbursement. West Virginia Code §12-3-18 states, in part, that: "It shall be unlawful for any county court, board of education or the council of the municipal corporation, or any other body charged with the administration of the fiscal affairs of any county, school district, independent school district or municipality, to pay claims for services rendered or materials furnished unless an itemized account therefor is filed by the claimant covering the claim...".

Recommendation

We recommend that the Wood County Commission and elected officials review this statute and implement policies and procedures to comply with the provisions set forth therein.

Suggestions for Improving Operations

Signatures on Evidence Cash Account

We noted during our audit that the evidence cash bank account maintained by the Sheriff's Law Enforcement Office did not require the Sheriff's signature.

Recommendation

It is recommended that the Sheriff's signature be required on all accounts for which he is responsible. If necessary, a signature stamp may be used, provided that policies and procedures are implemented to insure compliance with West Virginia Code §7-5-4 which states in part that, "Such mechanical or electrical device for the making of the signature of the sheriff shall be safely kept in the office of the sheriff so that no one shall have access thereto except the sheriff and such of his deputies as may be authorized to have access thereto."

These comments are intended for the County Commission, management, other entities within the entity, grantor agencies and federal awarding agencies, and are not intended to be and should not be used by anyone other than these specified parties.

In closing, on behalf of the audit staff, we appreciate the opportunity to present these comments and recommendations for your consideration. We would like to thank management for its hospitality, cooperation, positive attitude and openness to suggestion.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Glen B. Gainer III". The signature is fluid and cursive, with the last name "Gainer" being more prominent.

Glen B. Gainer III  
West Virginia State Auditor

March 26, 2013