

**AUDIT REPORT OF
WOOD COUNTY, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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WOOD COUNTY, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax
Special Building
E-911
Building Commission Debt Service

NONMAJOR FUNDS

Special Revenue Funds

Dog and Kennel
General School
Magistrate Court
Worthless Check
Small Cities Block Grant
Home Confinement
Community Criminal Justice
Local Law Enforcement Block Grant
Assessor's Valuation
Concealed Weapons
Special Law Enforcement
Treasury Forfeiture
DOJ Forfeiture
Teen Drug Court
Drug Court

Capital Project Fund

Capital Reserve

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FIDUCIARY FUND TYPE

Agency Funds

State
School
Municipal
Other Agency

DISCRETELY PRESENTED COMPONENT UNIT

Wood County Parks and Recreation Commission
Wood County Development Authority

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, 2014**

OFFICE	NAME	TERM
<u>Elective</u>		
County Commission:	Wayne Dunn	01-01-09 / 12-31-14
	Stephen Gainer	01-01-11 / 12-31-16
	David Blair Couch	01-01-13 / 12-31-18
Clerk of the County Commission:	Jamie Six	01-01-11 / 07-31-13
	Mark Rhodes	08-01-13 / 12-31-16
Clerk of the Circuit Court:	Carole Jones	01-01-11 / 12-31-16
Sheriff:	K.D. Merritt	01-01-13 / 12-31-16
Prosecuting Attorney:	Jason Wharton	01-01-13 / 12-31-16
Assessor:	Rich Shaffer	01-01-13 / 12-31-16

FINANCIAL SECTION



State of West Virginia

Glen B. Gainer III

**State Auditor and
Chief Inspector**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wood County Parks and Recreation Commission and the Wood County Development Authority, which represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wood County Parks and Recreation Commission and the Wood County Development Authority, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

Management of the Wood County Parks and Recreation Commission has contracted with a service organization that is independent of the Commission to process Sewer Treatment Plant fund activity. Management is unable to provide us with information we requested regarding the design or proper operation of the service organization's internal controls relative to the processing of the Commission's sewer operations. We were unable to perform procedures to satisfy ourselves as to the proper processing of sewer activity. We cannot reasonably determine the amount by which this departure would affect the assets, fund balance, expenses, and revenues of the business-type activities and Sewer Treatment Plant Fund.

Qualified Opinion on the Aggregate Discretely Presented Component Units

In our opinion, based on our audit and the report of other auditors, except for the possible effects of such adjustments, if any, as might have been determined to be necessary for the matters discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for Wood County, West Virginia as of June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the Governmental Activities

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 position for the governmental activities. The amount by which this departure would affect the expenses and net position and the associated notes to the financial statements related to the governmental activities is not reasonably determinable.

Management has also 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 affect the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, expenses, and the associated notes to the financial statements related to the governmental activities is not reasonably determinable.

Qualified Opinion on the Governmental Activities

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion on the Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities for Wood County, West Virginia as of June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, 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, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note I.D.11, the County implemented the provisions of Governmental Accounting Standards Board Statement Number 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

As discussed in Note IV.I, the prior year financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 Governmental Accounting Standards Board (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.

Other 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 introductory section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The budgetary comparison for the Assessor's Valuation Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section listed in the table of contents 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016, 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor
Charleston, West Virginia

February 17, 2016

WOOD COUNTY, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2014

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Parks and Recreation</u>	<u>Development Authority</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,388,203	\$ 222,803	\$ 794,786
Receivables:			
Taxes	670,354	--	--
Accounts	--	18,785	27,589
Grants	73,014	--	--
Due from:			
Sewer Treatment Plant	--	326,130	--
Prepaid interest	--	--	61,314
Total current assets	<u>6,131,571</u>	<u>567,718</u>	<u>883,689</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash	196,157	--	--
Capital assets:			
Nondepreciable:			
Land	1,863,789	606,089	325,374
Depreciable:			
Buildings	6,519,943	--	--
Structures and improvements	13,273,643	--	--
Capitalized facilities	--	10,869,841	--
Cold Water Creek property and expansion	--	--	46,302,772
Machinery and equipment	9,262,177	353,540	--
Vehicles	--	44,853	--
Less: accumulated depreciation	<u>(12,280,021)</u>	<u>(10,358,136)</u>	<u>(13,575,216)</u>
Total noncurrent assets	<u>18,835,688</u>	<u>1,516,187</u>	<u>33,052,930</u>
Total assets	<u>24,967,259</u>	<u>2,083,905</u>	<u>33,936,619</u>
LIABILITIES			
Current liabilities payable			
from current assets:			
Accounts payable	166,573	3,648	--
Payroll payable	761	--	--
Other accrued expenses	196,156	14,149	--
Due to:			
Mountwood Park	--	326,130	--
Current liabilities payable from			
restricted assets:			
Notes payable	--	90,836	1,966,390
Accrued interest payable	--	--	100,315
Customer deposits	--	650	--
Unearned revenues:			
Unearned revenue	--	29,640	--
Noncurrent liabilities:			
Bonds payable - due within one year	260,000	--	--
Bonds payable - due in more than one year	5,491,348	--	--
Notes payable - due in more than one year	--	--	20,934,009
Leases payable - due within one year	62,826	--	--
Leases payable - due in more than one year	3,252	--	--
Compensated absences payable	401,945	--	--
Total liabilities	<u>6,582,861</u>	<u>465,053</u>	<u>23,000,714</u>
NET POSITION			
Net investment in capital assets	12,822,105	1,425,351	10,152,531
Restricted for:			
Debt service	196,157	--	565,731
Unrestricted	<u>5,366,136</u>	<u>193,501</u>	<u>217,643</u>
Total net position	<u>\$ 18,384,398</u>	<u>\$ 1,618,852</u>	<u>\$ 10,935,905</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, 2014

Functions / Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units	
						Parks and Recreation	Development Authority
Primary government:							
Governmental activities:							
General government	\$ 9,313,405	\$ 387,578	\$ 2,652	\$ 162,455	\$ (8,760,720)		
Public safety	9,529,120	3,138,162	822,875	4,723	(5,563,360)		
Health and sanitation	191,393	--	--	--	(191,393)		
Culture and recreation	1,557,966	70,193	--	39,390	(1,448,383)		
Social services	40,000	--	--	--	(40,000)		
Capital projects	597,919	--	--	--	(597,919)		
Education	256,585	--	--	--	(256,585)		
Interest on long-term debt	399,656	--	--	--	(399,656)		
Total governmental activities	21,886,044	3,595,933	825,527	206,568	(17,258,016)		
Total primary government	21,886,044	3,595,933	825,527	206,568	(17,258,016)		
Component units:							
Parks and Recreation	782,172	202,163	66,065	299,510	--	\$ (214,434)	\$ --
Development Authority	2,946,922	3,892,591	103,008	--	--	--	1,048,677
Total component units	3,729,094	4,094,754	169,073	299,510	--	(214,434)	1,048,677
General revenues:							
Ad valorem property taxes					13,199,773	--	--
Alcoholic beverages tax					8,020	--	--
Hotel occupancy tax					725,322	131,202	--
Animal tax					34,525	--	--
Other taxes					1,388,486	--	--
Coal severance tax					153,689	--	--
Licenses and permits					154,166	--	--
Unrestricted investment earnings					14,334	30	1,061
Refunds					273,437	--	--
Reimbursement					196,634	169,440	--
Royalties					--	10,000	--
Contributions from other entities					--	--	111,543
Taste of Parkersburg					--	--	11,959
Miscellaneous					468,347	7,410	51,349
Total general revenues					16,616,733	318,082	175,912
Change in net position					(641,283)	103,648	1,224,589
Net position - beginning (Note IV.I.)					19,025,681	1,515,204	9,711,316
Net position - ending					18,384,398	1,618,852	10,935,905

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

WOOD COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

ASSETS AND DEFERRED OUTFLOWS

Assets:	General	Coal Severance Tax	Special Building	E-911	Building Commission Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Current:							
Cash and cash equivalents	\$ 2,127,686	\$ 81,758	\$ 1,031,821	\$ 892,716	\$ --	\$ 1,254,222	\$ 5,388,203
Receivables:							
Taxes	670,354	--	--	--	--	--	670,354
Grants	73,014	--	--	--	--	--	73,014
Due from:							
Other funds	108,287	--	--	--	--	--	108,287
Restricted cash	--	--	--	--	196,157	--	196,157
Total assets	2,979,341	81,758	1,031,821	892,716	196,157	1,254,222	6,436,015
Total assets and deferred outflows of resources	\$ 2,979,341	\$ 81,758	\$ 1,031,821	\$ 892,716	\$ 196,157	\$ 1,254,222	\$ 6,436,015

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES

Liabilities:							
Accounts payable	166,573	--	--	--	--	--	166,573
Payroll payable	761	--	--	--	--	--	761
Other accrued expenses	--	--	--	--	196,156	--	196,156
Due to:							
Other funds	--	--	--	--	--	108,287	108,287
Total liabilities	167,334	--	--	--	196,156	108,287	471,777
Deferred Inflows:							
Unavailable revenue - taxes	536,897	--	--	--	--	--	536,897
Total deferred inflows of resources	536,897	--	--	--	--	--	536,897
Total liabilities and deferred inflows of resources	704,231	--	--	--	196,156	108,287	1,008,674
Fund balances:							
Restricted	--	--	1,031,821	892,716	1	1,239,137	3,163,675
Committed	837,823	--	--	--	--	--	837,823
Assigned	1,130,858	81,758	--	--	--	--	1,212,616
Unassigned	306,429	--	--	--	--	(93,202)	213,227
Total fund balances	2,275,110	81,758	1,031,821	892,716	1	1,145,935	5,427,341
Total liabilities, deferred inflows and fund balances	\$ 2,979,341	\$ 81,758	\$ 1,031,821	\$ 892,716	\$ 196,157	\$ 1,254,222	\$ 6,436,015

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 POSITION
June 30, 2014

Total fund balances on the governmental fund's balance sheet	\$ 5,427,341
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. (Note IV.C.)	18,639,531
Certain revenues are not available to fund current year expenditures and therefore are deferred inflows in the funds. (Note IV.B.)	536,897
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note IV.G.)	<u>(6,219,371)</u>
Net position of governmental activities	<u>\$ 18,384,398</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, 2014

	<u>General</u>	<u>Coal</u> <u>Severance</u> <u>Tax</u>	<u>Special</u> <u>Building</u>	<u>E-911</u>	<u>Building</u> <u>Commission</u> <u>Debt Service</u>	<u>Other Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES							
Taxes:							
Ad valorem property taxes	\$ 13,209,120	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 13,209,120
Alcoholic beverages tax	8,020	--	--	--	--	--	8,020
Hotel occupancy tax	725,322	--	--	--	--	--	725,322
Animal tax	--	--	--	--	--	34,525	34,525
Other taxes	410,924	--	--	--	--	731,764	1,142,688
Coal severance tax	--	153,689	--	--	--	--	153,689
Licenses and permits	50,231	--	--	--	--	103,935	154,166
Intergovernmental:							
Federal	427,976	--	--	--	--	5,401	433,377
State	591,732	--	--	--	--	--	591,732
Local	2,986	--	--	--	--	4,000	6,986
Charges for services	656,426	--	--	1,818,506	--	626,963	3,101,895
Fines and forfeits	163,300	--	--	--	--	330,738	494,038
Interest and investment earnings	7,410	118	3,375	1,322	1	2,108	14,334
Refunds	249,088	24,349	--	--	--	--	273,437
Reimbursements	--	--	169,963	--	--	26,671	196,634
Payments in lieu of taxes	245,798	--	--	--	--	--	245,798
Contributions and donations	39,316	--	--	--	--	686	40,002
Miscellaneous	388,934	--	--	--	--	39,411	428,345
Total revenues	17,176,583	178,156	173,338	1,819,828	1	1,906,202	21,254,108
EXPENDITURES							
Current:							
General government	9,143,128	--	--	--	--	70,946	9,214,074
Public safety	9,190,295	--	--	204,043	--	442,891	9,837,229
Health and sanitation	191,393	--	--	--	--	--	191,393
Culture and recreation	1,593,143	--	--	--	--	--	1,593,143
Social services	40,000	--	--	--	--	--	40,000
Capital outlay	71,323	153,657	52,170	--	--	257,765	534,915
Debt service:							
Principal	--	--	--	--	250,000	--	250,000
Interest	--	--	--	--	399,656	--	399,656
Total expenditures	20,229,282	153,657	52,170	204,043	649,656	771,602	22,060,410
Excess (deficiency) of revenues over expenditures	(3,052,699)	24,499	121,168	1,615,785	(649,655)	1,134,600	(806,302)

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, 2014

	General	Coal Severance Tax	Special Building	E-911	Building Commission Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 2,429,792	\$ --	\$ --	\$ --	\$ 649,594	\$ 23,396	\$ 3,102,782
Transfers (out)	(8,639)	--	(649,594)	(1,474,812)	--	(969,737)	(3,102,782)
Proceeds from the sale of assets	28,408	--	--	--	--	10,399	38,807
Total other financing sources (uses)	2,449,561	--	(649,594)	(1,474,812)	649,594	(935,942)	38,807
Net change in fund balances	(603,138)	24,499	(528,426)	140,973	(61)	198,658	(767,495)
Fund balances - beginning (Note IV L)	2,878,248	57,259	1,560,247	751,743	62	947,277	6,194,836
Fund balances - ending	\$ 2,275,110	\$ 81,758	\$ 1,031,821	\$ 892,716	\$ 1	\$ 1,145,935	\$ 5,427,341

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, 2014

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

Net change in fund balances - total governmental funds	\$ (767,495)
--	---------------

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.)	579,254
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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.).	(659,861)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (Note IV.C.)	(112,464)
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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 unavailable/unearned revenues.	(9,347)
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Prior year unavailable/unearned revenues:	\$546,244
Current year unavailable/unearned revenues:	\$536,897

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 position. 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 IV.G.)	(6,585)
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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)	335,215
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Change in net position of governmental activities	<u>\$ (641,283)</u>
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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, 2014

	<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>
REVENUES						
Taxes:						
Ad valorem property taxes	\$ 12,528,767	\$ 12,767,267	\$ 13,209,120	\$ 15,172	\$ 13,224,292	\$ 457,025
Alcoholic beverages tax	5,000	8,020	8,020	--	8,020	--
Hotel occupancy tax	671,376	731,376	725,322	--	725,322	(6,054)
Gas and oil severance tax	40,000	40,000	--	--	--	(40,000)
Other taxes	350,000	410,000	410,924	--	410,924	924
Licenses and permits	43,200	57,200	50,231	--	50,231	(6,969)
Intergovernmental:						
Federal	--	992,692	427,976	140,263	568,239	(424,453)
State	--	863,699	591,732	29,038	620,770	(242,929)
Local	--	2,595	2,986	--	2,986	391
Charges for services	672,277	706,766	656,426	--	656,426	(50,340)
Fines and forfeits	15,000	15,000	163,300	--	163,300	148,300
Interest and investment earnings	177,000	177,000	7,410	(6,159)	1,251	(175,749)
Refunds	314,868	533,512	249,088	7,741	256,829	(276,683)
Payments in lieu of taxes	255,000	255,000	245,798	--	245,798	(9,202)
Contributions and donations	--	--	39,316	(39,316)	--	--
Miscellaneous	382,000	409,750	388,934	1,000	389,934	(19,816)
Total revenues	15,454,488	17,969,877	17,176,583	147,739	17,324,322	(645,555)
EXPENDITURES						
Current:						
General government	8,771,978	10,600,926	9,143,128	8,639	9,151,767	1,449,159
Public safety	9,330,680	9,600,326	9,190,295	--	9,190,295	410,031
Health and sanitation	197,250	197,850	191,393	--	191,393	6,457
Culture and recreation	1,554,872	1,635,864	1,593,143	--	1,593,143	42,721
Social services	46,000	46,000	40,000	--	40,000	6,000
Capital outlay	252,939	252,939	71,323	--	71,323	181,616
Total expenditures	20,153,719	22,333,905	20,229,282	8,639	20,237,921	2,095,984
Excess (deficiency) of revenues over expenditures	(4,699,231)	(4,364,028)	(3,052,699)	139,100	(2,913,599)	1,450,429
OTHER FINANCING SOURCES (USES)						
Transfers in	3,749,231	4,214,646	2,429,792	1,445,274	3,875,066	(339,580)
Transfers (out)	--	(750,000)	(8,639)	(741,361)	(750,000)	--
Proceeds from the sale of assets	--	28,408	28,408	--	28,408	--
Total other financing sources (uses)	3,749,231	3,493,054	2,449,561	703,913	3,153,474	(339,580)
Net change in fund balance	(950,000)	(870,974)	(603,138)	843,013	239,875	1,110,849
Fund balance - beginning (Note IV.I.)	950,000	870,974	2,878,248	(1,995,594)	882,654	11,680
Fund balance - ending	\$ --	\$ --	\$ 2,275,110	\$ (1,152,581)	\$ 1,122,529	\$ 1,122,529

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, 2014

	<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</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Coal severance tax	\$ 150,000	\$ 150,000	\$ 153,689	\$ 3,689
Interest and investment earnings	50	50	118	68
Refunds	--	24,349	24,349	--
Total revenues	<u>150,050</u>	<u>174,399</u>	<u>178,156</u>	<u>3,757</u>
EXPENDITURES				
Current:				
Capital outlay	<u>295,050</u>	<u>231,658</u>	<u>153,657</u>	<u>78,001</u>
Total expenditures	<u>295,050</u>	<u>231,658</u>	<u>153,657</u>	<u>78,001</u>
Net change in fund balance	(145,000)	(57,259)	24,499	81,758
Fund balance - beginning	<u>145,000</u>	<u>57,259</u>	<u>57,259</u>	<u>--</u>
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 81,758</u>	<u>\$ 81,758</u>

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

WOOD COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
ASSETS	
Non-pooled cash	\$ 2,095,017
Total cash	<u>2,095,017</u>
Receivables:	
Taxes	<u>3,290,173</u>
Total receivables	<u>3,290,173</u>
Total assets	\$ <u><u>5,385,190</u></u>
LIABILITIES	
Due to: other governments	<u>5,385,190</u>
Total liabilities	\$ <u><u>5,385,190</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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 units 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, 2014

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the County, but are financially accountable to the County, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Because of the nature of services they provide and the County's ability to impose its will on them or a financial benefit/burden relationship exists, the following component units are discretely presented in accordance with GASB Statement No. 14 (as amended by GASB Statements No. 39 and No. 61). The discretely presented component units are presented on the government-wide statements.

The Wood County Development Authority serves Wood County, West Virginia, and is governed by a board comprised of not more than 31 nor less than 22 members appointed by the County Commission for a term of 3 years each. The Wood County Development Authority promotes, develops, and advances the business prosperity and economic welfare of the county.

The Wood County Parks and Recreation Commission serves all citizens of Wood County by providing recreational services and is governed by an eleven-member board appointed by the County Commission. The County provides financial support to the Board on an annual basis.

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

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, Ohio, and Ritchie County, West Virginia, 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 \$50,000 for an operating grant for the Mid-Ohio Valley Regional Airport Authority for the fiscal year.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Interest on general long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

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.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

The *E-911 fund*, a special revenue fund, accounts for the operation of a communication center with trained personnel for emergencies in the County. The fees for its operations are received from a service charge billed to consumers. The fee is to be used solely and directly for the capital, installation, administration, operation, and maintenance costs of the enhanced emergency telephone system.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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.

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.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

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.

If it is determined that the available interest rate offered by an acceptable depository in the county is less than the interest rate, net of administrative fees referred to in article six, chapter twelve of the West Virginia Code, offered it through the state board of investments, the county treasurer may, with the approval of each fiscal body whose funds are involved, make such funds available to the state board of investments for investment in accordance with the provisions of article six, chapter twelve of the code.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

State statutes authorize the government to enter into agreements with the State Treasurer for the investment of monies. Authority is provided for investment in the Investment Management Board, the West Virginia Board of Treasury or the Municipal Bond Commission, or to invest such funds in the following classes of securities: Any investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §80a, the portfolio of which is limited: (i) To obligations issued by or guaranteed as to the payment of both principal and interest by the United States of America or its agencies or instrumentalities; and (ii) to repurchase agreements fully collateralized by obligations of the United States government or its agencies or instrumentalities: Provided, That the investment company or investment trust takes delivery of the collateral either directly or through an authorized custodian: Provided, however, That the investment company or investment trust is rated within one of the top two rating categories of any nationally recognized rating service such as Moody's or Standard & Poor's.

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 20 percent of the property taxes outstanding at June 30, 2014.

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.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

<u>Class of Property</u>	<u>Assessed Valuation For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>
Class I	\$ --	13.14 cents	.54 cents
Class II	1,623,473,052	26.28 cents	1.08 cents
Class III	809,380,781	52.56 cents	2.16 cents
Class IV	756,494,139	52.56 cents	2.16 cents

Wood County, West Virginia held a special election on November 6, 2012. The County was authorized to lay an excess levy to provide approximately \$454,700 annually during the five fiscal years ended June 30, 2014 through June 30, 2018, for the purpose or purposes for which additional funds are needed for the Parkersburg & Wood County Public Library to: build and operate a larger South Parkersburg Library to replace the 1,200 square foot building that has been in use since 1972; move the entrance of the Emerson Library from Emerson Avenue to the side parking lot for increased accessibility for seniors, children, and the disabled; add weekend hours at Williamstown and South Parkersburg Libraries; reinstate cut hours for Waverly and Bookmobile; increase sharing of materials with Vienna Library and Wood County Schools; increase staff dedicated to children's services; and contribute to the general operation of the Library.

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 agreement.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

5. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column 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	25,000
Building	40 years	1	50,000
Building improvements	20 to 25 years	1	50,000
Construction in progress	not applicable	1	Capitalize only
Equipment	5 to 10 years	1,000	5,000
Vehicles	5 to 10 years	1,000	5,000
Infrastructure	40 to 50 years	50,000	250,000

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*.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts 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.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9. 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, 2014

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.

10. 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 Commission chooses. The stabilization balance at fiscal year-end was \$837,823.

11. Change in Accounting Principle

Effective July 1, 2013, the County adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This change was incorporated in the government's financial statements; the effect on beginning net position totaled \$79,350 due to the recognition of debt issuance cost as an expense in the period incurred.

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 position of governmental activities as reported in the government-wide Statement of Activities. One 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	\$ 21,802
Bonds	250,000
Leases	<u>63,413</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$ <u><u>335,215</u></u>

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 the General Fund.

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>General Fund</u> <u>Amount</u>	<u>Coal Severance</u> <u>Amount</u>
General government expenditure increase	\$ 1,828,948	\$ --
Public safety expenditure increase	269,646	--
Health and sanitation expenditure increase	600	--
Culture and recreation expenditure increase	80,992	--
Capital projects expenditure decrease	--	(63,392)

B. Deficit Fund Equity

The Home Confinement Fund had a deficit fund balance of (\$93,202) as of June 30, 2014. The fund owes the General County Fund \$108,287 for reimbursement of payroll expenses.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 \$7,679,377. 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.

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

Cash and cash equivalents	\$ 7,679,377
Total	<u>\$ 7,679,377</u>
Cash and cash equivalents	\$ 5,388,203
Cash and cash equivalents-restricted	<u>2,291,174</u>
Total	<u>\$ 7,679,377</u>

B. Receivables

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

	General	Fiduciary
Receivables:		
Taxes	\$ 837,942	\$ 3,290,173
Grants	<u>73,014</u>	<u>--</u>
Gross Receivables	<u>910,956</u>	<u>3,290,173</u>
Less: Allowance for Uncollectible	<u>(167,588)</u>	<u>--</u>
Net Total Receivables	<u>\$ 743,368</u>	<u>\$ 3,290,173</u>

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Governmental funds report unavailable/unearned 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows - Unavailable
Delinquent property taxes receivable (General Fund)	\$ 536,897
Total unavailable/unearned revenue for governmental funds	\$ 536,897

C. Capital Assets

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

	Primary Government		
	Beginning Balance	Increases	Decreases
			Ending Balance
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 1,863,789	\$ --	\$ 1,863,789
Total capital assets not being depreciated	1,863,789	--	1,863,789
Capital assets being depreciated:			
Buildings and improvements	7,554,540	--	(1,034,597)
Structures and improvements	13,161,762	111,881	--
Machinery and equipment	8,827,304	467,373	(32,500)
Less: Total accumulated depreciation	(12,574,793)	(659,861)	954,633
Total capital assets being depreciated, net	16,968,813	(80,607)	(112,464)
Governmental activities capital assets, net	\$ 18,832,602	\$ (80,607)	\$ (112,464)

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

Governmental activities:	
General government	\$ 134,655
Public safety	124,320
Culture and recreation	11,199
Capital projects	389,687
Total depreciation expense-governmental activities	\$ 659,861

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Home Confinement	General County	payroll expense reimbursement	\$ 108,287
Total			\$ <u>108,287</u>

Interfund Transfers:

<u>Transferred from:</u>	<u>Transferred to:</u>	<u>Purpose</u>	<u>Amount</u>
General County	Assessor's Valuation	insurance reimbursement	\$ 7,100
General County	Teen Drug Court	reimbursement	1,539
Assessor's Valuation	General County	payroll	545,666
E-911	General County	payroll	1,474,812
Concealed Weapons	General County	payroll	10,901
Dog	General County	reimbursement	1,000
General School	General County	regional jail bills	233,569
Home Confinement	General County	payroll	108,287
Local Law Enforcement	General County	grant reimbursement	5,400
Magistrate Court	General County	rent	50,157
Special Building	Building Commission Debt Service	bond payments	649,594
Home Confinement	Community Criminal Justice	drug testing fees	13,663
Drug Court	Community Criminal Justice	drug testing fees	1,000
Teen Drug Court	Community Criminal Justice	drug testing fees	94
Total			\$ <u>3,102,782</u>

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

E. Fund Balance Detail

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

	General Fund	Coal Severance Fund	Special Building	E-911	Building Commission Debt Service
Restricted:					
Public safety	\$ --	\$ --	\$ --	\$ 892,716	\$ --
Capital projects	--	--	1,031,821	--	1
Committed:					
Financial stabilization	837,823	--	--	--	--
Assigned:					
Budget carryover	1,130,858	81,758	--	--	--
Unassigned	306,429	--	--	--	--
Total fund balances	\$ <u>2,275,110</u>	\$ <u>81,758</u>	\$ <u>1,031,821</u>	\$ <u>892,716</u>	\$ <u>1</u>

	Non-major Funds	Total
Restricted:		
General government	\$ 382,411	\$ 382,411
Public safety	856,726	1,749,442
Capital projects	--	1,031,822
Committed:		
Financial stabilization	--	837,823
Assigned:		
Budget carryover	--	1,212,616
Unassigned	(93,202)	213,227
Total fund balances	\$ <u>1,145,935</u>	\$ <u>5,427,341</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, 2014

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2015	\$ 63,765
2016	<u>3,258</u>
Total minimum lease payments	67,023
Less: amount representing interest	<u>(945)</u>
Present value of minimum lease payments	<u>\$ 66,078</u>

G. Long-term Debt

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>Balance</u>
<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2014</u>
Justice Center 2010 A	1/1/2021	5.875%	\$ 2,635,000	\$ 630,000	\$ 2,005,000
	1/1/2026	6.750%	1,745,000	--	1,745,000
	1/1/2029	7.375%	1,215,000	--	1,215,000
	1/1/2031	7.500%	<u>895,000</u>	<u>--</u>	<u>895,000</u>
Total			<u>\$ 6,490,000</u>	<u>\$ 630,000</u>	<u>\$ 5,860,000</u>

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 \$6,490,000 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, 2029, and 2031. 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 \$9,897,294.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

Year Ended	Governmental Activities	
	Principal	Interest
2015	\$ 260,000	\$ 392,313
2016	270,000	377,037
2017	275,000	361,175
2018	285,000	345,019
2019	295,000	328,275
2020 - 2024	1,630,000	1,361,038
2025 - 2029	1,950,000	771,187
2030 - 2034	895,000	101,250
Totals	<u>\$ 5,860,000</u>	<u>\$ 4,037,294</u>

Pledged Revenues - Lease Revenue Bonds

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 \$6,490,000 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 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds outstanding is \$9,897,294. Principal and interest paid for the current year and total customer net revenues were \$657,000 and \$649,594, respectively.

Changes in Long-term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease revenue					
bond payable	\$ 6,110,000	\$ --	\$ (250,000)	\$ 5,860,000	\$ 260,000
Less: unamortized					
bond discount	(115,237)	--	6,585	(108,652)	--
Total bonds payable	5,994,763	--	(243,415)	5,751,348	260,000
Capital leases	129,491	--	(63,413)	66,078	62,826
Compensated absences	423,747	--	(21,802)	401,945	--
Governmental activities					
Long-term liabilities	<u>\$ 6,548,001</u>	<u>\$ --</u>	<u>\$ (328,630)</u>	<u>\$ 6,219,371</u>	<u>\$ 322,826</u>

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

H. Restricted Assets

The balances of the restricted asset accounts for the primary government are as follows:

	Governmental Activities
Revenue bond debt service account	\$ <u>196,157</u>
Total restricted assets	\$ <u><u>196,157</u></u>

I. Prior Period Adjustment

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

	General Fund	Community Criminal Justice	Home Confinement	Governmental Activities
Fund balances (government-wide balance), as previously stated	\$ 3,263,355	\$ (319,150)	\$ (226,153)	\$ 19,105,031
Add:				
Prior year payables	--	212,544	172,563	--
Deduct:				
Prior year receivables	(385,107)	--	--	--
Unamortized bond issuance costs	<u>--</u>	<u>--</u>	<u>--</u>	<u>(79,350)</u>
Fund balances (government-wide balance), restated	<u>\$ 2,878,248</u>	<u>\$ (106,606)</u>	<u>\$ (53,590)</u>	<u>\$ 19,025,681</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.

Workers' Compensation Fund (WCF): Private insurance companies could begin to offer workers compensation coverage to government employers beginning July 1, 2010. The WCF risk pool retains the risk related to the compensation of injured employees under the program. Wood County's workers' compensation coverage is currently being provided by WV Corp.

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

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

B. Related Party Transaction

The Mid-Ohio Valley Day Report Center (Day Report Center), an operation of the Wood County Commission, is actively doing business with the West Virginia Drug Testing Laboratories, Inc. (Drug Lab), a nonprofit corporation. The Drug Lab performs drug testing for various departments of the Wood County Commission, and the County provides labor and other services to the Drug Lab. One of the County Commissioners serves on the board and is an officer for the Drug Lab.

C. 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.

D. 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, 2014

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

Public Employees Retirement System

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 15) 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 \$218,535 for employees' share and \$142,888 for employer's share.

WOOD COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 (five 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 adjustments or death benefits	This plan has no provisions for cost of living adjustments. There are provisions for death benefits.
Annual pension cost and amount contributed:	For the current fiscal year ended, the annual cost was \$361,423 for all covered employees with a contributed percentage of 100%.

Trend Information

<u>Fiscal Year</u>	Public Employees Retirement System (PERS)		West Virginia Deputy Sheriff Retirement System (WVDRS)	
	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2014	\$ 1,148,707	100%	\$ 361,423	100%
2013	\$ 1,139,427	100%	\$ 376,501	100%
2012	\$ 1,167,912	100%	\$ 380,120	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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budget Basis</u>	<u>Final Budget Positive (Negative)</u>
REVENUES:				
Other taxes	\$ 669,786	\$ 669,786	\$ 731,764	\$ 61,978
Map sales	3,600	3,600	11,059	7,459
Interest	300	300	415	115
	<u>673,686</u>	<u>673,686</u>	<u>743,238</u>	<u>69,552</u>
EXPENDITURES:				
Current:				
General government	678,377	678,377	64,298	614,079
Capital outlay	21,309	99,981	--	99,981
	<u>699,686</u>	<u>778,358</u>	<u>64,298</u>	<u>714,060</u>
Excess (deficiency) of revenues over expenditures	<u>(26,000)</u>	<u>(104,672)</u>	<u>678,940</u>	<u>783,612</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	--	--	7,100	7,100
Transfers (out)	--	--	(545,666)	(545,666)
	<u>--</u>	<u>--</u>	<u>(538,566)</u>	<u>(538,566)</u>
Net change in fund balance	(26,000)	(104,672)	140,374	245,046
Fund balance at beginning of year	<u>26,000</u>	<u>104,672</u>	<u>104,672</u>	<u>--</u>
Fund balance at end of year	\$ <u><u>--</u></u>	\$ <u><u>--</u></u>	\$ <u><u>245,046</u></u>	\$ <u><u>245,046</u></u>

ACCOMPANYING INFORMATION



State of West Virginia

Glen B. Gainer III

**State Auditor and
Chief Inspector**

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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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 17, 2016. In that report, our opinion was qualified for the aggregate discretely presented component units for a lack of information regarding the sewer operations of the Wood County Parks and Recreation Commission, and in the governmental activities for the omission of the expenses and related liabilities related to other postemployment benefits (OPEB), and for not properly recording capital assets and related depreciation. Our report includes a reference to other auditors who audited the financial statements of the Wood County Parks and Recreation Commission and the Wood County Development Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 Responses as items 2014-002 and 2014-005 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 Responses as items 2014-001, 2014-004 and 2014-009 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 Responses as items 2014-003, 2014-006, 2014-007, and 2014-008.

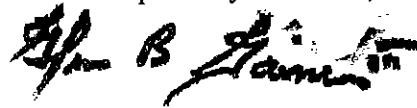
Entity's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor
Charleston, West Virginia

February 17, 2016



**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Section II -Financial Statement Findings

Schedule of Expenditures of Federal Awards

2014-001

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.

CRITERIA:

Adequate internal controls mandate the County should implement procedures to insure federal funds are properly accounted for. 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.

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.

EFFECT:

Adequate records are not available to be audited.

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:

Policies and procedures have been adopted to correct the issue.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Other Post-Employment Benefits Obligation
2014-002**

CONDITION:

We noted during this audit that the Wood County Commission failed to record the Other Post-employment 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 post-employment healthcare and other non-pension benefits known as other post-employment 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 Post-employment Benefits obligation.

EFFECT:

The liabilities and expenditures 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 Post-employment Benefits accordingly.

AUDITED AGENCY'S RESPONSE:

The County Commission of Wood County's stance has never changed - Wood County has no OPEB liability because Wood County does not offer Other Post Employment Benefits. Until the Auditor describes the benefit offered, the Finding is not justified.

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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Miscellaneous Revenue Receipts
2014-003**

CONDITION:

We noted during our audit that the Wood County Sheriff's tax office failed to consistently issue receipts in a timely fashion.

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....."

Proper internal control procedures require receipts be written at the time of collection and a copy be given to the payer at that time.

CAUSE:

The Wood County Sheriff's tax office does not have procedures in place to ensure that receipts are always 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.

AUDITED AGENCY'S RESPONSE:

The Wood County Sheriff's Tax office has three employees capable of writing receipts. This is to ensure that at any time money is brought to us a receipt can be prepared at the time of collection. A duplicate copy is given to the payee once the receipt is complete. Receipts are done on a daily basis and at no time are there ever any funds being held without a receipt. The safe that is being used to pick up checks to be receipted is located in the administrator's office. This safe is checked daily and sometimes even twice daily. The checks that are put in this safe for pick up are receipted into the proper account noted the same day they are picked up. We have no control over the issued dates on these checks.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sheriff's Tax Refund Account

2014-004

CONDITION:

We noted during our audit that the Wood County Sheriff's Tax Office is not properly maintaining the tax refund account. The tellers write the refund checks 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, and 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:

Proper internal control procedures dictate that a policy be adopted and adhered to in regards to the maintenance of the Sheriff's tax refund account. Proper internal controls require that accounting controls are established and maintained to identify and correct all differences in a timely manner.

CAUSE:

The Sheriff's Tax Office did not have proper internal control procedures in place for issuing tax refunds and maintaining the refund account.

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:

At the present time there are two refund accounts. The new refund account was opened to coincide when we implemented the new tax system to process refunds. This account is reconciled on a monthly basis and does come back to an equalized balance. The old refund account exists with prior unclaimed refunds, in which we are aware these funds need to be turned over to the State Treasurer as unclaimed property. We are in the process of preparing a report for submission to the State Treasurer. This account also receives a monthly statement of activity from the banking institution, in which it is reconciled at the time.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Capital Assets
2014 - 005**

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 on the GAAP basis of accounting. 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. Depreciation should be calculated on applicable assets at the end of each month.

AUDITED AGENCY'S RESPONSE:

There is activity that for depreciation that is not accurately reflected on the report. We will investigate the discrepancy and correct for future Financial Statements. That report will be corrected.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Circuit Clerk Depository Collateral
2014-006**

CONDITION:

It was noted during our audit that the Circuit Clerk bank accounts were not under the same federal employer identification number as the County. Further, the balance of these accounts exceeded the FDIC coverage, and we could not obtain any information verifying that there were additional securities pledged by the financial institution. Specifically, deposits exceeded insurance coverage by \$476,927 as of June 30, 2014.

CRITERIA:

West Virginia Code §7-6-2 states, in part, that:

"No such designation is binding on any county, nor shall any public money be deposited thereunder, until the banking institution designated executes a bond with good and sufficient sureties, to be accepted and approved by the county commission, payable to the State of West Virginia, in a sum as the county commission shall direct, and which may not be less than the maximum sum that is deposited in the depository at any one time."

CAUSE:

Adequate controls were not in place to successfully monitor compliance with this statute.

EFFECT:

The public funds on deposit may not be properly secured and are subject to undue risk.

RECOMMENDATION:

The Wood County Circuit Clerk is directed to insure that all depositories have provided sufficient sureties and/or pledged securities and that monies are not deposited in excess of such amounts.

AUDITED AGENCY'S RESPONSE:

The Tax Identification Number was changed with the bank in August 2015 to ensure the deposits are covered.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Day Report Center Collections and Remittance

2014-007

CONDITION:

During our audit of the Mid-Ohio Valley Day Report Center, we were unable to perform procedures to satisfy ourselves as to an adequate confirmation of the revenues collected by the Center. Specifically, we noted the following issues:

- The computer system utilized by the Center does not properly maintain a daily cash balance with an accurate detailed transaction ledger of receipts and checks issued.
- Proper monthly bank reconciliations are not being performed. Deposits and checks are being compared to the bank statements; however, discrepancies are not being investigated and corrected properly. Additionally, deposits in transit and outstanding checks are not being properly accounted for in order to determine the reconciled cash balance.
- The Center does not remit all fees collected to the Sheriff's tax office on a monthly basis. Instead, they are remitting the ending monthly bank balance rather than the actual revenues collected.

CRITERIA:

Proper internal controls would require that an effective, accurate and secure transacting and accounting of monies that flow through the Mid-Ohio Valley Day Report Center be maintained. These controls would include a ledger detailing all receipts and checks issued by the Center resulting in a daily cash balance that could be reconciled to the monthly bank statement.

West Virginia Code §62-11C-7(d) states:

"All fees ordered by the circuit court, magistrate court, municipal court or community criminal justice board pursuant to this section are to be paid to the community criminal justice board, who shall remit the fees monthly to the treasurer of the county designated as the fiscal agent for the board pursuant to section six of this article."

CAUSE:

Adequate control procedures were not in place to ensure that all cash reconciling items were properly accounted for and to ensure that state statutes were being followed.

EFFECT:

With reconciliations and remittances not being made in the correct manner, the possibility of a misuse of funds increases, and the difficulty of preparing an accurate reconciliation of funds is also increased. The records maintained by the Mid-Ohio Valley Day Report Center could not be adequately confirmed with actual amounts deposited. Further, we were unable to trace all receipts to the bank and subsequently to the Sheriff's receipts into the Community Criminal Justice Fund.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Day Report Center Collections and Remittance
2014-007 (continued)**

RECOMMENDATION:

Bank reconciliations should include all the revenues collected and checks issued from the first day to the last day of a given month. The reconciled bank balance, which includes deposits in transit and outstanding checks, should then be compared to the actual cash balance of the Center. If any discrepancies are found, they should be investigated and corrected but not just by simply adjusting the checkbook balance. The check issued to the Sheriff's office each month should be for the reconciled month end cash balance which normally would equal the previous month's collections.

Further, deposits and remittances of monies should be made in compliance with the West Virginia Code. Within the first ten days of each month, the Center should prepare a monthly report summarizing all fees collected in the prior month and remit the reconciled collections and the report to the Sheriff's Tax Office by check. A receipt should be obtained from the Sheriff's Tax Office and attached to the monthly report copy and maintained in a file at the Center.

AUDITED AGENCY'S RESPONSE:

Regional Director/DRC: The need for a procedure pertaining to bank reconciliations was perceived soon after the DRC employed its Fiscal Specialist, Quyen Nguyen in February 2013.

Ms. Nguyen developed and implemented the recommended practices pertaining to bank reconciliations during the latter half of the 2013 calendar year. She provided instruction to the DRC's Office Manager in the recommended procedure for emptying all DRC accounts and depositing funds with the Wood County Sheriff's Tax Office.

Since that time, these procedures have been consistently maintained.

The Wood County DRC expresses its gratitude to the Auditors for their constructive recommendations.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Drug Lab - Comingling Funds
2014-008**

CONDITION:

We noted during our audit that the Wood County Commission is comingling the funds and operations of the Mid-Ohio Valley Day Report Center with the funds and operations of the West Virginia Drug Testing Laboratories, Inc. (Drug Lab), a separate legal nonprofit corporation. Specifically, we have noted the following situations:

- The County is paying the salaries and benefits for the two employees of the Wood County branch of the Drug Lab.
- The County is paying for drug lab testing and for testing supplies out of the Community Criminal Justice Fund.
- Some County employees receive additional compensation for duties they are performing for the operations of the Drug Lab.
- The Drug Lab employees participate in the Public Employees Retirement System (PERS) under the County's FEIN.

While some reimbursements are being made from the Drug Lab to the County for these expenses, accurate accounting records are not being maintained to ensure that all expenses incurred by the County in relation to the Drug Lab are being fully reimbursed.

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...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."

Proper internal control procedures require that accounting records be prepared accurately and contain all necessary information to properly separate the activities of the Day Report Center and the Drug Lab operations. Further, it is necessary to have policies in place to define who is considered to be employed by the County Commission and who is considered employed by the Drug Lab.

CAUSE:

The County Commission does not have the proper controls and procedures in place to differentiate the operations and activities of the Day Report Center and the Drug Lab.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Drug Lab - Comingling Funds
2014-008 (continued)**

EFFECT:

Under the current accounting system being utilized, we are unable to adequately separate the operations of these two entities. We cannot determine what expenses have been incurred by the County for the operations of the Drug Lab and cannot verify that all of these expenses have been fully reimbursed. Additionally, we are unable to determine if the employees of the Drug Lab are eligible for retirement benefits under the County's umbrella.

RECOMMENDATION:

It is recommended that the County Commission establish policies and procedures to ensure that the operations of the County are kept separate from the operations of the Drug Lab. The accounting system should be designed to clearly separate the revenues and expenses of each of these entities. Invoices should be prepared by the County and issued to the West Virginia Drug Testing Laboratories, Inc. for all services performed and expenditures incurred by the County in operating the Drug Lab. The Drug Lab should issue checks according to these invoices, and the County should be receipting these payments as reimbursements.

In addition, contracts and agreements need to be developed between the County Commission and the Drug Lab to define which entity is the employer of the Drug Lab employees. The County Commission should contact the Public Employees Retirement Board for assistance in determining if these employees are eligible to participate in the retirement system under the County's umbrella.

AUDITED AGENCY'S RESPONSE:

Regional Director/DRC: The recommended accounting procedure to separate the revenues and expenses for the DRC and the local branch of the WV Drug Testing Laboratory, Inc. (WVDTL) was developed and successfully implemented by the end of the 2014 calendar year.

Since that date, the County Commission has prepared and issued invoices for expenses incurred by the County that pertain to the operations of the WVDTL.

As of the calendar year 2015, the DRC's Table of Organization no longer includes WVDTL employees.

The DRC will happily provide whatever assistance deemed necessary by the County Commission in order to further develop the agreements between the Commission and the WVDTL pertaining to distinguishing between DRC and WVDTL employees. The DRC will also assist (if necessary) in consulting with the Public Employees Retirement Board to determine whether WVDTL employees are eligible for continued enrollment in that system.

The Wood County DRC expresses its gratitude to the Auditors for their constructive recommendations.

**WOOD COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Tax Computer System
2014-009**

CONDITION:

We noted during our audit that the computer system utilized by the Wood County Sheriff's Tax office did not reconcile to the real and personal property books nor to the client prepared Sheriff's Settlement. This system was implemented in a prior fiscal year but is not being utilized to its full potential. The Sheriff's tax office is still maintaining Excel spreadsheets and using these to generate their monthly and annual reports. Consequently, the computer reports provided to us could not be utilized to perform our testing of tax collections.

CRITERIA:

Proper internal control procedures would utilize the computer generated reports to prepare the monthly and annual reports. The balances for taxes receivable should be reconciled with the computer. Further, the tax system should be capable of printing accurate monthly reports of collections and receivables at a subsequent date as well as an annual report of collections.

CAUSE:

Policies and procedures were not implemented to ensure that taxes receivable are accounted for properly in the system and that pertinent information was readily available for review.

EFFECT:

Taxes receivable balances did not reconcile to the computer reports, and therefore, these reports could not be used to substantiate the tax distributions and receivables. These differences, however, were not substantial enough to affect our opinion on the audit.

RECOMMENDATION:

Steps should be taken to ensure that all taxes assessments and collections are properly accounted for. These steps would include a reconciliation between the real and personal property books, the computer system, and the Excel spreadsheets utilized by the Sheriff's Tax Office. Further, the Wood County Sheriff should establish controls to ensure the tax computer system allows for an accurate annual report to be printed for the tax collections, tax distributions, and taxes receivable.

AUDITED AGENCY'S RESPONSE:

The Sheriff's Tax office uses only a few of the reports generated from the tax system in order to complete the monthly distribution, receivable, and settlement. All in which are being done manually using the Excel spreadsheets. The Tax office will start looking further into this issue in order to come to a conclusion as to why the tax system and spreadsheets do not match. Once this is determined the proper steps will be taken in working with the tax systems computer support to resolve all issues. We want to explore all options to ensure that the tax system can be utilized to its full potential.

WOOD COUNTY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014

Status of Prior Year Financial Statement Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2013-001	Schedule of Expenditures of Federal Awards	Restated
2013-002	Other Post-Employment Benefits Obligation	Repeated
2013-003	Miscellaneous Revenue Receipts	Repeated
2013-004	Sheriff's Tax Refund Account	Repeated
2013-005	County Clerk's Office Account - Reconciliations	Corrected
2013-006	Expenditures - Community Criminal Justice Fund	Not Restated
2013-007	Circuit Clerk Depository Collateral	Repeated
2013-008	Day Report Center Collections and Deposits	Restated
2013-009	Smart Energy Solutions Bank Account	Not Restated