

AUDIT REPORT OF
JEFFERSON COUNTY
CHARLES TOWN, WEST VIRGINIA
For the Fiscal Year Ended June 30, 2003

JEFFERSON COUNTY, WEST VIRGINIA
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 For the Fiscal Year Ended June 30, 2003

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JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2003

GOVERNMENTAL FUND TYPES

Major Funds

General County
Coal Severance Tax
Capital Outlay

Nonmajor Funds

Special Revenue Funds

General School
Magistrate Court
Worthless Check
Dog and Kennel
Home Confinement
Federal Grants
State Grants
Jury and Witness
Flood Hazard Mitigation
Assessor's Valuation
Farmland Preservation
Concealed Weapons
Voter's Registration
Unemployment Compensation
Prosecuting Attorney's Forfeiture
Sub-division Bond Forfeiture
Homeland Security
Undistributed Tax Interest
Undistributed Tax

Capital Projects Funds

Emergency Services
Optical Scanning and Imaging
Bardane Building Complex

FIDUCIARY FUND TYPES

Agency Funds

State
School
Municipal
County Offices
Other Agency

JEFFERSON COUNTY, WEST VIRGINIA
COUNTY OFFICIALS

For the Fiscal Year Ended June 30, 2003

OFFICE	NAME	TERM
	<u>Elective</u>	
County Commission:	Abner Dean Hockensmith	01-01-97 / 12-31-02
	James K. Ruland	01-01-97 / 12-31-02
	Albert G. Hooper	01-01-99 / 12-31-04
	James G. Knode	01-01-99 / 12-31-04
	Jane M. Tabb	01-01-01 / 12-31-06
	Gregory A. Corliss	01-01-03 / 12-31-08
	Archibald M. S. Morgan III	01-01-03 / 12-31-08
Clerk of the County Commission	John E. Ott	01-01-99 / 12-31-04
Clerk of the Circuit Court	Patricia A. Noland	01-01-99 / 12-31-04
Sheriff	Everett W. Boober	01-01-01 / 12-31-04
Prosecuting Attorney	Michael D. Thompson	01-01-01 / 12-31-04
Assessor	Mary R. Bordier	01-01-01 / 12-31-04
	<u>Appointive</u>	
Administrator	Leslie D. Smith	

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003

Our discussion and analysis of Jefferson County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the county's financial statements which follow immediately after this discussion.

Part 1. Overview of the Financial Statements

This annual report consists of three parts - Introductory Section, (that includes this management discussion and analysis), the Basic Financial Statements and the Supplementary Information Section (which is optional) that presents the combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present views of the county.

- * The first two statements are government-wide financial statements that provide both long-term and short term information about the County's overall financial status.
- * The fund financial statements are financial statements that focus on individual parts of the County Government, reporting the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.

The governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationship in which the county acts solely as an agent.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The County has opted to place the budget comparison statements for major funds at the fund financial statement section, instead of the Required Supplementary Information section, therefore, the notes are followed by the Supplementary Information section. Included in the Supplementary Information section are combining statements that provide details about the nonmajor governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Government-Wide Statements

The government-wide statements report information about the county as a whole using accounting methods similar to those used by the private-sector companies. The statement of net assets includes all the government's assets and liabilities. All the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net assets (the difference between the County's assets and liabilities) is one way to measure the County's financial health, or position.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2003

Generally, government-wide financial statements are divided into three categories, of which, the County only has the category of governmental activities. Governmental activity category contains most of the County's basic services, such as police, health, and general administration. Property taxes and state and federal grants finance most of these activities.

The other two categories, Business-type activities and Component Units, do not exist in this county.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds and not the county as a whole. Funds are accounting devices that the County uses to keep track of specific sources and spending for particular purposes.

West Virginia Code requires counties to maintain certain basic funds, and allows the County to create funds for specific revenues.

The County has two kinds of funds:

- * *Governmental funds* - Most of the County's basic services are included in governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship between them.
- * *Fiduciary funds (Agency Funds)* - *The County is the fiduciary for several other entities. The County is responsible for other assets that can be used only for their intended purpose. All the County's fiduciary activities are reported in separate statements of fiduciary net assets and changes in Fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.*

Part 2. The County as a whole

The County saw normal capital growth due to the expected increase in tax revenue. The County experienced above average revenue growth in Video Lottery and Building Permit Fees.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003

Part 3(a) - Analysis of the County's Overall Financial Position

Table 1
Net Assets
June 30, 2003

Assets	
Current assets:	
Cash and cash equivalents	\$ 13,394,714.25
Receivables (Net)	<u>319,360.62</u>
Total Current Assets	<u>13,714,074.87</u>
Noncurrent assets	
Capital Assets:	
Land	629,355.00
Building and equipment, net of depreciation	<u>4,550,011.25</u>
Total noncurrent assets	<u>5,179,366.25</u>
Total Assets	<u><u>\$ 18,893,441.12</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 381,436.59
Noncurrent liabilities	
Total liabilities	<u>134,316.55</u>
Net Assets	
Investment in capital assets	5,179,366.25
Unrestricted	<u>13,198,321.73</u>
Total net assets	<u>18,377,687.98</u>
Total liabilities and net assets	<u><u>\$ 18,893,441.12</u></u>

The County's net assets for the Fiscal Year Ended June 30, 2003 was \$18,377,687.98.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003

Part 3b. Analysis of the County's Results of Operations

Revenues and Expenditures

Almost half of the County's revenue (48.6%) was generated by property taxes. Video Lottery accounted for 23.5% with several other revenue sources make up the remaining (27.9%). General government accounts for (52.6%) of total expenditures. Public safety accounted for an additional (41.8%) with all other categories accounting for approximately (5.6%).

Table 1
Statement of Activities
June 30, 2003

	Expenses	Program revenue Charges for Services	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
<u>Functions/Programs</u>			
Primary Government:			
General government	\$ 5,356,141.81	\$ 2,011,025.07	\$ (3,345,116.74)
Public Safety	4,254,090.57	0.00	(4,254,090.57)
Health and Sanitation	142,329.82	0.00	(142,329.82)
Culture and Recreation	422,458.02	0.00	(422,458.02)
Social Services	6,000.00	0.00	(6,000.00)
Total governmental activities	\$ 10,181,020.22	\$ 2,011,025.07	\$ (8,169,995.15)

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

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003

General revenues:	
Property taxes	5,949,217.61
Other taxes	895,813.82
License and permits	900,510.25
Federal	350,953.43
State	259,972.53
Local	70,266.00
Interest	185,178.64
Video lottery	2,870,377.30
Miscellaneous	<u>746,226.75</u>
Total general revenue	<u>12,228,516.33</u>
Change in net assets	4,058,521.00
Net Assets-beginning	<u>14,319,166.98</u>
Net Assets-ending	<u><u>\$ 18,377,687.98</u></u>

Part 4. Analysis of the County's Funds

Jefferson County had three major funds for the Fiscal Year Ended June 30, 2003. Those funds are the General County Fund, the Coal Severance Tax Fund, and the Capital Outlay Fund.

General Fund:

The General Fund is the principal operating fund for county government. The fund balance decreased \$1,184,292.34 during the fiscal year due to expenditures and transfers out in excess of revenues. The county had expenditures of \$10,580,831.93 and transfers to other county funds of \$3,790,000.00 against revenues of \$13,186,539.61.

Coal Severance Tax Fund:

The Coal Severance Fund is a budgetary fund designated as a major fund by the State of West Virginia. The balance in the Coal Severance Fund decreased from \$117,059.27 to \$29,644.89 during the fiscal year. The County had expenditures of \$41,379.15 and transfers of \$104,000.00 to other county funds against revenues of \$57,964.77 during the current fiscal year.

Capital Outlay Fund:

The Capital Outlay Fund was created to account for expenditures for major capital improvements of existing capital assets and the acquisition of new capital assets. The fund balance in the Capital Outlay Fund increased \$2,913,953.68 from \$5,456,960.70 to \$8,370,914.38 during the current fiscal year. The county made no capital expenditures and had interest income of \$88,953.68 and contributions of \$2,825,000.00 from other county funds.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003

Part 5. Fund Budgetary Highlights

General County Fund Budget

Over the course of the year, the County Commission revised the General County Fund Budget several times. The General County Fund Budget revisions fall into two categories:

a. Budget revisions were made to compensate for increases in Regional Jail expenses for the care and feeding of prisoners. Also, various adjustments were made to elected officials budgets to cover the cost of materials, supplies, repairs and the purchase of small equipment. Budget revisions were also made to adjust the amount which was contributed to other county funds.

b. A revision was required to correct the projected fund balance carryover to the actual fund balance carryover as of June 30th.

Budget to Actual

Revenues:

Revenues exceeded budget projections by \$2,109,953.44; the county estimated revenues of \$10,983,920.00 and had actual budget basis revenues of \$13,093,873.44.

Expenditures:

Expenditures were less than budget estimates by \$959,109.17; the county estimated expenditures of \$11,198,174.00 and had actual budget basis expenditures of \$10,239,064.83.

Part 6. Capital Assets and Long-term Debt

During the course of this fiscal year, the county's capital assets increased for the following reasons:

- a. During the current fiscal year the county purchased buildings and land for \$128,000.00.
- b. The county purchased additional vehicles and equipment totaling \$96,199.03
- c. The county purchased or improved other capital assets in the amount of \$2,248,065.00.

Part 7. Economic Factors and Next Year's Budgets and Rates

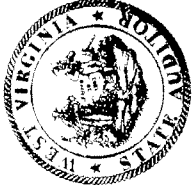
It is projected that Jefferson County will continue to experience growth in the business and residential housing sectors. Material growth in the construction of new residential housing continues to increase the county property tax base; the county experienced a 6% growth in property tax revenue for the Fiscal Year Ended June 30, 2003 and that growth is expected to continue for the foreseeable future.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2003

Budgeted revenues and expenditures are expected to increase moderately over the next few years and the county is planning several upgrades to county facilities and equipment to facilitate the additional volume of business the county incurs due to steady growth in the county.

Levy rates for the county are projected to remain near current levels due to the growth in the County's tax base and growth in other revenue sources.



State of West Virginia

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Glen B. Gainer III
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Jefferson County Commission
Charles Town, West Virginia

We have audited the accompanying basic financial statements of Jefferson County, West Virginia, as of and for the year ended June 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County, West Virginia, as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Jefferson County, West Virginia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis listed on the index is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Jefferson County, West Virginia did not include comparative numbers from the prior year.

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2004, on our consideration of the county's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor

May 14, 2004

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2003

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 13,394,714.25
Receivables (Net)	319,360.62
Total Current Assets	13,714,074.87
Noncurrent assets:	
Capital assets (Note 1):	
Land	629,355.00
Buildings and equipment, net of depreciation	4,550,011.25
Total noncurrent assets:	5,179,366.25
Total Assets	\$ 18,893,441.12
Liabilities	
Current liabilities:	
Account payable	\$ 381,436.59
Noncurrent liabilities:	
Compensated absences	134,316.55
Total liabilities:	515,753.14
Net Assets	
Invested in capital assets	5,179,366.25
Unrestricted	13,198,321.73
Total net assets	18,377,687.98
Total liabilities and net assets	\$ 18,893,441.12

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

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2003

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
<u>Functions / Programs</u>		<u>Charges for Services</u>	<u>Governmental Activities</u>
General government	\$ 5,356,141.81	\$ 2,011,025.07	\$ (3,345,116.74)
Public safety	4,254,090.57	0.00	(4,254,090.57)
Health and sanitation	142,329.82	0.00	(142,329.82)
Culture and recreation	422,458.20	0.00	(422,458.20)
Social services	<u>6,000.00</u>	<u>0.00</u>	<u>(6,000.00)</u>
Total governmental activities	<u>\$ 10,181,020.40</u>	<u>\$ 2,011,025.07</u>	<u>\$ (8,169,995.33)</u>
General revenues:			
Property taxes			\$ 5,949,217.61
Other Taxes			895,813.82
Licenses and permits			900,510.25
Federal			350,953.43
State			259,972.53
Local			70,266.00
Unrestricted interest			185,178.64
Miscellaneous			<u>3,616,604.05</u>
Total general revenues			<u>12,228,516.33</u>
Change in net assets			4,058,521.00
Net assets - beginning			<u>14,319,166.98</u>
Net assets - ending			<u>\$ 18,377,687.98</u>

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

JEFFERSON COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

	<u>General</u>	<u>Coal Severance</u>	<u>Capital Outlay</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Current:					
Cash	\$ 3,182,515.15	\$ 29,644.89	\$ 8,370,914.38	\$ 1,811,639.83	\$ 13,394,714.25
Receivables, net of allowances:					
Taxes	275,384.46	0.00	0.00	0.00	275,384.46
Due from:					
Other governments	0.00	0.00	0.00	43,976.16	43,976.16
Total assets	<u>\$ 3,457,899.61</u>	<u>\$ 29,644.89</u>	<u>\$ 8,370,914.38</u>	<u>\$ 1,855,615.99</u>	<u>\$ 13,714,074.87</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 381,436.59	\$ 0.00	\$ 0.00	\$ 0.00	\$ 381,436.59
Deferred revenues:					
Taxes	182,718.29	0.00	0.00	0.00	182,718.29
Total liabilities	<u>564,154.88</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>564,154.88</u>
Fund Balances:					
Unreserved reported in:					
General fund	2,893,744.73	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,893,744.73
Capital projects funds	0.00	0.00	8,370,914.38	1,423,644.48	9,794,558.86
Special revenue funds	0.00	29,644.89	0.00	431,971.51	461,616.40
Total fund balances	<u>2,893,744.73</u>	<u>29,644.89</u>	<u>8,370,914.38</u>	<u>1,855,615.99</u>	<u>13,149,919.99</u>
Total liabilities and fund balances	<u>\$ 3,457,899.61</u>	<u>\$ 29,644.89</u>	<u>\$ 8,370,914.38</u>	<u>\$ 1,855,615.99</u>	<u>\$ 13,714,074.87</u>

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

JEFFERSON COUNTY, WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2003

	<u>General</u>	Coal <u>Severance</u>	County Capital <u>Outlay</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:					
Taxes (including interest and penalties)	\$ 6,108,254.13	\$ 0.00	\$ 0.00	\$ 27.94	\$ 6,108,282.07
Other Taxes	895,813.82	0.00	0.00	0.00	895,813.82
Licenses and permits	869,259.25	0.00	0.00	31,251.00	900,510.25
Intergovernmental:					
Federal	69,959.50	0.00	0.00	280,993.93	350,953.43
State	46,192.49	56,374.83	0.00	157,405.21	259,972.53
Other	70,266.00	0.00	0.00	0.00	70,266.00
Charges for services	1,678,180.70	0.00	0.00	64,568.79	1,742,749.49
Fines and forfeits	0.00	0.00	0.00	268,275.58	268,275.58
Interest	85,593.95	1,589.94	88,953.68	9,041.07	185,178.64
Miscellaneous	<u>3,363,019.77</u>	<u>0.00</u>	<u>0.00</u>	<u>253,584.28</u>	<u>3,616,604.05</u>
Total revenues	<u>13,186,539.61</u>	<u>57,964.77</u>	<u>88,953.68</u>	<u>1,065,147.80</u>	<u>14,398,605.86</u>
Expenditures:					
General government	4,378,816.35	0.00	0.00	806,396.65	5,185,213.00
Public safety	3,910,316.49	41,379.15	0.00	210,705.38	4,162,401.02
Health and sanitation	138,182.46	0.00	0.00	0.00	138,182.46
Culture and recreation	420,415.94	0.00	0.00	0.00	420,415.94
Social services	6,000.00	0.00	0.00	0.00	6,000.00
Capital Projects	<u>1,727,100.71</u>	<u>0.00</u>	<u>0.00</u>	<u>514,116.72</u>	<u>2,241,217.43</u>
Total expenditures	<u>10,580,831.95</u>	<u>41,379.15</u>	<u>0.00</u>	<u>1,531,218.75</u>	<u>12,153,429.85</u>

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003

	<u>General</u>	Coal <u>Severance</u>	County Capital <u>Outlay</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Excess (deficiency) of revenues over expenditures	\$ 2,605,707.66	\$ 16,585.62	\$ 88,953.68	\$ (466,070.95)	\$ 2,245,176.01
Other financing sources (uses):					
Operating transfers in	0.00	0.00	2,825,000.00	1,069,000.00	3,894,000.00
Operating transfers (out)	<u>(3,790,000.00)</u>	<u>(104,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(3,894,000.00)</u>
Total other financing sources (uses)	<u>(3,790,000.00)</u>	<u>(104,000.00)</u>	<u>2,825,000.00</u>	<u>1,069,000.00</u>	<u>0.00</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(1,184,292.34)	(87,414.38)	2,913,953.68	602,929.05	2,245,176.01
Fund balances at beginning of year	<u>4,078,037.07</u>	<u>117,059.27</u>	<u>5,456,960.70</u>	<u>1,252,686.94</u>	<u>10,904,743.98</u>
Fund balances at end of year	<u>\$ 2,893,744.73</u>	<u>\$ 29,644.89</u>	<u>\$ 8,370,914.38</u>	<u>\$ 1,855,615.99</u>	<u>\$ 13,149,919.99</u>

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

JEFFERSON 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, 2003

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

Net Changes in fund balances - total governmental funds	\$	2,245,176.01
1. Taxes accrued in the prior year are adjusted out of current net income.		(341,782.75)
2. Expenditures for capital outlay reported as expenses at the fund level were adjusted out of expenses and included in Invested in Capital Assets.		2,357,064.03
3. Capital outlay is reported as an expense in the fund level financial statements. Capital outlay is capitalized in the government-wide financials and current year depreciation is reported as an expense by governmental activity type.		(349,003.87)
4. Long-term debt for Compensated Absences is not reported in the fund level financial statements but must be reported as an expense in the government-wide statements.		(35,650.71)
5. Taxes which are not expected to be collected within (60) days after the end of the fiscal year are reported as Deferred Revenue in the fund level financial statements. In the government-wide financial statements, all receivables are reported as current income.		182,718.29
Change in net assets of governmental activities	\$	<u><u>4,058,521.00</u></u>

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2003

	Budget Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis
	Original	Final		
Revenues:				
Ad valorem property taxes	\$ 6,118,051.00	\$ 6,118,051.00	6,108,254.13	(92,666.17)
Other taxes	716,700.00	716,700.00	895,813.82	0.00
Licenses and permits	500,100.00	500,100.00	869,259.25	0.00
Intergovernmental:				
Federal	0.00	0.00	69,959.50	0.00
State	0.00	0.00	46,192.49	0.00
Other	16,000.00	16,000.00	70,266.00	0.00
Charges for services	1,380,284.00	1,380,284.00	1,678,180.70	0.00
Interest	67,285.00	67,285.00	85,593.95	0.00
Miscellaneous	2,185,500.00	2,185,500.00	3,363,019.77	0.00
Total revenues	10,983,920.00	10,983,920.00	13,186,539.61	(92,666.17)
Expenditures:				
General government	5,833,513.00	5,145,138.00	4,378,816.35	(120,873.38)
Public safety	3,816,959.00	4,127,088.00	3,910,316.49	(147,577.67)
Health and sanitation	135,748.00	135,748.00	138,182.46	(1,177.45)
Culture and recreation	367,000.00	367,000.00	420,415.94	0.00
Social services	6,000.00	6,000.00	6,000.00	(51,250.00)
Capital Projects	924,700.00	1,417,200.00	1,727,100.71	(20,888.62)
Total expenditures	11,083,920.00	11,198,174.00	10,580,831.95	(341,767.12)
Excess (deficiency) of revenues over expenditures	(100,000.00)	(214,254.00)	2,605,707.66	249,100.95
Other financing sources and (uses):				
transfers (out)	0.00	(3,790,000.00)	(3,790,000.00)	0.00
Total other financing sources and (uses)	0.00	(3,790,000.00)	(3,790,000.00)	0.00

Actual Amounts Budget <u>Basis</u>	Variance with Final Budget Positive <u>(Negative)</u>
\$ 6,015,587.96 \$	(102,463.04)
895,813.82	179,113.82
869,259.25	369,159.25
69,959.50	69,959.50
46,192.49	46,192.49
70,266.00	54,266.00
1,678,180.70	297,896.70
85,593.95	18,308.95
<u>3,363,019.77</u>	<u>1,177,519.77</u>
<u>13,093,873.44</u>	<u>2,109,953.44</u>
4,257,942.97	887,195.03
3,762,738.82	364,349.18
137,005.01	(1,257.01)
420,415.94	(53,415.94)
(45,250.00)	51,250.00
<u>1,706,212.09</u>	<u>(289,012.09)</u>
<u>10,239,064.83</u>	<u>959,109.17</u>
2,854,808.61	3,069,062.61
<u>(3,790,000.00)</u>	<u>0.00</u>
<u>(3,790,000.00)</u>	<u>0.00</u>

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
For the Fiscal Year Ended June 30, 2003

	Budget Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis
	Original	Final		
Excess (deficiency) of revenues and other financing sources over expenditures and other uses:	(100,000.00)	(4,004,254.00)	(1,184,292.34)	249,100.95
Fund balance at beginning of year	100,000.00	4,004,254.00	4,078,037.07	0.00
Fund balance at end of year	\$ 0.00	\$ 0.00	\$ 2,893,744.73	\$ 249,100.95

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

Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
(935,191.39)	3,069,062.61
<u>4,078,037.07</u>	<u>73,783.07</u>
<u>\$ 3,142,845.68</u>	<u>\$ 3,142,845.68</u>

JEFFERSON 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, 2003

	Budget Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	Budget Basis	Budget	
Revenues:					
Other Taxes	\$ 35,000.00	\$ 35,000.00	\$ 56,374.83	\$ 21,374.83	
Interest	0.00	0.00	1,589.94	1,589.94	
Total revenues	<u>35,000.00</u>	<u>35,000.00</u>	<u>57,964.77</u>	<u>22,964.77</u>	
Expenditures:					
Public safety	28,000.00	22,000.00	0.00	22,000.00	
Health and sanitation	38,000.00	44,000.00	41,379.15	2,620.85	
Total expenditures	<u>66,000.00</u>	<u>66,000.00</u>	<u>41,379.15</u>	<u>24,620.85</u>	
Excess (deficiency) of revenues over expenditures		(31,000.00)	16,585.62	47,585.62	
Other financing sources and (uses):					
Operating transfers in	0.00	0.00	0.00	0.00	
transfers (out)	0.00	0.00	(104,000.00)	(104,000.00)	
Total other financing sources and (uses)	<u>0.00</u>	<u>0.00</u>	<u>(104,000.00)</u>	<u>(104,000.00)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other uses:		(31,000.00)	(87,414.38)	(56,414.38)	
Fund balance at beginning of year	<u>31,000.00</u>	<u>31,000.00</u>	<u>117,059.27</u>	<u>86,059.27</u>	
Fund balance at end of year	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 29,644.89</u>	<u>\$ 29,644.89</u>	

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

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2003

	<u>AGENCY</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>513,768.68</u>
Total assets	\$ <u><u>513,768.68</u></u>
<u>Liabilities</u>	
Due to Other governmental entities	\$ <u>513,768.68</u>
Total liabilities	\$ <u><u>513,768.68</u></u>

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

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

Note 1. Summary of Significant Accounting Policies

The accounting policies and the presentation of the financial report of Jefferson County, West Virginia, has been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB). GASB embodies the official pronouncements previously issued by the National Council on Governmental Accounting (NCGA).

A. Reporting Entity

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

B. Government-wide and fund financial statements

The government-wide financial statements report information on all the nonfiduciary activities of the primary government. For the most part, the effect of internal activity has been removed from these statements. Governmental activities, which normally are supported by taxes and in governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual funds are reported as separate columns in the fund financial statements.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

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 in which they are levied. 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 to be 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 collected within 60 days the end of the current fiscal year. 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 judgment, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for government's activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on the recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held by others. The County's operations require the use of governmental and fiduciary funds. The fund types used by the County are described as follows:

Governmental Fund Types

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds: Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds.)

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

Fiduciary Funds

Agency Funds: Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are merely clearing accounts for assets held by a government as an agent for individual, private organizations, other governments or other funds.

The agency funds are used to account for assets held by the county sheriff in an agency capacity for other governmental units. Agency funds, by definition, are excluded from the county's Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

The county reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the county. It is used to account for all financial resources except those required to be accounted for in another fund.

Coal Severance Fund: The coal severance tax fund is a fund that accounts for the revenues and expenditures from a severance tax place on coal.

Capital Outlay Fund: The capital outlay fund is used to account for all revenues and expenditures relating to capital asset acquisition and material capital asset renovation.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, and demand deposits. Counties are authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposits and repurchase agreements.

2. Receivables and payables

All property tax receivables are shown net of an allowance for uncollectible.

3. Property Tax Calendar

Property taxes, based on assessed values at July 1 of the prior year, may be paid in two installments. The first installment is due by September first and is delinquent on October first; the second installment is due by March first and is delinquent on April first. 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 estates 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 deferred revenues at the end of each fiscal year.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

4. Inventory and Prepaid Items

The county considers inventories of materials and supplies utilized in the governmental fund type operations as expended at the time of purchase. Therefore, they do not appear in the county's financial statements.

5. Restricted assets

The county has no restricted assets to report during this fiscal year.

6. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The county does not record depreciation on fixed assets.

7. Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. Stewardship, compliance, and accountability

A. Budgets and Budgetary Accounting

The following are the statutory procedures followed by the County Commission in establishing the budget for Jefferson County, West Virginia:

1. 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.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

2. 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 28th for approval.
3. The county commission then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Auditor. The revised budgeted amounts reflected in the accompanying financial statements are such approved amounts. The budgets presented were prepared on the cash basis of accounting.

Note 3. Detailed notes on all funds

A. Deposits and investments

Deposits and investments are categorized to give an indication of the level of risk assumed by the County at year-end. The categories are described as follows:

1. Insured, registered, or securities held by government or its agent in the government's name.
2. Uninsured and unregistered, with the securities held by the counter party, or by its trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the government's name.

Deposits

At year end, the government's bank balance of deposits was \$13,394,714.25 for governmental funds and \$513,768.68 for agency funds, making the total bank balance of \$13,908,482.93. Of the bank balance, \$200,000.00 was covered by federal depository insurance or by collateral held by the government's agent in the government's name(Category 1). Of the remaining balance, \$13,394,714.25 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name(Category 3).

B. Receivables

Taxes receivable of \$275,384.46 consists of unpaid taxes for five years net of uncollectible taxes. Other receivables consisted of grant reimbursement due from the federal government.

JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2003

C. Capital Assets

A summary of changes in General Fixed Assets for the fiscal year ended June 30, 2003 and the changes in Capital Assets Values based on current and prior year depreciation allowances as follows:

A summary of changes in General Fixed Assets for the fiscal year follows:

	Balance at <u>7/1/02</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>6/30/2003</u>
Land	\$ 616,555.00	\$ 12,800.00	\$ 0.00	\$ 629,355.00
Building	2,626,680.00	2,248,064.75	0.00	4,874,744.75
Equipment	<u>1,788,215.00</u>	<u>96,199.03</u>	<u>0.00</u>	<u>1,884,414.08</u>
Totals	<u>\$ 5,031,450.00</u>	<u>\$ 2,357,063.78</u>	<u>\$ 0.00</u>	<u>\$ 7,388,513.83</u>

Capital Assets-Net of Depreciation

A summary of changes in Capital Asset values based on current and prior year depreciation allowances:

	Gross Balance at <u>6/30/2003</u>	Accumulated Depreciation <u>Prior Year</u>	<u>Current Year</u>	Net Balance at <u>6/30/2003</u>
Land	\$ 629,355.00	\$ 0.00	\$ 0.00	\$ 629,355.00
Building	4,874,744.75	850,354.17	144,375.08	3,880,015.50
Equipment	<u>1,884,414.08</u>	<u>1,009,789.54</u>	<u>204,628.79</u>	<u>669,995.75</u>
Totals	<u>\$ 7,388,513.83</u>	<u>\$ 1,860,143.71</u>	<u>\$ 349,003.87</u>	<u>\$ 5,179,366.25</u>

Depreciation Expense-Current

Depreciation expense was charged to governmental activities of the county as follows:

General government	\$ 265,384.98
Public safety	77,429.27
Health and sanitation	4,147.36
Social services	<u>2,042.26</u>
Total Current Depreciation	<u>\$ 349,003.87</u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

Note 4. Other information

A. Employees Retirement Systems

Jefferson County, West Virginia participates in two state-wide, cost-sharing, multiple-employer defined benefit plans on behalf of its employees. The systems are administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

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

West Virginia Public Employee Retirement System

Eligibility to participate

All employees of the State of West Virginia and any participating political subdivision are required to become plan members, except employees who are members of other state retirement systems.

Authority establishing contribution obligations and benefit provisions

West Virginia State Code

Funding Policy and Contribution

PERS members are required to contribute 4.5% of their annual covered salary and the county is required to contribute 9.5%. The contribution requirements of PERS members are established and may be amended only by the State of West Virginia Legislature. The county's contributions to PERS for the fiscal year ended June 30, 2003 were \$145,701.73 for employees' share and \$307,592.54 for employer's share.

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 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 ten years) times the years service times 2% equals the annual retirement benefit.

Deferred retirement option

No deferred retirement option is available.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

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 fiscal year ended June 30, 2003 the annual cost was \$453,294.27 for all covered employees with a co

Trend Information

Trend information showing the progress of the System in accumulating sufficient assets to pay benefits when due is presented in the annual financial report. A copy of this report may be obtained from the state agency.

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

West Virginia State Code

Funding policy and contribution

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 9.5% . The contribution requirements of WVDRS members are established and may be amended only by the State of West Virginia Legislature. The county's contribution to WVDRS for the fiscal year ending June 30, 2003 was \$48,373.64 for employees' share and \$43,281.68 for employer's share.

Period required to vest

Five years

Benefits and eligibility for distribution

A member who has attained age 60 and has earned 5 or more years of contributing service or age 50 and if the sum of his/her age plus years of credited service is equal to or greater than 70. The final average salary (three highest consecutive years in the last ten years) times the years of service times 2.25% equal the annual retirement benefit.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

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 fiscal year ended June 30, 2003 the annual cost was \$91,655.32 for all covered employees with a contributed percentage of 100%.

Trend information

Trend information showing the progress of the System in accumulating sufficient assets to pay benefits when due is presented in the annual financial report. A copy of this report may be obtained from the state

B. Pending Litigation

The county has been named as a defendant in several court cases pending before the Circuit Court of Jefferson County, West Virginia. In the opinion of the county's legal counsel, the probable outcome of the suits will be favorable to the county.

C. Commitments and Contingencies

The county participates in a number of federally assisted grant programs, mainly from the U.S. Department of Justice and the Federal Emergency Management Agency. These programs are subject to financial and compliance audits by the grantors or their representatives.

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - ASSESSOR'S VALUATION FUND
For the Fiscal Year Ended June 30, 2003

	Budget Amounts		Actual Amounts		Variance with
	Original	Final	Budget	Basis	Final Budget
					Positive (Negative)
Revenues:					
Intergovernmental:					
Other taxes	\$ 69,950.00	\$ 69,950.00	\$ 74,486.16	\$	4,536.16
Interest	<u>15,900.00</u>	<u>15,900.00</u>	<u>8,289.42</u>		<u>(7,610.58)</u>
Total revenues	<u>85,850.00</u>	<u>85,850.00</u>	<u>82,775.58</u>		<u>(3,074.42)</u>
Expenditures:					
General government	330,600.00	330,600.00	162,375.01		168,224.99
Capital outlay	<u>209,050.00</u>	<u>158,150.00</u>	<u>20,533.10</u>		<u>137,616.90</u>
Total expenditures	<u>539,650.00</u>	<u>488,750.00</u>	<u>182,908.11</u>		<u>305,841.89</u>
Excess (deficiency) of revenues over expenditures	(453,800.00)	(402,900.00)	(100,132.53)		302,767.47
Fund balance at beginning of year	<u>453,800.00</u>	<u>402,900.00</u>	<u>402,912.62</u>		<u>12.62</u>
Fund balance at end of year	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 302,780.09</u>	\$	<u><u>302,780.09</u></u>



State of West Virginia

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Glen B. Gainer III
State Auditor

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the
Jefferson County Commission
Charles Town, West Virginia

We have audited the basic financial statements of the Jefferson County, West Virginia, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 13, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the county's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards, which are described in the accompanying schedule of findings and questioned costs as items 03-A through 03 H.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the officials of Jefferson County, West Virginia and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor

May 14, 2004



JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF NONCOMPLIANCE AND WEAKNESSES IN INTERNAL CONTROLS
For the Fiscal Year Ended June 30, 2003




Reference No. 03-A

CONDITION:

We noted in prior years and again in the current year that the Jefferson County Sheriff has suspended various real property from the Sheriff's Sales based on requests from the Jefferson County Commission. Our review disclosed no basis in the State Code giving the Sheriff or County Commission the authority to suspend the sale of property for taxes when the taxes had been properly assessed. Specifically, the suspension of the following tax tickets is in question:

<u>District</u>	<u>Tax Year</u>	<u>Ticket No.</u>	<u>Face Amount of Ticket</u>
Charles Town Corporation	2000	7088	\$ 13,051.35
Charles Town Corporation	2000	7952	4,290.79
Charles Town Corporation	2000	7953	1,910.42
Charles Town Corporation	2001	7269	37,621.14
Charles Town Corporation	2001	8146	8,879.14
Charles Town Corporation	2001	8147	3,953.30
Charles Town Corporation	2003	8294	73.28
Charles Town Corporation	2003	8295	559.78

Total face value in question

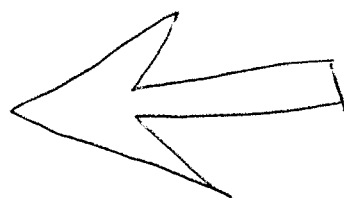
\$ 70,339.20

CRITERIA:

Based on information obtained from the assessor's office, the taxes in question were properly assessed to the owners of the property based on the July 1 assessment date and were not the result of any erroneous assessment.

West Virginia Code § 11-3-1 State in part:

"All property shall be assessed annually as of the first day of July at its true and actual value;The taxes upon all property shall be paid by those who are the owners thereof on that day, whether it be assessed to them or others."



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Further, West Virginia Code § 11-3-27 provides for abatement of taxes in certain instances and states in part:

"Any taxpayer.....claiming to be aggrieved by any entry in the property books of the county.... resulting from clerical error, or a mistake occasioned by an unintentional or inadvertent act as distinguished from a mistake growing out of negligence or the exercise of poor judgment, may within one year from the time the property books are delivered to the sheriff or within one year from the time such clerical error or mistake is discovered or reasonably could have been discovered, apply for relief from the county commission of the county in which such books are made out...."

CAUSE:

The county commission failed to make provisions for the collection of a any tax liability on real property purchased by the county. Further, documentation shows that the county commission voted to suspend the tax tickets in question on July 26, 2001 at a regular meeting of the county commission. However, there appears to be no basis in the state code which would allow a county commission to suspend property taxes which were properly assessed.

EFFECT:


Taxes receivable were under reported on the tax collection system and the sheriff's settlement by the current amount due on the suspended tax tickets. The tax tickets in question had an initial value of \$53,960.65 without discount or interest.

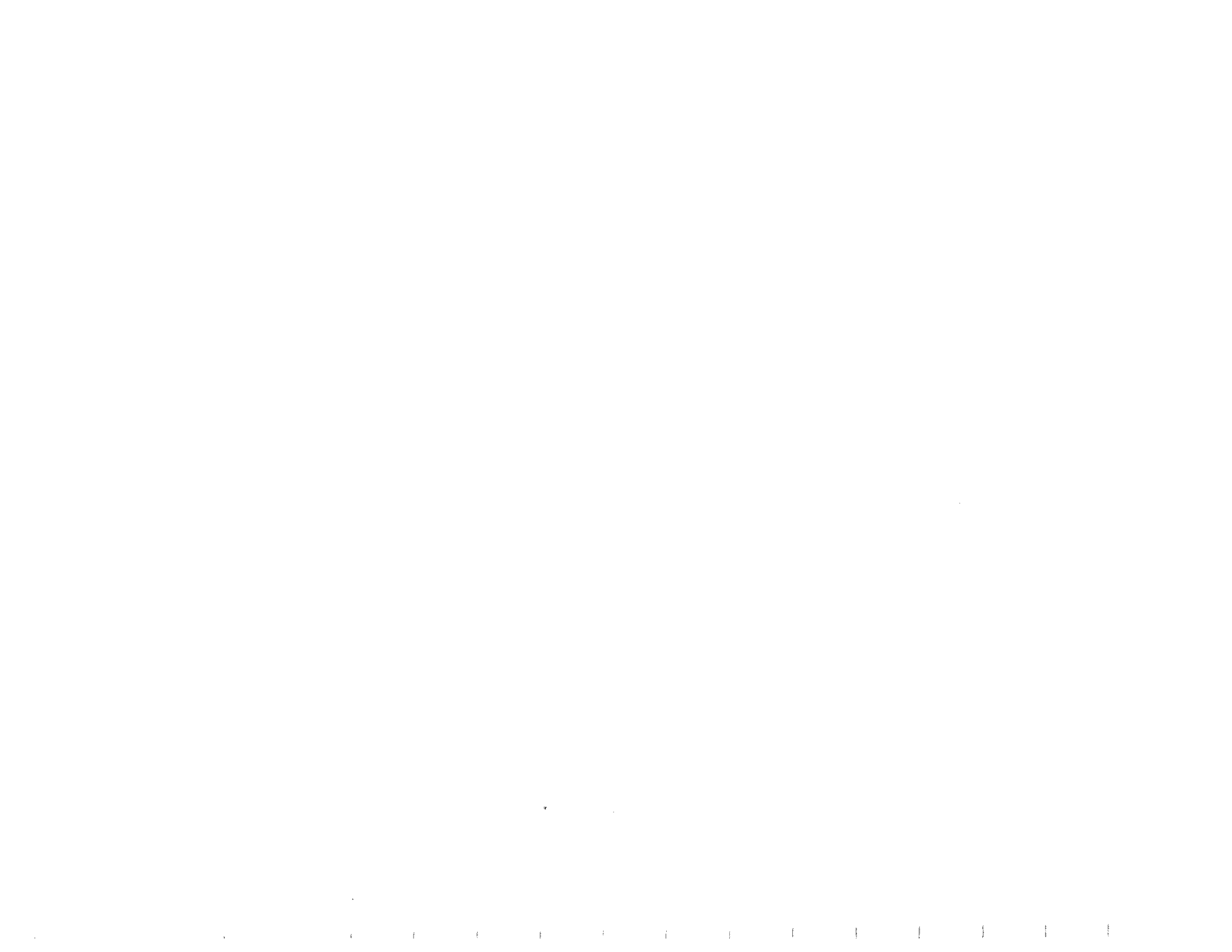
RECOMMENDATION:

It is recommended that the county commission rescind all orders for the suspension of taxes for the tax tickets in question and seek payment of those taxes from the prior property owner who actually owed the taxes. Otherwise, it recommended that the county commission pay the taxes due from the capital improvement fund and add the amount paid to the value of the real property.



CONDITION:

 The sheriff's bookkeeping personnel were allowed to transfer county funds from one bank account to another without obtaining an order signed by the county commission, county clerk, and county sheriff. We further noted that checks issued to transfer moneys from various special revenue funds were not signed by the county commission.



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CONTEXT:

West Virginia Code §7-5-4 states in part:

"No money shall be paid by the sheriff out of the county treasury except upon an order signed by the president and clerk of the county court [county commission], and properly endorsed by the sheriff."

CAUSE:

The Jefferson County Commission failed to have in place adequate banking controls to insure that county moneys were only moved from one county bank account to another bank account by an official order signed by the county clerk, county commission and county sheriff.

EFFECT:

Jefferson County Commission banking controls over county public moneys allowed a material risk to exist in the movement of money. A material amount of money could be improperly moved between two bank accounts and not be detected in a timely manner.

RECOMMENDATION:

It is recommended that the Jefferson County Commission and sheriff review current bank controls and the referenced code section pertaining to banking controls, and insure that banking controls are in place in compliance with said state code section. It is also recommended that all check books for all county funds be placed under the control of the county clerk. It is further recommended that the county commission obtain separate expenditures checks for each county fund instead of processing the majority of expenditure through a separate bank account using only one style of check and only one numerical sequence of checks.

Failure to Make Timely Deposits
Reference No. 03-C

CONDITION:

We noted during our review that the Building and Zoning Office failed to make timely deposits of funds collected. The records show that the Building and Zoning Office remitted 35 deposits to the sheriff's bookkeeper which totaled \$749,525. Of those remittance, we noted the lowest amount as \$1,019 and the highest amount as \$95,986. The remittance of funds to the sheriff's bookkeeper were often more than a week apart.

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CRITERIA:

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

"...All money collected, including cash and checks, shall be deposited intact on the first available business day: Provided, that the requirement for deposits on the first available business day shall not apply.....if the amount to be deposited is less than five hundred dollars."

CAUSE:

The Jefferson County Commission failed to have in place adequate banking controls for the Building and Zoning Office to insure compliance with West Virginia Code §59-1-37.

EFFECT:

Public funds which were not needed for daily operations were held as undeposited funds. Funds in excess of five hundred dollars were held several days. Undeposited funds are more subject to misappropriation than deposited

RECOMMENDATION:

It is recommended that the Jefferson County Commission review current banking procedures following by the Building and Zoning Office and revise those controls to insure compliance with the banking procedures outlined in West Virginia Code §59-1-37. It is further recommended that the County Commission establish a bank account for the Building and Zoning Office into which collections are deposited on a daily basis. One check a month could then be written to the Sheriff's Office rather than the current practice of allowing the Building and Zoning Office to hold excessive undeposited funds and making multiple remittances to the Sheriff's Bookkeeper each month. It is also recommended that a receipts and disbursements ledger be maintained by the Building and Zoning Office and reconciled with the bank account on a monthly basis.

Circuit Clerk's-Failure to Reconcile Accounts-Software Deficiency
Reference No. 03-D

CONDITION:

It was noted in prior audits and again in the current audit that reports generated by the software program used in the Circuit Clerk Office failed to reconcile with the clerk's net bank balance. Also, ending balances on the clerk's trial balance report for June 30, did not agree with a "Case Balance Report" generated from the same system data. We further noted within the trial balance report that certain account balances showed negative beginning and ending balances while others showed positive amounts in excess of the amount of funds held by the clerk.

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CONTEXT:

West Virginia Code § 59-1-30 states that:

"Each of the officers named in the preceding section shall keep full and regular accounts, subject at all times to the examination of the county court, or tribunal in lieu thereof, the West Virginia State Auditor or any individual, of all sums charged or collected by such officers on account of official fees, costs, percentages, penalties, commissions, allowances, compensation, income and all other perquisite of whatever kind, and such book of accounts shall be a part of the records of the respective offices herein named belonging to the county, and shall be transmitted by each county officer to his successor in office. The system of books and accounts to be kept by the officers herein named shall be prescribed by the West Virginia State Auditor, ex officio inspector and supervisor of public offices."

CAUSE:

The Jefferson County Circuit Clerk failed to have in place adequate bookkeeping control procedures to insure that computer summary account balances and net bank balances reconciled.

EFFECT:

Different reports from the bookkeeping system that should have reported the same totals, did not. Ending balances in the detail trial balance should have reconciled with ending net bank balance but did not. Additional reconciliation was required of the Clerk's staff.

RECOMMENDATION:

It is recommended that the circuit clerk contact the software vendor and with the software vendor determine why beginning and ending negative balances appear in certain summary reports and why other account balances have positive balances that are materially greater than the amount of funds the clerks states she is holding. Documentation as to what steps were taken to correct the problem should be maintained by the clerk's office.

Special Law Enforcement Investigation Fund
Reference No. 03-E

CONDITION:

We noted during our review that the County Commission failed to have control of the (Forfeiture Fund)/Special Law Enforcement Investigation Fund for the fiscal year ended June 30, 2003. The check book for that fund was actually held by the sheriff instead of the county bookkeeping department. Expenditures from this fund were approved by only the Sheriff, not the County Commission, as required by the State Code which authorized the creation of this fund.

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CONTEXT:

 states:

"In the case of funds belonging to the office of either the sheriff or prosecuting attorney of any county in which the fund has been created, the funds therein may only be expended in the manner provided in sections four and five [7-5-4 and 7-5-5], article five, chapter seven of this code;"



"No money shall be paid by the sheriff out of the county treasury except upon an order signed by the president and clerk of the county court [county commission], and properly endorsed....."

Those code sections require expenditures from the Special Law Enforcement Investigation Fund (Forfeiture Fund) to be approved by the County Commission in the same manner as expenditures for other county funds.

CAUSE:

The county commission had failed to implement proper accounting controls in line with state code requirements when the Special Law Enforcement Investigation Fund (Forfeiture Fund) was created.

EFFECT:

Expenditures from this fund were not properly authorized. Expenditures may have been made from this fund that the County Commission would not have approved.



RECOMMENDATION:

No additional recommendation required, subsequent to June 30, 2003, controls were established to process payments from this fund in the same manner as all other county funds. Under the revised controls, expenditures from this fund will be approved by the county commission and checks will be processed by the county bookkeeping department and signed by the appropriate elected officials.

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CONDITION:

We noted during our review that the sheriff's bookkeeping office failed to write a sheriff's receipt for amounts transferred from the General School Fund to the General County Fund which were made on a monthly basis. We further noted that no checks were issued when transfers were made between these two funds. These transfers were often in excess of twenty thousand dollars.

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CONTEXT:

West Virginia Code § 7-5-4 states in part that:

"No money shall be paid by the sheriff out of the county treasury except upon an order signed by the president and clerk of the county court [county commission], and properly endorsed....."

Also;

West Virginia Code § 6-9-2 states in part that:

"The chief inspector shall prescribe receipt forms for all local governmental offices and agencies and shall formulate, prescribe and install a uniform system with respect to the utilization, processing and disposition of receipts given as evidence of moneys or property collected or received by local governmental offices and agencies."

CAUSE:

The county commission failed to have in place adequate controls to insure that transfers between funds were properly documented and were supported by a cancelled check on the paying fund and supported receipts to the receiving fund.

EFFECT:

Deposits in excess of the amounts receipted into the General County Fund were noted when testing the sheriff's settlement. Expenditures were recorded in the General School Funds but no checks existed to support the expenditures.

RECOMMENDATION:

It is recommended that the county commission review the control procedures used to make transfers between funds and insure that the procedures comply with the requirements set forth in West Virginia Code § 7-5-4.

Failure to Write Receipts for all Property Tax Distributions
Reference No. 03-G

CONDITION:

We noted during our review of the Sheriff's Settlement and supporting documentation that the sheriff's bookkeeper had written a Sheriff's Receipt for taxes collected for the General County Levy and tax amounts paid to the Assessor's Valuation Fund but had failed to write a sheriff's receipt for property tax collections for the various school and municipal tax levies.

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF NONCOMPLIANCE AND WEAKNESSES IN INTERNAL CONTROLS
For the Fiscal Year Ended June 30, 2003

CONTEXT:

West Virginia Code § 6-9-2 states in part that:

"The chief inspector shall prescribe receipt forms for all local governmental offices and agencies and shall formulate, prescribe and install a uniform system with respect to the utilization, processing and disposition of receipts given as evidence of moneys or property collected or received by local governmental offices and agencies."

CAUSE:

The sheriff failed to have in place control procedures which required a consistent procedure for the receipting of taxes collected for the various tax entities.

EFFECT:

No Sheriff's Receipts existed for the amount of payments made to school and municipal tax entities. It was necessary to review the Cash Distribution Report from the Tax Collection System to determine the amounts that had been collected for each school and municipal tax entity.

RECOMMENDATION:

The Jefferson County Sheriff should review the bookkeeping control procedures to insure that all tax collections are accounted for in the same manner. A receipt should be written for each tax entity on a monthly basis to account for taxes collected. Receipts written for each tax should be used to post the tax collection amount in the Sheriff's Receipts Ledger for each tax entity.

JEFFERSON COUNTY, WEST VIRGINIA
 SCHEDULE OF NONCOMPLIANCE AND WEAKNESSES IN INTERNAL CONTROLS
 For the Fiscal Year Ended June 30, 2003

Status of Prior Year Findings

<u>Finding Number</u>	<u>Prior Year Finding</u>	<u>Code Reference</u>	<u>Disposition</u>
02-1	Improper Suspension of Taxes	11-3-1	Repeated
02-2	Banking controls-County Funds	7-6-4	Repeated
02-3	Failure to Make Timely Deposits-Building & Zoning	59-1-37	Repeated
02-4	Expenditure in excess of allocations	11-8-26	Repeated
02-5	Circuit Clerk-Failure Reconcile Accounts	59-1-30	Repeated
02-6	Special Law Enforcement Investigation Fund.	60A-7-706(b)2	Repeated

West Virginia Veterans Memorial

P. Joseph Mullins / sculptor and designer

photographs / cover design by Brad Osborne

