

AUDIT REPORT OF
JEFFERSON COUNTY, WEST VIRGINIA
For the Fiscal Year Ended June 30, 2005



JEFFERSON COUNTY, WEST VIRGINIA
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 For the Fiscal Year Ended June 30, 2005

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JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2005

GOVERNMENTAL FUND TYPES

Major Funds

General County
Coal Severance Tax
Capital Outlay
Emergency Services Capital Outlay
Impact Fee Fund

Nonmajor Funds

Special Revenue Funds

Dog and Kennel
General School
Magistrate Court
Worthless Check
Home Confinement
Federal Grants
State Grants
Project Impact
Jury and Witness
Flood Hazard Mitigation
Bardane Offices/Other Buildings
Assessor's Valuation
Farmland Preservation
Concealed Weapons
Voters Registration
Unemployment Compensation
Prosecuting Attorney Drug Forfeiture
Sub-Division Bond Forfeiture
Parks & Recreation

Capital Projects Funds

Optical Scanning/Imaging
Bardane Building

FIDUCIARY FUND TYPES

Agency Funds

County Clerk Circuit Clerk
Tax Lien Delinquent/Non-Entered Land
Board of Health WV Deputy Sheriff
Vehicle License State Police

DISCRETELY PRESENTED COMPONENT UNIT

Board of Health

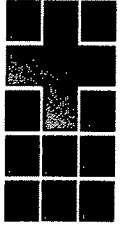


JEFFERSON COUNTY, WEST VIRGINIA
 COUNTY OFFICIALS

For the Fiscal Year Ended June 30, 2005

OFFICE	NAME	EXPIRES
	<u>Elective</u>	
County Commission:	Archabald M. S. Morgan III	December 31, 2008
	Gregory A. Corliss	December 31, 2008
	Jane M. Tabb	December 31, 2006
	C. Dale Manuel	December 31, 2010
	James T. Surkamp	December 31, 2010
Clerk of the County Commission:	Jennifer S. Maghan	December 31, 2010
Clerk of the Circuit Court:	Patsy A. Noland	December 31, 2010
Sheriff:	Everett W. Boober	December 31, 2008
Prosecuting Attorney:	Michael D. Thompson	December 31, 2008
Assessor:	Mary R. Bordier	December 31, 2008





CoxHollida LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the Jefferson County Board of Health, a discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson County, West Virginia, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of the County, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity; and the financial activities of the Jefferson County Board of Health, a discretely presented component unit. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the County, as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Jefferson County, West Virginia, as of June 30, 2005, and the financial activities of the Jefferson County Board of Health, a discretely presented component unit, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, 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 the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and the Budgetary Comparison Schedule for the Assessor's Valuation Fund are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Budgetary Comparison Schedule for the Assessor's Valuation Fund has been subjected to the auditing procedures applied in the audit to the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Carrollida LLP

August 18, 2006



JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government	Component Unit
	Governmental Activities	Board of Health
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,566,122	\$ 289,647
Investments	6,141,043	-
Receivables, net:		
Taxes	270,538	-
Other	219,750	-
Workers compensation deposit	27,017	-
Prepaid expenses	67,223	-
Due from agency funds	322,816	-
Total current assets	26,614,509	289,647
Noncurrent assets:		
Capital assets:		
Land	624,692	-
Building and equipment, net of depreciation	4,466,182	8,700
Total noncurrent assets	5,090,874	8,700
Total assets	\$ 31,705,383	\$ 298,347
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 442,393	\$ 5,336
Accrued payroll	73,763	-
Noncurrent liabilities:		
Compensated absences payable	401,601	48,680
Total liabilities	917,757	54,016
NET ASSETS		
Invested in capital assets	5,090,874	8,700
Restricted for:		
Capital projects	15,914,240	-
Farmland protection	142,994	-
Impact fees	3,865,069	-
Unrestricted	5,774,449	235,631
Total net assets	30,787,626	244,331
Total liabilities and net assets	\$ 31,705,383	\$ 298,347

The accompanying notes are an integral part of this statement.





JEFFERSON COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances on the governmental fund's balance sheet	\$ 25,907,547
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Taxes deferred in fund level financial statements are accrued as current revenue in government-wide financial statements.	190,806
2. Long-term liabilities are not reported as an expense in fund level financial statements but are included in expenses in government-wide financial statements. This amount represents long term debt for compensated absences	(401,601)
3. Purchase of capital assets are expensed in fund level financial statements but are reported at cost and depreciated in government-wide financial statements.	7,960,152
4. Accumulated depreciation is not reported in fund level financial statements but is reported in government-wide financial statements as an expense.	<u>(2,869,278)</u>
Net assets of governmental activities	<u><u>\$ 30,787,626</u></u>

The accompanying notes are an integral part of this statement.



JEFFERSON COUNTY, WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2005

	Impact	Other nonmajor	Total	Governmental	Governmental	Funds	Funds
	Fund	Fees	Fund	Capital Outlay	Capital Outlay	Severance Tax	General
Taxes:							
Ad valorem property	\$	6,502,602	\$	2,384,496	1,197,012	-	195,382
Other taxes						95,403	50,305
Licenses and permits							1,330,650
Intergovernmental:							428,974
Federal							188,436
Charges for services							183,751
Fines and forfeits							1,514,401
							391,054
Interest and investment earnings							307,726
Reimbursements							79,872
Miscellaneous							4,384,898
Total revenues							16,220,241
EXPENDITURES							
General government	\$	7,284,992	\$	-	-	-	7,284,992
Public safety							3,625,683
Health and sanitation							146,415
Culture and recreation							30,635
530,596							-
Social services							7,000
Capital projects							326,750
Total expenditures							11,921,436
Excess (deficiency) of revenues							4,298,805
over expenditures							65,272
							171,236
							(2,617)
							3,437,313
							56,581
							8,026,590

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY, WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - CONTINUED
 For the Fiscal Year Ended June 30, 2005

	General	Severance Tax	Coal	Capital Outlay	Emergency Services	Capital Outlay	Fees	Impact	Other nonmajor	Total
	Funds	Funds	Funds	Funds	Funds	Funds	Funds	Funds	Funds	Funds
Transfers in	\$ 211,034	\$ -	\$ 2,000,000	\$ 1,469,344	\$ -	\$ -	\$ -	\$ -	\$ 1,050,000	\$ 4,730,378
Transfers (out)	(4,510,000)	(9,344)	-	1,469,344	-	-	-	-	(211,034)	(4,730,378)
Total other financing sources (uses)	(4,298,966)	(9,344)	2,000,000	1,469,344	-	-	-	-	838,966	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(161)	55,928	2,171,236	1,466,727	3,437,313	895,547	8,026,590			
Fund balances - beginning of year as previously reported	4,368,471	37,303	10,977,427	1,298,850	-	604,100	17,286,151			
Prior period adjustment	73,473	-	508,567	(508,567)	427,756	93,577	594,806			
Fund balances - beginning of year as restated	4,441,944	37,303	11,485,994	790,283	427,756	697,677	17,880,957			
Fund balances - ending	\$ 4,441,783	\$ 93,231	\$ 13,657,230	\$ 2,257,010	\$ 3,865,069	\$ 1,593,224	\$ 25,907,547			

The accompanying notes are an integral part of this statement.
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JEFFERSON COUNTY, WEST VIRGINIA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2005

Net changes in fund balance - total governmental funds	\$ 8,026,590
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in funds.	(37,357)
2. Compensated absences are not reported on the fund level financial statements but are recorded in government-wide financial statements as long-term debt. This amount represents the current year increase in those liabilities.	(158,594)
3. Net prior period adjustments of the governmental funds.	594,806
4. Restatement of beginning accumulated depreciation, primary government.	27,901
5. Depreciation not recorded in fund level financial statements but is recorded as an expense in government-wide financial statements.	(327,059)
6. Purchase of capital assets	<u>462,725</u>
Change in net assets	<u>\$ 8,589,012</u>

The accompanying notes are an integral part of this statement.



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, 2005

	Budgeted amounts		Actual Modified	Adjustments Budget	Actual Amounts Budget	Variance with Final budget
	Original	Final				
REVENUES						
Taxes:						
Ad valorem property	\$ 6,969,207	\$ 7,029,207	\$ 6,502,602	(A) \$ 32,509	\$ 6,535,111	\$ (494,096)
Other taxes	1,111,700	1,111,700	2,384,496		2,384,496	1,272,796
Licenses and permits	1,000,100	1,000,100	1,197,012	-	1,197,012	196,912
Intergovernmental:						
Federal	-	-	195,382	-	195,382	195,382
State	-	-	50,305	-	50,305	50,305
Charges for services	1,399,890	1,399,890	1,330,650	-	1,330,650	(69,240)
Interest and investment earnings	26,640	26,640	95,024	-	95,024	68,384
Reimbursements	-	-	79,872	-	79,872	79,872
Miscellaneous	3,451,000	3,451,000	4,384,898	-	4,384,898	933,898
Total revenues	13,958,537	14,018,537	16,220,241	32,509	16,252,750	2,234,213
EXPENDITURES						
General government	\$ 6,757,171	\$ 10,377,439	7,284,992	\$ -	\$ 7,284,992	\$ 3,092,447
Public safety	4,935,258	5,281,315	3,625,683	-	3,625,683	1,655,632
Health and sanitation	145,633	145,633	146,415	-	146,415	(782)
Culture and recreation	381,700	441,700	530,596	-	530,596	(88,896)
Social services	6,000	6,000	7,000	-	7,000	(1,000)
Capital projects	2,052,775	2,254,675	326,750	-	326,750	1,927,925
Total expenditures	14,278,537	18,506,762	11,921,436	-	11,921,436	6,585,326
Excess (deficiency) of revenues over (under) expenditures	(320,000)	(4,488,225)	4,298,805	32,509	4,331,314	8,819,539

The accompanying notes are an integral part of this statement.

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, 2005

	Budgeted amounts		Actual Modified	Adjustments Budget	Actual Amounts Budget	Variance with Final budget
	Original	Final				
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ -	\$ 211,034	\$ -	\$ 211,034	\$ 211,034
Transfers (out)	-	-	(4,510,000)	-	(4,510,000)	(4,510,000)
Total other financing sources (uses)	-	-	(4,298,966)	-	(4,298,966)	(4,298,966)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(320,000)	(4,488,225)	(161)	32,509	32,348	4,520,573
Fund balances - beginning of year as previously reported	300,000	4,468,525	4,368,471	-	4,368,471	(100,054)
Prior period adjustment	-	-	73,473 (B)	(73,473)	-	-
Fund balances - beginning of year as restated	300,000	4,468,525	4,441,944	(73,473)	4,368,471	(100,054)
Fund balances - ending	<u>(20,000)</u>	<u>(19,700)</u>	<u>4,441,783</u>	<u>(40,964)</u>	<u>4,400,819</u>	<u>4,420,519</u>

NOTES:

- (A) Taxes receivable are not included for budgetary purposes.
- (B) Prior period adjustments are not included for budgetary purposes.



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, 2005

	Budgeted amounts		Actual	Variance with
	Original	Final	Amounts Budget Basis	Final budget Positive (Negative)
REVENUES				
Coal severance tax	\$ 35,000	\$ 35,000	\$ 95,403	\$ 60,403
Interest and investment earnings	200	200	504	304
Total revenues	35,200	35,200	95,907	60,707
EXPENDITURES				
Public safety	27,200	9,344	-	9,344
Health and sanitation	38,000	38,000	30,635	7,365
Total expenditures	65,200	47,344	30,635	16,709
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(12,144)	65,272	77,416
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(9,344)	(9,344)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(30,000)	(12,144)	55,928	68,072
Fund balances - beginning	30,000	12,144	37,303	25,159
Fund balances - ending	\$ -	\$ -	\$ 93,231	\$ 93,231

The accompanying notes are an integral part of this statement

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u><u>1,942,323</u></u>
LIABILITIES	
Accounts payable	\$ 1,057,820
Due to:	
Other governments	427,185
Other funds	<u>457,318</u>
Total liabilities	\$ <u><u>1,942,323</u></u>

The accompanying notes are an integral part of this statement.



JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Discretely Presented Component Unit

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 the 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 Statement 39).

The Jefferson County Board of Health serves citizens of Jefferson County and is governed by a five member board appointed by the Commission. The Board of Health is responsible for directing, supervising and carrying out matters related to public health of the County. West Virginia statute dictates the County is legally obligated to provide financial support to the board.



JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

Other Component Units:

The following component units are not presented in the County's financial statements

- The Jefferson County Development Authority
- The Jefferson County Parks and Recreation Commission
- The Jefferson County Building Commission
- The Jefferson County Ambulance Authority

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 appoints board members to the following organizations:

Zoning Board of Appeals, Eastern Panhandle Transit Authority, Historic Landmark Commission, Planning Commission, Solid Waste Authority, Harpers Ferry/Bolivar PSD, Summit Point Library Commission, Regional 9 Planning and Development Council, Regional Health Advisory Committee, E-911 Advisory Board, Council on Aging, Sheriff's Civil Service Commission, North Eastern Regional EMS, Inc, Farmland Advisory Committee, Jefferson County PSD, Harpers Ferry/Bolivar Library Board, and the Emergency Services Council.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of internal 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.

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 funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund (when appropriate) and 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 collectable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 collected 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licensees, 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.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is 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 *Capital Outlay fund*, a special revenue fund, accounts for revenues and expenditures dedicated to capital improvement projects of the County.

The *Emergency Services Capital Outlay fund*, a special revenue fund, accounts for revenues and expenditures dedicated to emergency services capital improvement projects of the County.

The *Impact Fees fund*, a special revenue fund, accounts for revenues collected for school and law enforcement capacity improvements.

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 Jefferson County, West Virginia holds for others in an agency capacity.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Jefferson County, West Virginia'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 deposit and repurchase agreements.

JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

2. Receivables and Payables

Property Tax Receivable

The property tax receivable is equal to 68% percent of the property taxes outstanding at June 30, 2005.

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid. Taxes paid on or before the due date are allowed a two and one half percent discount. A tax lien is issued for all unpaid real estate taxes as of the date of the sheriff's sale and these liens are sold between October 14th and November 23rd of each year. Sixty days of estimated property tax collections are recorded in revenues at the end of each fiscal year.

All counties within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, fourteen and three-tenths cents (14.30 cents); On Class II property, twenty-eight and six-tenths cents (28.60 cents); On Class III property, fifty-seven and two-tenths cents (57.20 cents) On Class IV property, fifty-seven and two-tenths cents (57.20 cents). In addition, counties may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the County per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2005, were as follows:

Class of Property	Assessed	
	Valuation For Tax Purposes	Current Expense
Class I	\$ 8,610,800	13.42
Class II	\$ 1,124,718,700	26.84
Class III	\$ 558,304,797	53.68
Class IV	\$ 186,844,082	53.68

3. Inventories 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.

Prepaid expense consist of prepayment of the County's first quarter insurance policy for the fiscal year ended June 30, 2006.

4. Restricted Assets

Restricted assets are liquid assets generated from revenues that have third party limitations on their use. The County would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

5. Capital Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

The primary government, as well as the component unit depreciates its capital assets using the straight-line method. Capital assets depreciation and capitalization policies are defined by the government as follows:

<u>Assets</u>	<u>Years</u>	<u>Capitalize/ Depreciate</u>
Furniture, office equipment, computers hardware	5	\$ 5,000
Cars, light trucks	5	5,000
Buildings:		
Temporary (portable buildings)	40	5,000
HVAC Systems, roofing	25	5,000
Carpet replacement	20	5,000
Electrical plumbing	7	5,000
Equipment	30	5,000
Outdoor equipment	10	5,000
Custodial equipment	20	5,000
Ground equipment	12	5,000
Land improvements - structures	15	5,000
Land improvements - ground work	20	5,000
Land	30	5,000
	Not Applicable	Capitalize only

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. Vacation and sick leave benefits are accrued on a calendar year beginning January 1, and ending December 31.



JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

Employees are allowed to carry over a limited amount vacation and sick benefits at the end of a calendar year. The amount vacation and sick benefits allowed to carry over is depended on the department for which the employees work.

When a permanent full time employee retires, the employee has the option of being paid for accrued vacation time only or applying both accrued vacation and accrued sick leave to additional months of service for retirement benefits at the conversion rate of ten (10) days of leave for (1) additional month of service.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

8. Fund Equity

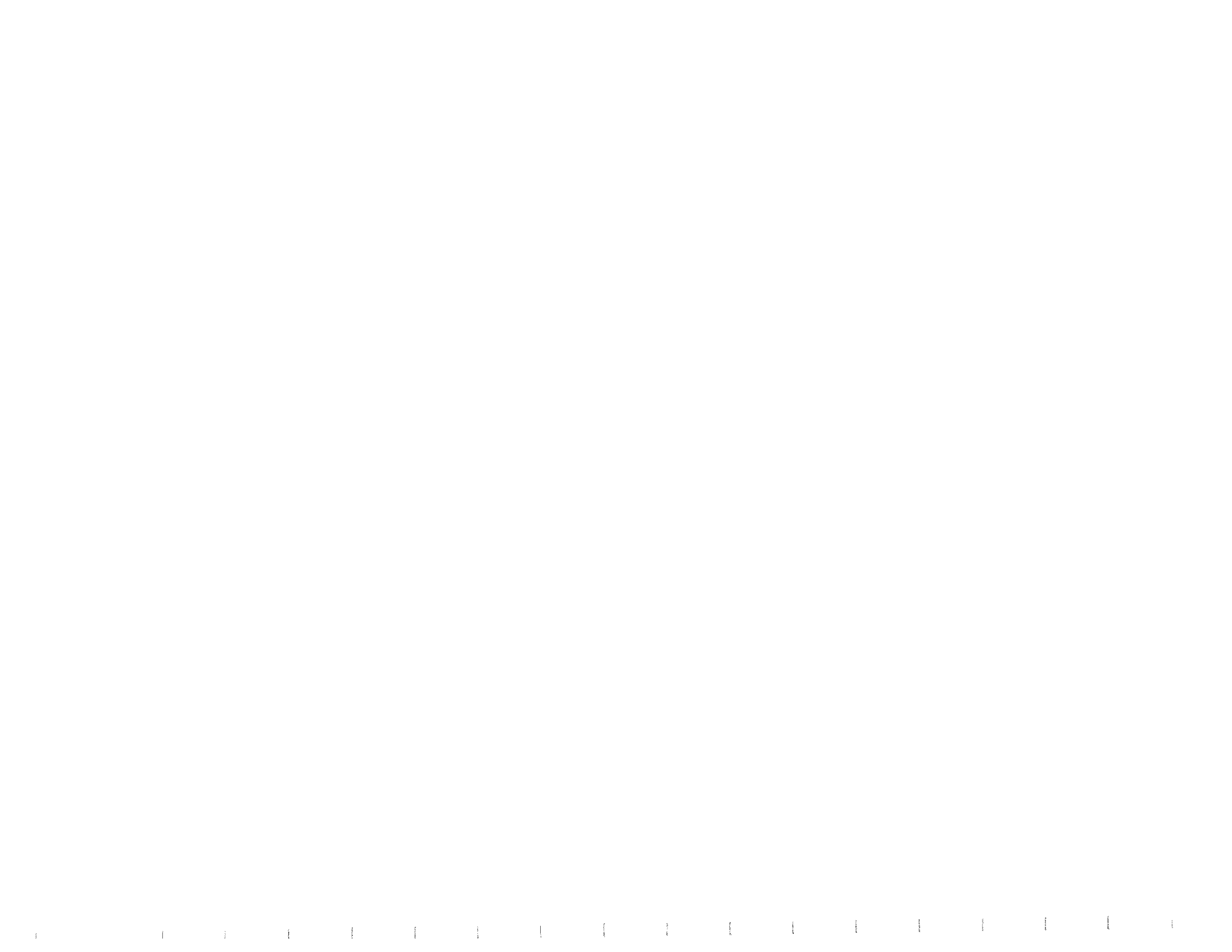
In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between the fund balance total of governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." Other elements explain that "taxes deferred in fund level statements are accrued as revenue in government-wide financial statements" and also explain that "capital assets are expensed in fund level financial statements but are capitalized and depreciated in government-wide statements. The details of this \$4,880,079 difference are as follows:

	<u>Amount</u>
Accrued taxes	\$ 190,806
Compensated absences	(401,601)
Capital assets	7,960,152
Accumulated depreciation on assets	<u>(2,869,278)</u>
Net adjustment to decrease fund balance-total governmental funds to arrive at net assets-governmental activities	\$ <u><u>4,880,079</u></u>



JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures." However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. Other elements of that reconciliation states that certain revenues and expenses are recognized in government-wide financial statements that are not reported in the fund level financial statements. The details of the \$536,985 difference are as follows:

	<u>Amount</u>
Taxes-current increase in accruals	\$ (37,357)
Compensated absences-current increase in liability	(158,594)
Prior period adjustments	594,806
Restatement of prior accumulated depreciation	27,901
Depreciation expense	(327,059)
Capital outlays	<u>462,725</u>
Net adjustment to increase net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 562,422</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund on the modified accrual basis for budgetary purposes. All annual appropriations lapse at fiscal year end.

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.

Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.



JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

The governing body made the following material supplementary budgetary appropriations throughout the year.

<u>Description</u>	<u>Amount</u>
Increase ad valorem tax revenue to estimated revenues	\$ 60,000
Increase general government expenditures to expend beginning fund balance	(3,620,268)
Increase public safety expenditure to expend beginning fund balance	(346,057)
Increase culture and recreation expenditure to expend beginning fund balance	(60,000)
Increase capital outlay expenditure increase to expend beginning fund balance	(201,900)
Net change in budgetary appropriations throughout the year	<u>\$ (4,168,225)</u>

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2005, expenditures exceeded appropriations in several non major special revenue funds. These over expenditures were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk - Deposits

Custodial risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does have a deposit policy for custodial credit risk. As of June 30, 2005, \$3,735,145 of the County's bank balance of \$27,826,866 was exposed to custodial credit risk. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$23,591,721 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

West Virginia state code required deposits of all public monies to be bonded. At June 30, 2005, the County did not have adequate bonding to collateralized all of its deposits.

Credit Risk

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars. Jefferson County, West Virginia, has no investment policy that would further limit its investment choices.



JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

B. Receivables

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

	General
Receivables:	
Ad varlorem taxes	\$ 396,401
Less allowance for uncollectables	<u>(125,863)</u>
Net ad varlorem receivables	<u>\$ 270,538</u>
Other	<u>\$ 219,750</u>

Governmental funds report deferred revenues in connection with receivables for revenue that are not considered to be available to liquidate of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not year earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Ad varlorem taxes deferred (General Fund)	Unavailable
	\$ <u>190,806</u>

C. Capital Assets

Capital Asset activity for the fiscal year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 624,692	\$ -	\$ -	\$ 624,692
Capital assets being depreciated:				
Building	4,832,774	-	-	4,832,774
Equipment	<u>2,039,962</u>	<u>462,724</u>	-	<u>2,502,686</u>
Total capital assets being depreciated	<u>6,872,736</u>	<u>462,724</u>	-	<u>7,335,460</u>
Governmental activities capital assets	<u>\$ 7,497,428</u>	<u>\$ 462,724</u>	<u>\$ -</u>	<u>\$ 7,960,152</u>

JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

Summary of changes in capital assets values based on current and prior year depreciation:

	<u>Beginning</u> <u>Balance</u>	<u>Accumulated Depreciation</u> <u>Prior year</u>	<u>Current year</u> <u>Depreciation</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 624,692	\$ -	\$ -	\$ 624,692
Capital assets being depreciated:				
Building	4,832,774	1,092,160	123,196	3,617,418
Equipment	2,502,686	1,450,059	203,863	848,764
Total capital assets being depreciated	<u>7,335,460</u>	<u>2,542,219</u>	<u>327,059</u>	<u>4,466,182</u>
Governmental activities capital assets, net	<u>\$ 7,960,152</u>	<u>\$ 2,542,219</u>	<u>\$ 327,059</u>	<u>\$ 5,090,874</u>

Prior year accumulated depreciation for the building and equipment was decreased by \$27,901.

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

Governmental activities:	<u>Amount</u>
General government	\$ 246,342
Public safety	77,903
Health and sanitation	1,886
Social services	<u>928</u>
Total Current Depreciation	<u>\$ 327,059</u>

D. Interfund transfers:

The composition of interfund transfers for the fiscal year ended June 30, 2005, are as follows:

<u>Transferred from</u>	<u>Transferred to</u>	<u>Reason for transfer</u>	<u>Amount</u>
General fund	Emergency services capital outlay	Fund future capital outlay	\$ 1,460,000
Coal severance	Emergency services capital outlay	Fund future capital outlay	9,344
General fund	Non-major	Reimbursement of expenditures	50,000
General fund	Capital Outlay	Fund future capital outlay	2,000,000
Non-major	General Fund	Reimbursement of expenditures	211,034
General fund	Non-major	Fund parks and recreation fund	<u>1,000,000</u>
Total Transfers			<u>\$ 4,730,378</u>



JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

E. Changes in long term debt:

Changes in General Long-Term Liabilities

Governmental Activities									
Beginning Balance	\$ 243,007	Additions	\$ 158,594	Reductions	\$ -	Ending Balance	\$ 401,601	Due within One year	\$ -
Compensated absences	\$ 243,007	\$ 158,594	\$ 158,594	-	\$ -	\$ 401,601	\$ 401,601		\$ -

F. Prior Period Adjustments:

The County restated the primary government's beginning accumulated depreciation by the following:

	Building	Equipment	Total
Accumulated depreciation as previously reported	\$ 1,095,178	\$ 1,474,942	\$ 2,570,120
Accumulated depreciation decreased by	(3,018)	(24,883)	(27,901)
Accumulated depreciation restated	\$ 1,092,160	\$ 1,450,059	\$ 2,542,219

The County restated the following governmental funds beginning fund balances as of July 1, 2004:

Major Funds:

General Fund:

Fund balance - beginning of year as previously reported	\$ 4,368,471
Items increased fund balance:	
Workmens compensation deposit	24,514
Prior year variance in bank reconciliation	25,437
E-911 fees	110,545
Property transfer taxes	93,577
Synthetic fuel taxes	40,000
Franchise revenue	63,721
Video lottery revenue	91,115
Total items increased fund balance	448,909
Items decreased fund balance:	
Workers compensation liability	(21,915)
Tax settlement	(279,046)
Regional jail expenditures	(74,475)
Total items decreased fund balance	(375,436)
Fund balance - beginning of year as restated	\$ 4,441,944



JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

Impact fee fund:

Fund balance - beginning of year as previously reported	\$ -
Impact fees collected prior to July 1, 2004	<u>427,756</u>
Fund balance - beginning of year as restated	<u><u>\$ 427,756</u></u>

Non-major funds:

Fund balance - beginning of year as previously reported	\$ 604,100
Transfer taxes collected prior to July 1, 2004	<u>93,577</u>
	<u><u>\$ 697,677</u></u>

G. 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 requirements

PERS members are required to contribute 4.5% of their annual covered salary and the County is required to contribute 10.5%. 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, 2005 were \$189,218 for employees' share and \$441,507 for employer's share.

Period to 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 of service times 2% equals the annual retirement benefit.



JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 of living adjustments or death benefits

For the fiscal year ended June 30, 2005 the annual cost was \$630,725 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 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 board members.

Authority establishing contribution obligations and benefit provisions

West Virginia State Code

Funding policy and contribution requirements

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, 2005 was \$58,675 for employees' share and \$72,482 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 10 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.



JEFFERSON COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005

Annual pension cost and amount contributed

For the fiscal year ended June 30, 2005 the annual cost was \$131,157 for all covered employees with a contributed percentage of 100%.

Trend information

Fiscal year	Public Employees' Retirement System (PERS)		Deputy Sheriff Retirement System (WVDRS)	
	Annual Cost	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2005	\$ 620,725	100%	\$ 131,157	100%
2004	\$ 540,892	100%	\$ 109,408	100%

PERS and WVDRS issue a publicly available finance report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305.

B. Risk Management

The government is exposed to various risk 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 for these various risk.

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

C. Commitments and contingencies

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

The amount, if any, of expenditure which may be disallowed by the grant or 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.



SUPPLEMENTAL INFORMATION



JEFFERSON COUNTY, WEST VIRGINIA
 BUDGETARY COMPARISON SCHEDULE -
 ASSESSOR'S VALUATION FUND

For the Fiscal Year Ended June 30, 2005

	Budget Amounts			Actual		Adjustments		Actual Amounts		Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Modified</u>	<u>Accrual Basis</u>	<u>Budget</u>	<u>Basis</u>	<u>Budget</u>	<u>Basis</u>	
Revenues:										
Other taxes	\$ 82,460	\$ 82,460	\$ 83,226	\$ 83,226	-	-	\$ 83,226	\$ 83,226	\$ 766	
Interest	3,299	3,299	3,625	3,625	-	-	3,625	3,625	326	
Total revenues	<u>85,759</u>	<u>85,759</u>	<u>86,851</u>	<u>86,851</u>	<u>-</u>	<u>-</u>	<u>86,851</u>	<u>86,851</u>	<u>1,092</u>	
Expenditures:										
General government	305,718	305,718	32,917	32,917	-	-	32,917	32,917	272,801	
Capital outlay	-	-	19,274	19,274	-	-	19,274	19,274	(19,274)	
Total expenditures	<u>305,718</u>	<u>305,718</u>	<u>52,191</u>	<u>52,191</u>	<u>-</u>	<u>-</u>	<u>52,191</u>	<u>52,191</u>	<u>253,527</u>	
Excess (deficiency) of revenues over expenditures	(219,959)	(219,959)	34,660	34,660	-	-	34,660	34,660	254,619	
Other financing uses										
Transfers out	-	-	(185,034)	(185,034)	-	-	(185,034)	(185,034)	(185,034)	
Excess (deficiency) of revenues over expenditures and other uses	(219,959)	(219,959)	(150,374)	(150,374)	-	-	(150,374)	(150,374)	69,585	
Fund balance at beginning of year	<u>219,966</u>	<u>219,966</u>	<u>213,934</u>	<u>213,934</u>	<u>-</u>	<u>-</u>	<u>213,934</u>	<u>213,934</u>	<u>(6,032)</u>	
Fund balance at end of year	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 63,560</u>	<u>\$ 63,560</u>	<u>-</u>	<u>-</u>	<u>\$ 63,560</u>	<u>\$ 63,560</u>	<u>\$ 63,553</u>	

See independent auditors' report.





CoxHollida LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson County, West Virginia, as of and for the year ended June 30, 2005, which collectively comprise The County's basic financial statements and have issued our report thereon, dated August 18, 2006. 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and responses as items 2005-1, through and 2005-7.

A material weakness is a reportable 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 caused by error or fraud 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 function. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness. However, we believe none of the reportable conditions described above are a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of reportable findings and responses as items 2005-8 through 2005-10.

We noted a certain matter that we reported to management of Jefferson County, West Virginia, in a separate letter dated September 14, 2006.

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

CoxFollida LLP

August 18, 2006

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2005

Internal Control

2005-1

Condition:

It was noted that the personnel files do not include approved pay rates.

Effect:

Approved pay rate forms provide support for authorized amounts to be paid to employees by the County.

Cause:

There is no support for employee pay rates.

Recommendation:

We recommend the County review all personnel files and update each file with authorized pay rates.

Audit Agency's Response:

We concur with the recommendation. Management has plans to include authorized pay rates in personnel files.

2005-2

Condition:

It was noted that the number of hours for one employee pay stub did not agree to the timesheet.

Effect:

Employee was not properly compensated.

Cause:

Payroll input was not reviewed by a supervisor and control totals were not being used.

Recommendation:

We recommend all payrolls be review by a supervisor and control totals to be used.

Audit Agency's Response:

We concur with the recommendation. Management has plans to correct internal control issues relating to payroll.



JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2005

- 2005-3 **Condition:**
We noted that several time sheets lacked a signature of a department supervisor for approval.
- Effect:**
Time sheets lack approval.
- Cause:**
All time sheets should be signed and dated by authorized personnel.
- Recommendation:**
We recommend all payrolls be signed by a department supervisor before this information be used for payroll.
- Audit Agency's Response:**
We concur with the recommendation. Management has plans to correct internal control issues relating to payroll.
- 2005-4 **Condition:**
The County has not adopted a standard documentation retention policy.
- Effect:**
Documentation supporting detail transactions are not being retained.
- Cause:**
No policy requiring documentation retention.
- Recommendation:**
We recommend the County to adopt a standard retention documentation policy.
- Audit Agency's Response:**
We concur with the recommendation. Management will consider adopting a standard documentation retention policy.

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2005

2005-5 Condition:

We noted a disbursement being made without a purchase order.

Effect:

County policy requires purchase orders for all non-routine expenditures.

Cause:

Disbursement without a purchase order.

Recommendation:

We recommend the County follow its policy for purchase orders.

Audit Agency's Response:

We concur with the recommendation. Management will adopt internal controls procedures to ensure purchase orders in compliance with County policy.

2005-6 Condition:

We noted a check number listed on a check did not agree to the check number listed in the Finance Department's records.

Effect:

Check number should agree between the preprinted on the check stock and the Finance Department's records. This ensures that check stock is being inventoried properly and allows the County to properly track expenditures.

Cause:

Number listed on check stock and the Finance Department did not agree.

Recommendation:

We recommend that all disbursement check runs be reviewed by a supervisor and check signers before being authorized.

Audit Agency's Response:

We concur with the recommendation. Management will consider adopting internal controls to ensure check runs are reviewed before authorization.



JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2005

2005-7 Condition:

We noted that the reconciled general ledger does not agree to the cash reconciliation statement produced by the software system.

Effect:

The summary of cash per general ledger does not agree to the reconciled balances.

Cause:

A software error.

Recommendation:

We recommend the County to investigate and correct this issue and put in place procedures to agree these balances on a monthly basis.

Audit Agency's Response:

We concur with the recommendation. Management will correct this variance and adopt internal controls to ensure that these items agree on a monthly basis.

Compliance

2005-8

Condition:

It was noted that personnel file was not complete with the required Federal form I-9.

Effect:

The Federal government requires all employees hired after November of 1986 to fill out the Federal form I-9. The County is not in compliance with the Federal government's requirements for obtaining employee information.

Cause:

Not all required payroll information is being retained as required by the Federal Government.

Recommendation:

We recommend the County review all personnel files to inventory and update all required information.

Audit Agency's Response:

We concur with the recommendation. Management has plans to correct compliance with personnel folders.

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2005

2005-9

Condition:

We noted that the County is carrying cash that may be required to be submitted to West Virginia Treasurer's Office as unclaimed property.

Effect:

Assets held by the County for others of whom the County cannot locate is required by State Code to be remitted to the West Virginia Treasurer's Office as unclaimed property.

Cause:

County is holding assets which is required to be remitted as unclaimed property.

Recommendation:

We recommend the County to review and remit these assets properly to the West Virginia Treasurer's Office as required by State Code.

Audit Agency's Response:

We concur with the recommendation. Management has plans to review these assets and will remit the proper amounts to the West Virginia State Treasurer's office as required by State Code.

2005-10

Condition:

Some of the County's deposits at June 30, 2005 were not covered by collateralization as required by West Virginia State Code.

Effect:

The County held deposits at June 30, 2005 in excess of collateralization.

Cause:

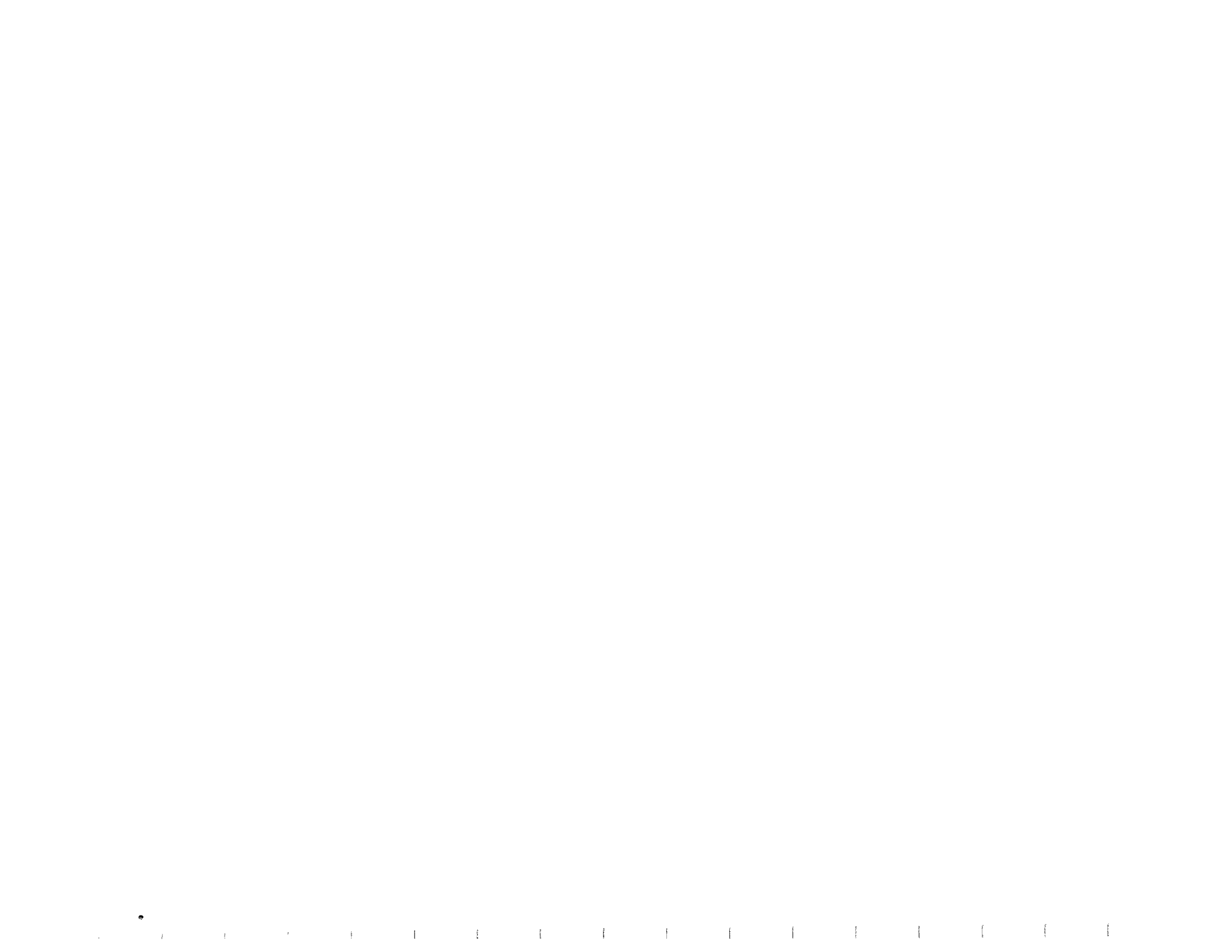
Public monies are not collateralized as required by state code and is exposed to custodial risk.

Recommendation:

We recommend the County review its deposits regularly and maintain adequate collateralization.

Audit Agency's Response:

We concur with the recommendation. Management will review its deposits regularly to ensure that adequate collateralization is kept.



JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2005

<u>Finding Number</u>	<u>Status of Prior Audit Findings</u>	<u>Prior year finding</u>	<u>Disposition</u>
03-A		Improper Suspension of Taxes	Corrected
03-H		Expenditures in Excess of Available Funds	Corrected
04-A		Improper Suspension of Taxes	Corrected
04-B		Expenditures in Excess of Available Funds	Corrected

