

**AUDIT REPORT OF
JEFFERSON COUNTY, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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JEFFERSON COUNTY, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax
County Capital Outlay
Impact Fees

NONMAJOR FUNDS

Special Revenue Funds

Dog and Kennel
General School
Magistrate Court
Worthless Check
Home Confinement
Federal Grants
State Grants
Flood Hazard Mitigation
Concealed Weapons
Waste Coal
Assessor's Valuation
Voters Registration
Prosecuting Attorney Drug Forfeiture
Law Enforcement Forfeiture
Farmland Protection Board
Jury and Witness
Subdivision Bond Forfeiture
Teen Court Program

Capital Project Funds

Bardane Public Health Center
Parks and Rec Land Development

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FIDUCIARY FUND TYPE

Agency Funds

State
School
Municipal
Other Agency

DISCRETELY PRESENTED COMPONENT UNITS

Jefferson County Historic Landmark Commission
Jefferson County Parks and Recreation
Jefferson County Board of Health
Jefferson County Farmland Protection Board
Jefferson County Development Authority
Jefferson County Emergency Services Agency

**JEFFERSON COUNTY, WEST VIRGINIA
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INTRODUCTORY SECTION

JEFFERSON COUNTY, WEST VIRGINIA
COUNTY OFFICIALS
For the Fiscal Year Ended June 30, 2016

OFFICE	NAME	TERM
<u>Elective</u>		
County Commission:	C. Dale Manuel	01-01-11 / 12-31-16
	Walt Pellish	01-01-11 / 12-31-16
	Jane Tabb	01-01-13 / 12-31-18
	Patsy Noland	01-01-15 / 12-31-20
	Eric Bell	01-01-15 / 06-30-16
Clerk of the County Commission:	Jennifer S. Maghan	01-01-11 / 12-31-16
Clerk of the Circuit Court:	Laura Storm	01-01-11 / 12-31-16
Sheriff:	Peter Dougherty	01-01-13 / 12-31-16
Prosecuting Attorney:	Ralph Lorenzetti	01-01-13 / 12-31-16
Assessor:	Angela Banks	01-01-13 / 12-31-16

FINANCIAL SECTION



State of West Virginia

John B. McCuskey

**State Auditor and
Chief Inspector**

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Jefferson County Commission
Charles Town, West Virginia 25414

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, West Virginia (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jefferson County Parks and Recreation, Jefferson County Farmland Protection Board, Jefferson County Emergency Services Agency and the Jefferson County Development Authority, which represent 85 percent, 79 percent and 80 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jefferson County Parks and Recreation, Jefferson County Farmland Protection Board, Jefferson County Emergency Services Agency and the Jefferson County Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

Management of the Jefferson County Parks and Recreation, a discretely presented component unit, did not implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* or GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Additionally, they did not maintain a detailed capital asset listing. Accounting principles generally accepted in the United States of America require the reporting of net pension liability, and related deferred inflows of resources, deferred outflows of resources, and expenses for pension plans, as well as the capitalization and depreciation of capital assets, which would increase the assets, deferred outflows, liabilities, deferred inflows, net position, and expenses of the Jefferson County Parks and Recreation. The amount by which this departure would affect the assets, deferred outflows, liabilities, deferred inflows, net position, and expenses of the aggregate discretely presented component units is not readily determinable.

Qualified Opinion

In our opinion, based on our audit and the report of other auditors, except for the possible effects of the matters described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for Jefferson County, West Virginia, as of June 30, 2016, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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 of Jefferson County, West Virginia, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-16, the Schedules of the Government's Proportionate Share of the Net Pension Liability and the Schedules of Government Contributions on pages 54-57 and the Schedule of Funding Progress and Schedule of Employer Contributions on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The budgetary comparison for the Assessor's Valuation Fund, the discretely presented component unit fund financial statements for the Jefferson County Historic Landmark Commission, and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

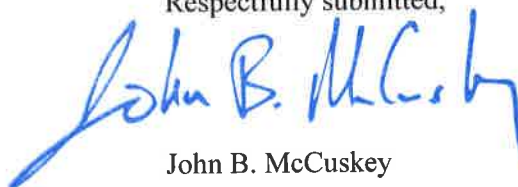
The budgetary comparison for the Assessor's Valuation Fund and the discretely presented component unit fund financial statements for the Jefferson County Historic Landmark Commission are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison for the Assessor's Valuation Fund and the discretely presented component unit fund financial statements for the Jefferson County Historic Landmark Commission are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Respectfully submitted,



John B. McCuskey
West Virginia State Auditor
Charleston, West Virginia

November 20, 2018

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

As management of Jefferson County, West Virginia (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. Additionally, this discussion and analysis is designed to identify changes in the County's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan or approved budget, and identify issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it is best read in conjunction with the County's financial statements.

Financial Highlights

- The County's assets exceeded its liabilities at the close of the most recent fiscal year by \$27.7 million (net position). Of the total net position, \$6.2 million (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$18.4 million is invested in capital assets with no related debt, and \$3.2 million is restricted for specific purposes at the end of FY2016 (restricted net position).
- At the end of the fiscal year, the County had no bonded long-term debt obligations.
- The General Fund, on a current financial resource basis, reported a surplus of revenues over expenditures and other financial sources and uses of \$1.3 million. According to WV Code §11-8-6e, the County is permitted to increase the Levy Rate each year without a public hearing as long as the levy rate increase doesn't result in an increase of more than 1% of the prior year projected property tax revenue. Fiscal year 2016 was the second consecutive year that the County approved a 0% property tax revenue increase. In FY 2016, the Class II Property levy rate was \$28.38 cents per \$100 of assessed value compared to \$28.08 cents per \$100 of assessed value in FY2015. Because the assessable base valuation increased by 2.7% or \$85 million (from \$3.1 billion in FY2015 to \$3.2 billion in FY2016), tax revenue increased by \$0.5 million from \$12.1 million in FY2015 to \$12.6 million in FY2016.
- At the end of the current fiscal year, the ending unassigned and assigned fund balance for the General Fund was \$5.4 million or 24.2% of total General Fund expenditures (excluding transfers to other funds). This represents almost 3 months of General Fund expenditures and complies with the County financial policy requiring a minimum fund balance of 16.67% of General Fund operating expenditures.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Part 1. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Analysis

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. There are two (2) basic statements in the government-wide financial statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the County's assets, deferred outflow of resources, liabilities, and deferred inflow of resources. The total of assets plus deferred outflows of resources less the total of liabilities and deferred inflow of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position and condition of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, engineering, buildings and equipment maintenance, and economic and community development. The County has no business-type activities.

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds; and fiduciary funds.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains twenty-four (24) total governmental funds with four (4) major individual governmental funds. The major governmental funds are: the General; Coal Severance Tax; Capital Outlay; and Impact Fees funds. Information is presented separately for all major governmental funds, and in the aggregate for nonmajor governmental funds, in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

The County adopts an annual appropriated budget for its individual General and Coal Severance Tax funds. Budgetary comparison statements are provided for the funds to demonstrate compliance with this budget. Budgetary comparison statements can be found on pages 24 and 25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 27 through 53.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 of this report.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Part 2. Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27.7 and \$25.4 million at the close of the current and previous fiscal years.

Jefferson County's Net Position

	Governmental Activities		Increase/(Decrease)
	2016	2015	2016 over 2015
Current and other assets	\$ 11,376,478	\$ 10,427,296	\$ 949,182
Restricted assets	2,522,342	1,944,699	577,643
Capital assets	18,363,047	18,689,683	(326,636)
Total assets	32,261,867	31,061,678	1,200,189
 Total deferred outflow of resources	 1,999,837	 1,384,881	 614,956
 Long-term liabilities outstanding	 4,422,673	 3,371,655	 1,051,018
Other liabilities	801,413	1,037,088	(235,675)
Total liabilities	5,224,086	4,408,743	815,343
 Total deferred inflow of resources	 1,312,155	 2,590,938	 (1,278,783)
 Net position:			
Net investment in capital assets	18,363,047	18,689,683	(326,636)
Restricted	3,175,396	1,831,457	1,343,939
Unrestricted	6,187,020	4,925,466	1,261,554
Total net position	\$ 27,725,463	\$ 25,446,606	\$ 2,278,857

The County's governmental activities net position increased by \$2.3 million in the current fiscal year. The increase is a result of the following: a \$660 thousand increase in cash and cash equivalents; a \$545 thousand increase in accounts receivable for ambulance service fee billings and intergovernmental receivables; \$577 thousand increase in restricted cash; \$428 thousand increase in asset investments for building improvements and equipment; offset by \$900 thousand increase in accumulated depreciation; offset by a \$1.0 million increase in the County's net pension liability; and the remainder is due to changes in deferred outflows and inflows of resources related to pensions.

Net position is divided into three categories – net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the County's net position reflects its investments in capital assets (e.g. land, buildings, vehicles, machinery and equipment) in the amount of \$18.4 million or 66.2%. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should also be noted that at the end of the current fiscal year, the County had no related debt for its capital assets.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Restricted net position represents 11.5% or \$3.1 million of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. The County's total unrestricted net position has a balance of \$6.2 million which represents 22.3% of total net positions. Unrestricted net position is used to meet the County's ongoing obligations to citizens, creditors, and employee pension plans.

Governmental activities: For the current fiscal year, total revenues for the governmental activities were \$26.2 million, while total expenses were \$23.9 million.

The following charts compare the revenue and expenses of the County's governmental activities:

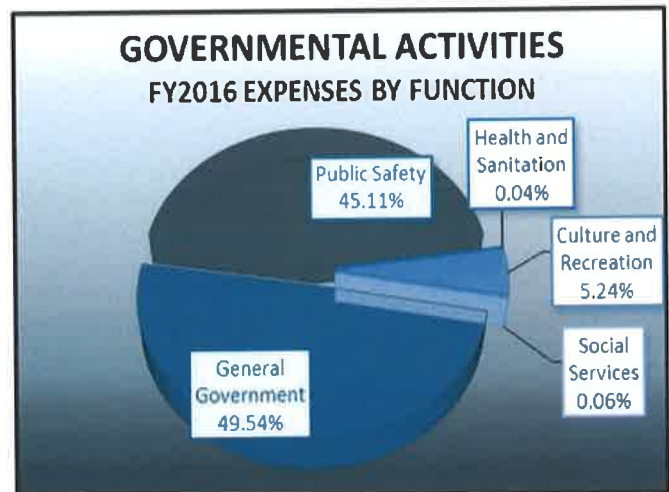
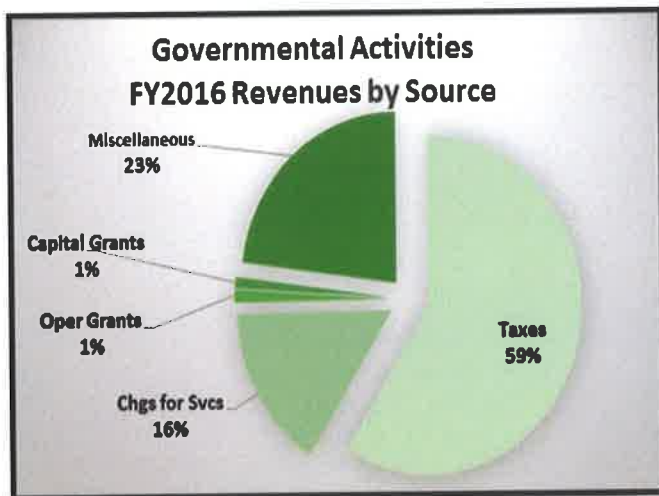
Jefferson County
Changes in Net Position
June 30, 2016 and 2015

	Governmental Activities		Increase/(Decrease)
	2016	2015	2016 over 2015
Revenues			
Program Revenues:			
Charges for services	\$ 5,479,973	\$ 3,764,598	\$ 1,715,375
Operating grants and contributions	310,533	925,751	(615,218)
Capital grants and contributions	279,671	3,181	276,490
General Revenues:			
Property taxes	12,588,991	12,141,652	447,339
Income and other taxes	2,882,073	1,486,747	1,395,326
Miscellaneous	4,633,495	8,667,326	(4,033,831)
Total Revenues	26,174,736	26,989,255	(814,519)
Expenses			
Program Expenses:			
General government	11,837,890	14,430,612	(2,592,722)
Public safety	10,779,786	10,198,071	581,715
Health and sanitation	10,138	16,015	(5,877)
Culture and recreation	1,253,310	1,217,776	35,534
Social services	14,755	22,525	(7,770)
Capital projects	--	506,633	(506,633)
Total Expenses	23,895,879	26,391,632	(2,495,753)
Change in net position	2,278,857	597,623	1,681,234
Net position-Beginning (restated, Note IV.H)	25,446,606	24,848,983	597,623
Net position-Ending	\$ 27,725,463	\$ 25,446,606	\$ 2,278,857

**JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016**

The increase in net position for governmental activities was \$2.3 million and can be largely attributed to the following:

- Property tax revenue increased by \$0.5 million in FY2016. The property tax increase resulted from a combination of slightly increasing assessments and modest new construction.
- Charges for services increased by \$1.7 million in FY2016. The increase is a result of increased billing by the Sheriff's office for security services provided to private organizations, and increased ambulance fee, franchise fee and 911 fee billings.
- General government expenses decreased by \$2.5 million as a result of the County's necessary adjustments for Statement of Net Positions. Please see the reconciliation schedule from the Governmental Funds to the Statement of Activities on page 23 for further details.
- The County provides a variety of services, and the largest expense is for General Government at 49.5% or \$11.8 million for FY16. General Government includes personnel and operating expenditures for departments like the County and Circuit Court Clerks, Assessor, Tax Office, Engineering, Planning, Zoning and Maintenance. Public Safety makes up the next largest component at 45.1% of FY16 total expenditures or \$10.8 million. Public Safety includes personnel and operating expenditures to maintain the County's police department, emergency services, and the 911 communications center.



Part 3. Financial Analysis of the Government's Funds

As noted earlier, Jefferson County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12.6 million, an increase of \$1.8 million from the prior year. Approximately 42.6% of the total fund balance (\$12.6 million) constitutes assigned and unassigned fund balance (\$5.3 million), which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed or is legally restricted. Fund balance allocation is as follows:

- 1) *Nonspendable* and *Restricted* fund balance represents amounts that are either otherwise not available for appropriation or legally restricted by outside parties for use for a specific purpose (\$0.1 million and \$3.2 million, respectively).
- 2) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Jefferson County Commissioners and would require action by that governing body to release the fund balance from its commitment (\$4.0 million).
- 3) *Assigned* and *Unassigned* fund balance represents amounts reserved for tentative management plans that are subject to change or are unreserved (\$3.9 million and \$1.4 million, respectively).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$5.3 million, while total fund balance equaled \$5.5 million. As a measure of the General Fund's liquidity, it is useful to compare the assigned and unassigned fund balance to total fund expenditures. Assigned and unassigned fund balance represents 24.2% of total General Fund expenditures or almost three (3) months of fiscal expenditures.

The fund balance of the General Fund increased by \$1.3 million during the current fiscal year. This increase is due to actual revenues in excess of expenditures. Below are some key elements for FY2016:

Revenue budgets were under approved or better than expected-

- Property taxes realized in FY2016 were \$0.4 million more than FY2015. The increase is a result of slightly higher than expected assessable base figures for both real estate and personal property taxes. Additionally, other taxes in FY2016 were \$0.2 million more than FY2015. Other taxes include hotel occupancy tax, and gas and oil severance tax. Increases in those tax types is an indication that the overall economic conditions in Jefferson County are favorable.
- Charges for services realized in FY2016 were \$0.5 million higher than in FY2015. The increase is a result of increased billing by the Sheriff's office for security services provided to private organizations, and increased ambulance fee, franchise fee and 911 fee receipts.

**JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016**

Expenditures (excluding transfers to other funds) were over budgeted or lower than expected-

- Wages and Benefits were \$0.3 million lower than budgeted. Management instituted a strict vacancy management procedure whereby all vacant positions were not immediately refilled and were evaluated for need prior to filling them.
- Expenditures for professional services, contracted services and regional jail fees were \$0.3 million less than originally budgeted.

The Coal Severance Tax fund accounts for activity from a severance tax placed on coal that is distributed to West Virginia counties and has a restricted fund balance of \$0.1 million. This fund balance is an increase of \$0.1 million from the prior year due to a decrease of \$0.1 million in public safety expenditures.

The Capital Outlay fund has a total fund balance of \$3.9 million. Of the total fund balance, certain amounts are restricted to indicate that it is not available for new spending because it has already been committed or is legally restricted for capital projects as follows:

- 1) Committed fund balance represents amounts that are reserved for a particular purpose by the County Commissioners and would require action by that governing body to release the fund balance from its commitment (\$3.9 million). Included in that \$3.9 million committed balance is \$2.0 million, which represents the County's minimum fund balance reserve required by financial policy. For use of funds in excess of the minimum fund balance reserve, a unanimous approval from the Commissioners is required to transfer monies from the Capital Outlay fund to an operating fund. Funds expended from the Capital Outlay fund for capital improvement projects require a majority approval of the Commissioners.

The Impact Fees fund has a total fund balance of \$2.5 million, an increase of \$0.7 million over FY2015. This increase is due to a decrease of \$2.1 million in expenditures offset by a \$1.4 million decrease in permit revenues. The Impact Fees fund balance is restricted by state statutes for schools, parks, fire and emergency medical services, and law enforcement capital capacity improvements.

Part 4. General Fund Budgetary Highlights

The difference between the original budget and the final amended budget in fiscal year 2016 increased by \$1.5 million. Following is a summary of budget changes for the current fiscal year:

<u>Description</u>	<u>General Fund Increase/(Decrease)</u>
General government expenditures	\$ 1,196,480
Public safety expenditures	254,227
Culture and recreation expenditures	85,500
Total	<u>\$ 1,536,207</u>

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

During the year, actual revenues were \$191,869 less than the amended budget. This variance was primarily due to: 1) Tax revenue was \$305,402 less than estimated expected; and, 2) offset by the accrual adjustment for ambulance fee billing which resulted in a favorable variance of \$190,703. Overall, total actual expenditures for the current fiscal year were \$5,428,343 less than the amended budget. Of that variance, wages and benefits were \$287,674 lower than the amended budget due to vacancy management.

Part 5. Capital Asset and Debt Administration

Capital assets. Jefferson County's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$18.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, structures and land improvements, machinery and equipment, vehicles, and construction in progress. The total net decrease in County's investment in capital assets for the current fiscal year was \$0.3 million. Depreciation expense totaled \$1.1 million. That was offset by \$0.1 million in new construction in progress for an electronic poll book system and a CAD system for the 911 communications center, \$0.3 million in improvements to structures, \$0.2 million in new vehicles and \$0.2 million in new equipment.

Jefferson County's Capital Assets
Net of Depreciation

	Governmental Activities		Increase/(Decrease) 2016 over 2015
	2016	2015	
Land	\$ 866,554	\$ 866,554	\$ --
Construction in progress	145,827	--	145,827
Buildings	13,497,030	13,985,087	(488,057)
Structures and improvements	1,929,198	1,742,397	186,801
Vehicles	306,305	313,663	(7,358)
Machinery and equipment	1,618,133	1,781,982	(163,849)
 Total capital assets	 \$ 18,363,047	 \$ 18,689,683	 \$ (326,636)

Additional information on the governmental activities capital assets can be found in Note IV. C., page 38-39 of this report.

**JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016**

Long-term debt. At the end of the current fiscal year, the County had no long-term bonded debt outstanding. Long-term liabilities presented on the government-wide financial statements relate to the County's net other post employment benefit obligations, net pension liability and compensated absences and are detailed below:

**Jefferson County Commission - Long Term Obligations
June 30, 2016 and 2015**

	Governmental Activities		Increase/(Decrease)
	2016	2015	2016 over 2015
Net Pension Liability	\$ 3,725,471	\$ 2,689,052	\$ 1,036,419
Net OPEB Liability (non-participating)	53,195	25,790	27,405
Accrued Obligations for			
Compensated Balances	644,007	656,813	(12,806)
	<u>\$ 4,422,673</u>	<u>\$ 3,371,655</u>	<u>\$ 1,051,018</u>

Part 6. Economic Factors and Next Year's Budget and Rates

In FY16, the County's Property Tax Levy Rate was approaching the maximum levy rate allowed by State law. The decision in FY16 to implement a 0% property tax revenue increase has better positioned the County financially for future years and continues to remain a key factor for future revenue planning. Additionally, the County's assessable base decreased from \$4.0 billion in FY2009 to a low of \$3.0 billion in FY2014. The County is beginning to realize assessable base increases due to new construction and modest economic improvement. In FY2016, the County's assessable base was \$3.2 billion.

The FY17 budget will continue to focus on reducing the County's reliance on gambling revenues in its General Fund operating budget by cutting expenditures, transferring excess to capital outlay, diversifying revenues and re-evaluating existing revenues to ensure that the cost of providing services is being covered by fees being charged for those services. From FY2012 to FY2016, gambling revenue decreased from \$5.9 million to \$4.1 million (30.5%) which is approximately \$1.8 million annually in decreased revenue. The reduction resulted from legislation enacted in nearby Maryland which allowed gambling casinos to open and operate. Revenue assumptions for FY17 and FY18 will include additional decreases in gambling revenue in response to the anticipated opening of a new casino in National Harbor by the end of the calendar year 2016.

Due to decreases in revenues, employees have not received regular annual increases for merit or cost of living adjustments; and, the County has absorbed the brunt of medical insurance premium increases. The Commission recognizes that employees are one of its most valuable assets and recognition of the service provided by County employees will need to be built into future expenditure projections through cost of living adjustments.

Other fiduciary measures will include reductions in discretionary spending by departments, streamlining departments with overlapping functions to create efficiencies and cost savings, and planning for future capital outlay needs. Doing so will provide for a more sustainable future for the County.

JEFFERSON COUNTY, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

A complete copy of the County's budget is available with additional details on our web site at www.jeffersoncountywv.org

Requests for Information

This financial report is designed to provide a general overview of Jefferson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, Jefferson County, 124 East Washington Street, Charles Town, WV 25414 or by telephone at (304) 724-3284. Complete financial reports are also available on our web site, www.jeffersoncountywv.org

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

	Primary	Component Units					
	Government						
	Governmental	Historic	Parks and	Board of	Farmland	Development	Emergency
	Activities	Landmark	Recreation	Health	Protection	Authority	Services
		Commission			Board		Agency
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 9,968,487	\$ 16,431	\$ 317,266	\$ 1,236,715	\$ 2,381,426	\$ 686,548	\$ 1,068,036
Receivables:							
Taxes	685,672	--	--	--	--	--	--
Accounts	349,677	--	3,360	71,393	--	307,204	22,610
Transfer taxes	--	--	--	--	93,942	--	--
Legal retainer	--	--	--	--	3,000	--	--
Due from:							
Other governments	299,899	--	--	--	--	--	--
Inventory, at cost	5,224	--	--	--	--	--	--
Prepaid expenses	67,519	--	--	5,174	--	2,875	18,839
Total current assets	<u>11,376,478</u>	<u>16,431</u>	<u>320,626</u>	<u>1,313,282</u>	<u>2,478,368</u>	<u>996,627</u>	<u>1,109,485</u>
Noncurrent assets:							
Restricted assets:							
Restricted cash	2,522,342	--	322,811	--	--	38,433	--
Other asset - agriculture development	--	--	--	--	--	202	--
Capital assets:							
Nondepreciable:							
Land	866,554	966,333	688,335	--	--	6,354,574	550,000
Construction in progress	145,827	--	468,994	--	--	--	--
Intangibles, net of accumulated amortization	--	--	--	--	--	31,450	--
Depreciable:							
Buildings	19,024,780	80,499	--	--	--	--	1,366,998
Structures and improvements	2,441,972	--	--	--	--	--	--
Office furniture	--	--	--	11,090	--	--	--
Furniture, fixtures and equipment	--	--	--	--	--	36,088	--
Vehicles	1,864,746	--	--	--	--	--	--
Machinery and equipment	7,263,285	--	239,547	19,629	--	--	539,462
Leasehold improvements	--	--	--	6,933	--	--	--
Less: accumulated depreciation	<u>(13,244,117)</u>	<u>(14,735)</u>	<u>(125,594)</u>	<u>(25,785)</u>	<u>--</u>	<u>(21,385)</u>	<u>(741,236)</u>
Total noncurrent assets	<u>20,885,389</u>	<u>1,032,097</u>	<u>1,594,093</u>	<u>11,867</u>	<u>--</u>	<u>6,439,362</u>	<u>1,715,224</u>
Total assets	<u>32,261,867</u>	<u>1,048,528</u>	<u>1,914,719</u>	<u>1,325,149</u>	<u>2,478,368</u>	<u>7,435,989</u>	<u>2,824,709</u>
DEFERRED OUTFLOWS							
Changes in proportion and differences between employer contributions and proportionate share of contributions	114,190	--	--	86,886	--	--	9,214
Employer contributions subsequent to measurement period	1,241,189	--	--	57,648	--	--	126,197
Difference between expected and actual experience	644,458	--	--	40,937	--	--	--
Net difference between projected and actual investment earnings on pension plan investments	--	--	--	--	--	--	55,080
Total deferred outflows of resources	<u>1,999,837</u>	<u>--</u>	<u>--</u>	<u>185,471</u>	<u>--</u>	<u>--</u>	<u>190,491</u>

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

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

	Component Units						
	Primary Government						
	Governmental Activities	Historic Landmark Commission	Parks and Recreation	Board of Health	Farmland Protection Board	Development Authority	Emergency Services Agency
LIABILITIES							
Current liabilities payable							
from current assets:							
Accounts payable	\$ 331,558	\$ --	\$ 38,146	\$ 12,985	\$ --	\$ 128	\$ 27,844
Refunds payable	226	--	--	--	--	--	--
Payroll payable	169,582	--	--	7,940	--	--	53,430
Other accrued expenses	--	--	16,674	--	--	--	--
Interest payable	--	--	--	--	--	172,341	1,161
OPEB payable	--	--	86,844	198,293	--	--	--
Due to:							
Other governments	272,766	--	--	--	--	10,678	--
Unearned revenues:							
Ambulance service fees	27,281	--	--	--	--	--	--
Noncurrent liabilities:							
Notes payable - due within one year	--	--	--	--	--	155,214	29,880
Notes payable - due in more than one year	--	--	--	--	--	4,918,251	1,118,901
Net pension liability	3,725,471	--	--	200,192	--	--	109,671
OPEB payable (non-participating)	53,195	--	--	--	--	--	--
Compensated absences payable	644,007	--	--	31,102	--	--	45,667
Total liabilities	5,224,086	--	141,664	450,512	--	5,256,612	1,386,554
DEFERRED INFLOWS							
Net difference between projected and actual investment earnings on pension plan investments	791,078	--	--	43,892	--	--	93,472
Changes in proportion and differences between employer contributions and proportionate share of contributions	158,563	--	--	--	--	--	26,826
Deferred difference in assumptions	362,514	--	--	24,076	--	--	--
Difference between expected and actual experience	--	--	--	--	--	--	32,629
Total deferred inflows of resources	1,312,155	--	--	67,968	--	--	152,927
NET POSITION							
Net investment in capital assets	18,363,047	1,032,097	1,271,282	11,867	--	14,703	566,443
Restricted for:							
General government	362,449	--	--	--	--	--	--
Capital projects	--	--	322,811	--	--	--	--
Schools	2,300,300	--	--	--	--	--	--
Health and sanitation	130,331	--	--	--	--	--	--
Culture and recreation	59,366	--	--	--	--	--	--
Public safety	322,950	--	--	--	--	--	--
Agriculture development and coalbed severance	--	--	--	--	--	38,635	--
Debt service	--	--	--	--	--	--	81,000
Unrestricted	6,187,020	16,431	178,962	980,273	2,478,368	2,126,039	828,276
Total net position	\$ 27,725,463	\$ 1,048,528	\$ 1,773,055	\$ 992,140	\$ 2,478,368	\$ 2,179,377	\$ 1,475,719

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, 2016

Program Revenues				Net (Expense) Revenues and Changes in Net Position						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units						
				Primary	Historic Landmark Commission	Parks and Recreation	Board of Health	Farmland Protection Board	Development Authority	Emergency Services Agency
Functions / Programs										
Primary government:										
Governmental activities:										
General government	\$ 11,837,890	\$ 2,554,175	\$ 100,000	\$ (9,102,273)						
Public safety	10,779,786	2,925,798	179,671	(7,445,226)						
Health and sanitation	10,138	--	--	(10,138)						
Culture and recreation	1,253,310	--	--	(1,253,310)						
Social services	14,755	--	--	(14,755)						
Total primary government	\$ 23,895,879	\$ 5,479,973	\$ 279,671	(17,825,702)						
Component units:										
Historic Landmark Commission	138,205	2,830	302,398	--	\$ 172,023	\$ --	\$ --	\$ --	\$ --	\$ --
Parks and Recreation	1,111,668	565,982	602,022	--	--	56,336	--	--	--	--
Board of Health	992,635	328,475	--	--	--	--	(117,561)	--	--	--
Farmland Protection Board	108,905	--	--	--	--	--	--	(103,008)	--	--
Development Authority	750,036	--	--	--	--	--	--	--	(276,810)	--
Emergency Services Agency	2,189,754	20,750	--	--	--	--	--	--	--	160,308
Total component units	\$ 5,291,203	\$ 918,037	\$ 904,420	--	172,023	56,336	(117,561)	(103,008)	(276,810)	160,308
General revenues:										
Ad valorem property taxes				12,588,991	--	--	--	--	--	--
Alcoholic beverages tax				36,831	--	--	--	--	--	--
Hotel occupancy tax				652,945	18,640	--	--	--	--	--
Animal tax				26,189	--	--	--	--	--	--
Gas and oil severance tax				95,320	--	--	--	--	--	--
Other taxes				1,936,926	--	--	--	697,107	--	--
Coal severance tax				133,862	--	--	--	--	--	--
Unrestricted investment earnings				65,007	--	3,098	6,193	13,182	4,898	2,728
Refunds				204,280	--	--	--	--	--	--
Gain on sale of capital assets				25,859	--	--	--	--	--	--
Gaming income				853,011	--	--	--	--	--	--
Video lottery				3,263,262	--	--	--	--	--	--
Miscellaneous				222,076	49	--	5,555	--	--	1,670
Contributions and donations				--	--	--	--	6,321	--	--
Total general revenues				20,104,559	18,689	3,098	11,748	716,610	4,898	4,398
Change in net position				2,278,857	190,712	59,434	(105,813)	613,602	(271,912)	164,706
Net position - beginning (restated, Note IV.H.)				25,446,606	857,816	1,713,621	1,097,953	1,864,766	2,451,289	1,311,013
Net position - ending				\$ 27,725,463	\$ 1,048,528	\$ 1,773,055	\$ 992,140	\$ 2,478,368	\$ 2,179,377	\$ 1,475,719

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

JEFFERSON COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Coal Severance	County Capital Outlay	Impact Fees	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS						
Assets:						
Current:						
Cash and cash equivalents	\$ 5,372,779	\$ 106,187	\$ 4,119,518	\$ --	\$ 370,003	\$ 9,968,487
Receivables:						
Taxes	685,672	--	--	--	--	685,672
Accounts	349,677	--	--	--	--	349,677
Due from:						
Other funds	38,945	--	5,800	--	209,323	254,068
Other governments	252,272	24,144	--	--	23,483	299,899
Inventory, at cost	5,224	--	--	--	--	5,224
Prepaid expenses	66,267	--	--	--	1,252	67,519
Restricted cash	--	--	--	2,522,342	--	2,522,342
Total assets and deferred outflows of resources	\$ 6,770,836	\$ 130,331	\$ 4,125,318	\$ 2,522,342	\$ 604,061	\$ 14,152,888
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	310,687	--	--	--	20,871	331,558
Refunds payable	226	--	--	--	--	226
Payroll payable	169,582	--	--	--	--	169,582
Due to:						
Other funds	13,504	--	202,233	--	38,331	254,068
Other governments	267,766	--	--	--	5,000	272,766
Unearned revenue:						
Ambulance service fees	27,281	--	--	--	--	27,281
Total liabilities	789,046	--	202,233	--	64,202	1,055,481
Deferred Inflows:						
Unavailable revenue - taxes	530,903	--	--	--	--	530,903
Total deferred inflows of resources	530,903	--	--	--	--	530,903
Fund balances:						
Nonspendable	71,491	--	--	--	1,252	72,743
Restricted	--	130,331	--	2,522,342	522,723	3,175,396
Committed	--	--	3,923,085	--	37,984	3,961,069
Assigned	3,941,054	--	--	--	--	3,941,054
Unassigned	1,438,342	--	--	--	(22,100)	1,416,242
Total fund balances	5,450,887	130,331	3,923,085	2,522,342	539,859	12,566,504
Total liabilities, deferred inflows and fund balances	\$ 6,770,836	\$ 130,331	\$ 4,125,318	\$ 2,522,342	\$ 604,061	\$ 14,152,888

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

JEFFERSON COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances on the governmental fund's balance sheet	\$ 12,566,504
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. (Note IV.C.)	18,363,047
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. (Note IV.B.)	530,903
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note II.A., IV.F.)	(4,422,673)
Deferred inflows and outflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level:	
Deferred outflow (inflow) - Changes in employer portion and differences between contributions and proportionate share of pension expense. (Note VI.)	(44,373)
Deferred outflow - Employer contributions to pension plan after measurement date. (Note VI.)	1,241,189
Deferred inflow - Differences between projected and actual investment earnings. (Note VI.)	(791,078)
Deferred outflow - Differences between expected and actual experience. (Note VI.)	644,458
Deferred inflow - Difference in assumptions. (Note VI.)	<u>(362,514)</u>
Net position of governmental activities	<u><u>\$ 27,725,463</u></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 -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund	Coal Severance	County Capital Outlay	Impact Fees	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Ad valorem property taxes	\$ 12,559,112	\$ --	\$ --	\$ --	\$ --	\$ 12,559,112
Alcoholic beverages tax	36,831	--	--	--	--	36,831
Hotel occupancy tax	652,945	--	--	--	--	652,945
Animal tax	--	--	--	--	26,189	26,189
Gas and oil severance tax	95,320	--	--	--	--	95,320
Amusement tax	12,545	--	--	--	--	12,545
Other taxes	664,414	--	--	--	1,241,269	1,905,683
Coal severance tax	--	133,862	--	--	--	133,862
Licenses and permits	241,604	--	--	1,033,068	70,620	1,345,292
Intergovernmental:						
Federal	183,115	--	--	--	96,696	279,811
State	--	--	--	--	329,091	329,091
Charges for services	3,648,367	--	--	--	103,110	3,751,477
Fines and forfeits	112,660	--	--	--	270,544	383,204
Interest and investment earnings	30,916	378	22,660	10,518	535	65,007
Refunds	198,820	--	--	--	5,460	204,280
Gaming income	853,011	--	--	--	--	853,011
Video lottery	3,263,262	--	--	--	--	3,263,262
Miscellaneous	197,865	--	--	--	24,211	222,076
Total revenues	22,750,787	134,240	22,660	1,043,586	2,167,725	26,118,998
EXPENDITURES						
Current:						
General government	10,717,855	--	1,890	352,701	1,390,345	12,462,791
Public safety	10,330,492	--	--	--	133,634	10,464,126
Health and sanitation	--	10,138	--	--	--	10,138
Culture and recreation	1,150,983	--	--	--	--	1,150,983
Social services	10,275	--	--	--	4,480	14,755
Capital outlay	--	--	239,910	--	66,202	306,112
Total expenditures	22,209,605	10,138	241,800	352,701	1,594,661	24,408,905
Excess (deficiency) of revenues over expenditures	541,182	124,102	(219,140)	690,885	573,064	1,710,093
OTHER FINANCING SOURCES (USES)						
Transfers in	732,982	--	5,800	--	207,018	945,800
Transfers (out)	(12,475)	--	(200,343)	--	(732,982)	(945,800)
Proceeds from the sale of assets	22,800	--	--	--	--	22,800
Total other financing sources (uses)	743,307	--	(194,543)	--	(525,964)	22,800
Net change in fund balances	1,284,489	124,102	(413,683)	690,885	47,100	1,732,893
Fund balances - beginning (restated, Note IV.H.)	4,166,398	6,229	4,336,768	1,831,457	492,759	10,833,611
Fund balances - ending	\$ 5,450,887	\$ 130,331	\$ 3,923,085	\$ 2,522,342	\$ 539,859	\$ 12,566,504

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, 2016

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

Net change in fund balances - total governmental funds	\$ 1,732,893
Capital outlays are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year. (Note IV.C.)	812,654
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year. (Note IV.C.)	(1,123,849)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (Note IV.C.)	(15,441)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between prior and current year unavailable revenues.	29,879
Prior year unavailable revenues:	501,024
Current year unavailable revenues:	530,903
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB 68 (Note VI).	
Amount of pension expenditures at fund level, contributions subsequent to measurement date.	1,241,189
PERS: 1,033,926	
DSRS: 207,263	
Amount of pension expenses recognized at government-wide level.	(383,869)
PERS: (347,404)	
DSRS: (36,465)	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note II.B., IV.F.)	(14,599)
Change in net position of governmental activities	\$ <u>2,278,857</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 BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Ad valorem property taxes	\$ 12,877,514	\$ 12,864,514	\$ 12,559,112	\$ (305,402)
Alcoholic beverages tax	32,000	36,000	36,831	831
Hotel occupancy tax	549,500	635,000	652,945	17,945
Gas and oil severance tax	41,000	95,000	95,320	320
Amusement tax	12,686	12,686	12,545	(141)
Other taxes	598,000	664,000	664,414	414
Licenses and permits	200,196	300,196	241,604	(58,592)
Intergovernmental:				
Federal	172,138	172,138	183,115	10,977
Charges for services	3,195,668	3,442,168	3,632,871	190,703
Fines and forfeits	95,000	95,000	112,660	17,660
Interest and investment earnings	20,290	20,290	30,916	10,626
Refunds	277,873	299,873	198,820	(101,053)
Contributions and donations	--	14,800	--	(14,800)
Miscellaneous	3,927,653	4,335,083	4,329,634	(5,449)
Total revenues	21,999,518	22,986,748	22,750,787	(235,961)
EXPENDITURES				
Current:				
General government	13,147,390	13,327,638	10,717,855	2,609,783
Public safety	10,344,618	10,598,845	10,330,492	268,353
Culture and recreation	1,057,160	1,142,660	1,150,983	(8,323)
Social services	10,275	10,275	10,275	--
Total expenditures	24,559,443	25,079,418	22,209,605	2,869,813
Excess (deficiency) of revenues over expenditures	(2,559,925)	(2,092,670)	541,182	2,633,852
OTHER FINANCING SOURCES (USES)				
Transfers in	714,698	700,740	732,982	32,242
Transfers (out)	(1,554,773)	(2,571,005)	(12,475)	2,558,530
Proceeds from the sale of assets	--	10,950	22,800	11,850
Total other financing sources (uses)	(840,075)	(1,859,315)	743,307	2,602,622
Net change in fund balance	(3,400,000)	(3,951,985)	1,284,489	5,236,474
Fund balance - beginning	3,400,000	3,951,985	4,166,398	214,413
Fund balance - ending	\$ --	\$ --	\$ 5,450,887	\$ 5,450,887

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 BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Coal severance tax	\$ 145,000	\$ 143,771	\$ 133,862	\$ (9,909)
Interest and investment earnings	250	250	378	128
	<u>145,250</u>	<u>144,021</u>	<u>134,240</u>	<u>(9,781)</u>
Total revenues				
EXPENDITURES				
Current:				
General government	135,250	135,250	--	135,250
Health and sanitation	15,000	15,000	10,138	4,862
	<u>150,250</u>	<u>150,250</u>	<u>10,138</u>	<u>140,112</u>
Total expenditures				
Net change in fund balance	(5,000)	(6,229)	124,102	130,331
Fund balance - beginning	5,000	6,229	6,229	--
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 130,331</u>	<u>\$ 130,331</u>

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

JEFFERSON COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Non-pooled cash	\$ <u>1,238,961</u>
Total cash	<u>1,238,961</u>
Receivables:	
Taxes	<u>2,329,459</u>
Total receivables	<u>2,329,459</u>
Total assets	\$ <u><u>3,568,420</u></u>
LIABILITIES	
Due to: other governments	<u>3,568,420</u>
Total liabilities	\$ <u><u>3,568,420</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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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 County Clerk's office maintains the accounting system for the County's operations. The operations of the County as a whole, however, including all the Constitutional offices, have been combined in these financial statements.

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

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

Discretely Presented Component Units

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

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The *Jefferson County Board of Health* serves citizens of Jefferson County and is governed by a five-member board appointed by the County 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.

The *Jefferson County Development Authority* serves Jefferson County, West Virginia, and is governed by a board comprised of fifteen members appointed by the County Commission. The Jefferson County Development Authority was created to promote, develop and advance the business prosperity and economic welfare of the county and also provides services to external parties.

The *Jefferson County Parks and Recreation* serves all citizens of Jefferson County by establishing, improving, developing, administering, operating and maintaining a county public parks and recreation system or public recreational facilities and is governed by an eleven-member board appointed by the County Commission. The County provides financial support to Parks and Recreation on an annual basis.

The *Jefferson County Farmland Protection Board* serves all citizens of Jefferson County by promoting the protection of agriculture with the county and is governed by a seven member board appointed by the County Commission. The County provides financial support to the board on an annual basis.

The *Jefferson County Historic Landmark Commission* serves all citizens of Jefferson County by identifying, studying, preserving and protecting historic buildings and structures, sites and districts, and is governed by a five-member board appointed by the County Commission. The County provides financial support to the Commission.

The *Jefferson County Emergency Services Agency* serves all citizens of Jefferson County by providing emergency ambulance services and is governed by a nine member board appointed by the County Commission. The County provides financial support to the Agency on an annual basis.

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

B. Government-wide and Fund Financial Statements

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

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and collectible. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 *Impact Fees fund*, a special revenue fund, accounts for revenues collected for schools, parks, fire, EMS and law enforcement capacity improvements.

The *County Capital Outlay fund*, a capital projects fund, accounts for revenues and expenditures related to capital outlay expenditures of the county.

Additionally, the government reports the following fund types:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

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

1. Deposits and Investments

Jefferson County, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property Tax Receivable

The property tax receivable allowance is equal to 23 percent of the property taxes outstanding at June 30, 2016.

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.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 were as follows:

<u>Class of Property</u>	<u>Assessed Valuation For Tax Purposes</u>	<u>Current Expense</u>
Class I	\$ --	14.19 cents
Class II	1,977,898,240	28.38 cents
Class III	851,651,539	56.76 cents
Class IV	376,990,644	56.76 cents

3. Inventories and Prepaid Items

Inventory cost is calculated by the first-in-first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Restricted Assets

Certain assets of the Impact Fees fund, a special revenue fund, are classified as restricted assets because their use is restricted by state statutes.

5. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 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.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

<u>Asset</u>	<u>Straight-line Years</u>	<u>Inventory Purposes</u>	<u>Capitalize/ Depreciate</u>
Land	not applicable	\$ 1	\$ Capitalize only
Land improvement	20 to 30 years	1	10,000
Building	35 years	1	10,000
Building improvements	20 to 25 years	1	10,000
Construction in progress	not applicable	1	Capitalize only
Equipment	5 to 10 years	1,000	10,000
Vehicles	5 to 10 years	1,000	10,000

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

No liability is reported for unpaid accumulated sick leave.

7. Deferred Outflows/Inflows of Resources

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

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

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

8. Fund Balances

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

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

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

The County has adopted a minimum fund balance policy that requires management to maintain a general fund balance of a minimum of 16.67% of general fund operating expenditures. If the general fund balance falls below this amount, then the County shall adopt a plan to restore this balance to the minimum level within 24 months.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

9. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS); Deputy Sheriffs Retirement System (DSRS), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the PERS and DSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 Position

The governmental fund Balance Sheet includes a reconciliation between fund balance total governmental funds and net position-governmental activities as reported in the government-wide Statement of Net Position. 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." The details of this difference are as follows:

Other postemployment benefits - non participating	\$ (53,195)
Compensated absences	(644,007)
Net pension liability	<u>(3,725,471)</u>
Net adjustment to decrease fund balance -total governmental funds to arrive at net assets-governmental activities	<u>\$ (4,422,673)</u>

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

Compensated absences	\$ 12,806
Other postemployment benefits - non participating	<u>(27,405)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (14,599)</u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Jefferson County, West Virginia prepares its budget on the modified accrual basis of accounting.

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 28th for approval. The County Commission then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year.

<u>Description</u>	<u>General Fund Amount</u>
General government expenditure increase	\$ 180,248
Public safety expenditure increase	254,227
Culture and recreation expenditure increase	85,500

B. Deficit Fund Equity

The General School fund had a deficit fund balance of \$22,100 as of June 30, 2016. Money was transferred to the General fund to reimburse regional jail expenditures in excess of available funds. The deficit will be corrected in the next fiscal year by decreasing the reimbursement transfer.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government's policy for custodial credit risk is to comply with statutory provisions for depository bond coverage, which provides that no public money should be deposited until the banking institution designated executes a bond with good and sufficient sureties which may not be less than the maximum sum that is deposited in the depository at any one time.

At year end, the government's bank balances were \$13,729,790. The bank balance was collateralized by federal depository insurance or with securities held by the pledging financial institution's trust department or agent in the government's name.

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

Cash and cash equivalents	\$ 13,729,790
Total	<u>\$ 13,729,790</u>
Cash and cash equivalents	\$ 9,968,487
Cash and cash equivalents-restricted	<u>3,761,303</u>
Total	<u>\$ 13,729,790</u>

At year end, the Historic Landmark Commission's bank balances were \$ 16,431. The bank balance was collateralized by federal depository insurance.

B. Receivables

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

	<u>General</u>	<u>Fiduciary</u>
Receivables:		
Accounts	\$ 349,677	\$ --
Taxes	<u>889,427</u>	<u>3,021,739</u>
Gross receivables	<u>1,239,104</u>	<u>3,021,739</u>
Less: Allowance for uncollectible	<u>(203,755)</u>	<u>(692,280)</u>
Net total receivables	<u>\$ 1,035,349</u>	<u>\$ 2,329,459</u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

	Liabilities - Unearned	Deferred Inflows - Unavailable
Delinquent property taxes receivable (General Fund)	\$ --	\$ 530,903
Ambulance fees collected in advance (General Fund)	27,281	--
Total unavailable/unearned revenue for governmental funds	<u>\$ 27,281</u>	<u>\$ 530,903</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 866,554	\$ --	\$ --	\$ 866,554
Construction in progress	--	145,827	--	145,827
Total capital assets not being depreciated	<u>866,554</u>	<u>145,827</u>	<u>--</u>	<u>1,012,381</u>
Capital assets being depreciated:				
Buildings and improvements	19,024,780	--	--	19,024,780
Structures and improvements	2,141,827	300,145	--	2,441,972
Machinery and equipment	7,063,940	199,345	--	7,263,285
Vehicles	1,936,482	167,337	(239,073)	1,864,746
Less: Total accumulated depreciation	<u>(12,343,900)</u>	<u>(1,123,849)</u>	<u>223,632</u>	<u>(13,244,117)</u>
Total capital assets being depreciated, net	<u>17,823,129</u>	<u>(457,022)</u>	<u>(15,441)</u>	<u>17,350,666</u>
Governmental activities capital assets, net	<u>\$ 18,689,683</u>	<u>\$ (311,195)</u>	<u>\$ (15,441)</u>	<u>\$ 18,363,047</u>

The June 30, 2015 ending balance in structures and improvements and corresponding accumulated depreciation was restated to accurately reflect the County's capital assets.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

Governmental activities:	
General government	\$ 336,479
Public safety	685,044
Culture and recreation	<u>102,326</u>
Total depreciation expense-governmental activities	<u>\$ 1,123,849</u>

Construction in Progress

The County has active construction projects as of the fiscal year ended June 30. The projects include the purchase of election equipment and 911 communication equipment. At year end, the amounts for governmental activities spent-to-date are as follows:

<u>Project</u>	<u>Funded</u>	<u>Spent-to Date</u>
Election equipment	County Capital Outlay fund	\$ 86,025
911 communication equipment	County Capital Outlay fund	<u>59,802</u>
		<u>\$ 145,827</u>

Discretely Presented Component Unit

Activity related to capital assets for the Historic Landmark Commission for the fiscal year ended June 30, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land	\$ 772,333	\$ 194,000	\$ --	\$ 966,333
Total capital assets not being depreciated	<u>772,333</u>	<u>194,000</u>	<u>--</u>	<u>966,333</u>
Capital assets, being depreciated:				
Buildings	80,499	--	--	80,499
Less: accumulated depreciation	<u>(12,723)</u>	<u>(2,012)</u>	<u>--</u>	<u>(14,735)</u>
Total capital assets being depreciated	<u>67,776</u>	<u>(2,012)</u>	<u>--</u>	<u>65,764</u>
Total capital assets, net	<u>\$ 840,109</u>	<u>\$ 191,988</u>	<u>\$ --</u>	<u>\$ 1,032,097</u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Jury & Witness	General County	Reimbursement	\$ 34,187
County Capital Outlay	General County	Reimbursement	1,889
General County	County Capital Outlay	Capital outlay reimbursement	5,800
General County	Assessor's Valuation	Reimbursement	6,675
General County	State Grants	Grant reimbursement	1,030
Home Confinement	Dog and Kennel	Correct error in deposit	1,275
Magistrate Court	General County	Reimbursement	2,869
County Capital Outlay	State Grants	Grant reimbursement	200,343
Total			<u>\$ 254,068</u>

Interfund Transfers:

<u>Transferred from:</u>	<u>Transferred to:</u>	<u>Purpose</u>	<u>Amount</u>
Assessor's Valuation	General County	Payroll reimbursement	\$ 443,209
Dog and Kennel	General County	Payroll reimbursement	33,936
General School	General County	Expense reimbursement	219,218
County Capital Outlay	State Grant	Grant match	200,343
Magistrate Court	General County	Rent	36,619
General County	Assessor's Valuation	Payroll reimbursement overage	6,675
General County	County Capital Outlay	Capital outlay	5,800
Total			<u>\$ 945,800</u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

E. Fund Balance Detail

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

	General Fund	Coal Severance Fund	County Capital Outlay	Impact Fees
Nonspendable:				
Inventory	\$ 5,224	\$ --	\$ --	\$ --
Prepaid	66,267	--	--	--
Restricted:				
General government	--	--	--	--
Public safety	--	--	--	162,676
Health and sanitation	--	130,331	--	--
Culture and recreation	--	--	--	59,366
Schools	--	--	--	2,300,300
Committed:				
General government	--	--	--	--
Capital projects	--	--	3,923,085	--
Assigned:				
Budget carryover	3,941,054	--	--	--
Unassigned	1,438,342	--	--	--
Total fund balances	\$ 5,450,887	\$ 130,331	\$ 3,923,085	\$ 2,522,342

	Non-major Funds	Total
Nonspendable:		
Inventory	\$ --	\$ 5,224
Prepaid	1,252	67,519
Restricted:		
General government	362,449	362,449
Public safety	160,274	322,950
Health and sanitation	--	130,331
Culture and recreation	--	59,366
Schools	--	2,300,300
Committed:		
General government	37,984	37,984
Capital projects	--	3,923,085
Assigned:		
Budget carryover	--	3,941,054
Unassigned	(22,100)	1,416,242
Total fund balances	\$ 539,859	\$ 12,566,504

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

F. Long-term Debt

Changes in Long-term Liabilities

	Governmental Activities				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net pension liability	\$ 2,689,052	\$ 1,036,419	\$ --	\$ 3,725,471	\$ N/A
Other postemployment benefits	25,790	27,405	--	53,195	N/A
Compensated absences	<u>656,813</u>	<u>--</u>	<u>(12,806)</u>	<u>644,007</u>	<u>N/A</u>
Governmental activities Long-term liabilities	<u>\$ 3,371,655</u>	<u>\$ 1,063,824</u>	<u>\$ (12,806)</u>	<u>\$ 4,422,673</u>	<u>\$ --</u>

The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

G. Restricted Assets

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

	<u>Governmental Activities</u>
Impact fees - school	\$ 2,300,300
Impact fees - law enforcement	71,728
Impact fees - parks and recreation	59,366
Impact fees - fire & EMS	<u>90,948</u>
Total restricted assets	<u>\$ 2,522,342</u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

H. Prior Period Adjustment

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

	General Fund	Jury and Witness	Net Position
Fund balances and net position, as previously stated	\$ 3,891,395	\$ --	\$ 25,182,150
Add:			
Prior year receivables	275,003	--	275,003
Reduction in accumulated depreciation	--	--	553
Deduct:			
Prior year payable	--	(36)	(36)
Reduction in capital asset	--	--	(11,064)
Fund balances and net position, restated	<u>\$ 4,166,398</u>	<u>\$ (36)</u>	<u>\$ 25,446,606</u>

The following net position of the discretely presented component unit required restatement at the beginning of the year as follows:

	Historic Landmark
Net position, as previously stated	\$ 837,816
Add:	
Capital asset	<u>20,000</u>
Net position, restated	<u>\$ 857,816</u>

V. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with WV Corp for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): Workers compensation coverage is provided for this entity by WV Corp.

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

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

B. Subsequent Events

During the fiscal year, the County Commission entered into a lease purchase agreement to purchase election equipment for \$798,000, however the equipment was not delivered before June 30, 2016. A payment of \$86,025 made toward this equipment is shown as construction in progress until such time as the equipment was delivered in fiscal year 2017. Repayment terms is four annual payments of \$178,000 in fiscal years 2017-2020 to be paid from the Capital Outlay fund.

On August 31, 2016, the County Commission purchased the property at 120 S George Street, Charles Town, WV for \$900,000.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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

D. Deferred Compensation Plan

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

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

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

E. Postemployment Healthcare Plan

Plan Description. Jefferson County's defined benefit postemployment health care plan, Jefferson County Postretirement Health Plan, provides medical benefits to eligible retirees and their eligible dependents. Retiree medical insurance coverage is provided only to employees hired prior to July 1, 1998 who were on PEIA insurance for five years. If employees have a hire date prior to July 1, 1998 and do not have five years of PEIA insurance, then it is optional for the County to subsidize postretirement health care. Jefferson County has elected to provide coverage to these individuals. Jefferson County, West Virginia contributes to the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple employer defined benefit postemployment healthcare plan administered by the West Virginia Public Insurance Agency (PEIA). Based on WV Code §5-16-13, the RHBT plan documents exclude retirees from non-participating (in PEIA) agencies from using sick leave to pay for health insurance coverage. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the West Virginia Retiree Health Benefits Trust, Building 5, Room 1001 1900 Kanawha Boulevard East, Charleston West Virginia, 23505-0710 or by accessing the RHBT website at www.peia.wv.gov and selecting Forms and Downloads, Financial Reports.

Funding Policy. Jefferson County is contractually required to contribute at a rate assessed each year by RHBT. The RHBT board sets the employer contribution rate based on the annual required contributions of the plan (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The County's current funding policy for postemployment health care benefits is on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The county's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the county's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the county's net OPEB obligation:

Annual required contribution	\$ 112,445
Interest on net OPEB obligation	903
Adjustment to annual required contribution	(1,437)
Annual OPEB cost	111,911
Contributions made	<u>(84,506)</u>
Increase in net OPEB obligation	27,405
Net OPEB obligation - beginning of year	<u>25,790</u>
Net OPEB obligation - end of year	\$ <u><u>53,195</u></u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	\$ 111,911	76%	\$ 53,195
6/30/15	112,445	77%	25,790
6/30/14	unavailable	unavailable	unavailable

Funded Status and Funding Progress. The funded status of the plan as of the measurement date, July 1, 2014 was as follows:

Actuarial accrued liability (AAL)	\$ 1,477,030
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$ 1,477,030
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	unavailable
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, because the County previously did not implement the GASB 45 requirements for obtaining actuarial valuations and because no plan assets are maintained, multiyear trend information relative to plan assets required disclosures are not applicable.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit credit method was used. The method used to determine actuarial value of assets and the rate of compensation increase are both not applicable. The actuarial assumptions included a 3.5% percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4%. The long-term inflation rate adjustment is 3.00%. Jefferson County Postretirement Health Plan's unfunded actuarial accrued liability is being amortized as a level dollar on an open amortization period. The remaining amortization period was 29 years.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

VI. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

General Information about the Pension Plans

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

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

Public Employees Retirement System (PERS)

Eligibility to participate	All county full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	West Virginia State Code §5-10d discusses the Consolidated Public Retirement Board, which administers all public retirement plans in the State of West Virginia.

	<u>Tier I</u>	<u>Tier II</u>
Plan member's contribution rate	4.50%	6.00%
Municipality's contribution rate	13.50%	13.50%

Period required to vest	Five Years
-------------------------	------------

Benefits and eligibility for distribution	<u>Tier I</u> Normal retirement if member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
---	--

	<u>Tier II</u> Normal retirement if member who has attained age 62 and has earned 5 years or more of contributing service. The final average salary (five highest consecutive years in the last 15) 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, 2016

Deferred retirement portion No

Provisions for:

Cost of living No
Death benefits Yes

West Virginia Deputy Sheriff Retirement System (WVDSRS)

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 §5-10d discusses the Consolidated Public Retirement Board, which administers all public retirement plans in the state of West Virginia. The WVDRS is also discussed in West Virginia State Code §7-14d.

Funding policy and contributions Certain fees for reports generated by sheriff's offices are paid to this plan in accordance with West Virginia State Code. WVDSRS members are required to contribute 8.5% of their annual covered salary and the county is required to contribute 12%. The contribution requirements of WVDSRS members are established and may be amended only by the State of West Virginia Legislature.

Period required to vest Five years

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

Deferred retirement option No deferred retirement option is available.

Provisions for cost of living adjustments or death benefits This plan has no provisions for cost of living adjustments. There are provisions for death benefits.

Annual pension cost and amount contributed: For the current fiscal year ended, the annual cost was \$354,074 for all covered employees with a contributed percentage of 100%.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Trend Information

<u>Fiscal Year</u>	Public Employees Retirement System (PERS)		West Virginia Deputy Sheriff Retirement System (WVDSRS)	
	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2016	\$ 1,383,185	100%	\$ 354,074	100%
2015	\$ 1,354,081	100%	\$ 346,698	100%
2014	\$ 1,414,749	100%	\$ 372,131	100%

PERS and WVDSRS issue a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees Retirement System, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At fiscal year-end, the County reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The County's proportion of the net pension liabilities was based on a projection of the County's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the County reported the following proportions, per the actuarial valuation, and increase/decrease from its proportion measured as of June 30, 2014: Note: these amounts differ from the net pension liability reported on the Statement of Net Position due to rounding and changes to the allocation schedules; however, the differences in these amounts are considered immaterial.

	<u>PERS</u>	<u>WVDSRS</u>
Amount for proportionate share of net pension liability	\$ 3,013,818	\$ 710,585
Percentage for proportionate share of net pension liability	0.539720%	3.464242%
Increase/decrease % from prior proportion measured	-2.92247%	-7.28349%

For the year ended June 30, 2016, the government recognized the following pension expenses:

	<u>PERS</u>	<u>WVDSRS</u>
Pension expense	\$ 347,404	\$ 36,465

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Public Employees Retirement System

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between government contributions and proportionate share of contributions	\$ 71,189	\$ (92,550)
Net difference between projected and actual investment earnings on pension plan investments	--	(660,871)
Difference between expected and actual experience	616,398	--
Deferred difference in assumptions	--	(362,514)
Government contributions subsequent to the measurement date	<u>1,033,926</u>	<u>--</u>
	<u><u>\$ 1,721,513</u></u>	<u><u>\$ (1,115,935)</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 20, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ (211,767)
2018	(211,767)
2019	(234,674)
2020	<u>229,860</u>
Total	<u><u>\$ (428,348)</u></u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

West Virginia Deputy Sheriff Retirement System

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between government contributions and proportionate share of contributions	\$ 43,001	\$ (66,013)
Net difference between projected and actual investment earnings on pension plan investments	--	(130,207)
Difference between expected and actual experience	28,060	--
Government contributions subsequent to the measurement date	<u>207,263</u>	<u>--</u>
	<u><u>\$ 278,324</u></u>	<u><u>\$ (196,220)</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ (54,956)
2018	(54,956)
2019	(54,852)
2020	42,424
2021	1,961
Thereafter	<u>(4,780)</u>
Total	<u><u>\$ (125,159)</u></u>

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Summary of Deferred Outflow / Inflow of Resources

	PERS	WVDSRS	Total
Changes in employer portion and differences between contributions and proportionate share of pension expense.	\$ (21,361)	\$ (23,012)	\$ (44,373)
Employer contributions subsequent to the measurement date.	1,033,926	207,263	1,241,189
Differences between projected and actual investment earnings.	(660,871)	(130,207)	(791,078)
Difference between expected and actual experience	616,398	28,060	644,458
Difference in assumptions	(362,514)	--	(362,514)

Actuarial assumptions. Net pension liability was determined by actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015, which is the measurement date, using the following actuarial assumptions.

Public Employees Retirement System

Actuarial assumptions

Inflation rate	3.00%
Salary increases	4.25% - 6.0%
Investment Rate of Return	7.50%
Mortality Rates	Healthy males - 1983 GAM Healthy females - 1971 GAM Disabled males - 1971 GAM Disabled females - Revenue ruling 96-7

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2009.

West Virginia Deputy Sheriff Retirement System

Actuarial assumptions

Inflation rate	3.00%
Salary increases	5.0% for first 2 years of service 4.5% for next 3 years of service 4.0% for the next 5 years of service, and 3.5% thereafter
Investment Rate of Return	7.50%

Mortality rates were based on the RP-2000 Non-annuitant mortality table, scale BB; Retired and disabled RP2000 healthy annuitant mortality table, scale BB.

JEFFERSON COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2011.

The long-term expected rate of return on pension plan investments were determined using a building-block

<u>Investment</u>	Long-term Expected	PERS	DSRS
	Real Rate of Return	Target Asset Allocation	Target Asset Allocation
US Equity	7.0%	27.5%	27.5%
International Equity	7.7%	27.5%	27.5%
Core Fixed Income	2.7%	7.5%	15.0%
High Yield Fixed Income	5.5%	7.5%	0.0%
Real Estate	5.6%	10.0%	10.0%
Private Equity	9.4%	10.0%	10.0%
Hedge Funds	4.7%	10.0%	10.0%
Cash	1.5%	0.0%	0.0%
		100.0%	100.0%

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent for all defined benefit plans. The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Government's proportionate share of PERS's net pension liability	\$ 6,950,654	\$ 3,013,818	\$ (312,217)
Government's proportionate share of WVDSRS's net pension liability	\$ 1,625,734	\$ 710,585	\$ (45,589)

Pension plans' fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2016

Public Employees Retirement System
Last 3 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Government's proportion of the net pension liability (asset) (percentage)	0.539720%	0.555968%	0.541279%
Government's proportionate share of the net pension liability (asset)	\$ <u>3,013,818</u>	\$ <u>2,051,883</u>	\$ <u>4,934,460</u>
Government's covered-employee payroll	\$ <u>7,319,357</u>	\$ <u>7,446,047</u>	\$ <u>7,243,308</u>
Government's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.18%	27.56%	68.12%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	93.98%	84.58%

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2016

West Virginia Deputy Sheriff Retirement System
Last 3 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Government's proportion of the net pension liability (asset) (percentage)	3.464242%	3.736381%	3.558767%
Government's proportionate share of the net pension liability (asset)	\$ <u>710,585</u>	\$ <u>637,090</u>	\$ <u>1,192,329</u>
Government's covered-employee payroll	\$ <u>1,650,943</u>	\$ <u>1,730,842</u>	\$ <u>1,557,047</u>
Government's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.04%	36.81%	76.58%
Plan fiduciary net position as a percentage of the total pension liability	89.31%	90.52%	80.20%

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF GOVERNMENT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

Public Employees Retirement System
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 1,033,926	\$ 1,024,710	\$ 1,079,677	\$ 1,014,063	\$ 1,017,643	\$ 825,576	\$ 682,544	\$ 629,945	\$ 632,432	\$ 568,154
Contributions in relation to the contractually required contribution	(1,033,926)	(1,024,710)	(1,079,677)	(1,014,063)	(1,017,643)	(825,576)	(682,544)	(629,945)	(632,432)	(568,154)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Government's covered-employee payroll	\$ 7,658,711	\$ 7,319,357	\$ 7,446,047	\$ 7,243,308	\$ 7,018,226	\$ 6,604,606	\$ 6,204,948	\$ 5,999,480	\$ 6,023,160	\$ 5,410,987
Contributions as a percentage of covered-employee payroll	13.50%	14.00%	14.50%	14.00%	14.50%	12.50%	11.00%	10.50%	10.50%	10.50%

JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF GOVERNMENT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

West Virginia Deputy Sheriff Retirement System
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 207,263	\$ 206,368	\$ 225,009	\$ 202,416	\$ 171,010	\$ 129,494	\$ 126,177	\$ 121,684	\$ 128,248	\$ 111,826
Contributions in relation to the contractually required contribution	(207,263)	(206,368)	(225,009)	(202,416)	(171,010)	(129,494)	(126,177)	(121,684)	(128,248)	(111,826)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Government's covered-employee payroll	\$ 1,727,193	\$ 1,650,943	\$ 1,730,842	\$ 1,557,047	\$ 1,315,460	\$ 1,233,274	\$ 1,201,684	\$ 1,158,895	\$ 1,221,411	\$ 1,065,011
Contributions as a percentage of covered-employee payroll	12.00%	12.50%	13.00%	13.00%	13.00%	10.50%	10.50%	10.50%	10.50%	10.50%

JEFFERSON COUNTY, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL
Valuation	Value of	Accrued	AAL	Ratio	Payroll	as a % of
<u>Date</u>	<u>(a)</u>	Liability (AAL) - Entry Age <u>(b)</u>	(UAAL) <u>(b)-(a)</u>	<u>(a)/(b)</u>	<u>(c)</u>	<u>(b-a)/c</u>
7/1/2014	\$ 0	\$ 1,477,030	\$ 1,477,030	0.0%	\$ unavailable	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2016	\$ 112,445	75.2%
2015	112,445	77.1%

SUPPLEMENTARY INFORMATION

**JEFFERSON COUNTY, WEST VIRGINIA
BUDGETARY COMPARISON SCHEDULE -
ASSESSOR'S VALUATION FUND
For the Fiscal Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget Positive (Negative)
REVENUES:				
Other taxes	\$ 547,949	\$ 547,949	\$ 576,855	\$ 28,906
Total revenues	547,949	547,949	576,855	28,906
EXPENDITURES:				
Current:				
General government	633,875	277,666	64,990	212,676
Capital outlay	--	68,228	--	68,228
Total expenditures	633,875	345,894	64,990	280,904
Excess (deficiency) of revenues over expenditures	(85,926)	202,055	511,865	309,810
OTHER FINANCING SOURCES (USES)				
Transfers in	--	--	6,675	6,675
Transfers (out)	--	(443,209)	(443,209)	--
Total other financing sources (uses)	--	(443,209)	(436,534)	6,675
Net change in fund balance	(85,926)	(241,154)	75,331	316,485
Fund balance at beginning of year	85,926	241,154	241,155	1
Fund balance at end of year	\$ --	\$ --	\$ 316,486	\$ 316,486

JEFFERSON COUNTY, WEST VIRGINIA
GOVERNMENTAL FUND BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - HISTORIC LANDMARK COMMISSION
June 30, 2016

	<u>Historic Landmark Commission</u>
ASSETS	
Assets:	
<i>Current:</i>	
Cash and cash equivalents	\$ <u>16,431</u>
Total assets	\$ <u><u>16,431</u></u>
FUND BALANCE	
Fund balance:	
Unassigned	<u>16,431</u>
Total fund balance	\$ <u><u>16,431</u></u>

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

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. (Note IV.C.)	<u>1,032,097</u>
Net position of governmental activities	\$ <u><u>1,048,528</u></u>

JEFFERSON COUNTY, WEST VIRGINIA
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - HISTORIC LANDMARK COMMISSION
For the Fiscal Year Ended June 30, 2016

	Historic Landmark Commission
REVENUES	
<i>Taxes:</i>	
Hotel occupancy tax	\$ 18,640
<i>Intergovernmental:</i>	
Federal	101,364
State	6,601
Local	199,433
Charges for services	2,830
Miscellaneous	49
	<hr/>
Total revenues	328,917
	<hr/>
EXPENDITURES	
<i>Current:</i>	
Culture and recreation	136,193
Capital outlay	194,000
	<hr/>
Total expenditures	330,193
	<hr/>
Net change in fund balance	(1,276)
Fund balance - beginning	17,707
	<hr/>
Fund balance - ending	\$ 16,431
	<hr/> <hr/>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (1,276)
Capital outlays are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year. (Note IV.C.)	194,000
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year. (Note IV.C.)	(2,012)
	<hr/>
Change in net position of governmental activities	\$ 190,712
	<hr/> <hr/>

ACCOMPANYING INFORMATION



State of West Virginia

John B. McCuskey

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Chief Inspector**

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

Independent Auditor's Report

Honorable Members of the
Jefferson County Commission
Charles Town, West Virginia 25414

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, West Virginia (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 20, 2018. In our report, our opinion on the aggregate discretely presented component units was qualified due to the Jefferson County Parks and Recreation not implementing Governmental Accounting Standards Board Statement No. 68 or Statement No. 71 and not maintaining a detailed capital asset listing. Our report includes a reference to other auditors who audited the financial statements of the Jefferson County Parks and Recreation, Jefferson County Development Authority, Jefferson County Farmland Protection Board and Jefferson County Emergency Services Agency, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-004 and 2016-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, and 2016-003.

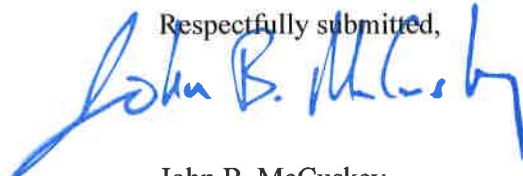
Entity's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



John B. McCuskey
West Virginia State Auditor
Charleston, West Virginia

November 20, 2018

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Failure to Submit Budget Revision to Appropriate the Unexpended Fund Balance - General Fund
2016-001**

CONDITION:

We noted during our audit that the Jefferson County Commission submitted a budget revision for the General Fund to appropriate the unexpended fund balance into the subsequent year's budget; however the budgeted balance of \$3,951,985 did not reconcile with the fund balance as of June 30, 2015.

CRITERIA:

West Virginia Code §6-9-3 states in part that:

"All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a West Virginia Supreme Court decision stated that:

"Any excesses or balances should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year. The balances operate to reduce future levies pro tanto." Ireland v. Board of Education, 115 WV 614, 117 SE 452 (1934).

CAUSE:

The Jefferson County Commission did not ensure that adequate control procedures were in place to assure that budget revisions were made to appropriate the actual unexpended fund balance at June 30, 2015 into the subsequent year's budget.

EFFECT:

The proper unexpended balance at June 30, 2015 for the General County Fund was not properly appropriated into the current year budget.

RECOMMENDATION:

The Jefferson County Commission is directed to implement effective budgetary controls and submit budget revisions when necessary to appropriate the actual unexpended fund balances at year end into the subsequent year's budget. These revisions should be submitted by July 30th of each year.

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Failure to Submit Budget Revision to Appropriate the Unexpended Fund Balance - General Fund
2016-001 (continued)**

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Jefferson County Commission will review current budgetary control procedures that caused prior period adjustments to be recorded for certain expenditures and revenue amounts. Additionally, the Commission has purchased a new financial management system that will provide better control, staff notifications, and account security to ensure that transactions are posted to the correct periods in a timely manner and prior period adjustments will likely no longer occur. The Commission currently has financial policies in place that determine the recommended course of action for appropriation of unexpended fund balances at year end for the subsequent year's budget.

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Expenditures in Excess of Amounts Allocated in the Levy Estimate - General Fund
2016-002**

CONDITION:

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

<u>Account Number</u>	<u>Line Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
415	Magistrate Court \$	2,200 \$	2,257 \$	(57)
715	Ambulance Authority	2,253,312	2,439,972	(186,660)
903	Arts & Humanities	12,700	13,059	(359)
909	Historical Commission	18,432	19,337	(905)
911	Visitor's Bureau	317,860	326,473	(8,613)

CRITERIA:

West Virginia Code §11-8-26 states, in part, that:

 "...a local fiscal body shall not expend money or incur obligations:

- (1) In an unauthorized manner;
- (2) For an unauthorized purpose;
- (3) In excess of the amount allocated to the fund in the levy order;
- (4) In excess of the funds available for current expenses...."

These over expenditures did not cause the total levy estimate (budget) of the General Fund to be over expended.

CAUSE:

The Jefferson County Commission and the Jefferson County Clerk did not have a policy in place to monitor compliance with this statute.

EFFECT:

The Jefferson County Commission and Jefferson County's elected officials and/or department heads incurred expenditures and/or encumbrances that were in excess of the amount allocated in their various budget line items.

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Expenditures in Excess of Amounts Allocated in the Levy Estimate - General Fund
2016-002 (continued)**

RECOMMENDATION:

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Jefferson County Commission and Jefferson County Clerk will review current budgetary control procedures and implement a policy designed to ensure that no expenditures are made in excess of the current levy estimate and that budget revisions are requested and processed in a timely fashion to prevent expenditures in excess of the allocated levy estimate. Additionally, the Commission has purchased a new financial management system that will provide better control, staff notifications, and account security. The new system will ensure that expenditure line items within departments that are over budget will send soft warnings to certain staff members. The new system will also ensure that expenditure totals by department will create a hard stop of the submitted expenditure if it causes the total departmental budget to exceed the current departmental allocated budget.

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Special Emergency Ambulance Service Fee
2016-003**

CONDITION:

We noted during our audit that the special emergency ambulance service fee collections are being maintained in the General fund instead of a special fund.

CRITERIA:

West Virginia Code §7-15-17 states, in part, that:

"...which shall be known as the "special emergency ambulance service fee." The proceeds from the imposition and collection of any special service fee shall be deposited in a special fund..."

Jefferson County Emergency Ambulance Service Fee Ordinance - Section 7 states, in part, that:

"...The proceeds from the imposition and collection of the Emergency Ambulance Service Fee shall be deposited in a special fund for the benefit of the JCESA held by the Treasurer of Jefferson County....Proceeds not expended in a given Fiscal Year will be maintained in the special fund..."

CAUSE:

The Jefferson County Commission, Jefferson County Sheriff and Jefferson County Clerk did not have a policy in place to monitor compliance with the State statute and the County Commission ordinance.

EFFECT:

The County officials have failed to accurately account for revenues and expenditures required to be in a special fund and, by utilizing the General fund, incurred expenditures and/or encumbrances that were in excess of the amount allocated in the Ambulance Authority budget line item.

RECOMMENDATION:

The Jefferson County Commission, Jefferson County Sheriff and Jefferson County Clerk are directed to review the State statute and county ordinance and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Jefferson County Commission, Jefferson County Sheriff, and Jefferson County Clerk will establish Special Revenue Fund 053 – Special Emergency Ambulance Service Fee to comply with the provisions set forth in WV State Code §7-5-17 and the county ordinance. Additionally, to ensure the County is in compliance with WV State Code and county ordinance requirements, said parties will meet twice a year (in January and July) in a Fiduciary capacity to review existing procedures and recent county actions for the potential need for new funds and new or pooled cash bank accounts. The first meeting was held in August 2018.

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Circuit Clerk - Account Balance List
2016-004**

CONDITION:

We noted during our audit that the Jefferson County Circuit Clerk's Office did not properly reconcile all bank accounts to the account balance list.

CRITERIA:

Proper internal controls dictate that all bank accounts are reconciled to the account balance list on a monthly basis, with any discrepancies properly identified and reconciled.

CAUSE:

The Jefferson County Circuit Clerk's Office did not properly maintain an account balance list.

EFFECT:

Funds on hand were not properly identified nor were they balanced to the bank accounts on a monthly basis.

RECOMMENDATION:

The Jefferson County Circuit Clerk should implement a system to ensure that all bank accounts are properly reconciled to an account balance list.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Jefferson County Circuit Clerk will review current control procedures and ensure that all bank accounts are properly reconciled to the account balance listing. Additionally, the Commission has purchased a new financial management system that will provide better control, staff notifications, and account security. The new system will provide an electronic bank reconciliation procedure that can be reviewed and approved by supervising staff.

**JEFFERSON COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Engineering Office Remittances
2016-005**

CONDITION:

We noted during our audit that the Jefferson County Engineering Office failed to remit fees collected to the Sheriff in a timely manner.

CRITERIA:

Proper internal controls dictate that all revenue collected should be paid into the county treasury on a monthly basis.

CAUSE:

The Jefferson County Engineering Office did not have adequate policies and procedures in place to remit all revenue collected to the Sheriff in a timely manner.

EFFECT:

Delaying the remittance of collection to the county treasurer denied the County Commission the use of this revenue.

RECOMMENDATION:

The Jefferson County Engineering Office should implement policies and procedures to ensure the timely remittance of all fees collected.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Jefferson County Engineering Office reviewed current control procedures and has implemented Engineering Department "Policy for Deposit of Fees", effective August 16, 2018. The policy establishes clear methods, controls, and accountability for monthly transfer of bank escrow account funds to the Sheriff's Tax Office. Additionally, the Commission has purchased a new financial management system that will provide better control, staff notifications, and account security. The new system will provide an electronic bank reconciliation procedure whereby transactions can be electronically reviewed and approved by supervising staff for timeliness and accuracy.

JEFFERSON COUNTY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016

Status of Prior Year Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2015-001	Expenditures in Excess of Amounts Allocated in the Levy Estimate - General Fund	Repeated