



State of West Virginia

Glen B. Gainer III

State Auditor and
Chief Inspector

Office of the State Auditor
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September 10, 2014

The Honorable Members of the Board
Jefferson County Emergency Services Agency
419 Sixteenth Avenue
Ranson, West Virginia 25438

Dear Members of the Board:

Enclosed is a copy of the audit report of Jefferson County Emergency Services Agency for the fiscal year ended June 30, 2013.

As the recipient, you are required to notify all members of the governing body of the receipt of this report and related correspondence and make the contents available for inspection by all such officers. You are also advised that this report, under the provisions of West Virginia Code § 6-9-9a, is considered public information and must be made available for public inspection.

We are pleased to note that the audit report does not contain instances of noncompliance. However, it does contain internal control weaknesses, and it remains the responsibility of all members of the governing body to review the audit report and strive to maintain a high quality of service for the community.

If I can be of further assistance, please do not hesitate to contact this office.

Very truly yours,

Charles K. McKinney
Assistant Chief Inspector
Chief Inspector Division



CKM/et

Enclosure

WEST VIRGINIA

State Auditor's Office

CHIEF INSPECTOR DIVISION

AUDIT REPORT OF
FFERSON COUNTY EMERGENCY SERVICES AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013



GLEN B. GAINER III
STATE AUDITOR
EX OFFICIO CHIEF INSPECTOR AND SUPERVISOR OF PUBLIC OFFICES
WWW.WVSAO.GOV

**AUDIT REPORT OF
JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 EMERGENCY SERVICES AGENCY
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

GOVERNMENTAL FUND TYPE

MAJOR FUND

General

**JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY

BOARD MEMBERS

For the Fiscal Year Ended June 30, 2013

OFFICE	NAME	TERM
	<u>Elective</u>	
Board Members:	Ed Boober	11/02/09 - 11/02/12
	John Considine	11/02/12 - 11/02/15
	Brenda Engle	11/02/10 - 11/02/13
	Russell Kitchner	11/02/10 - 11/02/13
	Pete Kelly	11/02/09 - 11/02/12
	Michael Mood	11/02/11 - 11/02/14
	Robert Murto	11/02/10 - 11/02/13
	Maura Sherril	11/02/12 - 11/02/15
	Sid White	11/02/10 - 11/02/13
	Alan Williams	11/02/11 - 11/02/14
	Dave Withers	11/02/11 - 11/02/14
	<u>Appointive</u>	
President:	Alan Williams	
Director:	Doug Pittinger	
Deputy Director:	Ed Hannon	
Secretary/Treasurer:	Marty Freeman	
County Commissioner:	Dale Manuel	

FINANCIAL SECTION



State of West Virginia

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Jefferson County Emergency Services Agency
Ranson, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Jefferson County Emergency Service Agency, (the Agency), a component unit of Jefferson County, West Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Management had a scope limitation due to not having all pending litigation requests returned. Management has not implemented a policy to ensure the proper accounting of capital assets and corresponding depreciation on those assets nor maintained a complete listing of assets that are owned by the entity. Management has also not followed the policy implemented for the accounting of compensated absences at the end of the year. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, and compensated absences be recorded which would increase the assets, liabilities, net position, and expenses of the Agency. The amount by which this departure would affect the assets, net position, and expenses of the Authority has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson County Emergency Service Agency, as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note I.D.8, the County implemented the provisions of Governmental Accounting Standards Board Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Required Supplementary Information

The Agency has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Jefferson County Emergency Services Agency's basic financial statements. The introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 August 26, 2014 on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Glen B. Gainer III". The signature is written in a cursive style with a horizontal line at the end.

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

August 26, 2014

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION
June 30, 2013

	General	Adjustments (Note II)	Statement of Net Position
ASSETS			
Current:			
Cash and cash equivalents	\$ 273,786	\$ --	\$ 273,786
Receivables - net:			
Accounts	9,346	--	9,346
Noncurrent:			
Capital assets:			
Nondepreciable:			
Land	--	550,000	550,000
Depreciable:			
Buildings	--	1,366,998	1,366,998
Machinery and equipment	--	539,462	539,462
Less: accumulated depreciation	--	(556,830)	(556,830)
Total assets	283,132	1,899,630	2,182,762
LIABILITIES			
Current liabilities payable			
from current assets:			
Accounts payable	9,519	--	9,519
Payroll payable	26,399	--	26,399
Accrued Interest Payable	1,214	--	1,214
Noncurrent liabilities payable due			
within one year:			
Notes payable	--	26,121	26,121
Noncurrent liabilities due			
in more than one year:			
Notes payable	--	1,204,501	1,204,501
Compensated absences payable	--	7,787	7,787
Total liabilities	37,132	1,238,409	1,275,541
FUND BALANCES/NET POSITION			
Fund balances:			
Restricted	81,000	(81,000)	--
Unassigned	165,000	(165,000)	--
Total fund balances	246,000	(246,000)	--

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION
June 30, 2013

	General	Adjustments (Note II)	Statement of Net Position
Net position:			
Net investment in capital assets	--	669,008	669,008
Restricted for:	--		
Public safety	--	81,000	81,000
Unrestricted	--	157,213	157,213
 Total net position	 \$ --	 \$ 907,221	 \$ 907,221

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE /
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

	General	Adjustments (Note II)	Statement of Activities
EXPENDITURES / EXPENSES			
Current:			
General government	\$ 374,460	\$ --	\$ 374,460
Personal services	1,488,935	--	1,488,935
Public safety	427,000	--	427,000
Depreciation	--	82,264	82,264
Capital outlay	110,806	--	110,806
Total expenditures / expenses	2,401,201	82,264	2,483,465
PROGRAM REVENUES			
Charges for services	97,663	--	97,663
Total program revenues	97,663	--	97,663
Net program expense	--	--	(2,385,802)
GENERAL REVENUES			
Intergovernmental:			
Local	2,268,500	--	2,268,500
Interest and investment earnings	1,709	--	1,709
Miscellaneous	27,216	--	27,216
Gain (loss) on sale of capital assets	7,100	--	7,100
Total general revenues and transfers	2,304,525	--	2,304,525
Excess of revenues and transfers in over expenditures and transfers out	987	(987)	--
Change in net position	--	81,277	(81,277)
Fund balance/net position			
Beginning of the year	245,013	--	988,498
End of the year	\$ 246,000	\$ --	\$ 907,221

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Agency, a component unit of Jefferson County, is governed by ten board members appointed by the Jefferson County Commission. The Chairman and Vice Chairman of the agency are elected from the membership. The agency is a separate legal organization for which elected officials of the primary government are financially accountable. The Agency is a discretely presented component unit based upon the criteria stipulated in Governmental Accounting Standards Board Statement No. 14 (as amended by GASB Statement No. 39 and GASB Statement No. 61).

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) and the fund financial statements report information on all of the activities of the government. These statements are presented using the dual statement presentation as suggested for single-purpose governments. For the most part, the effect of interfund activity has been removed from these statements.

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

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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.

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.

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

The Jefferson County Emergency Services Agency'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.

2. Receivables and Payables

The government periodically analyzes delinquent accounts and uses the direct write-off method.

3. Inventories and Prepaid Items

The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. Capital Assets and Depreciation

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

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

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Machinery and Equipment	03-10

5. 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 statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

6. Long-Term Obligations

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

7. Fund Balances

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

Nonspendable fund balance	Inventories and prepaid amounts represent fund balance amounts that are not in spendable form.
Restricted	The restricted category is the portion of fund balance that is externally imposed by creditors, grantors, contributors or laws or regulations. It also is imposed by law through constitutional provisions or enabling legislation.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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. The government does not have any committed fund balance this fiscal year.
Assigned	The assigned category is the portion of fund balance that has been approved by formal action of the other official authorized to assign amounts for any amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The government does not have any assigned fund balance this fiscal year.
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 government is the government's highest level of decision-making authority. The government 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 Jefferson County Emergency Services Agency.

8. Change in Accounting Principle

Effective July 1, 2012, the government adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the government's financial statements; however, there was no effect on beginning net position/fund balance.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Adjustments Shown on the Governmental Fund Balance Sheet/Statement of Net Assets

The governmental fund balance sheet/statement of net assets includes an adjustment between the governmental fund balance total and the governmental activities net assets as reported in the statement of net assets. Long-term liabilities are not reported on the governmental fund level, but are reported in net assets. The details of this difference are as follows:

Fund balance - total governmental funds	\$ 246,000
Capital assets	1,899,630
Compensated absences	(7,787)
Long term debt	<u>(1,230,622)</u>
Total	\$ <u>907,221</u>

B. Explanation of Adjustments Shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances/statement of activities includes an adjustment between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the Statement of Activities. The details of this difference are as follows:

Depreciation expense	\$ 82,264
Compensated absences	<u>--</u>
Total	\$ <u>82,264</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are required to be submitted to the Jefferson County Commission and are only for internal control purposes.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government had no investments.

Custodial Credit Risk

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government's policy for custodial credit risk is to comply with statutory regulations regarding depository bond coverage. At year end, the primary government's bank balances were \$273,786. Of the bank balance, \$0 was exposed to credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

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

Cash and cash equivalents	<u>\$ 273,786</u>
Total	<u><u>\$ 273,786</u></u>

B. Receivables

Receivables at year end for the Agency are as follows:

	<u>General</u>
Receivables:	
Accounts	\$ 9,346
Total	
Receivables	<u><u>\$ 9,346</u></u>

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 550,000	\$ --	\$ --	\$ 550,000
Total capital assets not being depreciated	<u>550,000</u>	<u>--</u>	<u>--</u>	<u>550,000</u>
Capital assets being depreciated:				
Buildings and improvements	1,366,998	--	--	1,366,998
Machinery and equipment	546,562	--	(7,100)	539,462
Total accumulated depreciation	<u>(481,666)</u>	<u>(82,264)</u>	<u>7,100</u>	<u>(556,830)</u>
Total capital assets being depreciated, net	<u>1,431,894</u>	<u>(82,264)</u>	<u>--</u>	<u>1,349,630</u>
Governmental activities capital assets, net	<u>\$ 1,981,894</u>	<u>(\$ 82,264)</u>	<u>\$ --</u>	<u>\$ 1,899,630</u>

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

Governmental activities:	
General government	<u>\$ 82,264</u>
Total depreciation expense-governmental activities	<u>\$ 82,264</u>

D. Fund Balance Detail

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

	General Fund
Restricted:	
Restricted for the current portion of debt	\$ 81,000
Unassigned	<u>165,000</u>
Total fund balances	<u>\$ 246,000</u>

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

E. Long-Term Debt

Notes Payable

The government entered into a loan agreement with USDA to finance the construction of a new operation center and pay other loan costs. On April 22, 2009, the Agency borrowed \$1,310,000 from the USDA Agency to pay for the construction of a new operations center. Loan funds were advanced during the construction period as requested by the Agency. As of June 30, 2013, the outstanding loan principal balance was \$1,230,622. The loan terms require amortized monthly installments of \$6,747 that began on May 22, 2010. The interest rate is a fixed rate of 4.5% for 29 years.

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2013
Governmental activities:					
	April 2039	4.50%	\$ 1,310,000	\$ 79,378	\$ 1,230,622
Total notes payable			<u>\$ 1,310,000</u>	<u>\$ 79,378</u>	<u>\$ 1,230,622</u>

Debt service requirements to maturity are as follows:

Year Ended	Governmental Activities	
	Principal	Interest
	2014	\$ 26,121
2015	27,320	53,644
2016	28,576	52,388
2017	29,888	51,076
2018 - 2022	171,343	233,477
2023 - 2027	214,487	190,333
2028 - 2032	268,494	136,326
2033 - 2037	336,099	68,721
2038 - 2039	128,292	5,036
Totals	<u>\$ 1,230,620</u>	<u>\$ 845,844</u>

Changes in Long-Term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payables	\$ 1,255,593	\$ --	\$ (24,971)	\$ 1,230,622	\$ 26,121
Compensated absences	7,787	--	--	7,787	--
Governmental activities					
Long-term liabilities	<u>\$ 1,263,380</u>	<u>\$ --</u>	<u>\$ (24,971)</u>	<u>\$ 1,238,409</u>	<u>\$ 26,121</u>

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

F. Restricted Assets

The balances of the restricted assets totaled \$81,000 for the repayment of general debt.

V. OTHER INFORMATION

A. Risk Management

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

Workers' Compensation Fund (WCF): Private insurance companies could begin to offer workers compensation coverage to government employers beginning July 1, 2010.

B. Contingent Liabilities

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.

VI. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Plan Descriptions, Contribution Information and Funding Policies

Emergency Medical Services Retirement System (EMSRS)

Jefferson County Emergency Services Agency participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of 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:

Emergency Medical Services Retirement System (EMSRS)	
Eligibility to participate	All government full-time employees
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	8.50%
Entity's contribution rate	10.50%

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

Trend Information

Emergency Medical Services Retirement System (EMSRS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2013	\$ 157,520	100%
2012	\$ 75,240	100%
2011	\$ 152,169	100%

EMSRS issues 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 Ave S.E., Charleston, WV 25304.

ACCOMPANYING INFORMATION



State of West Virginia

Glen B. Gainer III

**State Auditor and
Chief Inspector**

Office of the State Auditor
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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 Emergency Services Agency
Ranson, West Virginia 25438

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 Jefferson County Emergency Services Agency (the Agency), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated August 26, 2014. In that report, our opinion was qualified due to a scope limitation for not receiving the pending litigation letter and not reporting Capital Assets and Compensated Absences.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 2013-001 and 2013-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Agency in a separate letter dated August 26, 2014

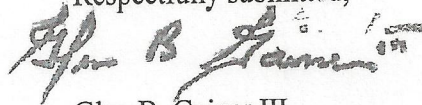
Entity's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



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

August 26, 2014

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013

Capital Assets
2013-001

CONDITION:

We noted during our audit that the Jefferson County Emergency Services Agency did not maintain a proper capital asset listing due to the entity not having a capitalization policy approved by the board in effect during the year. Specifically, the board capitalized assets that were added to a capital asset listing but the additions were not made in a uniform manner. There was a capitalization threshold to follow or a suggested estimated life of asset groups to capitalize and depreciate the assets, however the Agency failed to utilize the threshold to prepare their schedules.

CRITERIA:

Adequate control over capital assets requires the use of a perpetual inventory system.

CAUSE:

The Jefferson County Emergency Services Agency did not have proper policies, controls, and procedures in place to ensure there was a proper listing of capital assets maintained.

EFFECT:

As a result of this weakness the Agency does not have an efficient inventory system for capital assets to provide for the reasonable protection of Agency property. The risk of items being purchased and not recorded or removed without approval from the Agency is increased.

RECOMMENDATION:

We recommend that the Jefferson County Emergency Services Agency adopt a capital asset policy and establish proper procedures and controls in order to maintain a proper inventory system at historical cost. Assets that are placed on the capital asset listing should abide by the capital asset policy that the Agency has adopted. To maintain such an inventory, the Agency should have a system that will allow for the additions and deletions of capital assets. The inventory record for capital assets should identify each asset; name, model, serial number, date of acquisition, purchase order or invoice number, original cost (historical), location of asset, improvements (cost), maintenance, estimated life, disposal and amount.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The JCESA Board has adopted the Jefferson County Commission policy entitled "Finance-307" regarding capital outlay which includes tangible personal property, real property and software having a useful life of one year or more and an acquisition cost of \$10,000 or more per unit. Additionally, JCESA completed its first annual inventory of all equipment assets at historical cost. An annual inventory will be performed in January of each year to protect against loss and inform management on the potential need for replacement equipment.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013

Compensated Absences
2013-002

CONDITION:

We noted during our audit that the Jefferson County Emergency Services Agency did not maintain a listing of Compensated Absences (accrued vacation leave) in accordance with the policy approved and established in the agency's employment handbook. Specifically, employees were being allowed to carry forward more far more hours than the policy allowed.

CRITERIA:

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

Proper internal control procedures require that the county should accumulate the compensated absences earned and unused by its employees to ensure that the related liability is properly reported in the Agency's financial statement. Additionally, accurate compensated absences records are necessary to ensure the employees that separate from employment with the Agency are paid only the actual amount earned and unused leave at the time of separation.

CAUSE:

Proper controls are not in place to ensure that leave balances are properly maintained for all Agency employees and that hours unused over the allowable carry forward amount are forfeited.

EFFECT:

An accurate list of leave balances is not being maintained for all Agency employees. Employees could be paid for accrued leave to which they are not entitled. The amount reported as compensated absence liability could be inaccurate and overstated and necessitated a qualified opinion on the financial statements.

RECOMMENDATION:

We recommend that the Agency develop procedures to ensure that all policies regarding Compensated absences in the employee handbook are followed and accurately reported to the Finance Department for all Agency employees.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

JCESA issued instructions to all employees July 7, 2014, instructing them to utilize leave balances in accordance with agency policy. Effective, July 1, 2015, balances will be reduced in accordance with existing policy.

JEFFERSON COUNTY EMERGENCY SERVICES AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2013

Status of Prior Year Audit Findings

Finding
Number

Title

Status

There were no findings noted during the prior year audit.

