

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

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

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

**MONROE COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax
Emergency 911
Office of Emergency Management

NONMAJOR FUNDS

Special Revenue Funds

General School
Magistrate Court
Home Confinement
Concealed Weapons
Assessor's Valuation
Gypsy Moth
Monroe Tourism
Confederate Monument
K-9
Concealed Weapons
Fire Board
Assessor's Valuation
Voters Registration

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

FIDUCIARY FUND TYPE

Agency Funds

State
School
Municipal
Other Agency

DISCRETELY PRESENTED COMPONENT UNITS

Monroe County Board of Health
Monroe County Farmland Protection Board
Monroe County Building Commission
Monroe County Public Library
Monroe County Health Center

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INTRODUCTORY SECTION



State of West Virginia

Lisa A. Hopkins

State Auditor

**Office of the State Auditor
1900 Kanawha Boulevard, East
State Capitol, Building 1, Suite W-100
Charleston, West Virginia 25305**

**Toll Free: (877) 982-9148
Telephone: (304) 558-2251
Fax: (304) 558-5200
www.wvsao.gov**

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Monroe County Commission
Union, West Virginia 24983

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 Monroe County, West Virginia (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Monroe County Health Center which represents 60 percent, 81 percent and 92 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units, or the Monroe County Public Library which represents 3 percent, 5 percent and 2 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 Monroe County Health Center and the Monroe County Public Library, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on General Fund and Governmental Activities

Management has not adopted a methodology for ensuring all revenues and expenditures are properly recorded for the General Fund and Governmental Activities. Accounting principles generally accepted in the United States of America require that when a revenue is collectible or an expenditure incurred the amount be recorded in the proper line item. Improperly recording a revenue or expenditure will misrepresent the budget to actual analyses, and neglecting to record a revenue or expenditure will decrease or increase the fund balance in the General Fund and Net Position for Governmental Activities. The amount by which this departure would affect the revenues, expenditures and fund balance/net position of the General Fund and Governmental Activities has not been determined.

Management did not apply Governmental Accounting Standards Board (GASB) statement number forty-five. Accounting principles generally accepted in the United States of America require the expenses and associated liability related to other post employment benefits (OPEB) be recognized during the period in which the liability is incurred, thereby increasing the expenses and liabilities and reducing the net assets for the governmental activities. The amount by which this departure would affect the expenses and net assets and the associated notes to the financial statements related to the governmental activities, each major fund, and the aggregate remaining fund information is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund and Governmental Activities" paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and Governmental Activities of Monroe County, West Virginia, as of June 30, 2014, 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.

Emphasis of a Matter

As discussed in Note I.D.9, the County implemented the provisions of Governmental Accounting Standards Board Statement Number 65, *Items Previously Reported as Assets and Liabilities* . Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The County 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 opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the budgetary comparison for the Assessor's Valuation Fund and the discretely presented component unit fund financial statements for the Monroe County Building Commission and Monroe County Farmland Protection Board are presented for purposes of additional analysis and are not a required part of the basic financial statements.

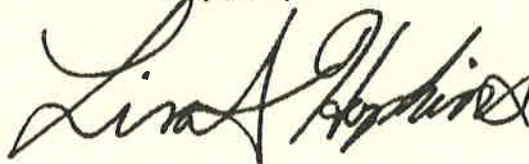
The budgetary comparison for the Assessor's Valuation Fund and the discretely presented component unit fund financial statements for the Monroe County Building Commission and Monroe County Farmland Protection Board is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison for the Assessor's Valuation Fund and the discretely presented component unit fund financial statements for the Monroe County Building Commission and Monroe County Farmland Protection Board 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 July 14, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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,



Lisa A. Hopkins
West Virginia State Auditor
Charleston, West Virginia

July 14, 2016

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

	Primary Government	Component Units				
	Governmental Activities	Health Center	Public Library	Farmland Protection	Board of Health	Building Commission
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 748,315	\$ 2,914,093	\$ 79,489	\$ 137,864	\$ 325,951	\$ --
Investments	--	--	31,643	--	--	--
Receivables:						
Taxes	90,658	--	--	--	--	--
Accounts	--	387,143	--	--	--	--
Inventory, at cost	--	86,134	--	--	--	--
Prepaid expenses	--	--	1,385	--	--	--
Total current assets	<u>838,973</u>	<u>3,387,370</u>	<u>112,517</u>	<u>137,864</u>	<u>325,951</u>	<u>--</u>
Noncurrent assets:						
Capital assets:						
Nondepreciable:						
Land	35,400	--	--	1,370,230	--	--
Depreciable:						
Buildings	140,000	--	--	--	--	1,141,236
Structures and improvements	162,854	--	--	--	--	--
Machinery and equipment	1,477,785	1,438,383	462,473	--	--	--
Leasehold improvements	--	1,674,461	--	--	--	--
Less: accumulated depreciation	(1,232,859)	(2,292,525)	(322,433)	--	--	(368,098)
Goodwill	--	111,317	--	--	--	--
Total noncurrent assets	<u>583,180</u>	<u>931,636</u>	<u>140,040</u>	<u>1,370,230</u>	<u>--</u>	<u>773,138</u>
Total assets	<u>1,422,153</u>	<u>4,319,006</u>	<u>252,557</u>	<u>1,508,094</u>	<u>325,951</u>	<u>773,138</u>
LIABILITIES						
Current liabilities payable						
from current assets:						
Accounts payable	46,162	96,345	--	--	--	--
Payroll payable	--	130,589	--	--	--	--
Compensated absences payable	--	176,788	2,886	--	--	--
OPEB payable	--	1,074,683	68,117	--	--	--
Noncurrent liabilities:						
Notes payable - due within one year	18,296	--	--	--	--	--
Compensated absences payable	42,907	--	--	--	--	--
Total liabilities	<u>107,365</u>	<u>1,478,405</u>	<u>71,003</u>	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION						
Net investment in capital assets	564,884	820,319	140,040	1,370,230	--	773,138
Restricted for:						
Prepaid expenses	--	--	1,385	--	--	--
Unrestricted	<u>749,904</u>	<u>2,020,282</u>	<u>40,129</u>	<u>137,864</u>	<u>325,951</u>	<u>--</u>
Total net position	<u>\$ 1,314,788</u>	<u>\$ 2,840,601</u>	<u>\$ 181,554</u>	<u>\$ 1,508,094</u>	<u>\$ 325,951</u>	<u>\$ 773,138</u>

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

MONROE COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenues and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Health Center	Public Library	Farmland Protection	Board of Health	Building Commission
Functions / Programs										
Primary government:										
Governmental activities:										
General government	\$ 1,452,874	\$ 235,698	\$ 40,621	\$ 105,205	\$ (1,071,350)					
Public safety	1,565,871	--	26,371	--	(1,539,500)					
Health and sanitation	3,474	--	--	--	(3,474)					
Culture and recreation	13,270	--	14,666	--	1,396					
Social services	19,200	--	--	--	(19,200)					
Total primary government	\$ 3,054,689	\$ 235,698	\$ 81,658	\$ 105,205	\$ (2,632,128)					
Component units:										
Health Center	5,076,892	5,303,546	--	--	--	\$ 226,654	\$ --	\$ --	\$ --	\$ --
Public Library	156,844	130,880	--	--	--	--	(25,964)	--	--	--
Farmland Protection	19,532	--	--	--	--	--	(19,532)	--	--	--
Board of Health	160,202	22,388	--	--	--	--	--	(137,814)	--	--
Building Commission	26,175	54,677	--	--	--	--	--	--	--	28,502
Total component units	\$ 5,439,645	\$ 5,511,491	\$ --	\$ --	\$ --	\$ 226,654	\$ (25,964)	\$ (19,532)	\$ (137,814)	\$ 28,502
General revenues:										
Ad valorem property taxes					1,628,349	--	--	--	--	--
Rental Income					--	12,410	--	--	--	--
Hotel occupancy tax					11,605	--	--	--	--	--
Gas and oil severance tax					16,654	--	--	--	--	--
Other taxes					148,759	--	--	53,778	--	--
Coal severance tax					45,321	--	--	--	--	--
Licenses and permits					36,297	--	--	--	--	--
Intergovernmental:										
State					--	--	--	--	196,950	--
Unrestricted investment earnings					3,948	1,431	233	146	219	--
Refunds					1,029	--	--	--	--	--
Contributions from other entities					--	55,869	15,441	--	--	--
Miscellaneous					758,581	--	2,095	--	--	--
Total general revenues					2,650,543	69,710	17,769	53,924	197,169	--
Change in net position					18,415	296,364	(8,195)	34,392	59,355	28,502
Net position - beginning					1,296,373	2,544,237	189,749	1,473,702	266,596	744,636
Net position - ending					\$ 1,314,788	\$ 2,840,601	\$ 181,554	\$ 1,508,094	\$ 325,951	\$ 773,138

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

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

	<u>General</u>	<u>Coal Severance Tax</u>	<u>E-911</u>	<u>Office of Emergency Services</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS						
Assets:						
Current:						
Cash and cash equivalents	\$ 50,911	\$ 38,559	\$ 452,526	\$ 106,724	\$ 99,595	\$ 748,315
Receivables:						
Taxes	<u>90,658</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>90,658</u>
Total assets	<u>141,569</u>	<u>38,559</u>	<u>452,526</u>	<u>106,724</u>	<u>99,595</u>	<u>838,973</u>
Total assets and deferred outflows of resources	<u>\$ 141,569</u>	<u>\$ 38,559</u>	<u>\$ 452,526</u>	<u>\$ 106,724</u>	<u>\$ 99,595</u>	<u>\$ 838,973</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	<u>46,162</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>46,162</u>
Total liabilities	<u>46,162</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>46,162</u>
Deferred Inflows:						
Unavailable revenue - taxes	<u>38,688</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>38,688</u>
Total deferred inflows of resources	<u>38,688</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>38,688</u>
Total liabilities and deferred inflows of resources	<u>84,850</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>84,850</u>
Fund balances:						
Restricted	<u>--</u>	<u>--</u>	<u>452,526</u>	<u>106,724</u>	<u>99,595</u>	<u>658,845</u>
Assigned	<u>50,000</u>	<u>38,559</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>88,559</u>
Unassigned	<u>6,719</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,719</u>
Total fund balances	<u>56,719</u>	<u>38,559</u>	<u>452,526</u>	<u>106,724</u>	<u>99,595</u>	<u>754,123</u>
Total liabilities, deferred inflows and fund balance:	<u>\$ 141,569</u>	<u>\$ 38,559</u>	<u>\$ 452,526</u>	<u>\$ 106,724</u>	<u>\$ 99,595</u>	<u>\$ 838,973</u>

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

MONROE COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances on the governmental fund's balance sheet	\$ 754,123
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 III.C)	583,180
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. (Note III.B)	38,688
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note III.G)	(61,203)
Net position of governmental activities	<u>\$ 1,314,788</u>

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

MONROE COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Coal Severance Tax</u>	<u>E-911</u>	<u>Office of Emergency Services</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Ad valorem property taxes	\$ 1,584,377	\$ --	\$ --	\$ --	\$ 75,311	\$ 1,659,688
Hotel occupancy tax	11,605	--	--	--	--	11,605
Gas and oil severance tax	16,654	--	--	--	--	16,654
Other taxes	45,857	--	--	--	--	45,857
Coal severance tax	--	45,321	--	--	--	45,321
Licenses and permits	--	--	--	--	36,297	36,297
Intergovernmental:						
State	186,863	--	--	--	--	186,863
Charges for services	176,400	--	--	--	12,199	188,599
Fines and forfeits	30,544	--	--	--	16,555	47,099
Interest and investment earnings	513	49	3,309	--	77	3,948
Refunds	1,029	--	--	--	--	1,029
Payments in lieu of taxes	102,902	--	--	--	--	102,902
Contributions and donations	2,833	--	--	--	--	2,833
Miscellaneous	95,408	--	658,778	--	1,562	755,748
Total revenues	2,254,985	45,370	662,087	--	142,001	3,104,443
EXPENDITURES						
Current:						
General government	1,352,018	47,756	--	1,124	31,232	1,432,130
Public safety	1,264,853	--	208,612	--	39,961	1,513,426
Health and sanitation	3,474	--	--	--	--	3,474
Culture and recreation	12,581	--	--	--	689	13,270
Social services	19,200	--	--	--	--	19,200
Total expenditures	2,652,126	47,756	208,612	1,124	71,882	2,981,500
Excess (deficiency) of revenues over expenditures	(397,141)	(2,386)	453,475	(1,124)	70,119	122,943
OTHER FINANCING SOURCES (USES)						
Transfers in	390,224	--	--	--	--	390,224
Transfers (out)	--	(9,132)	(333,460)	--	(47,632)	(390,224)
Total other financing sources (uses)	390,224	(9,132)	(333,460)	--	(47,632)	--
Net change in fund balances	(6,917)	(11,518)	120,015	(1,124)	22,487	122,943
Fund balances - beginning	63,636	50,077	332,511	107,848	77,108	631,180
Fund balances - ending	\$ 56,719	\$ 38,559	\$ 452,526	\$ 106,724	\$ 99,595	\$ 754,123

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

MONROE COUNTY, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 122,943
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 III.C)	(91,850)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between prior and current year unavailable/unearned revenues.	(31,339)
Prior year unavailable/unearned revenues: 70,027	
Current year unavailable/unearned revenues: 38,688	
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 III.G)	<u>18,661</u>
Change in net position of governmental activities	<u><u>\$ 18,415</u></u>

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

MONROE COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes:						
Ad valorem property taxes	\$ 1,504,411	\$ 1,504,411	\$ 1,584,377	\$ (51,961)	\$ 1,532,416	\$ 28,005
Alcoholic beverages tax	4,000	--	--	--	--	--
Hotel occupancy tax	20,000	20,000	11,605	--	11,605	(8,395)
Gas and oil severance tax	16,000	16,654	16,654	--	16,654	--
Other taxes	53,000	54,235	45,857	--	45,857	(8,378)
Intergovernmental:						
State	30,000	47,991	186,863	--	186,863	138,872
Charges for services	185,700	191,448	176,400	--	176,400	(15,048)
Fines and forfeits	20,000	20,000	30,544	--	30,544	10,544
Interest and investment earnings	33,500	33,500	513	--	513	(32,987)
Refunds	20,000	20,000	1,029	--	1,029	(18,971)
Payments in lieu of taxes	30,000	48,699	102,902	--	102,902	54,203
Contributions and donations	--	--	2,833	498	3,331	3,331
Miscellaneous	178,000	178,000	95,408	--	95,408	(82,592)
Total revenues	2,094,611	2,134,938	2,254,985	(51,463)	2,203,522	68,584
EXPENDITURES						
Current:						
General government	1,617,072	1,657,399	1,352,018	256,986	1,609,004	48,395
Public safety	1,073,099	1,073,099	1,264,853	(46,162)	1,218,691	(145,592)
Health and sanitation	3,500	3,500	3,474	--	3,474	26
Culture and recreation	22,000	22,000	12,581	--	12,581	9,419
Social services	19,200	19,200	19,200	--	19,200	--
Total expenditures	2,734,871	2,775,198	2,652,126	210,824	2,862,950	(87,752)
Excess (deficiency) of revenues over expenditures	(640,260)	(640,260)	(397,141)	(262,287)	(659,428)	(19,168)
OTHER FINANCING SOURCES (USES)						
Transfers in	540,260	540,260	390,224	43,156	433,380	(106,880)
Total other financing sources (uses)	540,260	540,260	390,224	43,156	433,380	(106,880)
Net change in fund balance	(100,000)	(100,000)	(6,917)	(219,131)	(226,048)	(126,048)
Fund balance - beginning	100,000	100,000	63,636	213,323	276,959	176,959
Fund balance - ending	\$ --	\$ --	\$ 56,719	\$ (5,808)	\$ 50,911	\$ 50,911

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

MONROE COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes:						
Coal severance tax	\$ 60,000	\$ 60,000	\$ 45,321	\$ --	\$ 45,321	\$ (14,679)
Interest and investment earnings	--	--	49	--	49	49
Total revenues	60,000	60,000	45,370	--	45,370	(14,630)
EXPENDITURES						
Current:						
General government	120,000	120,000	47,756	9,132	56,888	63,112
Total expenditures	120,000	120,000	47,756	9,132	56,888	63,112
Excess (deficiency) of revenues over expenditures	(60,000)	(60,000)	(2,386)	(9,132)	(11,518)	48,482
OTHER FINANCING SOURCES (USES)						
Transfers (out)	--	--	(9,132)	9,132	--	--
Total other financing sources (uses)	--	--	(9,132)	9,132	--	--
Net change in fund balance	(60,000)	(60,000)	(11,518)	--	(11,518)	48,482
Fund balance - beginning	60,000	60,000	50,077	--	50,077	(9,923)
Fund balance - ending	\$ --	\$ --	\$ 38,559	\$ --	\$ 38,559	\$ 38,559

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

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

	<u>Agency Funds</u>
ASSETS	
Non-pooled cash	\$ <u>332,165</u>
Total cash	<u>332,165</u>
Receivables:	
Taxes	<u>292,252</u>
Total receivables	<u>292,252</u>
Total assets	<u>624,417</u>
Total assets and deferred outflows of resources	\$ <u><u>624,417</u></u>
LIABILITIES	
Due to: other governments	<u>624,417</u>
Total liabilities	<u>624,417</u>
Total liabilities and deferred inflows of resources	\$ <u><u>624,417</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted, the accounting policies of Monroe 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

Monroe 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.

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

The Monroe County Board of Health serves citizens of Monroe 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 Monroe County Farmland Protection Board serves Monroe County, West Virginia, and is governed by a board comprised of seven members appointed by the County Commission. The Monroe County Farmland Protection Board protects property on behalf of the county.

The Monroe County Health Center serves all citizens of Monroe County and is governed by a thirteen-member board appointed by the County Commission. The Monroe County Health Center provides citizens with acute short term care.

The Monroe County Public Library serves all citizens of Monroe County and is governed by a five member board of which three members are appointed by the Board of Education and two members are appointed by the County Commission. The County provides financial support to the library annually.

The Monroe County Building Commission serves Monroe County, West Virginia, and is governed by a board comprised of five members appointed by the County Commission for a term of five years each. The Building Commission acquires property and debt on behalf of the County and also provides services to external parties.

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.

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.

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

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

The government reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia counties. The State Auditor's Office requires an annual budget be submitted for approval for this fund.

The *Emergency 911 fund*, a special revenue fund, accounts for the dispatch system in the county.

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

The *Office of Emergency Management fund*, a special revenue fund, accounts for a federal grant received by the county for emergency management.

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 Monroe 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

Monroe 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.

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." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Property Tax Receivable

The property tax receivable allowance is equal to 84 percent of the property taxes outstanding at June 30, 2014.

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

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

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

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	\$ --	14.30 cents
Class II	218,980,241	28.60 cents
Class III	141,668,997	57.20 cents
Class IV	16,176,480	57.20 cents

3. Inventories

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

4. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$7,500 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.

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

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

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

<u>Asset</u>	<u>Straight-line Years</u>	<u>Inventory Purposes</u>	<u>Capitalize/ Depreciate</u>
Land	not applicable	\$ 1	\$ Capitalize only
Land improvement	20 to 30 years	1	12,500.00
Building	40 years	1	25,000.00
Building improvements	20 to 25 years	1	25,000.00
Construction in progress	not applicable	1	Capitalize only
Equipment	5 to 10 years	1,000	7,500.00
Vehicles	5 to 10 years	1,000	15,000.00
Infrastructure	40 to 50 years	50,000	100,000.00

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, proprietary, and fiduciary fund financial 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 applicable governmental activities statement of net position.

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.

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

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 or laws or regulations. It also is imposed by law through constitutional provisions or enabling legislation.
Committed	The committed category is the portion of fund balance whose use is constrained by limitations have been approved by an order (the highest level of formal action) of the County Commission, and that remain binding unless removed in the same manner. The approval does not automatically lapse at the end of the fiscal year. 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 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.

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

9. Change in Accounting Principle

Effective July 1, 2013, the County adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This change was incorporated in the government's financial statements; however, there was no effect on beginning net position or fund balance.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

Monroe County, West Virginia prepares its budget on the cash basis of accounting. Therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for both the General and Coal Severance Tax Funds.

Prior to March 2nd of each year, the various elected officials submit to the County Commission proposed requests for their respective offices for the fiscal year commencing July 1. Upon review and approval of these requests, the County Commission prepares proposed budgets on forms prescribed by the State Auditor and submits them to the State Auditor by March 28 for approval. The County Commission then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

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

<u>Description</u>	<u>General Fund</u> <u>Amount</u>
General government expenditure increase	\$ 40,327

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year-end, the government had no investments.

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

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 \$1,080,480. 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. The bank balance of the Monroe County Farmland Protection Board, a discretely presented component unit, was \$137,864 and was collateralized by federal depository insurance.

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	\$ <u>1,080,480</u>
Total	\$ <u><u>1,080,480</u></u>
Cash and cash equivalents	\$ 748,315
Cash and cash equivalents-restricted	<u>332,165</u>
Total	\$ <u><u>1,080,480</u></u>

B. Receivables

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

	<u>General</u>	<u>Fiduciary</u>	
Receivables:			
Taxes	\$ <u>107,300</u>	\$ <u>292,252</u>	
Gross Receivables	<u>107,300</u>	<u>292,252</u>	
Less: Allowance for Uncollectible	<u>(16,642)</u>	<u> --</u>	
Net Total Receivables	\$ <u><u>90,658</u></u>	\$ <u><u>292,252</u></u>	

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

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

	Deferred Inflows - Unavailable
Delinquent property taxes receivable (General Fund)	\$ 38,688
Total unavailable/unearned revenue for governmental funds	\$ 38,688

C. Capital Assets

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

	Primary Government			
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 35,400	\$ --	\$ --	\$ 35,400
Total capital assets not being depreciated	35,400	--	--	35,400
Capital assets being depreciated:				
Buildings	140,000	--	--	140,000
Improvements	162,854	--	--	162,854
Machinery and equipment	1,477,785	--	--	1,477,785
Less: Total accumulated depreciation	(1,141,009)	(91,850)	--	(1,232,859)
Total capital assets being depreciated, net	639,630	(91,850)	--	547,780
Governmental activities capital assets, net	\$ 675,030	\$ (91,850)	\$ --	\$ 583,180

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

Governmental activities:	
General government	\$ 9,868
Public safety	81,982
Total depreciation expense-governmental activities	\$ 91,850

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

Discretely Presented Component Units

Activity related to capital assets for the Farmland Protection Board for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land	\$ 1,370,230	\$ --	\$ --	\$ 1,370,230
Total capital assets not being depreciated	<u>1,370,230</u>	<u>--</u>	<u>--</u>	<u>1,370,230</u>
Total capital assets, net	<u>\$ 1,370,230</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,370,230</u>

Activity related to capital assets for the Building Commission for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 1,141,236	\$ -	\$ -	\$ 1,141,236
Less: accumulated depreciation	<u>(342,420)</u>	<u>(25,678)</u>	<u>-</u>	<u>(368,098)</u>
Total capital assets being depreciated	<u>798,816</u>	<u>(25,678)</u>	<u>-</u>	<u>773,138</u>
Total capital assets, net	<u>\$ 798,816</u>	<u>\$ (25,678)</u>	<u>\$ -</u>	<u>\$ 773,138</u>

D. Interfund Receivables, Payables, and Transfers

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

Interfund Transfers:

<u>Transferred from:</u>	<u>Transferred to:</u>	<u>Purpose</u>	<u>Amount</u>
Justice Fines	General County	Year-end close out	\$ 16,555
Assessor Valuation	General County	Reimbursement	29,220
Coal Severance	General County	Reimbursement	9,132
Magistrate Court	General County	Year-end close out	1,857
E-911	General County	Reimbursement	<u>333,460</u>
			<u>\$ 390,224</u>

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

E. Fund Balance Detail

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

	<u>General Fund</u>	<u>Coal Severance Fund</u>	<u>E-911</u>	<u>Office of Emergency Services</u>
Restricted:				
Public safety	\$ --	\$ --	\$ 452,526	\$ 106,724
Assigned:				
Budget Carryover	50,000	38,559	--	--
Unassigned	<u>6,719</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>\$ 56,719</u>	<u>\$ 38,559</u>	<u>\$ 452,526</u>	<u>\$ 106,724</u>

	<u>Non-major Funds</u>	<u>Total</u>
Restricted:		
General government	\$ 57,988	\$ 57,988
Public safety	33,974	593,224
Culture and recreation	7,633	7,633
Assigned:		
Budget Carryover	--	88,559
Unassigned	<u>--</u>	<u>6,719</u>
Total fund balances	<u>\$ 99,595</u>	<u>\$ 754,123</u>

F. Notes

The Monroe County Commission, (the primary government), entered into a bank loan agreement which does not contain a non-appropriation of funds clause with the Bank of Monroe on December 10, 2009 in the amount of \$82,035 for the purchase of vehicles. Interest will accrue at an annual rate of 6.75% with annual installments payable through September 1, 2014.

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 18,296	\$ 1,235
Total	<u>\$ 18,296</u>	<u>\$ 1,235</u>

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

G. Changes in Long-term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes	\$ 35,436	\$ --	\$ (17,140)	\$ 18,296	\$ --
Compensated absences	44,428	--	(1,521)	42,907	--
Governmental activities					
Long-term liabilities	\$ 79,864	\$ --	\$ (18,661)	\$ 61,203	\$ --

	Discretely Presented Component Unit - Building Commission				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes	\$ 54,180	\$ --	\$ (54,180)	\$ --	\$ --
Governmental activities					
Long-term liabilities	\$ 54,180	\$ --	\$ (54,180)	\$ --	\$ --

H. Prior Period Adjustment

The following fund balances/net position of the discretely presented component units required restatement at the beginning of the year as follows:

	Farmland Protection
Fund balance, as previously stated	\$ 103,472
Add:	
Capital Asset: Easements	1,370,230
Fund balance, restated	\$ 1,473,702

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

IV. 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 West Virginia Counties Risk Pool for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): West Virginia utilizes a single private insurance company, WV CORP, to provide workers' compensation coverage to all employers in the state. Other private insurance companies may begin to offer coverage to private sector employees beginning July 1, 2008 and to government employers beginning July 1, 2010. For the most part, all employers in the state, including governmental entities, must have coverage. The cost of all coverage, as determine by WV CORP, is paid by the employers. The WCF risk pool retains the risk related to the compensation of injured employees under the program.

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

B. 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.

C. 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.

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

D. Post Employment Healthcare Plan

Monroe County, a non-participating employer, has not obtained the required actuarial study necessary to record the Other Post Employment Benefits obligation in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45.

V. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

General Information about the Pension Plans

Monroe 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.
Plan member's contribution rate	4.50%
County's contribution rate	14.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

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

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 13%. The contribution requirements of WVDSRS members are established and may be amended only by the State of West Virginia Legislature. The government's contribution to WVDSRS for the current fiscal year ending was \$35,509 for employees' share and \$23,218 for employer's share.
Period required to vest	Five years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 or more years of contributing service or age 50 and if the sum of his/her age plus years of credited service is equal to or greater than 70. The final average salary (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 \$58,727 for all covered employees with a contributed percentage of 100%.

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

Trend Information

<u>Fiscal Year</u>	West Virginia Public Employees <u>Retirement System (PERS)</u>		West Virginia Deputy Sheriff Retirement <u>System (WVDSRS)</u>	
	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
	2015	\$ 179,494	100%	\$ 58,727
2014	\$ 166,426	100%	\$ 52,871	100%
2013	\$ 164,725	100%	\$ 57,217	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.

SUPPLEMENTARY INFORMATION

**MONROE COUNTY, WEST VIRGINIA
BUDGETARY COMPARISON SCHEDULE -
ASSESSOR'S VALUATION FUND
For the Fiscal Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Modified</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Accrual Basis</u>	<u>Positive (Negative)</u>
REVENUES:				
Other taxes	\$ 68,933	\$ 68,933	\$ 75,242	\$ 6,309
Map sales	50	50	69	19
Interest	150	150	58	(92)
Total revenues	<u>69,133</u>	<u>69,133</u>	<u>75,369</u>	<u>6,236</u>
EXPENDITURES:				
Current:				
General government	79,071	79,071	23,954	55,117
Capital outlay	15,062	22,478	--	22,478
Total expenditures	<u>94,133</u>	<u>101,549</u>	<u>23,954</u>	<u>77,595</u>
Excess (deficiency) of revenues over expenditures	<u>(25,000)</u>	<u>(32,416)</u>	<u>51,415</u>	<u>83,831</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	--	--	(29,220)	(29,220)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>(29,220)</u>	<u>(29,220)</u>
Net change in fund balance	(25,000)	(32,416)	22,195	54,611
Fund balance at beginning of year	<u>25,000</u>	<u>32,416</u>	<u>32,416</u>	<u>--</u>
Fund balance at end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 54,611</u>	<u>\$ 54,611</u>

MONROE COUNTY, WEST VIRGINIA
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION -
MONROE COUNTY FARMLAND PROTECTION BOARD
June 30, 2014

	<u>Farmland Protection</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and cash equivalents	\$ 137,864	\$ --	\$ 137,864
Capital assets:			
Land	<u>--</u>	<u>1,370,230</u>	<u>1,370,230</u>
Total assets	<u>137,864</u>	<u>1,370,230</u>	<u>1,508,094</u>
Total assets	<u>\$ 137,864</u>		
Fund Balances/Net Position			
Fund balances:			
Restricted	<u>137,864</u>	<u>(137,864)</u>	<u>--</u>
Total fund balances	<u>137,864</u>	<u>(137,864)</u>	<u>--</u>
Total liabilities and fund balances	<u>\$ 137,864</u>		
Net position:			
Net investment in capital assets		1,370,230	1,370,230
Unrestricted		<u>137,864</u>	<u>137,864</u>
Total net position		<u>\$ 1,508,094</u>	<u>\$ 1,508,094</u>

MONROE COUNTY, WEST VIRGINIA
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES/STATEMENT OF ACTIVITIES -
MONROE COUNTY FARMLAND PROTECTION BOARD
For the Fiscal Year Ended June 30, 2014

	Farmland Protection	Adjustments	Statement of Activities
Revenues:			
Other taxes	\$ 53,778	\$ --	\$ 53,778
Interest	146	--	146
Total revenues	53,924	--	53,924
Expenditures/expenses:			
Current:			
General government	19,532	--	19,532
Total expenditures	19,532	--	19,532
Excess (deficiency) of revenues over expenditures	34,392	--	34,392
Change in net position	34,392	--	34,392
Fund balances/net position at beginning of year	103,472	--	1,473,702
Fund balances/net position at end of year	\$ 137,864	\$ --	\$ 1,508,094

MONROE COUNTY, WEST VIRGINIA
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION -
MONROE COUNTY BUILDING COMMISSION
June 30, 2014

	<u>Building Commission</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Capital assets:			
Buildings	\$ --	\$ 1,141,236	\$ 1,141,236
Less: accumulated depreciation	<u> --</u>	<u>(368,098)</u>	<u>(368,098)</u>
Total assets	<u> --</u>	<u>773,138</u>	<u>773,138</u>
Total assets and deferred outflows of resources	<u><u> --</u></u>		
Net position:			
Net investment in capital assets		<u>773,138</u>	<u>773,138</u>
Total net position		<u><u>\$ 773,138</u></u>	<u><u>\$ 773,138</u></u>

MONROE COUNTY, WEST VIRGINIA
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES/STATEMENT OF ACTIVITIES -
MONROE COUNTY BUILDING COMMISSION
For the Fiscal Year Ended June 30, 2014

	<u>Building Commission</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Charges for services	\$ 54,677	\$ --	\$ 54,677
Total revenues	<u>54,677</u>	<u>--</u>	<u>54,677</u>
Expenditures/expenses:			
Current:			
Health and sanitation	--	25,678	25,678
Debt Service:			
Principal	54,180	(54,180)	--
Interest	497		497
Total expenditures	<u>54,677</u>	<u>(28,502)</u>	<u>26,175</u>
Excess (deficiency) of revenues over expenditures	<u>--</u>	<u>28,502</u>	<u>28,502</u>
Change in net position	--	28,502	28,502
Fund balances/net position at beginning of year	<u>--</u>	<u>744,636</u>	<u>744,636</u>
Fund balances/net position at end of year	<u>\$ --</u>	<u>\$ 773,138</u>	<u>\$ 773,138</u>

ACCOMPANYING INFORMATION



State of West Virginia

Lisa A. Hopkins

State Auditor

**Office of the State Auditor
1900 Kanawha Boulevard, East
State Capitol, Building 1, Suite W-100
Charleston, West Virginia 25305**

**Toll Free: (877) 982-9148
Telephone: (304) 558-2251
Fax: (304) 558-5200
www.wvsao.gov**

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
Monroe County Commission
Union, West Virginia 24983

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 Monroe County, West Virginia (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 14, 2016. In that report, our opinion was qualified for not properly recording revenues and expenditures in the General Fund and Governmental Activities, and not recognizing the expenses and associated liabilities related to other postemployment benefits. Our report includes a reference to other auditors who audited the financial statements of the Monroe County Public Library and the Monroe County Health Center, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-003, 2014-004, and 2014-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-005, 2014-006, 2014-008 and 2014-009 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2014-001, 2014-002, 2014-010, and 2014-011.

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,

A handwritten signature in black ink, appearing to read "Lisa A. Hopkins". The signature is written in a cursive style with a large initial "L".

Lisa A. Hopkins
West Virginia State Auditor
Charleston, West Virginia

July 14, 2016

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

**Expenditures in Excess of Amounts Allocated in the Excess Levy - General Fund
2014-001**

CONDITION:

We noted during our audit that Monroe County 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>Budget</u>	<u>Actual</u>	<u>Variance</u>
405	\$ 185,439	\$ 187,348	\$ (1,909)
408	\$ 23,006	\$ 23,918	\$ (912)
420	\$ 31,270	\$ 32,814	\$ (1,544)
443	\$ 35,791	\$ 145,632	\$ (109,841)
700	\$ 436,359	\$ 450,309	\$ (13,950)
704	\$ 150,000	\$ 308,000	\$ (158,000)
716	\$ 14,609	\$ 15,045	\$ (436)
731	\$ 46,941	\$ 53,894	\$ (6,953)

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."

CAUSE:

The County failed to have proper budgetary controls in place.

EFFECT:

The Monroe County Commission has violated §11-8-26 of the West Virginia Code and has failed to exercise proper budgetary control.

RECOMMENDATION:

The Monroe County Commission is directed to implement effective budgetary controls to insure that actual expenditures do not exceed the amounts allocated for those 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 County Commission will implement effective budgetary controls to insure expenditures don't exceed revenues as approved in the budget.

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

**Preparation and Publication of Financial Statement
2014-002**

CONDITION:

We noted during our audit that the Monroe County Commission failed to cause to be published the annual financial statement for the fiscal year ended June 30, 2014.

CRITERIA:

West Virginia Code §7-5-16 states, in part, that:

"The County Commission of every county, within ninety days after the first session held after the beginning of each fiscal year shall prepare on a form to be prescribed by the state tax commissioner, and cause to be published a statement revealing (a) the receipts and expenditures of the county during the previous fiscal year arranged under descriptive headings. (b) The name of each firm, corporation, and person who received more than fifty dollars from any fund during the previous fiscal year, together with the amount received and the purpose for which paid, and (c) all debts of the county, the purpose for which each debt was contracted, its due date, and to what date the interest thereon has been paid. Such statement shall be published as a class I-0 legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for such publication shall be the county."

CAUSE:

The County did not have proper procedures in effect that would insure that a financial statement was published.

EFFECT:

The Monroe County Commission has violated chapter §7-5-16 of the West Virginia Code.

RECOMMENDATION:

The Monroe County Commission is directed to review this statute and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The County Commission plans to contact the State Auditor's Office and ask for assistance in preparing the financial statement as required by West Virginia Code §7-5-16.

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

Financial Statement Preparation

2014-003

CONDITION:

We noted during our audit of Monroe County that employees or management did not possess the requisite amount of skills and/or knowledge necessary to prevent, detect and correct a material misstatement in the financial statements prepared in accordance with generally accepted accounting principles.

CRITERIA:

Paragraph 18 of statement of auditing standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, states in part that:

"Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control.

Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.

Controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger, initiate, authorize, record and process journal entries into the general ledger, and record recurring and nonrecurring adjustments to the financial statement."

Furthermore, paragraph 19 states in part:

"Each of the following is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

EFFECT:

A significant potential exists for misstatements to occur in the financial statements without being detected by employees or management in a timely manner.

RECOMMENDATION:

Monroe County should develop policies and procedures to ensure financial statements are prepared in accordance with generally accepted accounting principles. This may be accomplished by employing qualified personnel that are knowledgeable with the complex requirements associated with governmental financial statements prepared in accordance with generally accepted accounting principles. Conversely, the entity may consider contracting with an outside firm knowledgeable in this specialized area to facilitate with this management function.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The County Commission will develop policies and procedures to ensure financial statements are prepared in accordance with generally accepted accounting principles. The Commission will provide the current staff member with additional training in order to be qualified with the complex requirements associated with government financial statements prepared in accordance with generally accepted accounting principles. The Commission has discussed hiring someone with this expertise but cannot afford to pay someone with such expertise.

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

Other Post-Employment Benefits Obligation

2014-004

CONDITION:

We noted during our audit that the Monroe County Commission failed to record the other postemployment benefits obligation payable in the county's financial statements in accordance with GASB Statement Number 45.

CRITERIA:

Governmental Accounting Standards Board (GASB) Statement Number 45 requires that state and local government employers report the costs and obligations associated with postemployment health care and other non-pension benefits known as other post-employment benefits. The requirements of this statement are effective in three phases based on a government's total annual revenue in the first fiscal year ending after June 15, 1999. Governments with annual revenues of \$100 million or more (Phase I Governments) are required to implement in the periods beginning after December 15, 2006. Governments with annual revenues between \$10 million and \$100 million (Phase II Governments) are required to implement in the periods beginning after December 15, 2007. Governments with annual revenues less than \$10 million (Phase III Governments) are required to implement in the periods beginning after December 15, 2008.

CAUSE:

Officials did not obtain the actuarial study to determine a correct calculation of the annual required contributions, which were necessary to reflect this liability in the financial statements and failed to account for the other post-employment benefits obligation.

EFFECT:

The liabilities are substantially understated which necessitates a qualification of opinion on the financial statements.

RECOMMENDATION:

The County should review the requirements set forth in GASB Statement Number 45 and calculate the liability related to other postemployment benefits accordingly.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The County Commission will review the requirements set forth in GASB Statement Number 45 and seek assistance from the State Auditor's Office in calculating the liability related to other post-employment benefits accordingly.

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

Segregation of Duties

2014-005

CONDITION:

We noted during our audit that there is an insufficient segregation of duties in the Monroe County courthouse. Specifically, we noted that the same employees can collect fees and other revenue, prepare and make deposits, prepare checks, reconcile bank accounts, and prepare monthly reports for the respective office.

CRITERIA:

Proper internal control procedures require that various duties be segregated among staff. The duties of collecting, recording, depositing revenues, reconciling bank accounts and disbursing monies should be separated.

CAUSE:

The entity has not implemented proper control procedures to sufficiently segregate duties.

EFFECT:

The likelihood of errors and/or irregularities occurring without being detected by employees while performing their assigned functions is greatly increased.

RECOMMENDATION:

The duties of collecting revenues and writing receipts, preparing and making deposits, issuing checks, reconciling bank accounts, and preparing the monthly statements should be segregated among different employees to the extent possible.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

With the limited number of staff members presently employed, it's virtually impossible to segregate duties as recommended.

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

Commission Approval on Invoices

2014-006

CONDITION:

It was noted during our audit that the Monroe County Commission was not signifying their approval of invoices by spoiling the invoices themselves.

CRITERIA:

Proper internal controls require the County Commission to signify their approval of invoices by spoiling the invoices themselves, either with a signature or a stamp.

CAUSE:

The entity has not implemented proper internal controls to ensure that commission approval of invoices was evidenced on the invoice itself.

EFFECT:

By not approving each individual invoice the chances of inappropriate expenditures being paid by the commission is increased.

RECOMMENDATION:

The Monroe County Commission should signify their approval of invoices by either signature or stamp directly on the invoice.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Any and all invoices are presented to the County Commission for their approval. Obviously, there were some that were not approved by the Commission prior to payment. The Commission will make every effort to approve any and all invoices before such invoices are paid.

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

**Reconciliation of Balances
2014-007**

CONDITION:

We noted during our audit that the Monroe County Sheriff's Tax Office and the County Clerk's bookkeeping office failed to reconcile their cash balances on a monthly basis.

CRITERIA:

Proper internal control procedures require that the cash balance of each fund accounted for by the County Clerk's Office be reconciled monthly to the Sheriff's Tax Office balance. This reconciliation will reduce the likelihood of an improper use of monies. In addition, errors are more likely to be discovered and corrected in a timely manner.

CAUSE:

Proper procedures have not been instituted between the Sheriff's Tax Office and the County Clerk's bookkeeping department to reconcile on a monthly basis.

EFFECT:

Not requiring the reconciliation between the two offices increases the likelihood of discrepancies occurring without being detected in a timely manner, and the risk of an improper use of funds is greatly increased.

RECOMMENDATION:

All funds accounted for by the County Clerk's Office should be reconciled to the Sheriff's Office on a monthly basis.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Just recently the County Clerk's Office and the Tax Office agreed to purchase the necessary software so the computers in the respective offices could "talk to each other". This would have made the reconciliation process much easier and accurate. However, the Tax Office didn't like the software and decided not to use it. However, the County Clerk's Office and Tax Office will do whatever is required to reconcile accounts on a monthly basis.

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

**Monroe County Building Commission - Segregation of Duties
2014-008**

CONDITION:

We noted during our audit that there is an insufficient segregation of duties in the Monroe County Building Commission. Specifically, we noted that the same employees can collect fees and other revenue, prepare and make deposits, prepare checks, reconcile bank accounts, and prepare monthly reports for the entity.

CRITERIA:

Proper internal control procedures require that various duties be segregated among staff. The duties of collecting, recording, depositing revenues, reconciling bank accounts and disbursing monies should be separated.

CAUSE:

The entity has not implemented proper control procedures to sufficiently segregate duties.

EFFECT:

The likelihood of errors and/or irregularities occurring without being detected by employees while performing their assigned functions is greatly increased.

RECOMMENDATION:

The duties of collecting revenues and writing receipts, preparing and making deposits, issuing checks, reconciling bank accounts, and preparing the monthly statements should be segregated among different employees to the extent possible.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Monroe County Building Commission has no staff and no bank account. It simply consists of five board members. The County requires no building permits or any other permits. Therefore, the Building Commission doesn't collect any revenue, write receipts, make deposits, issue checks, reconcile bank accounts or prepare a monthly financial statement.

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

**Monroe County Farmland Protection Board - Segregation of Duties
2014-009**

CONDITION:

We noted during our audit that there is an insufficient segregation of duties in the Monroe County Farmland Protection Board. Specifically, we noted that the same employees can collect fees and other revenue, prepare and make deposits, prepare checks, reconcile bank accounts, and prepare monthly reports for the entity.

CRITERIA:

Proper internal control procedures require that various duties be segregated among staff. The duties of collecting, recording, depositing revenues, reconciling bank accounts and disbursing monies should be separated.

CAUSE:

The entity has not implemented proper control procedures to sufficiently segregate duties.

EFFECT:

The likelihood of errors and/or irregularities occurring without being detected by employees while performing their assigned functions is greatly increased.

RECOMMENDATION:

The duties of collecting revenues and writing receipts, preparing and making deposits, issuing checks, reconciling bank accounts, and preparing the monthly statements should be segregated among different employees to the extent possible.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There was no response from the entity on this finding.

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

**Bank Loan
2014-010**

CONDITION:

We noted during our audit that the Monroe County Commission entered into an agreement for bank financing. The agreement did not contain a nonappropriation clause nullifying commitment of future levies.

CRITERIA:

The obligation of future period levies is prohibited by West Virginia Code §11-8-26. The historical development of this statute is traced by various court decisions to §11-8-13 of the West Virginia Code of 1931, as amended.

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"

CAUSE:

The agreement did not contain a nonappropriation clause nullifying commitment of future levies.

EFFECT:

The Monroe County Commission has violated §11-8-26 of the West Virginia Code and has obligated future levy revenues.

RECOMMENDATION:

The Monroe County Commission is directed to review this statute and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The County Commission was unaware a non appropriation clause nullifying commitment of future levies was required to be included in a financing agreement for bank financing. This Commission will comply with this provision in any future financing agreements.

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

**Failure to Submit Budget Revision to Appropriate the Unexpended Fund Balance -
General Fund
2014-011**

CONDITION:

We noted during our audit that the Monroe County Commission failed to submit a budget revision to appropriate the actual unexpended fund balance at June 30, 2013 into the subsequent year's budget.

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:

Controls are not in place to insure that an accurate prior year balance is appropriated into the budget.

EFFECT:

The actual unexpended balance at June 30, 2013 for the General County Fund was not appropriated into the current year budget.

RECOMMENDATION:

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The County Commission will implement effective budgetary controls and submit budget revisions when necessary to appropriate the actual unexpended fund balance at the year end into the subsequent year's budget.

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

Status of Prior Year Financial Statement Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2013-001	Expenditures in Excess of Amounts Allocated in the Excess Levy - General Fund	Repeated
2013-002	Appropriation of Unexpended Fund Balance - Coal Severance Tax Fund	Corrected
2013-003	Appropriation of Unexpended Fund Balance - General Fund	Repeated
2013-004	Preparation and Publication of Financial Statement	Repeated
2013-005	Financial Statement Preparation	Repeated
2013-006	Other Postemployment Benefits Obligation	Repeated
2013-007	Bank Loan	Repeated
2013-008	Segregation of Duties	Repeated