



Audited Financial Statements

Kanawha County, West Virginia

Year Ended June 30, 2014

Audited Financial Statements
KANAWHA COUNTY, WEST VIRGINIA
Year Ended June 30, 2014

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KANAWHA COUNTY, WEST VIRGINIA
Year Ended June 30, 2014

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KANAWHA COUNTY, WEST VIRGINIA
LIST OF ELECTED COUNTY OFFICIALS
June 30, 2014

<u>Office</u>	<u>Name</u>
Commissioner	W. Kent Carper
Commissioner	David Hardy
Commissioner	Henry C. Shores
County Clerk	Vera J. McCormick
Circuit Clerk	Cathy S. Gatson
Assessor	Sallie Robinson
Prosecuting Attorney	Chuck Miller (since November 14, 2014) Mark Plants (through November 13, 2014)
Sheriff	Jonathan Rutherford

INDEPENDENT AUDITOR'S REPORT

To the Commission of
Kanawha County
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kanawha 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 basic financial statements of the County's primary government 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statement presentation of the financial statements.

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

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental activities	Unmodified
Aggregate discretely presented component units	Disclaimer
Governmental fund - General	Unmodified
Governmental fund - Coal Severance Tax	Unmodified
Governmental fund - Assessor's Valuation	Unmodified
Aggregate remaining fund information	Qualified

Basis for Disclaimer of Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amounts by which this departure from accounting principles generally accepted in the United States of America would affect the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units is not practicable to determine. In addition, the amounts by which the assets, liabilities, fund balances, revenues, and expenditures of the aggregate remaining fund information would have increased is not practicable to determine.

Disclaimer of Opinion on Aggregate Discretely Presented Component Units

Because of the significance of the matter discussed in the "Basis for Disclaimer of Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on aggregate discretely presented component units. Accordingly, we do not express such an opinion on these financial statements.

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter described in the "Basis for Disclaimer of Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the County, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the County, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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, 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.



Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major funds, agency funds, and general fund financial statements on pages 31 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major funds, agency funds, and general fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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, except for the effect on the combining and individual non-major funds of including financial data for the County's legally separate component units, which was not practicable to determine, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Charleston, West Virginia
March 5, 2015

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 21,836,918
Taxes receivable, net	5,635,071
Grants receivable, net	210,196
Capital assets, net	<u>30,714,527</u>
Total assets	<u>\$ 58,396,712</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Accumulated changes in fair value of hedging derivative instrument	<u>\$ 315,102</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 2,423,258
Other	828,839
Fair value of hedging derivative instrument	315,102
Noncurrent liabilities:	
Due within one year	2,194,612
Due in more than one year	<u>14,503,431</u>
Total liabilities	<u>\$ 20,265,242</u>
<u>NET POSITION</u>	
Net investment in capital assets	\$ 17,719,498
Restricted	4,357,248
Unrestricted	<u>16,369,826</u>
Total net position	<u>\$ 38,446,572</u>

The accompanying notes are an intergral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	Fines and Forfeits	Governmental Activities
Governmental activities:					
General government	\$ 33,733,826	\$ 2,405,291	\$ 440,304	\$ 21,221	\$ (30,867,010)
Public safety	17,721,601	-	1,021,857	-	(16,699,744)
Health and sanitation	499,074	-	-	-	(499,074)
Culture and recreation	5,331,969	-	-	-	(5,331,969)
Interest	<u>753,155</u>	-	-	-	<u>(753,155)</u>
Total primary government	<u>\$ 58,039,625</u>	<u>\$ 2,405,291</u>	<u>\$ 1,462,161</u>	<u>\$ 21,221</u>	<u>(54,150,952)</u>
General revenues:					
Taxes					52,422,048
Licenses and permits					429,052
Interest					5,785
Miscellaneous					<u>4,613,976</u>
Total general revenues					<u>57,470,861</u>
Change in net position					3,319,909
Net position, beginning of year					<u>35,126,663</u>
Net position, end of year					<u>\$ 38,446,572</u>

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

<u>ASSETS</u>	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 15,964,047	\$ 863,415	\$ 1,971,463	\$ 3,037,993	\$ 21,836,918
Taxes receivable, net	4,877,529	537,534	-	220,008	5,635,071
Grants receivable, net	210,196	-	-	-	210,196
Due from other funds	<u>523,543</u>	<u>102,367</u>	<u>9,371</u>	<u>18,498</u>	<u>653,779</u>
Total assets	<u>\$ 21,575,315</u>	<u>\$ 1,503,316</u>	<u>\$ 1,980,834</u>	<u>\$ 3,276,499</u>	<u>\$ 28,335,964</u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Due to other funds	\$ 505,953	\$ 115,971	\$ -	\$ 31,855	\$ 653,779
Accounts payable	2,046,833	93,841	159,541	123,043	2,423,258
Other	<u>741,158</u>	<u>6,711</u>	<u>78,369</u>	<u>2,601</u>	<u>828,839</u>
Total liabilities	<u>3,293,944</u>	<u>216,523</u>	<u>237,910</u>	<u>157,499</u>	<u>3,905,876</u>
Deferred inflows of resources:					
Unavailable revenues - property taxes	<u>4,217,380</u>	<u>-</u>	<u>-</u>	<u>90,519</u>	<u>4,307,899</u>
Fund balances:					
Restricted	569,934	-	1,742,924	2,044,390	4,357,248
Committed	10,866,908	1,286,793	-	984,091	13,137,792
Unassigned	<u>2,627,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,627,149</u>
Total fund balances	<u>14,063,991</u>	<u>1,286,793</u>	<u>1,742,924</u>	<u>3,028,481</u>	<u>20,122,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,575,315</u>	<u>\$ 1,503,316</u>	<u>\$ 1,980,834</u>	<u>\$ 3,276,499</u>	<u>\$ 28,335,964</u>

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA
 RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances on governmental funds balance sheet	\$	20,122,189
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 therefore, are not reported in the governmental funds balance sheet		30,714,527
Deferrals of resources related to long-term receivables that are not available for expenditure at year end, and therefore, are reported as a deferred inflow of resources in the governmental funds balance sheet		4,307,899
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet		(14,345,029)
Liability for health claims incurred, as of year end, is not due and payable in the current period and therefore is not reported in the governmental funds balance sheet		(509,000)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet		<u>(1,844,014)</u>
Net position of governmental activities	\$	<u>38,446,572</u>

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	General	Coal Severance Tax	Assessor's Valuation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes (including interest and penalties)	\$ 45,683,403	\$ 1,615,454	\$ 2,231,064	\$ 2,733,035	\$ 52,262,956
Licenses and permits	178,624	-	-	250,428	429,052
Intergovernmental:					
Federal	818,955	-	-	-	818,955
State	257,090	-	-	-	257,090
Local	386,116	-	-	-	386,116
Charges for services	1,688,819	-	2,404	714,068	2,405,291
Fines and forfeits	-	-	-	21,221	21,221
Interest	4,751	111	660	263	5,785
Miscellaneous	4,372,464	-	160,000	81,512	4,613,976
Total revenues	<u>53,390,222</u>	<u>1,615,565</u>	<u>2,394,128</u>	<u>3,800,527</u>	<u>61,200,442</u>
Expenditures:					
General government	27,701,624	1,220,280	2,246,721	383,227	31,551,852
Public safety	14,075,045	836,884	-	2,199,690	17,111,619
Health and sanitation	499,074	-	-	-	499,074
Culture and recreation	5,325,895	4,800	-	-	5,330,695
Capital outlay	340,709	-	-	-	340,709
Debt service	-	-	-	2,451,934	2,451,934
Total expenditures	<u>47,942,347</u>	<u>2,061,964</u>	<u>2,246,721</u>	<u>5,034,851</u>	<u>57,285,883</u>
Excess (deficiency) of revenues over expenditures	5,447,875	(446,399)	147,407	(1,234,324)	3,914,559
Other financing sources (uses):					
Operating transfers in	1,010,614	-	-	2,479,742	3,490,356
Operating transfers out	(2,479,742)	(61,158)	(347,046)	(602,410)	(3,490,356)
Total other financing sources (uses)	<u>(1,469,128)</u>	<u>(61,158)</u>	<u>(347,046)</u>	<u>1,877,332</u>	<u>-</u>
Net change in fund balances	3,978,747	(507,557)	(199,639)	643,008	3,914,559
Fund balances, beginning of year	<u>10,085,244</u>	<u>1,794,350</u>	<u>1,942,563</u>	<u>2,385,473</u>	<u>16,207,630</u>
Fund balances, end of year	<u>\$ 14,063,991</u>	<u>\$ 1,286,793</u>	<u>\$ 1,742,924</u>	<u>\$ 3,028,481</u>	<u>\$ 20,122,189</u>

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

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	\$ 3,914,559
Governmental funds report capital outlays as expenditures while the cost of capital assets is allocated over their useful lives in the statement of activities	923,493
Governmental funds do not record capital assets as the effect of disposals of capital assets decreases the change in net position	(19,586)
Depreciation expense related to capital assets is not reported in the governmental funds because it does not affect current financial resources	(1,842,625)
Governmental funds report net payments of principal on long-term debts as expenditures while the repayment of such principal does not effect the statement of activities in the government-wide presentation	1,698,779
Contribution expense from issuance of long-term contributions payable is reported as a decrease in net position in the government-wide statement of activities but does not result in a change in fund balance in the governmental funds	(1,350,000)
Revenue that is not available at year end for expenditure is not reported in the governmental funds	159,092
Certain health claims reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	(83,536)
Compensated absences 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	<u>(80,267)</u>
Change in net position of governmental activities	<u>\$ 3,319,909</u>

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

June 30, 2014

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,652,741	\$ 9,070,619
Taxes receivable	-	2,260,877
Real and personal property	1,752,951	-
Other	<u>94,575</u>	<u>-</u>
 Total assets	 <u>\$ 6,500,267</u>	 <u>\$ 11,331,496</u>
<u>LIABILITIES</u>		
Due to other governmental entities	\$ -	\$ 8,530,479
Due to other third parties	<u>129,046</u>	<u>2,801,017</u>
 Total liabilities	 <u>\$ 129,046</u>	 <u>\$ 11,331,496</u>
<u>NET ASSETS</u>		
Net assets, held for individuals	<u>\$ 6,371,221</u>	

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
 FIDUCIARY FUND
 Year Ended June 30, 2014

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund <hr style="width: 100%;"/>
<u>Additions</u>	
Contributions	\$ 4,691,165
 <u>Deductions</u>	
Payments on behalf of beneficiaries	<hr style="width: 100%;"/> 4,292,844
Changes in net assets	398,321
Net assets, beginning of year	<hr style="width: 100%;"/> 5,972,900
Net assets, end of year	\$ <hr style="width: 100%;"/> 6,371,221

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ENTITY

The financial statements of Kanawha County, West Virginia (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units, except as noted below. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for U.S. governmental accounting and financial reporting.

The County is a local government corporation governed by an elected three member commission and various other elected officials with various responsibilities. GAAP requires the financial statements to present the financial information of the primary government and its component units as a single reporting entity. Component units are entities for which the government is considered to be financially accountable, or whose exclusion may be misleading to the users of the financial statements. Blended component units, although legally separate entities are, in substance, part of the government's operations. For financial reporting purposes, in accordance with accounting principles generally accepted in the United States of America, data from these units should be combined with data of the primary government. Conversely, discretely presented component units should be reported in a separate column in the financial statements to emphasize they are legally separate from the government. The County has elected to present only the primary government financial information within the financial statements. Accordingly, none of the County's component units are presented within these financial statements.

2 - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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. The accompanying financial statements do not report any business type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

3 - MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days 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.

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

The County reports the following major governmental funds:

The *General Fund* represents the County's operating funds. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. In accordance with generally accepted accounting principles, certain individual internally maintained governmental funds have been combined within the County's general fund on the Balance Sheet - Governmental Funds. (See Combining Balance Sheet - General Fund included with supplementary information.)

The *Coal Severance Fund* accounts for the revenues derived from taxes levied on the extraction of coal. This fund is established by West Virginia Code.

The *Assessors Valuation Fund* accounts for the revenues derived from taxes levied on property, and is associated with the revaluation of property. This fund is established by West Virginia Code.

The County reports the following fund types:

A *Private-Purpose Trust Fund* is used to account for resources legally held in trust by the Sheriff's Department for the benefit of individuals whose finances have been remanded to the Sheriff's Department by court order. All resources of the fund, including any earnings on invested resources, must be used to support the beneficiaries. There is no requirement that any portion of these resources be preserved as capital.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The fund is used to account for assets that the County holds for others.

The effect of interfund activity has been eliminated from the government-wide financial statements.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

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 as program revenues. Likewise, general revenues include all taxes.

4 - BUDGETARY COMPLIANCE AND ACCOUNTABILITYBudgetary Information

Annual budgets are adopted on a basis consistent with the modified accrual basis of accounting for the general operating, coal severance, and assessor's valuation funds. The budgets are then submitted for approval to the West Virginia State Auditor's Office. All annual appropriations lapse at the end of the fiscal year.

During January and February of each year, all departments of the County submit requests for appropriations so that a budget may be prepared. Before March 28, the proposed budget is presented to the County Commission for review and preliminary approval. The budget is then submitted to the West Virginia State Auditor's Office, Chief Inspector Division, prior to March 28. The County Commission formally approves the budget at a subsequent Commission meeting.

The appropriated budget is prepared by function and department for each budgeted fund. Transfers of appropriations between budget classifications require the approval of the County Commission. The legal level of budgetary control is the budgetary fund and function.

5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESCash Equivalents

Cash equivalents include amounts in demand deposit accounts as well as short-term investments which have maturity dates within three months of the County's fiscal year and are readily convertible to cash.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$25,000 and an estimated 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 value at the date of donation.

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

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	15-40
Land improvements	15
Vehicles	3
Office equipment	15
Computer equipment	5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position/balance sheet reports 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County reports the accumulated changes in fair value of the hedging derivatives instrument as deferred outflows of resources in the government-wide statement of net position.

In addition to liabilities, the statement of net position/balance sheet reports 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 and so will *not* be recognized as an inflow of resources (revenue) until that time. The County reports property tax revenues that are not yet available as deferred inflows of resources on the governmental funds balance sheet.

Interfund Transactions

During the normal course of the County's operations, certain transactions, including expenditures and transfers of resources to provide services, take place between funds. Interfund transactions are recorded as operating transfers in the fund financial statements and have been eliminated in the government-wide financial statements.

Fund Balance

The County has classified in the governmental fund financial statements, its fund balances in the following categories: nonspendable, restricted, committed, assigned and unassigned as applicable.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The County has no nonspendable fund balances as of June 30, 2014.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fund Balance (Continued)

The restricted fund balance classification includes amounts restricted for the use of specific purposes including externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; imposed by law through constitutional provisions, or enabling legislation including *legally enforceable* requirements that those resources be used only for the specific purposes stipulated in the legislation. *Legal enforceability* means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed amounts reported in fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the Kanawha County Commission (the Commission). Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned fund balance includes amounts intended to be used for specific purposes but that do not meet the criteria for Restricted or Committed fund balance. The Commission and other elected officials or their representatives will have the responsibility to assign fund balances for specific purposes.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. It is available for any purpose and is not subject to any constraints.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it is the policy of the County to consider restricted amounts to have been reduced first. When expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance category could be used, it shall be the policy of the County that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

It shall be the goal of the County to attain and subsequently maintain a fund balance in the general fund of ten percent of the subsequent year's budgeted expenditures and outgoing transfers. Should the fund balance in the general fund exceed the maximum thirty percent allowable by the State Code, funds in excess of the 30% limitation shall be transferred to the financial stabilization fund which is part of the consolidated general fund for financial reporting purposes.

Net Assets/Position

Net assets/position are presented as unrestricted, restricted, net investment in capital assets and net assets held for individuals.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - DEPOSITS AND INVESTMENTS**

Concentration of Credit Risk - Cash Deposits - At June 30, 2014, the County had deposits in financial institutions reported as cash and cash equivalents with carrying balances of \$16,229,854 and bank balances of \$16,816,883. Of the bank balances, \$530,266 was covered by federal depository insurance and \$1,395,662 was held in the Sherriff's Fiduciary Private Purpose Trust Fund which was fully covered by federal depository insurance. The remaining \$14,890,955 was collateralized with securities held by the County's agent in the County's name.

Additionally, the County has cash and cash equivalents deposited with the West Virginia Board of Treasury Investments (BTI) in the West Virginia Government Money Market Pool. The WV Government Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI limits the exposure to credit risk in the West Virginia Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

At June 30, 2014, the County had investments shown as cash and cash equivalents invested in this BTI sponsored external investment pool of \$15,969,025. These balances are not subject to concentration of credit risk disclosures. Due to the nature of these investments, they are not exposed to custodial credit risk and interest rate risk.

Also included in cash and cash equivalents at June 30, 2014, are \$3,361,399 of cash and cash equivalents, mutual funds, insurance contracts, and other investments which are held at various local financial institutions and nationally recognized brokerage firms by the Kanawha County Sheriff in his capacity as fiduciary agent. No one investment or group of investments held in this fiduciary capacity represents a significant concentration of credit risk. The investments are comprised of \$935,766 in fixed income securities and \$1,562,799 in equity securities. Cash and cash equivalents of \$142,620 are fully covered by depository insurance. The remaining \$720,214 is invested in mutual funds and is not subject to concentration of credit risk, custodial credit risk, and interest rate risk disclosures.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,613,178	\$ -	\$ -	\$ 1,613,178
Construction in progress	-	109,774	-	109,774
Total capital assets not being depreciated	<u>1,613,178</u>	<u>109,774</u>	<u>-</u>	<u>1,722,952</u>
<i>Capital assets being depreciated:</i>				
Buildings	26,880,489	-	-	26,880,489
Building improvements	14,314,712	-	-	14,314,712
Furniture and fixtures	10,298,941	813,719	(782,883)	10,329,777
Infrastructure	276,119	-	-	276,119
Total capital assets being depreciated	<u>51,770,261</u>	<u>813,719</u>	<u>(782,883)</u>	<u>51,801,097</u>
Less accumulated depreciation for:				
Buildings	(10,461,276)	(466,024)	-	(10,927,300)
Building improvements	(2,955,172)	(513,093)	-	(3,468,265)
Furniture and fixtures	(8,208,943)	(852,274)	763,297	(8,297,920)
Infrastructure	(104,803)	(11,234)	-	(116,037)
Total accumulated depreciation	<u>(21,730,194)</u>	<u>(1,842,625)</u>	<u>763,297</u>	<u>(22,809,522)</u>
Total capital assets being depreciated, net	<u>30,040,067</u>	<u>(1,028,906)</u>	<u>(19,586)</u>	<u>28,991,575</u>
Governmental activities capital assets, net	<u>\$ 31,653,245</u>	<u>\$ (919,132)</u>	<u>\$ (19,586)</u>	<u>\$ 30,714,527</u>

For the year ended June 30, 2014, depreciation expense for the governmental activities in the government wide financial statements was \$1,842,625, comprised of \$878,215 charged to general government, \$963,136 charged to public safety, and \$1,274 charged to culture and recreation.

8 - LONG-TERM DEBTRevenue Bonds

On February 15, 2011, the County issued \$8,121,600 of variable rate Kanawha County Building Commission Lease Revenue Refunding Bonds (Kanawha County Judicial Annex Project and Parking Garage) Series 2011, for the purpose of currently refunding the County's Series 2003A and 2003B bonds. The 2011 Series bonds mature through February 15, 2021 with a variable interest rate equal to 65% of the one month LIBOR, plus 2%. The variable rate is adjusted monthly. The refunding did not result in any gain or loss.

Series 2003A bonds were used to finance a portion of the costs of acquiring, constructing and equipping improvements to the Kanawha County Judicial Annex. The Series 2003B bonds were used to currently refund the outstanding balance of the Series 1996 bonds. Upon expiration of the lease term, title to the parking garage facility will pass from the Kanawha County Building Commission to the County. Accordingly, the parking garage facility is recorded as an asset of the County, and the related obligation for repayment of the bonds is recorded as a liability.

Principal and interest paid on the Series 2011 bonds for the year ended June 30, 2014 was \$743,764 and \$236,402, respectively.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**8 - LONG-TERM DEBT (Continued)**Revenue Bonds (Continued)

The County has an interest rate swap derivative instrument to synthetically fix, on a current basis, the Series 2011 Lease Revenue Refunding Bonds in order to hedge interest rate fluctuations. The key provisions of the instrument are:

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2011 variable rate Lease Revenue Refunding Bonds
Notional Amount	\$8,121,600
Effective Date	February 15, 2011
Maturity Date	February 15, 2021
Terms	Synthetically fixed rate of 3.79%

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rate implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the swap.

The fair value balance of the hedging derivative instrument outstanding is \$315,102, at June 30, 2014, and is classified as a liability in the statement of net position. The change in fair value of the hedging derivative instrument for the year end ended June 30, 2014, is \$33,602. The accumulated changes in fair value of the hedging derivatives instrument is \$315,102, at June 30, 2014, and is classified as a deferred outflow of resources in the statement of net position.

Credit Risk

The credit ratings of the counterparty to the interest rate swap are Baa1 from Moody's, BBB+ from Standards & Poors, and A- from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2014, no collateralization was required by the interest rate swap agreement.

Interest Rate Risk

The County is not exposed to interest rate risk on this interest rate swap.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**8 - LONG-TERM DEBT (Continued)**Revenue Bonds (Continued)*Basis Risk*

The County is exposed to basis risk on the fixed interest rate swap because the variable rate payments received by the County on this hedging derivative instrument are based on an index other than interest rates the County pays on the hedged variable rate debt, which are remarketed every week. As of June 30, 2014, the weighted-average interest rate on the County's hedged variable rate debt was 2.098%, while 65% of the one month LIBOR was .098%.

Termination Risk

The interest rate swap agreement provides for certain events that could cause the counterparty or the County to terminate the swap. The swap may be terminated by the counterparty or the County if the other party fails to make payments when due, there is a material breach of representations and warranties, an event of illegality occurs, and failure to comply with any other provisions of the agreement after a specified notice period.

The County has the right to optionally terminate the swap agreement at any time. The termination amount owed by either the County or the counterparty may be determined by market quotation. If at the time of termination the swap has a negative fair value, the County would owe the counterparty a payment equal to the swap's fair value.

Rollover Risk

The County is exposed to rollover risk on the hedging interest rate swap that may be terminated prior to the maturity of the hedged debt.

Swap Payments and Associated Debt

Using rates as of June 30, 2014, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary. The table below represents the maturities of long-term debt and swap payments for each of the next five years and thereafter as follows:

Year Ending June 30	Variable Rate Bonds		Interest Rate Swap, Net	Total
	Principal	Interest		
2015	\$ 772,525	\$ 113,188	\$ 94,133	\$ 979,846
2016	802,397	96,695	80,888	979,980
2017	833,425	79,564	66,178	979,167
2018	865,653	61,770	51,384	978,807
2019	899,127	43,289	36,018	978,434
2020-2021	<u>1,572,338</u>	<u>29,116</u>	<u>24,378</u>	<u>1,625,832</u>
	<u>\$ 5,745,465</u>	<u>\$ 423,622</u>	<u>\$ 352,979</u>	<u>\$ 6,522,066</u>

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**8 - LONG-TERM DEBT (Continued)**Revenue Bonds (Continued)

On December 19, 2008, the Kanawha County Commission issued \$10,000,000 of the Kanawha County Building Commission Lease Revenue Bonds (Kanawha County Commission Office Building Project) Series 2008 with an original interest rate of 5.07%. The County amended the bond agreement to lower the interest rate to 2.45% effective January 15, 2014. The proceeds of these bonds are to be used for renovation of the building located at 301 Virginia Street in Charleston, WV. This interest rate shall accrue on the outstanding principal balance as of the date of the amendment. The bonds mature through December 19, 2023. Upon expiration of the lease term, the building title will pass to the County. Accordingly, the building is recorded as an asset of the County, and related obligation for repayment of the bonds is recorded as a liability.

Total debt service costs of the Kanawha County Commission Office Building Project Series 2008 revenue bonds for each of the next five years and thereafter, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 763,087	\$ 172,935	\$ 936,022
2016	763,087	154,239	917,326
2017	763,087	135,543	898,630
2018	763,087	116,848	879,935
2019	763,087	98,152	861,239
2020-2024	<u>3,434,129</u>	<u>210,325</u>	<u>3,644,454</u>
	<u>\$ 7,249,564</u>	<u>\$ 888,042</u>	<u>\$ 8,137,606</u>

Total debt service costs for all revenue bonds for each of the next five years and thereafter, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,535,612	\$ 380,255	\$ 1,915,867
2016	1,565,484	331,822	1,897,306
2017	1,596,512	281,285	1,877,797
2018	1,628,740	230,002	1,858,742
2019	1,662,213	177,459	1,839,673
2020-2024	<u>5,006,468</u>	<u>263,820</u>	<u>5,270,288</u>
	<u>\$ 12,995,029</u>	<u>\$ 1,664,643</u>	<u>\$ 14,659,672</u>

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**8 - LONG-TERM DEBT (Continued)**Long-term Contribution Payable

On February 24, 2014, the County executed an agreement with the West Virginia Department of Transportation, Division of Highways, to commit \$1,500,000, payable in annual payments of \$150,000 over a ten year period, to assist with the construction of a public road and bridge to provide access to a local park.

Total of the contribution costs for each of the next five years, and thereafter, are as follows:

<u>Year Ending June 30</u>	<u>Contribution</u>
2015	\$ 150,000
2016	150,000
2017	150,000
2018	150,000
2019	150,000
2020-2023	<u>600,000</u>
	<u>\$ 1,350,000</u>

The following is a summary of the long-term debt activity for the year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 14,693,808	\$ -	\$ (1,698,779)	\$ 12,995,029	\$ 1,535,612
Contributions payable	-	1,500,000	(150,000)	1,350,000	150,000
Post retirement benefits	839,005	370,790	(428,317)	781,478	-
Compensated absences	1,763,747	1,931,094	(1,850,827)	1,844,014	-
Health claims	<u>425,464</u>	<u>509,000</u>	<u>(425,464)</u>	<u>509,000</u>	<u>509,000</u>
Total governmental activity long-term liabilities	<u>\$ 17,722,024</u>	<u>\$ 4,310,884</u>	<u>\$ (4,553,387)</u>	<u>\$ 17,479,521</u>	<u>\$ 2,194,612</u>

Total cash paid for interest for the year ended June 30, 2014, on outstanding debt was \$753,155.

9 - PROPERTY TAXES

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July each year. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of the county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on the first day of September in the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day of 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 taxes are not paid on or before the date on 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 paid.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - PROPERTY TAXES (Continued)**

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 thirteen one-hundredths cents (14.13¢); on Class II property, twenty-eight and twenty-six one-hundredths cents (28.26¢); and on Class III and IV property, fifty-six and fifty-two one-hundredths cents (56.52¢). In addition, counties may provide for an election to lay an excess levy, the rates of which are not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy. An excess levy has been approved by the voters of the County to provide additional funding for the Kanawha Valley Regional Transit Authority and the Kanawha County Emergency Ambulance Authority.

The rates levied (including the excess levy) by the County per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2014, were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess</u>
Class I	\$ -	14.13¢	6.09¢
Class II	\$ 3,657,259,413	28.26¢	12.18¢
Class III	\$ 2,863,669,967	56.52¢	24.36¢
Class IV	\$ 3,264,058,541	56.52¢	24.36¢

10 - RETIREMENT SYSTEMSWest Virginia Public Employees' Retirement System

All eligible County employees participate in the West Virginia Public Employees' Retirement System, a multiple-employer public retirement system covering employees of the State of West Virginia and other participating political subdivisions.

The West Virginia Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. PERS provides retirement benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304, or by calling (304) 558-3570.

The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The governmental entity contribution rates of 14.5%, 14.0%, and 14.5%, respectively, for the years ending June 30, 2014, 2013, and 2012, of covered payroll are determined by PERS. Total employee and employer contributions to PERS for the years ending June 30, 2014, 2013, and 2012, were \$2,547,639, \$2,378,516, and \$2,399,222, respectively, which were equal to the required contributions for each year.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**10 - RETIREMENT SYSTEMS (Continued)**West Virginia Deputy Sheriff Retirement Fund

The West Virginia Deputy Sheriff Retirement System (WVDSRS) is a cost sharing multiple-employer public employee retirement system created by the State of West Virginia. The Deputy Sheriffs of West Virginia county governments, employed prior to July 1, 1998, could elect to join this plan or remain in PERS. Deputy sheriffs hired after this date are required to join WVDSRS. The WVDSRS issues a publicly available financial report that includes financial statements and required supplementary information for the WVDSRS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304, or by calling (304) 558-3570.

The WVDSRS provides retirement benefits to plan participants and beneficiaries. The WVDSRS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 8.5% of annual compensation. The governmental entity contribution rates of 13.0% for the years ending June 30, 2014, 2013, and 2012 of covered payroll is determined by WVDSRS.

Total employee and employer contributions to WVDSRF for the years ending June 30, 2014, 2013 and 2012, were \$1,161,353, \$1,100,446, and \$1,075,440, respectively, which were equal to the required contributions for each year.

11 - OTHER POST EMPLOYMENT BENEFITS

The County participates in the West Virginia Other Post-Employment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTFF), a cost sharing multiple-employer defined benefit post-employment healthcare plan for eligible employees administered by the West Virginia Public Employees Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304 or by calling 1-888-680-7342.

The OPEB Plan costs are funded by the County monthly based on invoices received from WVPEIA for the Plan's actuarially determined "pay as you go" balance. The County's Annual Required Contribution (ARC) (net of interest and amortization adjustments) was \$370,790, \$476,654, and \$487,519 for the years ended June 30, 2014, 2013, and 2012, respectively, and the County has contributed \$428,317, \$458,755, and \$467,059, respectively, which represent 115.5%, 96.24%, and 95.8% of the ARC, respectively, for the years ending June 30, 2014, 2013, and 2012. At June 30, 2014 and 2013, the liability related to OPEB was \$781,478 and \$839,005, respectively.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The County obtained an actuarial study to evaluate its net OPEB obligation as part of its participation in the RHBTFF for the year ended June 30, 2014 and 2013.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**12 - COMMITMENTS AND CONTINGENCIES**

The County is self-insured for employee health claims with a stop-loss insurance policy which covers health claims in excess of \$90,000 individually and \$2,000,000 in the aggregate. Claims of \$509,000 have been accrued in the statement of net position for claims incurred prior to June 30, 2014 and paid as of December 31, 2014.

The County has pledged funding for various purposes under nonbinding letters of intent, subject to meeting certain criteria, to fund various projects. Because of the nonbinding nature of these letters of intent, the County has not committed fund balance or recorded a liability for these commitments which approximated \$406,777 at June 30, 2014.

The County committed \$2,000,000 to the Appalachian Power Baseball Park, payable to the City of Charleston, in annual payments of \$133,000. The County has not committed fund balance or recorded a liability for this commitment as it is only payable from certain annual revenues received. The balance of this commitment at June 30, 2014, was \$703,000.

The Kanawha County Metro Emergency Operations Center entered into a lease agreement with the Kanawha County Building Commission effective August 1, 2001 to lease a building in which the Metro Emergency Operations Center is located. The lease is subject to annual renewals through August 1, 2024 at which point the deed to the premises will pass to the Kanawha County Metro Emergency Operations Center. The annual lease payment is variable, and corresponds to the repayment of bonds used to finance the project as presented in Note 14. The Kanawha County Commission is obligated as guarantor of the lease payments should the Metro Emergency Operations Center fail to meet its payment obligations.

In addition, there are various legal proceedings concerning the collection of taxes being contested, personnel matters, and matters regarding the application of law. The outcome of these claims and actions are not presently determinable; however, in the opinion of the County's management, after consulting legal counsel, the ultimate disposition of these matters will not have a material adverse effect on these financial statements.

13 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; public officials and law enforcement actions and other acts of the County or its representatives. The County has transferred its risks in exchange for premiums to purchase general liability, property loss, law enforcement liability, employee practice liability and workers compensation coverage insurance, from various high credit quality insurance companies which carry various deductibles and aggregates per year. There have been no changes in coverage limits and no losses in excess of those limits. Additionally, the County is self-insured for employee health claims and has purchased stop-loss coverage to mitigate the risk of exposure. The amounts of stop-loss coverage are discussed in Note 12.

14 - CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued industrial revenue bonds, lease revenue bonds and student housing revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**14 - CONDUIT DEBT OBLIGATIONS (Continued)**

The bonds are secured by the property financed and are payable solely from payments received on the underlying leases. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2014, there have been 136 series of Industrial Revenue Bonds, one series of local government Lease Revenue Bonds, and one series of Student Housing Revenue Bonds issued by the Kanawha County Commission. The aggregate principal amount payable for the one local government series issued after July 1, 1995 (Metro Emergency Operations Center, originally issued November 2004 - \$4,500,000 authorized, and refunded in 2011 with Series (A) was \$2,277,872 at June 30, 2014. The aggregate principal amount payable for the one student revenue bond series issued after July 1, 1995 (West Virginia State Student Housing Revenue Bonds, originally issued September 2013 - \$25,305,000 authorized) was \$25,175,000. The aggregate principal amount payable for the two industrial revenue bonds issued after July 1995 (\$11,485,000 authorized) was \$8,657,788 at June 30, 2014. The aggregate principal amount payable for the 134 series of Industrial Revenue Bonds issued prior to July 1, 1995, could not be determined; however, their original authorized amounts totaled \$797,940,000.

15 - EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the County's June 30, 2015 financial statements. Statement 68 will require the County to recognize a liability equal to its proportionate share of the net pension liability of the Public Employees Retirement System and Deputy Sheriff Retirement System. GASB has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*. GASB Statement No. 71 addresses issues regarding the application of the transition provisions of GASB Statement No. 68. The requirements of GASB Statement No. 71 are effective simultaneously with GASB Statement No. 68. The County has not determined the effect that these pronouncements will have on the County's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KANAWHA COUNTY, WEST VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL OPERATING FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Ad valorem property tax	\$ 46,086,021	\$ 46,198,869	\$ 45,640,269
Licenses and permits	145,000	145,000	178,124
Intergovernmental:			
Federal	373,008	483,978	651,311
State	247,000	335,433	201,209
Local	512,000	512,000	386,116
Charges for services	1,079,100	1,079,100	931,355
Interest	4,000	4,000	2,974
Miscellaneous	2,136,229	2,200,924	1,711,867
	<u>50,582,358</u>	<u>50,959,304</u>	<u>49,703,225</u>
Total revenues			
Expenditures:			
General government	23,469,936	23,739,411	19,945,201
Public safety	16,362,501	17,813,694	13,797,649
Health and sanitation	437,500	457,500	411,536
Culture and recreation	5,237,320	5,327,320	5,325,895
Capital outlay	212,000	518,140	340,709
	<u>45,719,257</u>	<u>47,856,065</u>	<u>39,820,990</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	4,863,101	3,103,239	9,882,235
Other financing sources (uses):			
Operating transfers in	695,000	2,158,789	3,762,222
Operating transfers out	<u>(5,558,101)</u>	<u>(7,314,601)</u>	<u>(10,999,678)</u>
Total other financing sources (uses)	<u>(4,863,101)</u>	<u>(5,155,812)</u>	<u>(7,237,456)</u>
Net change in fund balance	-	(2,052,573)	2,644,779
Fund balance, beginning of year	-	2,052,573	1,418,236
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,063,015</u>

See Independent Auditor's Report.

KANAWHA COUNTY, WEST VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Taxes	\$ 1,476,568	\$ 1,476,568	\$ 1,615,454
Interest	2,200	2,200	111
Total revenue	<u>1,478,768</u>	<u>1,478,768</u>	<u>1,615,565</u>
Expenditures:			
General government	560,000	1,964,626	1,220,280
Public safety	838,768	919,268	836,884
Culture and recreation	50,000	50,000	4,800
Social services	30,000	30,000	-
Total expenditures	<u>1,478,768</u>	<u>2,963,894</u>	<u>2,061,964</u>
Excess (deficiency) of revenues over expenditures	-	(1,485,126)	(446,399)
Other financing sources (uses):			
Operating transfers out	-	-	(61,158)
Net change in fund balance	-	(1,485,126)	(507,557)
Fund balance, beginning of year	-	1,485,126	1,794,350
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,286,793</u>

See Independent Auditor's Report.

KANAWHA COUNTY, WEST VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - ASSESSOR'S VALUATION FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Taxes	\$ 2,154,633	\$ 2,154,633	\$ 2,231,064
Interest	5,482	5,482	660
Charges for services	<u>6,200</u>	<u>6,200</u>	<u>162,404</u>
Total revenues	<u>2,166,315</u>	<u>2,166,315</u>	<u>2,394,128</u>
Expenditures:			
General government	<u>3,310,888</u>	<u>3,753,452</u>	<u>2,246,721</u>
Excess (deficiency) of revenues over expenditures	(1,144,573)	(1,587,137)	147,407
Other financing sources (uses):			
Operating transfers out	<u>(355,427)</u>	<u>(355,427)</u>	<u>(347,046)</u>
Net change in fund balance	(1,500,000)	(1,942,564)	(199,639)
Fund balance, beginning of year	<u>1,500,000</u>	<u>1,942,564</u>	<u>1,942,563</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,742,924</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

<u>ASSETS</u>	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Cash and cash equivalents	\$ 64,175	\$ 353,811	\$ 376,307
Taxes receivable, net	-	-	-
Due from other funds	-	3,031	15,467
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 64,175</u>	<u>\$ 356,842</u>	<u>\$ 391,774</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	3,150	7,217	3,532
Other	-	2,522	79
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,150</u>	<u>9,739</u>	<u>3,611</u>
 Deferred inflows of resources:			
Unavailable revenue - property taxes	-	-	-
	<u> </u>	<u> </u>	<u> </u>
 Fund balances:			
Restricted	61,025	-	-
Committed	-	347,103	388,163
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>61,025</u>	<u>347,103</u>	<u>388,163</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,175</u>	<u>\$ 356,842</u>	<u>\$ 391,774</u>

See Independent Auditor's Report.

Public Safety Levy	Coal Reallocated Severance Tax	Concealed Weapons	Special Law Enforcement	Debt Service	Total Nonmajor Governmental Funds
\$ 1,112,749	\$ 263,650	\$ 501,724	\$ 116,752	\$ 248,825	\$ 3,037,993
104,756	115,252	-	-	-	220,008
-	-	-	-	-	18,498
<u>\$ 1,217,505</u>	<u>\$ 378,902</u>	<u>\$ 501,724</u>	<u>\$ 116,752</u>	<u>\$ 248,825</u>	<u>\$ 3,276,499</u>
\$ 31,855	\$ -	\$ -	\$ -	\$ -	\$ 31,855
50,581	-	22,214	36,349	-	123,043
-	-	-	-	-	2,601
<u>82,436</u>	<u>-</u>	<u>22,214</u>	<u>36,349</u>	<u>-</u>	<u>157,499</u>
<u>90,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,519</u>
1,044,550	378,902	479,510	80,403	-	2,044,390
-	-	-	-	248,825	984,091
<u>1,044,550</u>	<u>378,902</u>	<u>479,510</u>	<u>80,403</u>	<u>248,825</u>	<u>3,028,481</u>
<u>\$ 1,217,505</u>	<u>\$ 378,902</u>	<u>\$ 501,724</u>	<u>\$ 116,752</u>	<u>\$ 248,825</u>	<u>\$ 3,276,499</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	102,428	321,725	288,000
Fines and forfeits	-	-	-
Interest	15	76	74
Miscellaneous	<u>3,444</u>	<u>-</u>	<u>-</u>
Total revenues	<u>105,887</u>	<u>321,801</u>	<u>288,074</u>
Expenditures:			
General government	44,862	-	338,365
Public safety	-	649,958	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>44,862</u>	<u>649,958</u>	<u>338,365</u>
Excess (deficiency) of revenues over expenditures	61,025	(328,157)	(50,291)
Other financing sources (uses):			
Operating transfers in	-	350,000	165,000
Operating transfers out	<u>(127,273)</u>	<u>(58,607)</u>	<u>(36,044)</u>
Total other financing sources (uses)	<u>(127,273)</u>	<u>291,393</u>	<u>128,956</u>
Net change in fund balances	(66,248)	(36,764)	78,665
Fund balances, beginning of year	<u>127,273</u>	<u>383,867</u>	<u>309,498</u>
Fund balances, end of year	<u>\$ 61,025</u>	<u>\$ 347,103</u>	<u>\$ 388,163</u>

See Independent Auditor's Report.

<u>Public Safety Levy</u>	<u>Coal Reallocated Severance Tax</u>	<u>Concealed Weapons</u>	<u>Special Law Enforcement</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,389,852	\$ 343,183	\$ -	\$ -	\$ -	\$ 2,733,035
48	-	250,380	-	-	250,428
1,915	-	-	-	-	714,068
-	-	-	21,221	-	21,221
8	-	75	15	-	263
-	-	-	78,068	-	81,512
<u>2,391,823</u>	<u>343,183</u>	<u>250,455</u>	<u>99,304</u>	<u>-</u>	<u>3,800,527</u>
-	-	-	-	-	383,227
1,034,284	150,001	188,882	176,565	-	2,199,690
-	-	-	-	2,451,934	2,451,934
<u>1,034,284</u>	<u>150,001</u>	<u>188,882</u>	<u>176,565</u>	<u>2,451,934</u>	<u>5,034,851</u>
1,357,539	193,182	61,573	(77,261)	(2,451,934)	(1,234,324)
-	-	-	-	1,964,742	2,479,742
(376,302)	-	-	(4,184)	-	(602,410)
<u>(376,302)</u>	<u>-</u>	<u>-</u>	<u>(4,184)</u>	<u>1,964,742</u>	<u>1,877,332</u>
981,237	193,182	61,573	(81,445)	(487,192)	643,008
<u>63,313</u>	<u>185,720</u>	<u>417,937</u>	<u>161,848</u>	<u>736,017</u>	<u>2,385,473</u>
<u>\$ 1,044,550</u>	<u>\$ 378,902</u>	<u>\$ 479,510</u>	<u>\$ 80,403</u>	<u>\$ 248,825</u>	<u>\$ 3,028,481</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS

June 30, 2014

	Delinquent and Nonentered Lands	Sale of Lien Surplus	Board of Health
<u>ASSETS</u>			
Cash and cash equivalents	\$ 430,079	\$ 1,698,745	\$ 2,397,476
Taxes receivable	-	-	-
	<u>430,079</u>	<u>1,698,745</u>	<u>2,397,476</u>
Total assets	<u>\$ 430,079</u>	<u>\$ 1,698,745</u>	<u>\$ 2,397,476</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ 430,079	\$ 1,698,745	\$ 2,397,476
Due to other third parties	-	-	-
	<u>430,079</u>	<u>1,698,745</u>	<u>2,397,476</u>
Total liabilities	<u>\$ 430,079</u>	<u>\$ 1,698,745</u>	<u>\$ 2,397,476</u>

See Independent Auditor's Report.

School	State	Municipal	Kanawha Emergency Ambulance Authority	Kanawha Regional Transit Authority	Circuit Clerk
\$ 1,269,663	\$ 9,139	\$ 243,634	\$ 106,917	\$ 106,917	\$ 1,691,845
<u>1,604,474</u>	<u>11,674</u>	<u>374,233</u>	<u>135,248</u>	<u>135,248</u>	<u>-</u>
<u>\$ 2,874,137</u>	<u>\$ 20,813</u>	<u>\$ 617,867</u>	<u>\$ 242,165</u>	<u>\$ 242,165</u>	<u>\$ 1,691,845</u>
\$ 2,874,137	\$ 20,813	\$ 617,867	\$ 242,165	\$ 242,165	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,691,845</u>
<u>\$ 2,874,137</u>	<u>\$ 20,813</u>	<u>\$ 617,867</u>	<u>\$ 242,165</u>	<u>\$ 242,165</u>	<u>\$ 1,691,845</u>

(Continued)

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 AGENCY FUNDS
 (Continued)

June 30, 2014

	Records Office	Clerk's Delinquent Land	Domestic Violence
<u>ASSETS</u>			
Cash and cash equivalents	\$ 601,813	\$ 251,854	\$ 2,925
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 601,813</u>	<u>\$ 251,854</u>	<u>\$ 2,925</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ -	\$ -	\$ -
Due to other third parties	<u>601,813</u>	<u>251,854</u>	<u>2,925</u>
Total liabilities	<u>\$ 601,813</u>	<u>\$ 251,854</u>	<u>\$ 2,925</u>

See Independent Auditor's Report.

<u>Deputy Retirement</u>	<u>Enhanced 911 System</u>	<u>Writ of Execution</u>	<u>Evidence Fund</u>	<u>Total Agency Funds</u>
\$ 6,716	\$ 316	\$ 2,678	\$ 249,902	\$ 9,070,619
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,260,877</u>
<u>\$ 6,716</u>	<u>\$ 316</u>	<u>\$ 2,678</u>	<u>\$ 249,902</u>	<u>\$ 11,331,496</u>
\$ 6,716	\$ 316	\$ -	\$ -	\$ 8,530,479
<u>-</u>	<u>-</u>	<u>2,678</u>	<u>249,902</u>	<u>2,801,017</u>
<u>\$ 6,716</u>	<u>\$ 316</u>	<u>\$ 2,678</u>	<u>\$ 249,902</u>	<u>\$ 11,331,496</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - GENERAL FUND

June 30, 2014

<u>ASSETS</u>	<u>General Operating</u>	<u>Dog and Kennel</u>	<u>General School</u>	<u>Worthless Check</u>
Cash and cash equivalents	\$ 5,078,798	\$ 17,698	\$ 286,962	\$ 18,880
Taxes receivable, net	4,877,529	-	-	-
Grants receivable, net	210,182	14	-	-
Due from other funds	<u>380,435</u>	<u>22,596</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 10,546,944</u>	<u>\$ 40,308</u>	<u>\$ 286,962</u>	<u>\$ 18,880</u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ 246,842	\$ 11,734	\$ -	\$ -
Accounts payable	1,278,549	-	-	-
Other	<u>741,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,266,549</u>	<u>11,734</u>	<u>-</u>	<u>-</u>
 Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>4,217,380</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:				
Restricted	-	-	286,962	18,880
Committed	1,278,549	28,574	-	-
Unassigned	<u>2,784,466</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,063,015</u>	<u>28,574</u>	<u>286,962</u>	<u>18,880</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,546,944</u>	<u>\$ 40,308</u>	<u>\$ 286,962</u>	<u>\$ 18,880</u>

See Independent Auditor's Report.

Federal Grants	State Grants	County Manager's	Accident Photo	Emergency Response	DARE & Community Policing
\$ 211,725	\$ 3,939	\$ 99,655	\$ 131,677	\$ 112,742	\$ 636
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 250,603</u>	<u>\$ 3,939</u>	<u>\$ 99,655</u>	<u>\$ 131,677</u>	<u>\$ 112,742</u>	<u>\$ 636</u>
\$ -	\$ -	\$ -	\$ 92,849	\$ -	\$ -
211,725	-	-	43,943	-	-
-	-	-	-	-	-
<u>211,725</u>	<u>-</u>	<u>-</u>	<u>136,792</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
38,878	3,939	-	-	-	-
-	-	99,655	-	112,742	636
-	-	-	(5,115)	-	-
<u>38,878</u>	<u>3,939</u>	<u>99,655</u>	<u>(5,115)</u>	<u>112,742</u>	<u>636</u>
<u>\$ 250,603</u>	<u>\$ 3,939</u>	<u>\$ 99,655</u>	<u>\$ 131,677</u>	<u>\$ 112,742</u>	<u>\$ 636</u>

(Continued)

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - GENERAL FUND
(Continued)

June 30, 2014

<u>ASSETS</u>	<u>Building Demolition</u>	<u>Capital Maintenance</u>	<u>Worthless Check Restitution</u>	<u>Hazard Mitigation Tax Escrow</u>
Cash and cash equivalents	\$ 38,781	\$ 12,617	\$ 10,706	\$ 879
Taxes receivable, net	-	-	-	-
Grants receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 38,781</u>	<u>\$ 12,617</u>	<u>\$ 10,706</u>	<u>\$ 879</u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	5,935	-	-	-
Other	-	-	-	-
Total liabilities	<u>5,935</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	-	-	-	-
Fund balances:				
Restricted	-	-	10,706	879
Committed	32,846	12,617	-	-
Unassigned	-	-	-	-
Total fund balances	<u>32,846</u>	<u>12,617</u>	<u>10,706</u>	<u>879</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 38,781</u>	<u>\$ 12,617</u>	<u>\$ 10,706</u>	<u>\$ 879</u>

See Independent Auditor's Report.

Records Management & Preservation	Table Games	WV Drug Court Testing	Assessor's Dog	Financial Stabalization	Voter Registration
\$ 2,148	\$ 310,741	\$ 3,054	\$ 9,727	\$ 8,501,275	\$ 8,260
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,734	-	-
<u>\$ 2,148</u>	<u>\$ 310,741</u>	<u>\$ 3,054</u>	<u>\$ 21,461</u>	<u>\$ 8,501,275</u>	<u>\$ 8,260</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,265	-	634	-	-
-	-	-	-	-	-
-	3,265	-	634	-	-
-	-	-	-	-	-
-	-	-	20,827	-	8,260
2,148	307,476	3,054	-	8,501,275	-
-	-	-	-	-	-
<u>2,148</u>	<u>307,476</u>	<u>3,054</u>	<u>20,827</u>	<u>8,501,275</u>	<u>8,260</u>
<u>\$ 2,148</u>	<u>\$ 310,741</u>	<u>\$ 3,054</u>	<u>\$ 21,461</u>	<u>\$ 8,501,275</u>	<u>\$ 8,260</u>

(Continued)

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - GENERAL FUND
(Continued)

June 30, 2014

<u>ASSETS</u>	<u>Unemployment Compensation</u>	<u>Day Reporting Collections</u>	<u>Special Prosecuting Attorney</u>	<u>Drug Court Program</u>
Cash and cash equivalents	\$ 35,152	\$ 127,748	\$ 45,551	\$ 15,846
Taxes receivable, net	-	-	-	-
Grants receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 35,152</u>	<u>\$ 127,748</u>	<u>\$ 45,551</u>	<u>\$ 15,846</u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	4,254	-	-	1,019
Other	-	-	-	-
Total liabilities	<u>4,254</u>	<u>-</u>	<u>-</u>	<u>1,019</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	-	-	-	-
Fund balances:				
Restricted	-	127,748	45,551	-
Committed	30,898	-	-	14,827
Unassigned	-	-	-	-
Total fund balances	<u>30,898</u>	<u>127,748</u>	<u>45,551</u>	<u>14,827</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,152</u>	<u>\$ 127,748</u>	<u>\$ 45,551</u>	<u>\$ 15,846</u>

See Independent Auditor's Report.

Special Law Enforcement Investigations	Capital Equipment	Special Health Insurance	Parking Facility	Project 301 Bonds	Total General Fund
\$ 36,132	\$ 381,630	\$ 460,357	\$ 731	\$ -	\$ 15,964,047
-	-	-	-	-	4,877,529
-	-	-	-	-	210,196
-	69,900	-	-	-	523,543
<u>\$ 36,132</u>	<u>\$ 451,530</u>	<u>\$ 460,357</u>	<u>\$ 731</u>	<u>\$ -</u>	<u>\$ 21,575,315</u>
\$ -	\$ 1,642	\$ 152,886	\$ -	\$ -	\$ 505,953
28,828	9,008	459,673	-	-	2,046,833
-	-	-	-	-	741,158
28,828	10,650	612,559	-	-	3,293,944
-	-	-	-	-	4,217,380
7,304	-	-	-	-	569,934
-	440,880	-	731	-	10,866,908
-	-	(152,202)	-	-	2,627,149
7,304	440,880	(152,202)	731	-	14,063,991
<u>\$ 36,132</u>	<u>\$ 451,530</u>	<u>\$ 460,357</u>	<u>\$ 731</u>	<u>\$ -</u>	<u>\$ 21,575,315</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GENERAL FUND

Year Ended June 30, 2014

	General Operating	Dog and Kennel	General School	Worthless Check
Revenues:				
Taxes (including interest and penalties)	\$ 45,640,269	\$ -	\$ -	\$ -
Licenses and permits	178,124	500	-	-
Intergovernmental:				
Federal	651,311	-	-	-
State	201,209	-	-	-
Local	386,116	-	-	-
Charges for services	931,355	-	580,177	4,997
Interest	2,974	5	64	4
Miscellaneous	1,711,867	-	-	-
Total revenues	<u>49,703,225</u>	<u>505</u>	<u>580,241</u>	<u>5,001</u>
Expenditures:				
General government	19,945,201	-	30,420	-
Public safety	13,797,649	40,000	-	-
Health and sanitation	411,536	-	-	-
Culture and recreation	5,325,895	-	-	-
Capital outlay	340,709	-	-	-
Total expenditures	<u>39,820,990</u>	<u>40,000</u>	<u>30,420</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	9,882,235	(39,495)	549,821	5,001
Other financing sources (uses):				
Operating transfers in	3,762,222	27,613	-	-
Operating transfers out	<u>(10,999,678)</u>	<u>-</u>	<u>(530,543)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,237,456)</u>	<u>27,613</u>	<u>(530,543)</u>	<u>-</u>
Net change in fund balances	2,644,779	(11,882)	19,278	5,001
Fund balances, beginning of year	<u>1,418,236</u>	<u>40,456</u>	<u>267,684</u>	<u>13,879</u>
Fund balances, end of year	<u>\$ 4,063,015</u>	<u>\$ 28,574</u>	<u>\$ 286,962</u>	<u>\$ 18,880</u>

See Independent Auditor's Report.

<u>Federal Grants</u>	<u>State Grants</u>	<u>County Manager's</u>	<u>Accident Photo</u>	<u>Emergency Response</u>	<u>DARE & Community Policing</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
167,644	-	-	-	-	-
55,881	-	-	-	-	-
-	-	-	-	-	-
-	-	-	128,180	-	-
-	1	-	-	-	-
-	-	56,343	-	-	-
<u>223,525</u>	<u>1</u>	<u>56,343</u>	<u>128,180</u>	<u>-</u>	<u>-</u>
223,525	1	102,634	-	16,922	-
-	-	-	119,853	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>223,525</u>	<u>1</u>	<u>102,634</u>	<u>119,853</u>	<u>16,922</u>	<u>-</u>
-	-	(46,291)	8,327	(16,922)	-
-	-	-	-	-	-
-	-	(9,278)	-	-	-
-	-	(9,278)	-	-	-
-	-	(55,569)	8,327	(16,922)	-
<u>38,878</u>	<u>3,939</u>	<u>155,224</u>	<u>(13,442)</u>	<u>129,664</u>	<u>636</u>
<u>\$ 38,878</u>	<u>\$ 3,939</u>	<u>\$ 99,655</u>	<u>\$ (5,115)</u>	<u>\$ 112,742</u>	<u>\$ 636</u>

(Continued)

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GENERAL FUND
(Continued)

Year Ended June 30, 2014

	Building Demolition	Capital Maintenance	Worthless Check Restitution	Hazard Mitigation Tax Escrow
Revenues:				
Taxes (including interest and penalties)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	2,956	-
Interest	6	3	-	-
Miscellaneous	39,885	-	-	-
Total revenues	<u>39,891</u>	<u>3</u>	<u>2,956</u>	<u>-</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and sanitation	87,538	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>87,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(47,647)	3	2,956	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(47,647)	3	2,956	-
Fund balances, beginning of year	<u>80,493</u>	<u>12,614</u>	<u>7,750</u>	<u>879</u>
Fund balances, end of year	<u><u>\$ 32,846</u></u>	<u><u>\$ 12,617</u></u>	<u><u>\$ 10,706</u></u>	<u><u>\$ 879</u></u>

See Independent Auditor's Report.

<u>Records Management & Preservation</u>	<u>Table Games</u>	<u>WV Drug Court Testing</u>	<u>Assessor's Dog</u>	<u>Financial Stabalization</u>	<u>Voter Registration</u>
\$ -	\$ -	\$ -	\$ 43,134	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,126
-	-	-	8	1,604	1
-	334,907	-	-	-	-
-	334,907	-	43,142	1,604	3,127
-	246,605	-	12,516	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	246,605	-	12,516	-	-
-	88,302	-	30,626	1,604	3,127
-	-	-	-	4,600,302	-
-	-	-	(32,952)	(3,252,000)	-
-	-	-	(32,952)	1,348,302	-
-	88,302	-	(2,326)	1,349,906	3,127
2,148	219,174	3,054	23,153	7,151,369	5,133
<u>\$ 2,148</u>	<u>\$ 307,476</u>	<u>\$ 3,054</u>	<u>\$ 20,827</u>	<u>\$ 8,501,275</u>	<u>\$ 8,260</u>

(Continued)

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GENERAL FUND
(Continued)

Year Ended June 30, 2014

	Unemployment Compensation	Day Reporting Collection	Special Prosecuting Attorney	Drug Court Program
Revenues:				
Taxes (including interest and penalties)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	38,028	-	-
Interest	9	-	-	-
Miscellaneous	-	-	40,844	6,443
Total revenues	<u>9</u>	<u>38,028</u>	<u>40,844</u>	<u>6,443</u>
Expenditures:				
General government	16,692	-	2,260	5,382
Public safety	-	-	-	-
Health and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>16,692</u>	<u>-</u>	<u>2,260</u>	<u>5,382</u>
Excess (deficiency) of revenues over expenditures	(16,683)	38,028	38,584	1,061
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(50,001)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,001)</u>	<u>-</u>
Net change in fund balances	(16,683)	38,028	(11,417)	1,061
Fund balances, beginning of year	<u>47,581</u>	<u>89,720</u>	<u>56,968</u>	<u>13,766</u>
Fund balances, end of year	<u>\$ 30,898</u>	<u>\$ 127,748</u>	<u>\$ 45,551</u>	<u>\$ 14,827</u>

See Independent Auditor's Report.

Special Law Enforcement Investigations	Capital Equipment	Special Health Insurance	Parking Facility	Project 301 Bonds	Total General Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,683,403
-	-	-	-	-	178,624
-	-	-	-	-	818,955
-	-	-	-	-	257,090
-	-	-	-	-	386,116
-	-	-	-	-	1,688,819
27	-	39	-	6	4,751
<u>34,591</u>	<u>141,475</u>	<u>2,006,109</u>	<u>-</u>	<u>-</u>	<u>4,372,464</u>
<u>34,618</u>	<u>141,475</u>	<u>2,006,148</u>	<u>-</u>	<u>6</u>	<u>53,390,222</u>
-	474,725	6,589,033	-	35,708	27,701,624
65,289	52,254	-	-	-	14,075,045
-	-	-	-	-	499,074
-	-	-	-	-	5,325,895
-	-	-	-	-	340,709
<u>65,289</u>	<u>526,979</u>	<u>6,589,033</u>	<u>-</u>	<u>35,708</u>	<u>47,942,347</u>
(30,671)	(385,504)	(4,582,885)	-	(35,702)	5,447,875
4,184	612,859	4,437,933	-	-	13,445,113
<u>-</u>	<u>(39,789)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,914,241)</u>
<u>4,184</u>	<u>573,070</u>	<u>4,437,933</u>	<u>-</u>	<u>-</u>	<u>(1,469,128)</u>
(26,487)	187,566	(144,952)	-	(35,702)	3,978,747
<u>33,791</u>	<u>253,314</u>	<u>(7,250)</u>	<u>731</u>	<u>35,702</u>	<u>10,085,244</u>
<u>\$ 7,304</u>	<u>\$ 440,880</u>	<u>\$ (152,202)</u>	<u>\$ 731</u>	<u>\$ -</u>	<u>\$ 14,063,991</u>

**INDEPENDENT AUDITOR'S 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**

To the Commission of
Kanawha County
Charleston, West Virginia

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kanawha 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 March 5, 2015. In our report, we expressed an unmodified opinion on the primary government financial statements, a disclaimer of opinion on the exclusion of aggregate discretely presented component units, and a qualified opinion on the exclusion of aggregate remaining fund information.

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 questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 a 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

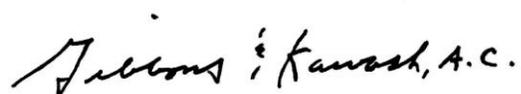
effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.



Charleston, West Virginia
March 5, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Commission of
Kanawha County
Charleston, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Kanawha County, West Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

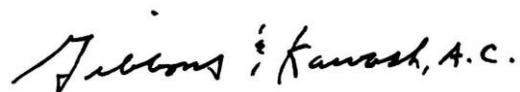
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Charleston, West Virginia
March 5, 2015

KANAWHA COUNTY, WEST VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2014

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Bullet Proof Vest Partnership Program	16.607	N/A	\$ 275
Passed through State of West Virginia, Division of Justice & Community Service:			
Crime Victim Assistance	16.575	11-VA-045	10,358
Crime Victim Assistance	16.575	13-VA-017	59,290
Juvenile Accountability Block Grant	16.523	12-ABG-022	20,000
Violence Against Women Formula Grants	16.588	09-VAW-019	1,113
Violence Against Women Formula Grants	16.588	10-VAW-015	4,635
Violence Against Women Formula Grants	16.588	11-VAW-021	12,395
Violence Against Women Formula Grants	16.588	12-VAW-022	71,014
<u>U.S. Department of Homeland Security</u>			
Passed through State of West Virginia, Division of Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	DR-4071-WV-006	167,644
Homeland Security Grant Program	97.067	10-SHS-83	5,485
Homeland Security Grant Program	97.067	10-SHS-45	200,000
Emergency Management Performance Grant	97.042	2013-020	184,126
Emergency Management Performance Grant	97.042	2011-039	4,575
Port Security Grant Program	97.056	2010-PU-TO-K011	92,849
			<u>\$ 833,759</u>

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of the primary government of Kanawha County, West Virginia, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

KANAWHA COUNTY, WEST VIRGINIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

- | | |
|--|------------|
| • Governmental Activities | Unmodified |
| • Aggregate Discretely Presented Component Units | Disclaimer |
| • Governmental Fund - General Fund | Unmodified |
| • Governmental Fund - Coal Severance Tax Fund | Unmodified |
| • Governmental Fund - Assessor's Valuation Fund | Unmodified |
| • Aggregate Remaining Fund Information | Qualified |

Internal control over financial reporting:

- | | | | | |
|--|---------|-----|---------|---------------|
| • Material weakness(es) identified? | ___X___ | yes | _____ | no |
| • Significant deficienc(ies) identified? | _____ | yes | ___X___ | none reported |

Noncompliance material to financial statements noted?

_____	yes	___X___	no
-------	-----	---------	----

Federal Awards

Internal control over major programs:

- | | | | | |
|--|---------|-----|---------|---------------|
| • Material weakness(es) identified? | _____ | yes | ___X___ | no |
| • Significant deficienc(ies) identified? | ___X___ | yes | _____ | none reported |

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____	yes	___X___	no
-------	-----	---------	----

KANAWHA COUNTY, WEST VIRGINIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

Year Ended June 30, 2014

Section I - Summary of Auditor's Results (Continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.067	Homeland Security Grant Program
97.042	Emergency Management Performance Grant
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish
 between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

2014-001 RECONCILIATION, REVIEW, AND APPROVAL

Criteria:

A key component of an effective system of internal control is accurate and timely supervisory review of all significant account transactions and reconciliations which support the amounts reported in the financial statements.

Condition:

We noted that the monthly financial reporting process over fiduciary accounts performed by the Sheriff's Tax Office, including the valuation of assets and liabilities and the accuracy of the financial reporting spreadsheet, is not consistently subjected to effective timely supervisory review by an individual independent of the fiduciary accounting process.

Context:

The total assets and liabilities reported by the Sherriff's fiduciary funds were \$6,500,267 and \$129,046, respectively, at June 30, 2014.

Effect:

Without effective supervisory review, errors or fraud involving the fiduciary accounts may not be detected in a timely manner by employees in the normal course of performing their assigned functions. The unaudited financial statements for the Sheriff's fiduciary fund contained the following errors: total assets were understated by \$14,188, total additions were understated by \$12,734, total deductions were overstated by \$417,079, and beginning fiduciary net assets were overstated by \$429,813.

KANAWHA COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued)

2014-001 RECONCILIATION, REVIEW, AND APPROVAL (Continued)

Cause:

The Sherriff's Tax Office is continuing to implement documentation procedures for the conduct of supervisory review and approval over the fiduciary accounting function. Additionally, the use of a series of electronic spreadsheets to record all the accounting activity, which contained several clerical errors, increases the complexity and risk of errors and omissions.

Recommendation:

Practices should continue to be established to improve the supervisory review procedures over the monthly financial reporting process for the Sheriff's fiduciary fund. Reviews should be performed in a timely manner by an individual that is independent of recording transactions and compiling balances, valuing assets and liabilities in custody, the cash disbursement function, cash receipts function, and the reconciliation process. This supervisory review should be documented by the independent individual performing the procedures in a timely manner. The policy should be monitored and enforced by the Sherriff's Tax Office. In addition, we recommend that accounting software be procured and implemented to record and maintain the balances and activity of the Sheriff's fiduciary fund, which will assist in decreasing any errors in recording the transactions resulting from the use of spreadsheets.

Views of responsible officials:

The subjects of this finding relate to adjusting journal entries from prior year periods that are not reflected in the current year financial report. After the Chief Tax Deputy reviewed the matter, it became apparent that the accounting method did not easily facilitate a mechanism to record audit adjustments, and the tax staff did not know how to properly reflect these changes within the associated financial documents. The Chief Tax Deputy personally reviewed each audit adjustment with the Tax Accounting Manager, and oversaw the application of each entry to the accounting records. The beginning fund balance reflected in our amended financial report now agrees to the adjusted balance.

Moving forward, the tax staff now knows how to handle these matters and when to ask for guidance should events occur in the future that are uncommon. In addition, it should be noted that policies and procedures were implemented beginning with the year in audit to reduce and/or eliminate the issues leading the need for these prior year adjusting entries. The policies are beginning to have a positive effect since there were no new adjusting entries proposed for the current fiscal period. Now that the prior year issues are properly reflected in the accounting records, they should not pose any future problem.

The Chief Tax Deputy recognizes the need to further refine and properly document internal management review and approval of our accounting and reporting processes. The Chief Tax Deputy met with staff and discussed the documentation process that needs to take place in order to show the policies and procedures are being enforced. We will continue to improve and refine our procedures to make our accounting and financial reporting in this area better, and will also seek additional training for staff to increase their level of understanding and skill.

KANAWHA COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

2014-002 GRANT REPORTING

Criteria:

The County is required to prepare a schedule of expenditures of federal awards (SEFA), which includes total federal expenditures for each individual federal program for the period covered by the County's annual financial statements.

Condition:

The unaudited SEFA prepared by the County did not present all applicable federal expenditures for the year ended June 30, 2014.

Context:

Total expenditures reported on the SEFA were \$833,759.

Effect:

Federal expenditures reported on the unaudited SEFA were misstated by \$57,637.

Cause:

Certain grants were understated, because the County's grant coordinator was not informed that federal awards were expended by a department that administered a certain grant. The expenditures for certain grants were overstated, because the unaudited SEFA included state matching grant expenditures in the balances of federal awards expended.

Recommendation:

Existing policies should be re-evaluated and enhanced to ensure that every department informs the County's grant coordinator of any federal grant activity in a timely manner so that an accurate SEFA can be prepared. The County should review the SEFA to ensure all expenditures reported are federal in nature.

Views of responsible officials:

Management acknowledges that proper recognition of grant revenues and expenses are essential to proper reporting in the County's financial statements.

Management individuals in the County Commission Office (Grant Coordinator, Director of Finance and County Manager) and the County Clerk's Office (Accounting Supervisor) have worked together throughout the year to ensure proper recognition of grant revenues. Both Offices routinely analyze eligible expenditures and corresponding subsequent drawdown requests.

KANAWHA COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs (Continued)

2014-002 GRANT REPORTING (Continued)

The Commission has drafted a court order to be passed on March 5, 2015 during a regular session of the Kanawha County Commission. This court order will direct each elected official and staff member to pass through the County Commission and Grant Coordinator when applying for grants, renewing grants, and receiving grant awards. The County Commission President will be the primary authorized signature on all grant applications.

A verbal directive was issued to departments stating only the amounts of federal grant awards received were to be recorded on the SEFA.

KANAWHA COUNTY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Prior Year Audit Findings:

Audit finding 2013-001 has been repeated in finding 2014-001.

Audit finding 2013-002 has been corrected.

Corrective Action Plan Provided by Management:

See the views of responsible officials presented in at findings 2014-001 and 2014-002 for planned corrective action.