



Audited Financial Statements

Kanawha County, West Virginia

Year Ended June 30, 2010

Gibbons
& Kawash
Certified Public Accountants

Audited Financial Statements
KANAWHA COUNTY, WEST VIRGINIA

Year Ended June 30, 2010

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Audited Financial Statements
KANAWHA COUNTY, WEST VIRGINIA

Year Ended June 30, 2010

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KANAWHA COUNTY, WEST VIRGINIA
LIST OF ELECTED COUNTY OFFICIALS

June 30, 2010

<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	Phyllis Gatson
Prosecuting Attorney	Mark Plants
Sheriff	Michael Y. Rutherford

INDEPENDENT AUDITOR'S REPORT

To the Commission of
Kanawha County
Charleston, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the County's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of the County, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Kanawha County, West Virginia, as of June 30, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kanawha County, West Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2011, 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* and should be considered in assessing the results of our audit.

The County 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's primary government financial statements as a whole. The combining and individual non-major fund and agency fund financial statements on pages 31 through 38 are presented for purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. The combining and individual non-major fund and agency 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



March 1, 2011

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 10,633,018	\$ 571	\$ 10,633,589
Taxes receivable, net	4,076,622	-	4,076,622
Grants receivable, net	710,577	-	710,577
Other	-	70	70
Capital assets, net	<u>30,076,413</u>	<u>2,583,128</u>	<u>32,659,541</u>
Total assets	<u>\$ 45,496,630</u>	<u>\$ 2,583,769</u>	<u>\$ 48,080,399</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 4,073,026	\$ -	\$ 4,073,026
Other	843,819	-	843,819
Noncurrent liabilities:			
Due within one year	1,427,105	-	1,427,105
Due in more than one year	<u>18,574,676</u>	<u>-</u>	<u>18,574,676</u>
Total liabilities	<u>\$ 24,918,626</u>	<u>\$ -</u>	<u>\$ 24,918,626</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 11,991,703	\$ 2,583,128	\$ 14,574,831
Unrestricted	<u>8,586,301</u>	<u>641</u>	<u>8,586,942</u>
Total net assets	<u>\$ 20,578,004</u>	<u>\$ 2,583,769</u>	<u>\$ 23,161,773</u>

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

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
Governmental activities:				
General government	\$ 33,564,727	\$ 2,328,557	\$ 1,284,283	\$ -
Public safety	16,384,191	-	1,437,245	-
Health and sanitation	1,816,739	-	-	-
Culture and recreation	4,890,802	-	-	-
Capital outlay	-	-	-	999,980
Total government activities	<u>56,656,459</u>	<u>2,328,557</u>	<u>2,721,528</u>	<u>999,980</u>
Business-type activities:				
Parking facility	<u>280,837</u>	<u>96,262</u>	<u>66,000</u>	<u>-</u>
Total primary government	<u>\$ 56,937,296</u>	<u>\$ 2,424,819</u>	<u>\$ 2,787,528</u>	<u>\$ 999,980</u>
General revenues:				
Taxes				
Licenses and permits				
Interest				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Net (Expenses) Revenue and
Changes in Net Assets

Fines and Forfeits	Governmental Activities	Business-type Activities	Total
\$ 26,503	\$ (29,925,384)	\$ -	\$ (29,925,384)
-	(14,946,946)	-	(14,946,946)
-	(1,816,739)	-	(1,816,739)
-	(4,890,802)	-	(4,890,802)
-	999,980	-	999,980
<u>26,503</u>	<u>(50,579,891)</u>	<u>-</u>	<u>(50,579,891)</u>
<u>-</u>	<u>-</u>	<u>(118,575)</u>	<u>(118,575)</u>
<u>\$ 26,503</u>	<u>(50,579,891)</u>	<u>(118,575)</u>	<u>(50,698,466)</u>
	45,117,531	-	45,117,531
	260,238	-	260,238
	23,264	-	23,264
	<u>4,296,134</u>	<u>-</u>	<u>4,296,134</u>
	<u>49,697,167</u>	<u>-</u>	<u>49,697,167</u>
	(882,724)	(118,575)	(1,001,299)
	<u>21,460,728</u>	<u>2,702,344</u>	<u>24,163,072</u>
	<u>\$ 20,578,004</u>	<u>\$ 2,583,769</u>	<u>\$ 23,161,773</u>

KANAWHA COUNTY, WEST VIRGINIA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

<u>ASSETS</u>	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>
Cash and cash equivalents	\$ 1,134,152	\$ 1,058,301	\$ 2,011,802
Taxes receivable, net	3,990,081	-	-
Grants receivable, net	355,619	-	-
Due from other funds	<u>1,434,353</u>	<u>100,400</u>	<u>1,953</u>
Total assets	<u>\$ 6,914,205</u>	<u>\$ 1,158,701</u>	<u>\$ 2,013,755</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ 139,139	\$ 111,343	\$ -
Accounts payable	2,858,149	62,845	44,744
Deferred revenue	3,297,836	-	-
Other	<u>760,857</u>	<u>8,690</u>	<u>50,694</u>
Total liabilities	<u>7,055,981</u>	<u>182,878</u>	<u>95,438</u>
 Fund balances:			
Reserved for:			
Encumbrances	695,238	114,938	56,365
Unreserved for:			
General fund	(837,014)	-	-
Special revenue funds	-	860,885	1,861,952
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(141,776)</u>	<u>975,823</u>	<u>1,918,317</u>
Total liabilities and fund balances	<u>\$ 6,914,205</u>	<u>\$ 1,158,701</u>	<u>\$ 2,013,755</u>

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

<u>Financial Stablization</u>	<u>Project 301 Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,001,279	\$ 1,299,557	\$ 3,127,927	\$ 10,633,018
-	-	86,541	4,076,622
-	-	354,958	710,577
-	-	51,519	1,588,225
<u>\$ 2,001,279</u>	<u>\$ 1,299,557</u>	<u>\$ 3,620,945</u>	<u>\$ 17,008,442</u>
\$ 1,250,000	\$ -	\$ 87,743	\$ 1,588,225
-	-	1,107,288	4,073,026
-	-	71,646	3,369,482
-	-	23,578	843,819
<u>1,250,000</u>	<u>-</u>	<u>1,290,255</u>	<u>9,874,552</u>
91,510	-	-	958,051
-	-	-	(837,014)
659,769	-	2,300,166	5,682,772
-	1,299,557	30,524	1,330,081
<u>751,279</u>	<u>1,299,557</u>	<u>2,330,690</u>	<u>7,133,890</u>
<u>\$ 2,001,279</u>	<u>\$ 1,299,557</u>	<u>\$ 3,620,945</u>	<u>\$ 17,008,442</u>

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

June 30, 2010

Total fund balances on governmental funds balance sheet	\$ 7,133,890
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet	30,076,413
Deferrals of revenue related to long-term receivables that are not available for expenditure at year end, and therefore, are reported as a liability in the governmental funds balance sheet	3,369,482
Long-term liabilities, including bonds and notes payable, are not due an payable in the current period and therefore are not reported in the governmental funds balance sheet	(18,084,710)
Liability for health claims incurred, as of year end, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	(275,000)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	<u>(1,642,071)</u>
Net assets of governmental activities	<u>\$ 20,578,004</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, 2010

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>
Revenues:			
Taxes (including interest and penalties)	\$ 39,973,735	\$ 1,237,730	\$ 1,980,793
Licenses and permits	136,997	-	-
Intergovernmental:			
Federal	2,274,215	-	-
State	224,279	-	-
Local	404,869	-	-
Charges for services	864,867	-	4,320
Fines and forfeits	-	-	-
Interest	6,825	783	2,636
Miscellaneous	2,610,644	10,420	-
Total revenues	<u>46,496,431</u>	<u>1,248,933</u>	<u>1,987,749</u>
Expenditures:			
General government	22,537,268	659,080	1,793,341
Public safety	13,825,876	505,548	-
Health and sanitation	1,759,436	-	-
Culture and recreation	4,894,980	-	-
Capital outlay	1,746,050	-	-
Total expenditures	<u>44,763,610</u>	<u>1,164,628</u>	<u>1,793,341</u>
Excess (deficiency) of revenues over expenditures	<u>1,732,821</u>	<u>84,305</u>	<u>194,408</u>
Other financing sources (uses):			
Operating transfers in	5,675,088	-	1,119
Operating transfers out	<u>(7,468,940)</u>	<u>(26,196)</u>	<u>(252,161)</u>
Total other financing sources (uses)	<u>(1,793,852)</u>	<u>(26,196)</u>	<u>(251,042)</u>
Net change in fund balances	(61,031)	58,109	(56,634)
Fund balances, beginning of year	<u>(80,745)</u>	<u>917,714</u>	<u>1,974,951</u>
Fund balances, end of year	<u>\$ (141,776)</u>	<u>\$ 975,823</u>	<u>\$ 1,918,317</u>

<u>Financial Stablization</u>	<u>Project 301 Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 851,882	\$ 44,044,140
-	-	123,241	260,238
-	-	818,145	3,092,360
-	-	-	224,279
-	-	-	404,869
-	-	1,459,370	2,328,557
-	-	26,503	26,503
1,953	9,316	1,751	23,264
-	352	1,674,718	4,296,134
<u>1,953</u>	<u>9,668</u>	<u>4,955,610</u>	<u>54,700,344</u>
-	-	6,089,440	31,079,129
-	-	1,539,923	15,871,347
-	-	57,303	1,816,739
-	-	-	4,894,980
-	7,205,427	627,988	9,579,465
-	<u>7,205,427</u>	<u>8,314,654</u>	<u>63,241,660</u>
<u>1,953</u>	<u>(7,195,759)</u>	<u>(3,359,044)</u>	<u>(8,541,316)</u>
3,762,359	-	4,110,244	13,548,810
<u>(5,000,000)</u>	<u>-</u>	<u>(801,513)</u>	<u>(13,548,810)</u>
<u>(1,237,641)</u>	<u>-</u>	<u>3,308,731</u>	<u>-</u>
(1,235,688)	(7,195,759)	(50,313)	(8,541,316)
<u>1,986,967</u>	<u>8,495,316</u>	<u>2,381,003</u>	<u>15,675,206</u>
<u>\$ 751,279</u>	<u>\$ 1,299,557</u>	<u>\$ 2,330,690</u>	<u>\$ 7,133,890</u>

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, 2010

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

Net change in fund balances - total governmental funds	\$ (8,541,316)
Governmental funds report capital outlays as expenditures while the cost of capital assets is allocated over their useful lives in the statement of activities	8,703,248
The net effect of miscellaneous transactions to capital assets which decreases the change in net assets	(826,649)
Depreciation expense related to capital assets is not reported in the governmental funds because it does not affect current financial resources	(2,235,090)
Governmental funds report repayments 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	1,112,394
Revenue that is not available at year end for expenditure is not reported in the governmental funds	1,073,391
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	(125,000)
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>(43,702)</u>
Change in net assets of governmental activities	<u>\$ (882,724)</u>

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

KANAWHA COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2010

<u>ASSETS</u>	<u>Business-type Activities - Enterprise Fund</u>
Cash and cash equivalents	\$ 571
Other	70
Capital assets, net	<u>2,583,128</u>
Total assets	<u>\$ 2,583,769</u>
<u>NET ASSETS</u>	
Invested in capital assets	\$ 2,583,128
Unrestricted	<u>641</u>
Total net assets	<u>\$ 2,583,769</u>

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

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUND

Year Ended June 30, 2010

	Business-type Activities - Enterprise Fund
	<u> </u>
Operating revenues:	
Charges for services	\$ 96,246
Operating Expenses:	
Personal services	121,585
Contract services	6,764
Utilities	12,911
Repairs and maintenance	34,133
Other supplies and expenses	6,493
Depreciation	98,951
Total operating expenses	<u>280,837</u>
Operating loss	<u>(184,591)</u>
Nonoperating revenue:	
Interest income	16
Contributions - operations assistance	<u>66,000</u>
Total nonoperating revenue	<u>66,016</u>
Change in fund net assets	(118,575)
Net assets, beginning of year	<u>2,702,344</u>
Net assets, end of year	<u>\$ 2,583,769</u>

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

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2010

	Business-type Activities - Enterprise Fund
Cash flows from operating activities:	
Cash received from customers and users	\$ 96,246
Cash paid to employees	(121,585)
Cash paid to suppliers	<u>(68,797)</u>
Net cash used in operating activities	<u>(94,136)</u>
Cash flows from capital and related financing activities:	
Contributions - operations assistance	<u>66,000</u>
Cash flows from investing activities:	
Interest income	<u>16</u>
Decrease in cash and cash equivalents	(28,120)
Cash and cash equivalents, beginning of year	<u>28,691</u>
Cash and cash equivalents, end of year	<u>\$ 571</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (184,591)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	98,951
Change in assets and liabilities:	
Decrease in other assets	488
Decrease in accounts payable	<u>(8,984)</u>
Net cash used in operating activities	<u>\$ (94,136)</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, 2010

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,325,697	\$ 10,767,359
Taxes receivable	-	2,577,602
Real and personal property	812,688	-
Other	<u>61,735</u>	<u>-</u>
Total assets	<u>\$ 2,200,120</u>	<u>\$ 13,344,961</u>
<u>LIABILITIES</u>		
Due to other governmental entities	\$ -	\$ 7,327,107
Due to other third parties	<u>188,152</u>	<u>6,017,854</u>
Total liabilities	<u>\$ 188,152</u>	<u>\$ 13,344,961</u>
<u>NET ASSETS</u>		
Net assets, held for individuals	<u>\$ 2,011,968</u>	

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

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

Year Ended June 30, 2010

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund
<u>Additions</u>	
Contributions	<u>\$ 1,879,371</u>
<u>Deductions</u>	
Payments on behalf of beneficiaries	<u>2,673,010</u>
Changes in net assets	(793,639)
Net assets, beginning of year	<u>2,805,607</u>
Net assets, end of year	<u>\$ 2,011,968</u>

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 government 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 primary government and its component units. Component units are entities for which the government is considered to be financially accountable. 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 basic financial statements to emphasize they are legally separate from the government. The County has elected to present only the primary government 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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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, franchise taxes, licenses, 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 government reports the following major governmental funds:

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

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

The *Financial Stabilization Fund* accounts for resources set aside by the County Commission as a "rainy day fund". The establishment of this fund is authorized by the West Virginia Code.

The *Project 301 Bond Fund* accounts for resources related to the extensive renovations of the County's 301 Virginia Street building. This fund is created by bond indenture.

The government reports the following major proprietary fund:

The *Parking Facility Fund* accounts for the activities of the parking garage adjacent to the County's Judicial Annex building.

KANAWHA COUNTY, WEST VIRGINIA

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

Additionally, the County reports the following fund types:

The *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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are from charges to customers. Operating expenses for enterprise funds consist of the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY**Budgetary Information

Annual budgets are adopted on a basis consistent with the modified accrual basis of accounting for the general, coal severance, and assessor's valuation funds. The budgets are then submitted for approval by 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 proprietary fund and the government-wide financial statements. Capital assets are defined by the government 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	Various
Land improvements	15
Vehicles	3
Office equipment	15
Computer equipment	5

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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets

Net assets are presented as unrestricted, invested in capital assets net of related debt and net assets held for individuals.

6 - DEPOSITS AND INVESTMENTS

Concentration of Credit Risk - Cash Deposits - At June 30, 2010, the County had deposits in financial institutions reported as cash and cash equivalents with carrying balances of \$13,275,298 and bank balances of \$12,756,864. Of the bank balances, \$775,378 was covered by federal depository insurance. Of the remaining \$11,981,486, \$11,951,355 was collateralized with securities held by the County's agent in the County's name and \$30,131 was uninsured and uncollateralized.

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

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

(Continued)

6 - DEPOSITS AND INVESTMENTS (Continued)

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 is authorized to invest in obligations of the U.S. Treasury, U.S. Government agencies, authorized state and municipal bonds, corporate bonds rated AAA, AA, and A, repurchase agreements, commercial paper rated A1/P1 or A2/P2, certificates of deposit collateralized with banks located in the State of West Virginia, and money market funds.

At June 30, 2010, the County had investments shown as cash and cash equivalents invested in these BTI sponsored external investment pools of \$8,865,017. 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, 2010, are \$586,330 of investments which are held at various local financial institutions by the Kanawha County Sheriff in his capacity as fiduciary agent. These investments are predominantly comprised of fixed income annuities, long-term certificates of deposit, and other cash equivalents.

7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2010</u>
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,029,041	\$ -	\$ (414,102)	\$ 1,614,939
Construction in progress	<u>3,929,602</u>	<u>-</u>	<u>(3,929,602)</u>	<u>-</u>
Total capital assets not being depreciated	<u>5,958,643</u>	<u>-</u>	<u>(4,343,704)</u>	<u>1,614,939</u>
<i>Capital assets being depreciated:</i>				
Buildings	10,109,990	13,834,167	(1,330,408)	22,613,749
Building improvements	12,456,405	485,624	(14,338)	12,927,691
Furniture and fixtures	9,933,588	879,626	(913,069)	9,900,145
Infrastructure	<u>276,119</u>	<u>-</u>	<u>-</u>	<u>276,119</u>
Total capital assets being depreciated	<u>32,776,102</u>	<u>15,199,417</u>	<u>(2,257,815)</u>	<u>45,717,704</u>
Less accumulated depreciation for:				
Buildings	(5,880,592)	(2,915,900)	1,095,836	(7,700,656)
Building improvements	(1,234,637)	(420,460)	48	(1,655,049)
Furniture and fixtures	(7,124,555)	(1,454,252)	749,384	(7,829,423)
Infrastructure	<u>(60,057)</u>	<u>(11,045)</u>	<u>-</u>	<u>(71,102)</u>
Total accumulated depreciation	<u>(14,299,841)</u>	<u>(4,801,657)</u>	<u>1,845,268</u>	<u>(17,256,230)</u>
Total capital assets being depreciated, net	<u>18,476,261</u>	<u>10,397,760</u>	<u>(412,547)</u>	<u>28,461,474</u>
Governmental activities capital assets, net	<u>\$ 24,434,904</u>	<u>\$ 10,397,760</u>	<u>\$ (4,756,251)</u>	<u>\$ 30,076,413</u>

KANAWHA COUNTY, WEST VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

7 - CAPITAL ASSETS (Continued)

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Parking facility	\$ 3,940,412	\$ -	\$ -	\$ 3,940,412
Total capital assets being depreciated	<u>3,940,412</u>	<u>-</u>	<u>-</u>	<u>3,940,412</u>
Less accumulated depreciation for:				
Parking facility	(1,258,333)	(98,951)	-	(1,357,284)
Total accumulated depreciation	<u>(1,258,333)</u>	<u>(98,951)</u>	<u>-</u>	<u>(1,357,284)</u>
Business-type activities capital assets, net	<u>\$ 2,682,079</u>	<u>\$ (98,951)</u>	<u>\$ -</u>	<u>\$ 2,583,128</u>

For the year ended June 30, 2010, depreciation expense for the governmental activities in the government wide financial statements was \$2,235,090, comprised of \$1,733,569 charged to general government, and \$501,521 charged to public safety. Depreciation expense of \$98,951 was charged to the business-type activities.

8 - LONG-TERM DEBT

Revenue Bonds

On December 1, 2003, the Kanawha County Commission issued \$9,335,000 of the Kanawha County Building Commission Lease Revenue Bonds (Kanawha County Judicial Annex Project) Series 2003A. The proceeds of these bonds were used to finance a portion of the costs of acquiring, constructing and equipping improvements to the Kanawha County Judicial Annex. The bonds mature through December 1, 2023, with interest at 4.68%.

On December 15, 2003, the Kanawha County Commission issued \$1,510,000 of the Kanawha County Building Commission Lease Revenue Bonds (Parking Garage Lease Refunding Bonds) Series 2003B. The proceeds of these bonds were used to currently refund the outstanding balance of the Series 1996 bonds. The bonds mature through December 1, 2021, with interest of 4.68%. 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.

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. The proceeds of these bonds are to be used for renovation of the building located at 301 Virginia Street in Charleston, WV. The bonds mature through December 19, 2023, with interest at 5.07%. 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.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**8 - LONG-TERM DEBT (Continued)**Long-Term Note Payable

In July 2006, the Kanawha County Commission obtained an interest free loan from the West Virginia State Election Commission for the purchase of certain voting equipment in the amount of \$930,515, due in annual installments of \$186,103 through July 2010, and secured by the voting equipment.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,152,105	\$ 857,515	\$ 2,009,620
2012	1,006,981	813,296	1,820,277
2013	1,059,294	766,232	1,825,526
2014	1,103,010	716,452	1,819,462
2015	1,158,200	663,837	1,822,037
2016-2020	6,680,974	2,405,241	9,086,215
2021-2024	<u>5,924,146</u>	<u>600,686</u>	<u>6,524,832</u>
	<u>\$ 18,084,710</u>	<u>\$ 6,823,259</u>	<u>\$ 24,907,969</u>

The following is a summary of the long-term debt activity for the year ended June 30, 2010:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 18,824,898	\$ -	\$ (926,291)	\$ 17,898,607	\$ 966,002
Long-term note payable	372,206	-	(186,103)	186,103	186,103
Post retirement benefits	388,934	881,982	(469,236)	801,680	-
Compensated absences	1,598,369	1,027,368	(983,667)	1,642,070	-
Health claims	<u>150,000</u>	<u>275,000</u>	<u>(150,000)</u>	<u>275,000</u>	<u>275,000</u>
Total governmental activity long-term liabilities	<u>\$ 21,334,407</u>	<u>\$ 2,184,350</u>	<u>\$ 2,715,297</u>	<u>\$ 20,803,460</u>	<u>\$ 1,427,105</u>

Total cash paid for interest for the year ended June 30, 2010, on outstanding debt was \$898,976.

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.

KANAWHA COUNTY, WEST VIRGINIA

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

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.

All counties within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, fourteen and three-tenths cents (14.3¢); on Class II property, twenty-eight and six-tenths cents (28.6¢); and on Class III and IV property, fifty-seven and two-tenths cents (57.2¢). 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, 2010, were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess</u>
Class I	\$ -	14.26¢	6.09¢
Class II	\$ 3,098,168,674	28.52¢	12.18¢
Class III	\$ 2,394,145,042	57.04¢	24.36¢
Class IV	\$ 2,812,007,015	57.04¢	24.36¢

10 - RETIREMENT SYSTEMS**West 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 rate of 11.5% of covered payroll is determined by PERS. The contributions to PERS for the years ending June 30, 2010, 2009, and 2008, were \$1,990,660, \$1,852,739, and \$1,706,758, 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 Fund (WVDSRF) is a cost sharing multiple-employer public employee retirement system created by the State of West Virginia. The Deputy Sheriffs of West Virginia county government's, employed prior to July 1, 1998, may elect to join this plan or remain in PERS. Deputy sheriffs hired after this date are required to join WVDSRF. The WVDSRF issues a publicly available financial report that includes financial statements and required supplementary information for the WVDSRF. 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 WVDSRF provides retirement benefits to plan participants and beneficiaries. The WVDSRF 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 rate of 10.5% of covered payroll is determined by WVDSRF.

The contributions to WVDSRF for the years ending June 30, 2010, 2009 and 2008, were \$945,828, \$925,557, and \$858,298, 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 (RHBTF), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan, established in accordance with GASB Statement No. 45, 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) was \$881,058 and \$844,503 for the year ended June 30, 2010 and 2009, respectively, and the County has contributed \$469,236 and \$455,569, respectively, which represent 53.3% and 53.9% of the ARC, respectively, for the years ending June 30, 2010 and 2009. At June 30, 2010 and 2009, the liability related to OPEB was \$801,680 and \$388,934, 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 a separate actuarial study to evaluate its net OPEB obligation as part of its participation in the RHBTF for the year ended June 30, 2010 and 2009.

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 \$75,000 individually and \$2,000,000 in the aggregate. Claims of \$275,000 have been accrued in the Statement of Net Assets for claims incurred prior to June 30, 2010 and paid as of December 31, 2010.

The County has committed 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 reserved fund balance or recorded a liability for these commitments which approximated \$1,076,128 at June 30, 2010.

The County has committed \$2,000,000 to the Appalachian Power Baseball Park, payable to the City of Charleston, consisting of annual payments of \$133,000 over the next ten years. The balance of this commitment at June 30, 2010, was \$1,102,000.

In addition, there are various legal proceedings concerning collected taxes being contested. 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 national insurance companies which carry various deductibles and aggregates per year. 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 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. 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, 2010, there have been 136 series of Industrial Revenue Bonds and 1 series of local government Lease Revenue Bonds issued by the Kanawha County Commission. The aggregate

KANAWHA COUNTY, WEST VIRGINIA

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

principal amount payable for the one local government series issued after July 1, 1995 (Metro Emergency Operations Center, November 2004 - \$4,500,000 authorized) was \$3,300,000 at June 30, 2010. The aggregate principal amount payable for the two industrial revenue bonds issued after July 1995 (\$11,485,000 authorized) was \$10,520,924. 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 - DEFICIT FUND EQUITY

The General County Fund had a deficit balance of \$141,776 and the Dog and Kennel Fund had a deficit balance of \$3,510 as of June 30, 2010. These deficits are the result of operating transfers that exceeded budgeted amounts and incurred expenditures that exceeded revenues.

16 - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. This statement will be effective for financial statement periods beginning after June 15th, 2010.

This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**16 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

modified for clarity and consistency. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. The County is still evaluating the impact of this standard on its financial statements.

The GASB has issued Statement No. 59, *Financial Instruments Omnibus*, the provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. Applying the reporting provisions of Statement No. 31 for interest-earning investment contracts to unallocated insurance contracts improves consistency of investment measurements that are reported by pension and other post-employment benefit plans. Emphasizing the applicability of SEC requirements to 2a7-like external investment pools provides practitioners with improved guidance. Limiting interest rate risk disclosures for investments in mutual funds, external investment pools, and other pooled investments to debt investment pools provides better guidance regarding the applicability of interest rate risk disclosures. Finally, addressing the applicability of Statement No. 53 to certain financial instruments refines which financial instruments are within the scope of that Statement. The County does not anticipate this Statement to have a significant effect on the financial statements.

17 - SUBSEQUENT EVENT

On February 15, 2011, The Kanawha County Commission issued \$8,121,600 of the variable rate Kanawha County Building Commission Lease Revenue Refunding Bonds (Kanawha County Judicial Annex Project and Parking Garage) Series 2011. The proceeds of these bonds were used to currently refund the outstanding balance of the Series 2003A and 2003B bonds. The bonds mature through February 15, 2021, with an initial interest rate of 3.79%. The Kanawha County Building Commission as the issuer has also simultaneously entered into a "qualified hedge" swap agreement to reduce the interest rate risk of the issued bonds. The County has not assessed the impact of this transaction on the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KANAWHA COUNTY, WEST VIRGINIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Ad valorem property tax	\$ 38,252,646	\$ 38,252,646	\$ 38,119,154
Other taxes	2,286,500	2,286,500	1,854,581
Licenses and permits	65,000	65,000	136,997
Intergovernmental:			
Federal	150,000	4,194,727	2,274,215
State	250,000	961,079	224,279
Local	-	30,000	404,869
Charges for services	1,235,200	1,235,200	864,867
Interest	250,000	250,000	6,825
Miscellaneous	2,001,812	2,264,288	2,610,644
Total revenues	<u>44,491,158</u>	<u>49,539,440</u>	<u>46,496,431</u>
Expenditures:			
General government	23,773,085	26,833,991	22,537,268
Public safety	14,454,791	18,052,018	13,825,876
Health and sanitation	1,476,649	2,041,205	1,759,436
Culture and recreation	4,652,133	4,754,936	4,894,980
Capital outlay	-	2,604,701	1,746,050
Total expenditures	<u>44,356,658</u>	<u>54,286,851</u>	<u>44,763,610</u>
Excess (deficiency) of revenues over expenditures	134,500	(4,747,411)	1,732,821
Other financing sources (uses):			
Operating transfers in	822,500	6,865,917	5,675,088
Operating transfers out	(957,000)	(6,018,139)	(7,468,940)
Total other financing sources (uses)	<u>(134,500)</u>	<u>847,778</u>	<u>(1,793,852)</u>
Net change in fund balance	-	(3,899,633)	(61,031)
Fund balance, beginning of year	-	3,899,633	(80,745)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (141,776)</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,237,730
Interest	6,000	6,000	783
Miscellaneous	-	-	10,420
Total revenue	<u>1,281,000</u>	<u>1,281,000</u>	<u>1,248,933</u>
Expenditures:			
General government	519,781	1,028,389	659,080
Public safety	761,219	937,588	505,548
Culture and recreation	-	-	-
Total expenditures	<u>1,281,000</u>	<u>1,965,977</u>	<u>1,164,628</u>
Excess (deficiency) of revenues over expenditures	-	(684,977)	84,305
Other financing sources (uses):			
Operating transfers out	-	-	(26,196)
Net change in fund balance	-	(684,977)	58,109
Fund balance, beginning of year	-	684,977	917,714
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 975,823</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, 2010

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
Taxes	\$ 1,844,447	\$ 1,844,447	\$ 1,980,793
Interest	22,083	22,083	2,636
Charges for services	6,200	6,200	4,320
Total revenues	<u>1,872,730</u>	<u>1,872,730</u>	<u>1,987,749</u>
Expenditures:			
General government	<u>2,690,788</u>	<u>3,589,672</u>	<u>1,793,341</u>
Excess (deficiency) of revenues over expenditures	(818,058)	(1,716,942)	194,408
Other financing sources (uses):			
Operating transfers in	-	-	1,119
Operating transfers out	<u>(281,942)</u>	<u>(281,942)</u>	<u>(252,161)</u>
Total other financing sources (uses)	<u>(281,942)</u>	<u>(281,942)</u>	<u>(251,042)</u>
Net change in fund balance	(1,100,000)	(1,998,884)	(56,634)
Fund balance, beginning of year	<u>1,100,000</u>	<u>1,998,884</u>	<u>1,974,951</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,918,317</u>

See Independent Auditor's Report.

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

<u>ASSETS</u>	<u>Dog and Kennel</u>	<u>General School</u>	<u>Magistrate Court</u>	<u>Worthless Check</u>
Cash and cash equivalents	\$ 8,224	\$ 302,871	\$ 256,509	\$ 8,053
Taxes receivable, net	-	-	-	-
Grants receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 8,224</u>	<u>\$ 302,871</u>	<u>\$ 256,509</u>	<u>\$ 8,053</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ 11,734	\$ -	\$ -	\$ -
Accounts payable	-	-	3,255	-
Deferred revenue	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>11,734</u>	<u>-</u>	<u>3,255</u>	<u>-</u>
Fund balances:				
Unreserved for:				
Special revenue funds	(3,510)	302,871	253,254	8,053
Capital projects funds	-	-	-	-
Total fund balances	<u>(3,510)</u>	<u>302,871</u>	<u>253,254</u>	<u>8,053</u>
Total liabilities and fund balances	<u>\$ 8,224</u>	<u>\$ 302,871</u>	<u>\$ 256,509</u>	<u>\$ 8,053</u>

Home Confinement	Federal Grants	State Grants	Fiduciary	Accident Photo
\$ 38,235	\$ 231,628	\$ 14,147	\$ 32,138	\$ 23,905
-	-	-	-	-
-	354,958	-	-	-
<u>558</u>	<u>38,878</u>	<u>-</u>	<u>349</u>	<u>-</u>
<u>\$ 38,793</u>	<u>\$ 625,464</u>	<u>\$ 14,147</u>	<u>\$ 32,487</u>	<u>\$ 23,905</u>
\$ -	\$ 415	\$ -	\$ -	\$ -
10,218	548,460	-	7,595	-
-	-	-	-	-
<u>14,198</u>	<u>-</u>	<u>-</u>	<u>9,310</u>	<u>-</u>
<u>24,416</u>	<u>548,875</u>	<u>-</u>	<u>16,905</u>	<u>-</u>
14,377	76,589	14,147	15,582	23,905
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,377</u>	<u>76,589</u>	<u>14,147</u>	<u>15,582</u>	<u>23,905</u>
<u>\$ 38,793</u>	<u>\$ 625,464</u>	<u>\$ 14,147</u>	<u>\$ 32,487</u>	<u>\$ 23,905</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
(Continued)

June 30, 2010

<u>ASSETS</u>	<u>DARE & Community Policing</u>	<u>Building Demolition</u>	<u>Capital Maintenance</u>	<u>Worthless Check Restitution</u>
Cash and cash equivalents	\$ 636	\$ 131,946	\$ 12,577	\$ 5,007
Taxes receivable, net	-	-	-	-
Grants receivable, net	-	-	-	-
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 636</u>	<u>\$ 131,946</u>	<u>\$ 12,577</u>	<u>\$ 5,007</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	2,400
Deferred revenue	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
 Fund balances:				
Unreserved for:				
Special revenue funds	636	131,946	12,577	2,607
Capital projects funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 636</u>	<u>\$ 131,946</u>	<u>\$ 12,577</u>	<u>\$ 5,007</u>

<u>Hazard Mitigation Tax Escrow</u>	<u>Public Safety Levy</u>	<u>Records Mgmt & Preservation</u>	<u>Assessor's Dog</u>	<u>Concealed Weapons</u>
\$ 190	\$ 658,841	\$ 2,148	\$ 19,878	\$ 202,021
-	86,541	-	-	-
-	-	-	-	-
-	-	-	11,734	-
<u>\$ 190</u>	<u>\$ 745,382</u>	<u>\$ 2,148</u>	<u>\$ 31,612</u>	<u>\$ 202,021</u>
\$ -	\$ 31,807	\$ -	\$ 11,734	\$ -
-	96,039	-	-	1,755
-	71,646	-	-	-
-	-	-	-	-
-	199,492	-	11,734	1,755
190	545,890	2,148	19,878	200,266
-	-	-	-	-
<u>190</u>	<u>545,890</u>	<u>2,148</u>	<u>19,878</u>	<u>200,266</u>
<u>\$ 190</u>	<u>\$ 745,382</u>	<u>\$ 2,148</u>	<u>\$ 31,612</u>	<u>\$ 202,021</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
(Continued)

June 30, 2010

<u>ASSETS</u>	<u>Voter Registration</u>	<u>Unemployment Compensation</u>	<u>Day Reporting Collections</u>	<u>Special Law Enforcement</u>
Cash and cash equivalents	\$ 5,789	\$ 15,406	59,667	\$ 37,167
Taxes receivable, net	-	-	-	-
Grants receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 5,789</u>	<u>\$ 15,406</u>	<u>\$ 59,667</u>	<u>\$ 37,167</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved for:				
Special revenue funds	5,789	15,406	\$ 59,667	37,167
Capital projects funds	-	-	-	-
Total fund balances	<u>5,789</u>	<u>15,406</u>	<u>59,667</u>	<u>37,167</u>
Total liabilities and fund balances	<u>\$ 5,789</u>	<u>\$ 15,406</u>	<u>\$ 59,667</u>	<u>\$ 37,167</u>

Special Prosecuting Attorney	Special Drug Court Program	Capital Equipment	Special Health Insurance	Judicial Annex Repair	Total Nonmajor Governmental Funds
\$ 36,102	\$ 1,142	\$ 65,130	\$ 958,570	\$ -	\$ 3,127,927
-	-	-	-	-	86,541
-	-	-	-	-	354,958
-	-	-	-	-	51,519
<u>\$ 36,102</u>	<u>\$ 1,142</u>	<u>\$ 65,130</u>	<u>\$ 958,570</u>	<u>\$ -</u>	<u>\$ 3,620,945</u>
\$ -	\$ -	\$ 1,642	\$ 30,411	\$ -	\$ 87,743
2,301	-	32,964	402,301	-	1,107,288
-	-	-	-	-	71,646
-	-	-	70	-	23,578
<u>2,301</u>	<u>-</u>	<u>34,606</u>	<u>432,782</u>	<u>-</u>	<u>1,290,255</u>
33,801	1,142	-	525,788	-	2,300,166
-	-	30,524	-	-	30,524
<u>33,801</u>	<u>1,142</u>	<u>30,524</u>	<u>525,788</u>	<u>-</u>	<u>2,330,690</u>
<u>\$ 36,102</u>	<u>\$ 1,142</u>	<u>\$ 65,130</u>	<u>\$ 958,570</u>	<u>\$ -</u>	<u>\$ 3,620,945</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2010

	Dog and Kennel	General School	Magistrate Court	Worthless Check
Revenues:				
Taxes (including interest and penalties)	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
Charges for services	-	635,660	107,359	15,968
Fines and forfeits	-	-	-	-
Interest	9	355	226	4
Miscellaneous	-	-	12,880	-
Total revenues	<u>9</u>	<u>636,015</u>	<u>120,465</u>	<u>15,972</u>
Expenditures:				
General government	-	25,740	42,261	6,768
Public safety	23,111	-	-	-
Health and sanitation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>23,111</u>	<u>25,740</u>	<u>42,261</u>	<u>6,768</u>
Excess (deficiency) of revenues over expenditures	(23,102)	610,275	78,204	9,204
Other financing sources (uses):				
Operating transfers in	31,320	-	-	-
Operating transfers out	(11,734)	(648,725)	-	-
Total other financing sources (uses)	<u>19,586</u>	<u>(648,725)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,516)	(38,450)	78,204	9,204
Fund balances, beginning of year	<u>6</u>	<u>341,321</u>	<u>175,050</u>	<u>(1,151)</u>
Fund balances, end of year	<u>\$ (3,510)</u>	<u>\$ 302,871</u>	<u>\$ 253,254</u>	<u>\$ 8,053</u>

<u>Home Confinement</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Fiduciary</u>	<u>Accident Photo</u>	<u>DARE & Community Policing</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	818,145	-	-	-	-
317,176	-	-	299,000	17,410	-
-	-	-	-	-	-
47	-	5	28	-	-
-	-	-	-	-	-
<u>317,223</u>	<u>818,145</u>	<u>5</u>	<u>299,028</u>	<u>17,410</u>	<u>-</u>
-	727,548	-	353,862	-	-
408,059	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>408,059</u>	<u>727,548</u>	<u>-</u>	<u>353,862</u>	<u>-</u>	<u>-</u>
(90,836)	90,597	5	(54,834)	17,410	-
251,100	400	-	80,000	-	-
(54,111)	-	-	(28,140)	-	-
<u>196,989</u>	<u>400</u>	<u>-</u>	<u>51,860</u>	<u>-</u>	<u>-</u>
106,153	90,997	5	(2,974)	17,410	-
(91,776)	(14,408)	14,142	18,556	6,495	636
<u>\$ 14,377</u>	<u>\$ 76,589</u>	<u>\$ 14,147</u>	<u>\$ 15,582</u>	<u>\$ 23,905</u>	<u>\$ 636</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2010

	Building Demolition	Capital Maintenance	Worthless Check Restitution	Hazard Mitigation Tax Escrow
Revenues:				
Taxes (including interest and penalties)	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
Charges for services	-	-	1,690	-
Fines and forfeits	-	-	-	-
Interest	39	13	-	-
Miscellaneous	137,540	-	-	-
Total revenues	<u>137,579</u>	<u>13</u>	<u>1,690</u>	<u>-</u>
Expenditures:				
General government	-	-	5,148	-
Public safety	-	-	-	-
Health and sanitation	57,303	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>57,303</u>	<u>-</u>	<u>5,148</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	80,276	13	(3,458)	-
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	80,276	13	(3,458)	-
Fund balances, beginning of year	<u>51,670</u>	<u>12,564</u>	<u>6,065</u>	<u>190</u>
Fund balances, end of year	<u>\$ 131,946</u>	<u>\$ 12,577</u>	<u>\$ 2,607</u>	<u>\$ 190</u>

<u>Public Safety Levy</u>	<u>Records Management & Preservation</u>	<u>Assessor's Dog</u>	<u>Concealed Weapons</u>	<u>Voter Registration</u>
\$ 805,844	\$ -	\$ -	\$ -	\$ -
-	-	46,038	-	-
-	-	-	123,241	-
-	-	-	-	-
2,461	-	-	-	2,979
-	-	-	-	-
26	-	46	192	8
-	-	-	-	-
<u>808,331</u>	<u>-</u>	<u>46,084</u>	<u>123,433</u>	<u>2,987</u>
-	-	694	-	4,600
819,802	-	-	79,052	-
-	-	-	-	-
-	-	-	-	-
<u>819,802</u>	<u>-</u>	<u>694</u>	<u>79,052</u>	<u>4,600</u>
(11,471)	-	45,390	44,381	(1,613)
-	-	11,734	-	-
-	-	(58,803)	-	-
-	-	(47,069)	-	-
(11,471)	-	(1,679)	44,381	(1,613)
<u>557,361</u>	<u>2,148</u>	<u>21,557</u>	<u>155,885</u>	<u>7,402</u>
<u>\$ 545,890</u>	<u>\$ 2,148</u>	<u>\$ 19,878</u>	<u>\$ 200,266</u>	<u>\$ 5,789</u>

(Continued)

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2010

	Unemployment Compensation	Day Reporting Collection	Special Law Enforcement	Special Prosecuting Attorney
Revenues:				
Taxes (including interest and penalties)	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
Charges for services	-	59,667	-	-
Fines and forfeits	-	-	26,503	-
Interest	14	-	22	-
Miscellaneous	-	-	1,424	19,033
Total revenues	<u>14</u>	<u>59,667</u>	<u>27,949</u>	<u>19,033</u>
Expenditures:				
General government	28,664	-	-	9,167
Public safety	-	-	5,200	-
Health and sanitation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>28,664</u>	<u>-</u>	<u>5,200</u>	<u>9,167</u>
Excess (deficiency) of revenues over expenditures	(28,650)	59,667	22,749	9,866
Other financing sources (uses):				
Operating transfers in	55,000	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,350	59,667	22,749	9,866
Fund balances, beginning of year	<u>(10,944)</u>	<u>-</u>	<u>14,418</u>	<u>23,935</u>
Fund balances, end of year	<u>\$ 15,406</u>	<u>\$ 59,667</u>	<u>\$ 37,167</u>	<u>\$ 33,801</u>

Drug Court Reporting	Capital Equipment	Special Health Insurance	Judicial Annex Repair	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 805,844
-	-	-	-	46,038
-	-	-	-	123,241
-	-	-	-	818,145
-	-	-	-	1,459,370
-	-	-	-	26,503
-	-	640	77	1,751
<u>1,757</u>	<u>93,859</u>	<u>1,359,608</u>	<u>48,617</u>	<u>1,674,718</u>
<u>1,757</u>	<u>93,859</u>	<u>1,360,248</u>	<u>48,694</u>	<u>4,955,610</u>
915	-	4,884,073	-	6,089,440
-	204,699	-	-	1,539,923
-	-	-	-	57,303
<u>-</u>	<u>425,688</u>	<u>-</u>	<u>202,300</u>	<u>627,988</u>
<u>915</u>	<u>630,387</u>	<u>4,884,073</u>	<u>202,300</u>	<u>8,314,654</u>
842	(536,528)	(3,523,825)	(153,606)	(3,359,044)
300	67,087	3,613,303	-	4,110,244
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(801,513)</u>
<u>300</u>	<u>67,087</u>	<u>3,613,303</u>	<u>-</u>	<u>3,308,731</u>
1,142	(469,441)	89,478	(153,606)	(50,313)
<u>-</u>	<u>499,965</u>	<u>436,310</u>	<u>153,606</u>	<u>2,381,003</u>
<u>\$ 1,142</u>	<u>\$ 30,524</u>	<u>\$ 525,788</u>	<u>\$ -</u>	<u>\$ 2,330,690</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS

June 30, 2010

	Delinquent and Nonentered Lands	Sale of Lein Surplus	Board of Health
<u>ASSETS</u>			
Cash and cash equivalents	\$ 267,132	\$ 800,757	\$ 1,990,815
Taxes receivable	-	-	-
Total assets	<u>\$ 267,132</u>	<u>\$ 800,757</u>	<u>\$ 1,990,815</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ 267,132	\$ 800,757	\$ 1,990,815
Due to other third parties	-	-	-
Total liabilities	<u>\$ 267,132</u>	<u>\$ 800,757</u>	<u>\$ 1,990,815</u>

<u>State</u>	<u>School</u>	<u>Municipal</u>	<u>Kanawha Emergency Ambulance Authority</u>	<u>Kanawha Regional Transit Authority</u>	<u>Circuit Clerk</u>
\$ 8,057	\$ 1,236,523	\$ 232,817	\$ 93,251	\$ 93,251	\$ 4,615,537
<u>12,227</u>	<u>1,883,403</u>	<u>398,982</u>	<u>141,495</u>	<u>141,495</u>	<u>-</u>
<u>\$ 20,284</u>	<u>\$ 3,119,926</u>	<u>\$ 631,799</u>	<u>\$ 234,746</u>	<u>\$ 234,746</u>	<u>\$ 4,615,537</u>
\$ 20,284	\$ 3,119,926	\$ 631,799	\$ 234,746	\$ 234,746	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,615,537</u>
<u>\$ 20,284</u>	<u>\$ 3,119,926</u>	<u>\$ 631,799</u>	<u>\$ 234,746</u>	<u>\$ 234,746</u>	<u>\$ 4,615,537</u>

(Continued)

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS

(Continued)

June 30, 2010

	<u>Records Office</u>	<u>Writ of Execution</u>	<u>State Police License Fee</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 980,733	\$ 2,650	\$ 3,025
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 980,733</u>	<u>\$ 2,650</u>	<u>\$ 3,025</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ -	\$ 2,650	\$ 3,025
Due to other third parties	<u>980,733</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 980,733</u>	<u>\$ 2,650</u>	<u>\$ 3,025</u>

<u>Deputy Retirement</u>	<u>Enhanced 911 System</u>	<u>Evidence Fund</u>	<u>Clerk's Delinquent Land</u>	<u>Total Agency Funds</u>
\$ 6,391	\$ 14,836	\$ 280,131	\$ 141,453	\$ 10,767,359
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,577,602</u>
<u>\$ 6,391</u>	<u>\$ 14,836</u>	<u>\$ 280,131</u>	<u>\$ 141,453</u>	<u>\$ 13,344,961</u>
\$ 6,391	\$ 14,836	\$ -	\$ -	\$ 7,327,107
<u>-</u>	<u>-</u>	<u>280,131</u>	<u>141,453</u>	<u>6,017,854</u>
<u>\$ 6,391</u>	<u>\$ 14,836</u>	<u>\$ 280,131</u>	<u>\$ 141,453</u>	<u>\$ 13,344,961</u>

SUPPLEMENTARY INFORMATION

**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 the financial statements of the governmental activities, business-type 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, 2010, which collectively comprise the County's primary government financial statements and have issued our report thereon dated March 1, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2010-1, 2010-2, 2010-3, 2010-4 and 2010-6 to be material weaknesses.

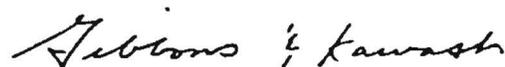
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2010-5 to be a significant deficiency.

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 the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the County, the Commissioners and other elected officials, the West Virginia State Auditor's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



March 1, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Commission of
Kanawha County
Charleston, West Virginia

Compliance

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, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program

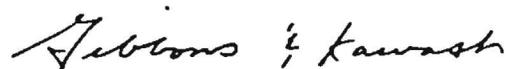
to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposed described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-6 to be a material weakness.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management of the County, the Commissioners and other elected officials, the West Virginia State Auditor's Office, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



March 1, 2011

KANAWHA COUNTY, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Environmental Protection Agency</u>			
STAG Grant - Derricks Creek	66.202	-	178,900
STAG Grant - Guthrie Tank	66.202	-	4,927
<u>U.S. Department of Justice</u>			
Bullet Proof Vests	16.607	-	1,992
Drug Court Grant	16.585	2008-DC-BX-0029	103,994
COPS Technology	16.710	2009-CKWX-0259	999,980
Mental Health Grant	16.745	2008-MO-BX-0002	11,117
Mental Health Grant	16.745	2009-MO-BX-0021	39,959
Passed through State of West Virginia, Division of Criminal Justice Services:			
Victim Assistance (VOCA)-Sheriff	16.575	08-VA-42	20,800
VOCA-ARRA	16.801	09-VAR-16	16,300
Enforcing the Underage Drinking Laws	16.727	09-EUD-117	17,100
JAG-DCP-ARRA	16.803	09-RAJ-87	52,000
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State of West Virginia, Development Office:			
Small Cities Block Grant	14.228	08SCBG0032	354,958
<u>U.S. Department of Homeland Security</u>			
Passed through State of West Virginia, Division of Homeland Security and Emergency Management:			
Homeland Security - IEC	97.001	08-IEC-01	85,259
Homeland Security - IEC	97.001	09-IEC-01	21,000
Hazard Mitigation Grant	97.039	DR 1696	2,090
Emergency Management Grant	97.042	FFY 2009	87,000
Homeland Security Grant Program	97.067	07-LE-06	87,744
Homeland Security Grant Program	97.067	07-SHS-13	209,077
Homeland Security Grant Program	97.067	08-SHS-10	610,872
Homeland Security Grant Program	97.067	08-SHS-03	50,000
Homeland Security Grant Program	97.067	08-SHS-07	34,500
Homeland Security Grant Program	97.067	07-LE-15	9,000
Homeland Security Grant Program	97.067	07-SHS-03	31,250
Homeland Security Grant Program	97.067	07-LE-19	62,541
			<u>\$ 3,092,360</u>

KANAWHA COUNTY, WEST VIRGINIA

NOTE 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 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, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficienc(ies) identified? X yes none reported

Noncompliance material to financial
statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficienc(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

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

 yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

97.067
16.710
14.228

Homeland Security Grant
COPS Technology Grant
Small Cities Block Grant

Dollar threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 yes X no

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

Year Ended June 30, 2010

Section II - Financial Statement Findings

2010-1 RECONCILIATION, REVIEW, AND APPROVAL

Criteria:

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

Condition:

We noted that the County has not established and documented independent reconciliation, review, and approval for the following key financial reporting areas:

- The County's monthly reconciliations of the amount of cash reported by the bank to the accounting records for the Law Enforcement evidence room bank account is not subject to supervisory review and approval by an individual independent of the cash receipts, disbursements, and reconciliation process.
- The County's monthly fiduciary financial reporting including the valuation of assets performed by the Sheriff's Tax Office is not subjected to supervisory review and approval by an individual independent of the fiduciary accounting process.

Context:

The County's total assets for the Law Enforcement evidence room and the Sherriff's Tax Office fiduciary funds were \$2,480,251 at June 30, 2010.

Effect:

Without appropriate and timely supervisory review, errors or fraud involving the County's account reconciliations or fiduciary financial reporting may not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Cause:

The County has not established procedures requiring appropriate documented supervisory review and approval of the areas noted in the condition above.

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

Year Ended June 30, 2010

Section II - Financial Statement Findings (Continued)

2010-1 RECONCILIATION, REVIEW, AND APPROVAL (Continued)

Recommendation:

The County should establish a policy that requires the evidence room cash account reconciliation and monthly fiduciary financial reporting to be reviewed by an individual that is independent of the cash disbursement, cash receipts, and reconciliation process. This review should be documented by the individual performing the control procedure.

Views of responsible officials:

The Sheriff will establish procedures that require appropriate documentation showing supervisory review and approval of the fiduciary financial reporting. Reconciliation and supervisory review of the Law Enforcement evidence room bank account is a complex situation that we will review and make efforts to provide the required documentation.

2010-2 FINANCIAL REPORTING AND FINANCIAL STATEMENT BALANCES

Criteria:

The financial statements should contain interfund transfers and primary government interfund receivables/payables that balance and these amounts should be supported by underlying accounting records.

Condition:

We noted that certain balances reported in the County's unaudited financial statements as of and for the year ended June 30, 2010, did not balance or agree to the underlying accounting records. Specifically, we noted that:

- Governmental fund due to/due from other funds and interfund operating transfers reported in the County's unaudited financial statements as of June 30, 2010 did not balance.

Context:

The County's unaudited financial statements as of and for the year ended June 30, 2010, did not contain interfund amounts that balanced by \$3,813,658 and these balances differed from underlying accounting records.

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

Year Ended June 30, 2010

Section II - Financial Statement Findings (Continued)

2010-2 FINANCIAL REPORTING AND FINANCIAL STATEMENT BALANCES (Continued)

Effect:

The unaudited primary government financial statements contained errors in the classifications between interfund balances and other financial reporting categories.

Cause:

Management has not established procedures to ensure that the unaudited financial statements compiled internally reconcile, balance, and are supported by the underlying accounting records.

Recommendation:

Management should develop procedures to ensure that all financial statement balances published in the internally prepared unaudited financial report balance and agree to the underlying accounting records.

Views of responsible officials:

Management acknowledges that proper subsidiary accounting for assets is essential to proper presentation on the Financial Statements and is taking action to correct all noted issues.

Management will ensure that source transactions are coded correctly to recognize, differentiate and record transfers between funds vis-à-vis true revenues and expenses.

2010-3 GRANT REVENUE RECOGNITION

Criteria:

Federal grant revenues reported in the financial statements of the County should be recognized as qualifying grant expenditures are incurred in accordance with generally accepted accounting principles and reported in the Schedule of Expenditures of Federal Awards (SEFA).

Condition:

We noted that federal grant revenues presented in the June 30, 2010 unaudited financial statements were not properly recorded and reconciled to the SEFA.

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

Year Ended June 30, 2010

Section II - Financial Statement Findings (Continued)

2010-3 GRANT REVENUE RECOGNITION (Continued)

Context:

Federal grant revenues reported in the unaudited financial statements were understated by \$675,038 for the year ended June 30, 2010.

Effect:

The County's unaudited financial statements did not report the proper amount of federal grant revenue in accordance with U.S. generally accepted accounting principles.

Cause:

The County has not established appropriate procedures to ensure that the grant revenue reported in the unaudited financial statements is recognized in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

We recommend that the County develop procedures for agreeing the underlying grant activity to the appropriate revenue and expense line in the financial statements to determine that the reporting of governmental grant revenue is in accordance with generally accepted accounting principles which should include an evaluation of whether an accrual adjustment is necessary at the applicable fiscal year end. This procedure should be subject to appropriate supervisory review and approval.

Views of responsible officials:

Management acknowledges that proper recognition of grant revenues is essential to the proper reporting in the County Financials.

Management will ensure proper recognition of grant revenue by establishing work sessions between the Grants Coordinator, CFO, Grants Director and Director of Accounting at the end of each year to determine and properly record all anticipated revenues. This shall be accomplished by analyzing eligible expenditures and corresponding subsequent drawdown requests.

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

Year Ended June 30, 2010

Section II - Financial Statement Findings (Continued)

2010-4 ACCOUNTS PAYABLE CUTOFF

Criteria:

In accordance with accounting principles generally accepted in the United States of America, accounts payable reported in the financial statements should include expenditures incurred but unpaid by the County as of the balance sheet date.

Condition:

We noted that accounts payable balances reported in financial statements prepared by management did not include all significant expenditures which had been incurred by the County as of June 30, 2010.

Context:

Accounts payable in the governmental funds balance sheet, as reported in the unaudited financial statements, was understated by \$553,106.

Effect:

The unaudited financial statements were materially misstated.

Cause:

Management has not established procedures to ensure that a complete and accurate cut-off of accounts payable is achieved.

Recommendation:

Management should establish procedures to ensure that all significant expenditures that have been incurred but not paid as of the balance sheet date are recorded in the County's financial statements as a liability in accordance with accounting principles generally accepted in the United States of America.

Views of responsible officials:

Due to the time restraints surrounding the preparation of the financial statements, adjustments to the accounts payable are probable every year. Review and reconciliation procedures will be implemented by the County to provide the necessary adjusting entries to the auditors for inclusion in the final statements.

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

Year Ended June 30, 2010

Section II - Financial Statement Findings (Continued)

2010-5 PAYROLL PROCEDURES AND DOCUMENTATION

Criteria:

A key component of internal control over payroll procedures is the timely and documented supervisory review and approval of the hours worked by all employees and employee pay rates which support the amounts reported in the financial statements.

Condition:

We noted that the County has not consistently documented the supervisory review and approval of certain time sheets supporting charges for salary and wage expenses. Specifically, we noted that:

- Timesheets submitted by employees for hours worked were not approved by a supervisor on a timely basis.

Context:

From a sample of 40 payroll checks selected, we noted the following:

- One instance in which a timesheet was not approved by a supervisor in the County Clerk's Office.
- Two instances in which timesheets were not approved by a supervisor in the Prosecuting Attorney's Office.
- One instance in which a timesheet was not approved by a supervisor in the County Assessor's Office.

Effect:

Without appropriate and timely review and approval of timesheets and pay rates, errors or fraud involving amounts paid to employee's may not be detected and corrected on a timely basis by employees in the normal course of performing their assigned functions.

Cause:

Based on our sample of payroll disbursements it appears that certain internal control procedures to properly approve and document payroll related transactions are not consistently performed.

KANAWHA COUNTY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

Section II - Financial Statement Findings (Continued)

2010-5 PAYROLL PROCEDURES AND DOCUMENTATION (Continued)

Recommendation:

The County should adhere to established policies and procedures and emphasize internal control procedures related to payroll for review and approval of all employee timesheets on a timely basis to enhance the ability for supervisors to detect and correct errors and assess what correcting action, if any, is necessary.

Views of responsible officials:

The County Clerk's office will establish the appropriate procedures to ensure that all timesheets are approved by a designated supervisor before processing by the payroll clerk.

Section III - Federal Award Findings and Questioned Costs

2010-6 GRANT REVENUE RECOGNITION

U.S. Department of Justice -
CFDA #16.710

U.S. Department of Housing and Urban Development -
CFDA #14.228

U.S. Department of Homeland Security -
CFDA #97.067

Material Weakness:

The material weakness identified at Finding 2010-3 applies to these federal award programs.

KANAWHA COUNTY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

Prior Audit Findings:

Audit finding 2009-1 has been partially repeated in finding 2010-2.

Corrective Action Plan Provided by Management:

See the view of responsible officials identified at audit finding 2010-2 for the planned corrective action.