



Audited Financial Statements

Kanawha County, West Virginia

Year Ended June 30, 2011

Audited Financial Statements
KANAWHA COUNTY, WEST VIRGINIA
Year Ended June 30, 2011

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KANAWHA COUNTY, WEST VIRGINIA
Year Ended June 30, 2011

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KANAWHA COUNTY, WEST VIRGINIA
LIST OF ELECTED COUNTY OFFICIALS
June 30, 2011

<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, 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, 2011, 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, 2011, 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, each major fund and the aggregate remaining fund information of Kanawha County, West Virginia, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended June 30, 2011.



In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, 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 27 through 29 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, agency fund, and general fund financial statements on pages 30 through 39 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, agency fund, and general fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, 2012

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF NET POSITION

June 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 12,242,047
Taxes receivable, net	4,217,061
Grants receivable, net	362,184
Due from other governments	314,219
Capital assets, net	<u>31,790,279</u>
Total assets	<u>\$ 48,925,790</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Accumulated changes in fair value of hedging derivative instrument	<u>\$ 216,156</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 2,212,046
Other	841,806
Fair value of hedging derivative instrument	216,156
Noncurrent liabilities:	
Due within one year	1,825,500
Due in more than one year	<u>17,410,862</u>
Total liabilities	<u>\$ 22,506,370</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 14,696,749
Restricted	4,578,252
Unrestricted	<u>7,360,575</u>
Total net position	<u>\$ 26,635,576</u>

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

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Fines and Forfeits	Governmental Activities
Governmental activities:					
General government	\$ 32,003,510	\$ 2,827,396	\$ 1,695,122	\$ 123,799	\$ (27,357,193)
Public safety	17,070,902	-	1,290,289	-	(15,780,613)
Health and sanitation	718,084	-	-	-	(718,084)
Culture and recreation	4,723,114	-	-	-	(4,723,114)
Total primary government	<u>\$ 54,515,610</u>	<u>\$ 2,827,396</u>	<u>\$ 2,985,411</u>	<u>\$ 123,799</u>	<u>(48,579,004)</u>
General revenues:					
Taxes					46,285,280
Licenses and permits					343,035
Interest					22,767
Miscellaneous					4,516,199
Total general revenues					<u>51,167,281</u>
Change in net position					2,588,277
Net position, beginning of year (as restated)					<u>24,047,299</u>
Net position, end of year					<u>\$ 26,635,576</u>

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

KANAWHA COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

<u>ASSETS</u>	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>
Cash and cash equivalents	\$ 5,916,835	\$ 2,444,164	\$ 2,074,203
Taxes receivable, net	4,128,367	-	-
Grants receivable, net	362,184	-	-
Due from other governments	314,219	-	-
Due from other funds	<u>644,145</u>	<u>101,840</u>	<u>6,347</u>
Total assets	<u>\$ 11,365,750</u>	<u>\$ 2,546,004</u>	<u>\$ 2,080,550</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ 611,517	\$ 112,043	\$ -
Accounts payable	1,961,965	-	128,434
Deferred revenue	3,487,794	-	-
Other	<u>756,265</u>	<u>9,490</u>	<u>50,202</u>
Total liabilities	<u>6,817,541</u>	<u>121,533</u>	<u>178,636</u>
 Fund balances:			
Restricted	990,933	606,118	1,901,914
Committed	3,419,842	1,818,353	-
Unassigned	<u>137,434</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,548,209</u>	<u>2,424,471</u>	<u>1,901,914</u>
Total liabilities and fund balances	<u>\$ 11,365,750</u>	<u>\$ 2,546,004</u>	<u>\$ 2,080,550</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,806,845	\$ 12,242,047
88,694	4,217,061
-	362,184
-	314,219
<u>3,083</u>	<u>755,415</u>
 <u>\$ 1,898,622</u>	 <u>\$ 17,890,926</u>
\$ 31,855	\$ 755,415
121,647	2,212,046
75,051	3,562,845
<u>25,849</u>	<u>841,806</u>
 <u>254,402</u>	 <u>7,372,112</u>
1,079,287	4,578,252
564,933	5,803,128
<u>-</u>	<u>137,434</u>
 <u>1,644,220</u>	 <u>10,518,814</u>
 <u>\$ 1,898,622</u>	 <u>\$ 17,890,926</u>

KANAWHA COUNTY, WEST VIRGINIA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2011

Total fund balances on governmental funds balance sheet	\$ 10,518,814
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet	31,790,279
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	3,562,845
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	(17,093,530)
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	(418,000)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	<u>(1,724,832)</u>
Net position of governmental activities	<u>\$ 26,635,576</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, 2011

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>
Revenues:			
Taxes (including interest and penalties)	\$ 41,340,525	\$ 1,883,410	\$ 2,035,204
Licenses and permits	194,816	-	-
Intergovernmental:			
Federal	2,239,805	-	-
State	313,994	-	-
Local	431,612	-	-
Charges for services	2,058,604	-	2,392
Fines and forfeits	-	-	-
Interest	15,973	2,225	3,343
Miscellaneous	4,446,221	-	69,925
Total revenues	<u>51,041,550</u>	<u>1,885,635</u>	<u>2,110,864</u>
Expenditures:			
General government	28,828,502	249,550	1,885,458
Public safety	13,658,875	640,759	-
Health and sanitation	718,084	-	-
Culture and recreation	4,713,663	-	-
Capital outlay	1,477,361	-	-
Total expenditures	<u>49,396,485</u>	<u>890,309</u>	<u>1,885,458</u>
Excess (deficiency) of revenues over expenditures	1,645,065	995,326	225,406
Other financing sources (uses):			
Operating transfers in	11,342,488	-	-
Operating transfers out	<u>(12,019,207)</u>	<u>(26,196)</u>	<u>(241,809)</u>
Total other financing sources (uses)	<u>(676,719)</u>	<u>(26,196)</u>	<u>(241,809)</u>
Net change in fund balances	968,346	969,130	(16,403)
Fund balances, beginning of year (as restated)	<u>3,579,863</u>	<u>1,455,341</u>	<u>1,918,317</u>
Fund balances, end of year	<u>\$ 4,548,209</u>	<u>\$ 2,424,471</u>	<u>\$ 1,901,914</u>

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

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 832,778	\$ 46,091,917
148,219	343,035
-	2,239,805
-	313,994
-	431,612
766,400	2,827,396
123,799	123,799
1,226	22,767
53	4,516,199
1,872,475	56,910,524
699,558	31,663,068
1,539,957	15,839,591
-	718,084
-	4,713,663
-	1,477,361
2,239,515	54,411,767
(367,040)	2,498,757
1,089,456	12,431,944
(144,732)	(12,431,944)
944,724	-
577,684	2,498,757
1,066,536	8,020,057
\$ 1,644,220	\$ 10,518,814

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, 2011

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

Net change in fund balances - total governmental funds	\$ 2,498,757
Governmental funds report capital outlays as expenditures while the cost of capital assets is allocated over their useful lives in the statement of activities	849,198
The net effect of transactions to capital assets which decreases the change in netposition	(15,929)
Depreciation expense related to capital assets is not reported in the governmental funds because it does not affect current financial resources	(1,702,531)
Governmental funds report net payments of principal on long-term debts as expenditures while the repayment of such principal does not effect the statement of activities in the government-wide presentation	991,180
Revenue that is not available at year end for expenditure is not reported in the governmental funds	193,363
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	(143,000)
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>(82,761)</u>
Change in net position of governmental activities	<u>\$ 2,588,277</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, 2011

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,898,503	\$ 8,292,129
Taxes receivable	-	2,268,088
Real and personal property	2,073,698	-
Other	49,509	-
Total assets	\$ 5,021,710	\$ 10,560,217
<u>LIABILITIES</u>		
Due to other governmental entities	\$ -	\$ 6,572,949
Due to other third parties	385,504	3,987,268
Total liabilities	\$ 385,504	\$ 10,560,217
<u>NET ASSETS</u>		
Net assets, held for individuals	\$ 4,636,206	

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

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

Year Ended June 30, 2011

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund
<u>Additions</u>	
Contributions	<u>\$ 4,316,935</u>
<u>Deductions</u>	
Payments on behalf of beneficiaries	<u>1,692,697</u>
Changes in net assets	2,624,238
Net assets, beginning of year	<u>2,011,968</u>
Net assets, end of year	<u><u>\$ 4,636,206</u></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 governmental units, except as noted below. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for U.S. governmental accounting and financial reporting.

The County is a local government corporation governed by an elected three member commission and various other elected officials with various responsibilities. GAAP requires the financial statements to present the 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 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 position 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 accompanying financial statements do not report any business type activities.

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

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

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

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

KANAWHA COUNTY, WEST VIRGINIA

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

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

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

The government reports the following major governmental funds:

The *General Fund* represents the County's operating funds. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. In accordance with GASB 54, *Fund Balance and Governmental Fund Type Definitions*, certain previously reported special revenue governmental funds have been combined within the County's general fund on the Balance Sheet – Governmental Funds. (See Note 6 to the financial statements.)

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 County reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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 any business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

KANAWHA COUNTY, WEST VIRGINIA

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

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.

4 - BUDGETARY COMPLIANCE AND ACCOUNTABILITYBudgetary Information

Annual budgets are adopted on a basis consistent with the modified accrual basis of accounting for the general operating, coal severance, and assessor's valuation funds. The budgets are then submitted for approval 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 government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

KANAWHA COUNTY, WEST VIRGINIA

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

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.

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

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

Interfund Transactions

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

Fund Balance

In accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* the County has classified in the governmental fund financial statements its fund balances in the following categories: nonspendable, restricted, committed, assigned and unassigned as applicable.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The County has no nonspendable fund balances as of June 30, 2011.

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

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

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

KANAWHA COUNTY, WEST VIRGINIA

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

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

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

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

Net Assets/Position

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

6 – RESTATEMENT OF FUND BALANCE AND NET POSITION

The County has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The impact of this statement reclassified certain previously reported major and non major governmental special revenue and proprietary funds as of July 1, 2010, as components of the General Fund. As a result, beginning fund balance for the General Fund has been restated as of June 30, 2011 to comply with the effects of this Statement. See the Combining Balance Sheet – General Fund and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund on pages 34-39 for a description of the formerly reported major and non major governmental special revenue and proprietary funds now reported as components of the General Fund. The General Fund was also restated to correct a grant receivable not previously reported in the proper period. The effect on beginning fund balance is as follows:

Beginning fund balance, as previously reported	\$ (141,776)
Implementation of GASB 54	3,315,631
Correction of grants receivable	406,008
Beginning fund balance, as restated	<u>\$ 3,579,863</u>

The County has restated beginning net position in the Government-Wide Statement of Net Position as of July 1, 2010 for the effects of corrections to certain taxes and grants receivable not previously reported in the proper period as follows:

Beginning net position, as previously reported	\$23,161,773
Correction of taxes receivable	479,518
Correction of grants receivable	406,008
Beginning net position, as restated	<u>\$24,047,299</u>

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 – RESTATEMENT OF FUND BALANCE AND NET POSITION (Continued)**

The County has restated beginning fund balance for the Parking Facility Fund due to a change in fund balance determination. The Parking Facility Fund is now reported as a governmental fund and is included in the General Fund at June 30, 2011. Due to the differences in the measurement focus and basis of accounting between a proprietary fund and a governmental fund, the fund balance of the parking facility will be restated as of July 1, 2010 as follows:

Beginning net assets, as previously reported	\$ 2,583,769
Change in fund determination, reduction of previously reported capital assets	<u>(2,583,128)</u>
Beginning fund balance, as restated	<u>\$ 641</u>

The County has restated the fund balance of the Coal Severance Fund as of July 1, 2010 to correct taxes receivable not previously reported in the proper period as follows:

Beginning fund balance, as previously reported	\$ 975,823
Correction of taxes receivable	<u>479,518</u>
Beginning fund balance, as restated	<u>\$ 1,455,341</u>

The County has restated the fund balance of the General Operating Fund as of July 1, 2010, to correct grants receivable not previously reported in the proper period as follows:

Beginning fund balance, as previously reported	\$ (141,776)
Correction of grants receivable	<u>406,008</u>
Beginning fund balance, as restated	<u>\$ 264,232</u>

7 - DEPOSITS AND INVESTMENTS

Concentration of Credit Risk - Cash Deposits - At June 30, 2011, the County had deposits in financial institutions reported as cash and cash equivalents with carrying balances of \$11,155,753 and bank balances of \$11,627,889. Of the bank balances, \$1,501,870 was covered by federal depository insurance. \$985,804 of this amount was held in the Sheriff's Fiduciary Private Purpose Trust Fund which was fully covered by federal depository insurance. Of the remaining \$9,140,215 \$9,130,691 was collateralized with securities held by the County's agent in the County's name and \$9,524 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 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, 2011, the County had investments shown as cash and cash equivalents invested in these BTI sponsored external investment pools of \$10,309,038. 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.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - DEPOSITS AND INVESTMENTS (Continued)**

Also included in cash and cash equivalents at June 30, 2011, are \$1,967,888 of cash and cash equivalents, mutual funds, insurance contracts, and other investments which are held at various local financial institutions and nationally recognized brokerage firms by the Kanawha County Sheriff in his capacity as fiduciary agent. No one investment or group of investments held in this fiduciary capacity represents a significant concentration of credit risk. The investments are comprised of \$404,318 in fixed income securities, \$338,145 in equity securities, and \$152,043 in US Treasury securities. There is a single insurance contract with a national insurance company carried at a fair value of \$420,411. \$248,572 of cash and cash equivalents are fully covered by federal depository insurance or the Securities Investment Protection Corporation (SIPC). The remaining \$404,399, is invested in mutual funds and is not subject to concentration of credit risk, custodial credit risk, and interest rate risk disclosures.

8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,614,939	\$ -	\$ -	\$ 1,614,939
Total capital assets not being depreciated	<u>1,614,939</u>	<u>-</u>	<u>-</u>	<u>1,614,939</u>
<i>Capital assets being depreciated:</i>				
Buildings	26,554,161	326,328	-	26,880,489
Building improvements	12,927,691	125,001	-	13,052,692
Furniture and fixtures	9,900,145	397,869	(260,080)	10,037,934
Infrastructure	276,119	-	-	276,119
Total capital assets being depreciated	<u>49,658,116</u>	<u>849,198</u>	<u>(260,080)</u>	<u>50,247,234</u>
Less accumulated depreciation for:				
Buildings	(9,057,940)	(471,284)	-	(9,529,224)
Building improvements	(1,655,049)	(426,273)	-	(2,081,322)
Furniture and fixtures	(7,829,423)	(793,741)	244,151	(8,379,013)
Infrastructure	(71,102)	(11,233)	-	(82,335)
Total accumulated depreciation	<u>(18,613,514)</u>	<u>(1,702,531)</u>	<u>244,151</u>	<u>(20,071,894)</u>
Total capital assets being depreciated, net	<u>31,044,602</u>	<u>(853,333)</u>	<u>(15,929)</u>	<u>30,175,340</u>
Governmental activities capital assets, net	<u>\$ 32,659,541</u>	<u>\$ (853,333)</u>	<u>\$ (15,929)</u>	<u>\$ 31,790,279</u>

For the year ended June 30, 2011, depreciation expense for the governmental activities in the government wide financial statements was \$1,702,531, comprised of \$641,719 charged to general government, \$1,045,540 charged to public safety, and \$15,272 charged to culture and recreation.

9 - LONG-TERM DEBTRevenue Bonds

On February 15, 2011, the County issued \$8,121,600 of variable rate Kanawha County Building Commission Lease Revenue Refunding Bonds (Kanawha County Judicial Annex Project and Parking Garage) Series 2011, for the purpose of currently refunding the County's Series 2003A and 2003B bonds. The 2011 Series bonds mature through February 15, 2021 with an initial interest rate of 3.79%. The refunding did not result in any gain or loss.

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

9 - LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

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

Principal and interest paid on the Series 2011 and Series 2003 bonds for the year ended June 30, 2011 was \$328,385 and \$654,955, respectively, and the total pledged revenues were approximately \$46,927,306.

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

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2011 variable rate Lease Revenue Refunding Bonds
Notional Amount	\$8,121,600
Effective Date	February 15, 2011
Maturity Date	February 15, 2021
Terms	Pay 3.79%, receive 65% of One Month LIBOR

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

The fair value balance of the hedging derivative instrument outstanding at June 30, 2011, and the change in fair value of the instrument for the year ended June 30, 2011, are as follows:

Changes in fair value:	Deferred outflow
<u>Classification</u>	<u>of resources</u>
Increase (decrease)	\$ (216,156)
Fair value at June 30, 2011	
<u>Classification</u>	<u>Liability</u>
Amount	\$216,156

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - LONG-TERM DEBT (Continued)**Risks*Credit Risk*

The credit ratings of the counterparty to the interest rate swap are Baa1 from Moody's, BBB+ from Standards & Poors, and A- from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2011, no collateralization was required by the interest rate swap agreement.

Interest Rate Risk

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

Basis Risk

The County is exposed to basis risk on the fixed interest rate swap because the variable rate payments received by the County on this hedging derivative instrument are based on an index other than interest rates the County pays on the hedged variable rate debt, which are remarketed every week. As of June 30, 2011, the weighted-average interest rate on the County's hedged variable rate debt was 2.12%, while 65% of the one month LIBOR was .12%.

Termination Risk

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

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

Rollover Risk

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

Swap Payments and Associated Debt

Using rates as of June 30, 2011, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

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

9 - LONG-TERM DEBT (Continued)

Risks (Continued)

Swap Payments and Associated Debt (Continued)

Year Ending June 30	Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2012	\$ 689,416	\$ 160,731	\$ 131,408	\$ 981,555
2013	716,075	145,859	118,541	980,475
2014	743,764	130,412	105,990	980,166
2015	772,525	114,367	92,954	979,846
2016	802,397	97,702	79,881	979,980
2017-2021	<u>4,170,542</u>	<u>215,963</u>	<u>175,735</u>	<u>4,562,240</u>
	<u>\$ 7,894,719</u>	<u>\$ 865,034</u>	<u>\$ 704,509</u>	<u>\$ 9,464,262</u>

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.

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 September 2011, and secured by the voting equipment.

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,407,500	\$ 742,426	\$ 2,149,926
2013	1,275,369	687,373	1,962,742
2014	1,331,774	630,659	1,962,433
2015	1,390,725	571,388	1,962,113
2016	1,452,338	509,910	1,962,248
2017-2021	7,956,399	1,517,174	9,473,573
2022-2024	<u>2,279,425</u>	<u>176,243</u>	<u>2,455,668</u>
	<u>\$ 17,093,530</u>	<u>\$ 4,835,173</u>	<u>\$ 21,928,703</u>

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - LONG-TERM DEBT (Continued)**

The following is a summary of the long-term debt activity for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 17,898,607	\$ 8,121,600	\$ (9,112,780)	\$ 16,907,427	\$ 1,221,397
Long-term note payable	186,103	-	-	186,103	186,103
Post retirement benefits	801,680	496,691	(497,725)	800,646	-
Compensated absences	1,642,070	1,114,484	(1,031,722)	1,724,832	-
Health claims	275,000	418,000	(275,000)	418,000	418,000
Total governmental activity long-term liabilities	<u>\$ 20,803,460</u>	<u>\$ 10,150,775</u>	<u>\$(10,917,227)</u>	<u>\$ 20,037,008</u>	<u>\$ 1,825,500</u>

Total cash paid for interest for the year ended June 30, 2011, on outstanding debt was \$772,764.

10 - 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 distraint for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on the first day of September in the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid.

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, 2011, were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense	Excess
Class I	\$ -	14.30¢	6.09¢
Class II	\$ 3,214,506,868	28.60¢	12.18¢
Class III	\$ 2,518,018,467	57.20¢	24.36¢
Class IV	\$ 2,836,979,637	57.20¢	24.36¢

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 - 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 12.5% of covered payroll is determined by PERS. The contributions to PERS for the years ending June 30, 2011, 2010, and 2009, were \$2,178,538, \$1,990,660, and \$1,852,739, respectively, which were equal to the required contributions for each year.

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, were allowed to 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, 2011, 2010 and 2009, were \$941,328, \$945,828, and \$925,557, respectively, which were equal to the required contributions for each year.

12 - OTHER POST EMPLOYMENT BENEFITS

The County participates in the West Virginia Other Post-Employment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTFF), a cost sharing multiple-employer defined benefit post-employment healthcare plan for eligible employees administered by the West Virginia Public 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

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**12 - OTHER POST EMPLOYMENT BENEFITS (Continued)**

Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304 or by calling 1-888-680-7342.

The OPEB Plan costs are funded by the County monthly based on invoices received from WVPEIA for the Plan's actuarially determined "pay as you go" balance. The County's Annual Required Contribution (ARC) (net of interest and amortization adjustments) was \$496,691, \$881,982, and \$844,503 for the years ended June 30, 2011, 2010, and 2009, respectively, and the County has contributed \$497,725, \$469,236, and \$455,569, respectively, which represent 100.21%, 53.2%, and 53.9% of the ARC, respectively, for the years ending June 30, 2011, 2010, and 2009. At June 30, 2011 and 2010, the liability related to OPEB was \$800,646 and \$801,680, 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, 2011 and 2010.

13 - COMMITMENTS AND CONTINGENCIES

The County is self-insured for employee health claims with a stop-loss insurance policy which covers health claims in excess of \$90,000 individually and \$2,000,000 in the aggregate. Claims of \$418,000 have been accrued in the Statement of Net Position for claims incurred prior to June 30, 2011 and paid as of December 31, 2011.

The County has pledged funding for various purposes under nonbinding letters of intent, subject to meeting certain criteria, to fund various projects. Because of the nonbinding nature of these letters of intent, the County has not committed fund balance or recorded a liability for these commitments which approximated \$644,291 at June 30, 2011.

The County committed \$2,000,000 to the Appalachian Power Baseball Park, payable to the City of Charleston, in annual payments of \$133,000. The balance of this commitment at June 30, 2011, was \$969,000.

The Kanawha County Metro Emergency Operations Center entered into a lease agreement with the Kanawha County Building Commission effective August 1, 2001 to lease a building in which the Metro Emergency Operations Center is located. The lease is subject to annual renewals through August 1, 2024 at which point the deed to the premises will pass to the Kanawha County Metro Emergency Operations Center. The annual lease payment is variable, and corresponds to the repayment of bonds used to finance project as defined in Note 15. The Kanawha County Commission is obligated as guarantor of the lease payments should the Metro Emergency Operations Center fail to meet its payment obligations.

In addition, there are various legal proceedings concerning 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.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**14 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; public officials and law enforcement actions and other acts of the County or its representatives. The County has transferred its risks in exchange for premiums to purchase general liability, property loss, law enforcement liability, employee practice liability and workers compensation coverage insurance, from various high credit quality insurance companies which carry various deductibles and aggregates per year. 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 13.

15 - 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, 2011, 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 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 \$3,140,000 at June 30, 2011. The balance of the local government series was replaced by a Refunding Bond Series 2011 A in October 2011. The aggregate principal amount payable for the two industrial revenue bonds issued after July 1995 (\$11,485,000 authorized) was \$10,088,595. 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.

16 – EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This Statement improves financial reporting for a governmental financial reporting entity. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. The implementation of this Statement will not have a significant impact on the County's financial statements.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**16 – EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

The GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Since the County has elected not to apply post-November 30, 1989 FASB Statements and Interpretations, the implementation of this Statement will not have a significant impact on its financial statements.

The GASB has issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* which provides guidance to governments that have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provision in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011. The effect of implementing the Statement on the County's financial statements has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Ad valorem property tax	\$ 42,188,194	\$ 42,188,194	\$ 41,296,416
Licenses and permits	65,000	65,000	194,816
Intergovernmental:			
Federal	399,928	3,053,323	881,318
State	472,772	879,122	313,994
Local	250,000	487,142	431,612
Charges for services	1,085,200	1,085,200	1,371,527
Interest	70,000	70,000	9,448
Miscellaneous	1,803,000	2,387,658	2,428,175
Total revenues	<u>46,334,094</u>	<u>50,215,639</u>	<u>46,927,306</u>
Expenditures:			
General government	24,166,006	26,857,254	21,468,061
Public safety	14,497,612	15,322,497	13,549,630
Health and sanitation	1,396,615	964,733	650,915
Culture and recreation	4,826,996	5,050,544	4,713,663
Capital outlay	-	1,851,158	548,921
Total expenditures	<u>44,887,229</u>	<u>50,046,186</u>	<u>40,931,190</u>
Excess (deficiency) of revenues over expenditures	1,446,865	169,453	5,996,116
Other financing sources (uses):			
Operating transfers in	815,000	4,675,000	3,592,358
Operating transfers out	<u>(2,261,865)</u>	<u>(6,880,172)</u>	<u>(8,215,497)</u>
Total other financing sources (uses)	<u>(1,446,865)</u>	<u>(2,205,172)</u>	<u>(4,623,139)</u>
Net change in fund balance	-	(2,035,719)	1,372,977
Fund balance, beginning of year (as restated)	<u>-</u>	<u>2,035,719</u>	<u>264,232</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,637,209</u>

See Independent Auditor's Report.

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,883,410
Interest	6,000	6,000	2,225
Total revenue	<u>1,281,000</u>	<u>1,281,000</u>	<u>1,885,635</u>
Expenditures:			
General government	519,781	574,974	249,550
Public safety	<u>761,219</u>	<u>912,964</u>	<u>640,759</u>
Total expenditures	<u>1,281,000</u>	<u>1,487,938</u>	<u>890,309</u>
Excess (deficiency) of revenues over expenditures	-	(206,938)	995,326
Other financing sources (uses):			
Operating transfers out	<u>-</u>	<u>-</u>	<u>(26,196)</u>
Net change in fund balance	-	(206,938)	969,130
Fund balance, beginning of year (as restated)	<u>-</u>	<u>206,938</u>	<u>1,455,341</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,424,471</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, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Taxes	\$ 1,921,181	\$ 1,921,181	\$ 2,035,204
Interest	15,106	15,106	3,343
Charges for services	6,200	6,200	72,317
Total revenues	<u>1,942,487</u>	<u>1,942,487</u>	<u>2,110,864</u>
Expenditures:			
General government	<u>2,762,072</u>	<u>3,579,318</u>	<u>1,885,458</u>
Excess (deficiency) of revenues over expenditures	(819,585)	(1,636,831)	225,406
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(280,415)</u>	<u>(280,415)</u>	<u>(241,809)</u>
Total other financing sources (uses)	<u>(280,415)</u>	<u>(280,415)</u>	<u>(241,809)</u>
Net change in fund balance	(1,100,000)	(1,917,246)	(16,403)
Fund balance, beginning of year	<u>1,100,000</u>	<u>1,917,246</u>	<u>1,918,317</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,901,914</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

<u>ASSETS</u>	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Cash and cash equivalents	\$ 321,492	\$ 227,850	\$ 133,833
Taxes receivable, net	-	-	-
Due from other funds	-	1,897	1,186
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 321,492</u>	<u>\$ 229,747</u>	<u>\$ 135,019</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	3,609	16,213	3,858
Deferred revenue	-	-	-
Other	-	16,522	9,327
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>3,609</u>	<u>32,735</u>	<u>13,185</u>
 Fund balances:			
Restricted	317,883	-	-
Committed	-	197,012	121,834
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>317,883</u>	<u>197,012</u>	<u>121,834</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 321,492</u>	<u>\$ 229,747</u>	<u>\$ 135,019</u>

See Independent Auditor's Report.

Public Safety Levy	Concealed Weapons	Special Law Enforcement	Debt Service	Total Nonmajor Governmental Funds
\$ 647,463	\$ 128,653	\$ 101,467	\$ 246,087	\$ 1,806,845
88,694	-	-	-	88,694
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,083</u>
<u>\$ 736,157</u>	<u>\$ 128,653</u>	<u>\$ 101,467</u>	<u>\$ 246,087</u>	<u>\$ 1,898,622</u>
\$ 31,855	\$ -	\$ -	\$ -	\$ 31,855
60,742	5,758	31,467	-	121,647
75,051	-	-	-	75,051
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,849</u>
<u>167,648</u>	<u>5,758</u>	<u>31,467</u>	<u>-</u>	<u>254,402</u>
568,509	122,895	70,000	-	1,079,287
<u>-</u>	<u>-</u>	<u>-</u>	<u>246,087</u>	<u>564,933</u>
<u>568,509</u>	<u>122,895</u>	<u>70,000</u>	<u>246,087</u>	<u>1,644,220</u>
<u>\$ 736,157</u>	<u>\$ 128,653</u>	<u>\$ 101,467</u>	<u>\$ 246,087</u>	<u>\$ 1,898,622</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2011

	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	111,712	358,903	293,000
Fines and forfeits	-	-	-
Interest	415	271	65
Miscellaneous	-	53	-
Total revenues	<u>112,127</u>	<u>359,227</u>	<u>293,065</u>
Expenditures:			
General government	47,498	-	323,675
Public safety	-	477,939	-
Total expenditures	<u>47,498</u>	<u>477,939</u>	<u>323,675</u>
Excess (deficiency) of revenues over expenditures	64,629	(118,712)	(30,610)
Other financing sources (uses):			
Operating transfers in	-	350,000	165,000
Operating transfers out	-	(48,653)	(28,138)
Total other financing sources (uses)	<u>-</u>	<u>301,347</u>	<u>136,862</u>
Net change in fund balances	64,629	182,635	106,252
Fund balances, beginning of year	<u>253,254</u>	<u>14,377</u>	<u>15,582</u>
Fund balances, end of year	<u>\$ 317,883</u>	<u>\$ 197,012</u>	<u>\$ 121,834</u>

See Independent Auditor's Report.

<u>Public Safety Levy</u>	<u>Concealed Weapons</u>	<u>Special Law Enforcement</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 832,778	\$ -	\$ -	\$ -	\$ 832,778
-	148,219	-	-	148,219
2,770	15	-	-	766,400
-	-	123,799	-	123,799
52	311	96	16	1,226
-	-	-	-	53
<u>835,600</u>	<u>148,545</u>	<u>123,895</u>	<u>16</u>	<u>1,872,475</u>
-	-	-	328,385	699,558
<u>777,981</u>	<u>225,916</u>	<u>58,121</u>	<u>-</u>	<u>1,539,957</u>
<u>777,981</u>	<u>225,916</u>	<u>58,121</u>	<u>328,385</u>	<u>2,239,515</u>
57,619	(77,371)	65,774	(328,369)	(367,040)
-	-	-	574,456	1,089,456
<u>(35,000)</u>	<u>-</u>	<u>(32,941)</u>	<u>-</u>	<u>(144,732)</u>
<u>(35,000)</u>	<u>-</u>	<u>(32,941)</u>	<u>574,456</u>	<u>944,724</u>
22,619	(77,371)	32,833	246,087	577,684
<u>545,890</u>	<u>200,266</u>	<u>37,167</u>	<u>-</u>	<u>1,066,536</u>
<u>\$ 568,509</u>	<u>\$ 122,895</u>	<u>\$ 70,000</u>	<u>\$ 246,087</u>	<u>\$ 1,644,220</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS

June 30, 2011

	Delinquent and Nonentered Lands	Sale of Lien Surplus	Board of Health
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 51,253	\$ 981,644	\$ 1,603,404
Taxes receivable	<u> -</u>	<u> -</u>	<u> -</u>
 Total assets	 <u><u>\$ 51,253</u></u>	 <u><u>\$ 981,644</u></u>	 <u><u>\$ 1,603,404</u></u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ 51,253	\$ 981,644	\$ 1,603,404
Due to other third parties	<u> -</u>	<u> -</u>	<u> -</u>
 Total liabilities	 <u><u>\$ 51,253</u></u>	 <u><u>\$ 981,644</u></u>	 <u><u>\$ 1,603,404</u></u>

See Independent Auditor's Report.

<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>
\$ 6,070	\$ 1,230,235	\$ 225,551	\$ 97,085	\$ 97,085	\$ 2,729,923
<u>11,201</u>	<u>1,642,118</u>	<u>355,537</u>	<u>129,616</u>	<u>129,616</u>	<u>-</u>
<u>\$ 17,271</u>	<u>\$ 2,872,353</u>	<u>\$ 581,088</u>	<u>\$ 226,701</u>	<u>\$ 226,701</u>	<u>\$ 2,729,923</u>
\$ 17,271	\$ 2,872,353	\$ 581,088	\$ 226,701	\$ 226,701	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,729,923</u>
<u>\$ 17,271</u>	<u>\$ 2,872,353</u>	<u>\$ 581,088</u>	<u>\$ 226,701</u>	<u>\$ 226,701</u>	<u>\$ 2,729,923</u>

KANAWHA COUNTY, WEST VIRGINIA

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

June 30, 2011

	<u>Records Office</u>	<u>Writ of Execution</u>	<u>State Police License Fee</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 812,256	\$ 3,384	\$ 1,060
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 812,256</u>	<u>\$ 3,384</u>	<u>\$ 1,060</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ -	\$ -	\$ 1,060
Due to other third parties	<u>812,256</u>	<u>3,384</u>	<u>-</u>
Total liabilities	<u>\$ 812,256</u>	<u>\$ 3,384</u>	<u>\$ 1,060</u>

See Independent Auditor's Report.

<u>Deputy Retirement</u>	<u>Enhanced 911 System</u>	<u>Evidence Fund</u>	<u>Clerk's Delinquent Land</u>	<u>Total Agency Funds</u>
\$ 7,629 <u>-</u>	\$ 3,845 <u>-</u>	\$ 259,523 <u>-</u>	\$ 182,182 <u>-</u>	\$ 8,292,129 <u>2,268,088</u>
<u>\$ 7,629</u>	<u>\$ 3,845</u>	<u>\$ 259,523</u>	<u>\$ 182,182</u>	<u>\$ 10,560,217</u>
\$ 7,629 <u>-</u>	\$ 3,845 <u>-</u>	\$ - <u>259,523</u>	\$ - <u>182,182</u>	\$ 6,572,949 <u>3,987,268</u>
<u>\$ 7,629</u>	<u>\$ 3,845</u>	<u>\$ 259,523</u>	<u>\$ 182,182</u>	<u>\$ 10,560,217</u>

KANAWHA COUNTY, WEST VIRGINIA
 COMBINING BALANCE SHEET - GENERAL FUND

June 30, 2011

<u>ASSETS</u>	<u>General Operating</u>	<u>Dog and Kennel</u>	<u>General School</u>
Cash and cash equivalents	\$ 2,513,647	\$ 2,314	\$ 314,321
Taxes receivable, net	4,128,367	-	-
Grants receivable, net	141,611	-	-
Due from other governments	314,219	-	-
Due from other funds	<u>515,295</u>	<u>11,344</u>	<u>-</u>
Total assets	<u>\$ 7,613,139</u>	<u>\$ 13,658</u>	<u>\$ 314,321</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ 232,096	\$ 11,734	\$ -
Accounts payable	1,499,775	-	-
Deferred revenue	3,487,794	-	-
Other	<u>756,265</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,975,930</u>	<u>11,734</u>	<u>-</u>
 Fund balances:			
Restricted	-	-	314,321
Committed	1,499,775	1,924	-
Unassigned	<u>137,434</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,637,209</u>	<u>1,924</u>	<u>314,321</u>
Total liabilities and fund balances	<u>\$ 7,613,139</u>	<u>\$ 13,658</u>	<u>\$ 314,321</u>

See Independent Auditor's Report.

Worthless Check	Federal Grants	State Grants	Accident Photo	DARE & Community Policing	Building Demolition
\$ 4,839	\$ 259,633	\$ 5,982	\$ 85,315	\$ 636	\$ 162,318
-	-	-	-	-	-
-	220,573	-	-	-	-
-	-	-	-	-	-
-	47,536	-	-	-	-
<u>\$ 4,839</u>	<u>\$ 527,742</u>	<u>\$ 5,982</u>	<u>\$ 85,315</u>	<u>\$ 636</u>	<u>\$ 162,318</u>
\$ -	\$ 264,834	\$ -	\$ -	\$ -	\$ -
-	228,922	-	-	-	6,585
-	-	-	-	-	-
-	-	-	-	-	-
-	493,756	-	-	-	6,585
4,839	33,986	5,982	85,315	-	-
-	-	-	-	636	155,733
-	-	-	-	-	-
<u>4,839</u>	<u>33,986</u>	<u>5,982</u>	<u>85,315</u>	<u>636</u>	<u>155,733</u>
<u>\$ 4,839</u>	<u>\$ 527,742</u>	<u>\$ 5,982</u>	<u>\$ 85,315</u>	<u>\$ 636</u>	<u>\$ 162,318</u>

KANAWHA COUNTY, WEST VIRGINIA
 COMBINING BALANCE SHEET - GENERAL FUND
 (Continued)

June 30, 2011

<u>ASSETS</u>	<u>Capital Maintenance</u>	<u>Worthless Check Restitution</u>	<u>Hazard Mitigation Tax Escrow</u>
Cash and cash equivalents	\$ 12,596	\$ 3,138	\$ 879
Taxes receivable, net	-	-	-
Grants receivable, net	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
	-	-	-
Total assets	<u>\$ 12,596</u>	<u>\$ 3,138</u>	<u>\$ 879</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Deferred revenue	-	-	-
Other	-	-	-
	-	-	-
Total liabilities	-	-	-
 Fund balances:			
Restricted	-	3,138	879
Committed	12,596	-	-
Unassigned	-	-	-
	-	-	-
Total fund balances	12,596	3,138	879
Total liabilities and fund balances	<u>\$ 12,596</u>	<u>\$ 3,138</u>	<u>\$ 879</u>

See Independent Auditor's Report.

Records Management & Preservation	Table Games	WV Drug Court Testing	Assessor's Dog	Financial Stabalization	Voter Registration
\$ 2,148	\$ 161,041	\$ 3,316	\$ 16,919	\$ 1,001,025	\$ 4,568
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,148</u>	<u>161,041</u>	<u>3,316</u>	<u>16,919</u>	<u>1,001,025</u>	<u>4,568</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	262	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>262</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	16,919	-	4,568
2,148	161,041	3,054	-	1,001,025	-
-	-	-	-	-	-
<u>2,148</u>	<u>161,041</u>	<u>3,054</u>	<u>16,919</u>	<u>1,001,025</u>	<u>4,568</u>
<u>\$ 2,148</u>	<u>\$ 161,041</u>	<u>\$ 3,316</u>	<u>\$ 16,919</u>	<u>\$ 1,001,025</u>	<u>\$ 4,568</u>

KANAWHA COUNTY, WEST VIRGINIA
 COMBINING BALANCE SHEET - GENERAL FUND
 (Continued)

June 30, 2011

<u>ASSETS</u>	<u>Unemployment Compensation</u>	<u>Day Reporting Collections</u>	<u>Special Prosecuting Attorney</u>
Cash and cash equivalents	\$ 13,298	\$ 101,333	\$ 51,826
Taxes receivable, net	-	-	-
Grants receivable, net	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 13,298</u>	<u>\$ 101,333</u>	<u>\$ 51,826</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	2,806	-	5,000
Deferred revenue	-	-	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>2,806</u>	<u>-</u>	<u>5,000</u>
 Fund balances:			
Restricted	-	101,333	46,826
Committed	10,492	-	-
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>10,492</u>	<u>101,333</u>	<u>46,826</u>
Total liabilities and fund balances	<u>\$ 13,298</u>	<u>\$ 101,333</u>	<u>\$ 51,826</u>

See Independent Auditor's Report.

Drug Court Program	Capital Equipment	Special Health Insurance	Parking Facility	Project 301 Bonds	Total General Fund
\$ 11,800	\$ 253,906	\$ 556,552	\$ 658	\$ 372,827	\$ 5,916,835
-	-	-	-	-	4,128,367
-	-	-	-	-	362,184
-	-	-	-	-	314,219
-	69,900	-	70	-	644,145
<u>\$ 11,800</u>	<u>\$ 323,806</u>	<u>\$ 556,552</u>	<u>\$ 728</u>	<u>\$ 372,827</u>	<u>\$ 11,365,750</u>
\$ -	\$ 1,642	\$ 101,211	\$ -	\$ -	\$ 611,517
627	20,796	197,192	-	-	1,961,965
-	-	-	-	-	3,487,794
-	-	-	-	-	756,265
<u>627</u>	<u>22,438</u>	<u>298,403</u>	<u>-</u>	<u>-</u>	<u>6,817,541</u>
-	-	-	-	372,827	990,933
11,173	301,368	258,149	728	-	3,419,842
-	-	-	-	-	137,434
<u>11,173</u>	<u>301,368</u>	<u>258,149</u>	<u>728</u>	<u>372,827</u>	<u>4,548,209</u>
<u>\$ 11,800</u>	<u>\$ 323,806</u>	<u>\$ 556,552</u>	<u>\$ 728</u>	<u>\$ 372,827</u>	<u>\$ 11,365,750</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2011

	<u>General Operating</u>	<u>Dog and Kennel</u>	<u>General School</u>
Revenues:			
Taxes (including interest and penalties)	\$ 41,296,416	\$ -	\$ -
Licenses and permits	194,816	-	-
Intergovernmental:			
Federal	881,318	-	-
State	313,994	-	-
Local	431,612	-	-
Charges for services	1,371,527	-	587,876
Interest	9,448	11	459
Miscellaneous	<u>2,428,175</u>	<u>-</u>	<u>-</u>
Total revenues	<u>46,927,306</u>	<u>11</u>	<u>588,335</u>
Expenditures:			
General government	21,468,061	-	25,641
Public safety	13,549,630	23,158	-
Health and sanitation	650,915	-	-
Culture and recreation	4,713,663	-	-
Capital outlay	<u>548,921</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>40,931,190</u>	<u>23,158</u>	<u>25,641</u>
Excess (deficiency) of revenues over expenditures	5,996,116	(23,147)	562,694
Other financing sources (uses):			
Operating transfers in	3,592,358	28,581	-
Operating transfers out	<u>(8,215,497)</u>	<u>-</u>	<u>(551,244)</u>
Total other financing sources (uses)	<u>(4,623,139)</u>	<u>28,581</u>	<u>(551,244)</u>
Net change in fund balances	1,372,977	5,434	11,450
Fund balances, beginning of year (as restated)	<u>264,232</u>	<u>(3,510)</u>	<u>302,871</u>
Fund balances, end of year	<u>\$ 1,637,209</u>	<u>\$ 1,924</u>	<u>\$ 314,321</u>

See Independent Auditor's Report.

<u>Worthless Check</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Accident Photo</u>	<u>DARE & Community Policing</u>	<u>Building Demolition</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,358,487	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,866	-	-	38,720	-	-
6	-	7	-	-	199
-	-	-	-	-	34,986
<u>10,872</u>	<u>1,358,487</u>	<u>7</u>	<u>38,720</u>	<u>-</u>	<u>35,185</u>
14,086	1,463,944	-	-	-	-
-	-	-	26,439	-	-
-	-	-	-	-	67,169
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,086</u>	<u>1,463,944</u>	<u>-</u>	<u>26,439</u>	<u>-</u>	<u>67,169</u>
(3,214)	(105,457)	7	12,281	-	(31,984)
-	110,454	-	49,129	-	55,771
-	(47,600)	(8,172)	-	-	-
-	62,854	(8,172)	49,129	-	55,771
(3,214)	(42,603)	(8,165)	61,410	-	23,787
<u>8,053</u>	<u>76,589</u>	<u>14,147</u>	<u>23,905</u>	<u>636</u>	<u>131,946</u>
<u>\$ 4,839</u>	<u>\$ 33,986</u>	<u>\$ 5,982</u>	<u>\$ 85,315</u>	<u>\$ 636</u>	<u>\$ 155,733</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2011

	<u>Capital Maintenance</u>	<u>Worthless Check Restitution</u>	<u>Hazard Mitigation Tax Escrow</u>
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Local	-	-	-
Charges for services	-	1,283	-
Interest	19	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>19</u>	<u>1,283</u>	<u>-</u>
Expenditures:			
General government	-	752	(689)
Public safety	-	-	-
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>752</u>	<u>(689)</u>
Excess (deficiency) of revenues over expenditures	19	531	689
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	19	531	689
Fund balances, beginning of year (as restated)	<u>12,577</u>	<u>2,607</u>	<u>190</u>
Fund balances, end of year	<u>\$ 12,596</u>	<u>\$ 3,138</u>	<u>\$ 879</u>

See Independent Auditor's Report.

<u>Records Management & Preservation</u>	<u>Table Games</u>	<u>WV Drug Court Testing</u>	<u>Assessor's Dog</u>	<u>Financial Stabalization</u>	<u>Voter Registration</u>
\$ -	\$ -	\$ -	\$ 44,109	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,562	-	-	3,019
-	-	-	38	3,581	9
-	<u>394,916</u>	-	-	-	-
-	<u>394,916</u>	<u>3,562</u>	<u>44,147</u>	<u>3,581</u>	<u>3,028</u>
-	233,875	-	12,412	-	4,249
-	-	508	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>233,875</u>	<u>508</u>	<u>12,412</u>	<u>-</u>	<u>4,249</u>
-	161,041	3,054	31,735	3,581	(1,221)
-	-	-	-	3,408,165	-
-	-	-	(34,694)	(3,162,000)	-
-	-	-	(34,694)	246,165	-
-	161,041	3,054	(2,959)	249,746	(1,221)
<u>2,148</u>	-	-	<u>19,878</u>	<u>751,279</u>	<u>5,789</u>
<u>\$ 2,148</u>	<u>\$ 161,041</u>	<u>\$ 3,054</u>	<u>\$ 16,919</u>	<u>\$ 1,001,025</u>	<u>\$ 4,568</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2011

	<u>Unemployment Compensation</u>	<u>Day Reporting Collection</u>	<u>Special Prosecuting Attorney</u>
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Local	-	-	-
Charges for services	-	41,666	-
Interest	12	-	-
Miscellaneous	-	-	18,025
Total revenues	<u>12</u>	<u>41,666</u>	<u>18,025</u>
Expenditures:			
General government	29,926	-	5,000
Public safety	-	-	-
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>29,926</u>	<u>-</u>	<u>5,000</u>
Excess (deficiency) of revenues over expenditures	(29,914)	41,666	13,025
Other financing sources (uses):			
Operating transfers in	25,000	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(4,914)	41,666	13,025
Fund balances, beginning of year (as restated)	<u>15,406</u>	<u>59,667</u>	<u>33,801</u>
Fund balances, end of year	<u>\$ 10,492</u>	<u>\$ 101,333</u>	<u>\$ 46,826</u>

See Independent Auditor's Report.

<u>Drug Court Program</u>	<u>Capital Equipment</u>	<u>Special Health Insurance</u>	<u>Parking Facility</u>	<u>Project 301 Bonds</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,340,525
-	-	-	-	-	194,816
-	-	-	-	-	2,239,805
-	-	-	-	-	313,994
-	-	-	-	-	431,612
-	-	-	85	-	2,058,604
-	-	472	2	1,710	15,973
<u>12,140</u>	<u>-</u>	<u>1,557,979</u>	<u>-</u>	<u>-</u>	<u>4,446,221</u>
<u>12,140</u>	<u>-</u>	<u>1,558,451</u>	<u>87</u>	<u>1,710</u>	<u>51,041,550</u>
2,109	152,032	5,417,104	-	-	28,828,502
-	59,140	-	-	-	13,658,875
-	-	-	-	-	718,084
-	-	-	-	-	4,713,663
-	-	-	-	928,440	1,477,361
<u>2,109</u>	<u>211,172</u>	<u>5,417,104</u>	<u>-</u>	<u>928,440</u>	<u>49,396,485</u>
10,031	(211,172)	(3,858,653)	87	(926,730)	1,645,065
-	482,016	3,591,014	-	-	11,342,488
-	-	-	-	-	(12,019,207)
-	<u>482,016</u>	<u>3,591,014</u>	<u>-</u>	<u>-</u>	<u>(676,719)</u>
10,031	270,844	(267,639)	87	(926,730)	968,346
<u>1,142</u>	<u>30,524</u>	<u>525,788</u>	<u>641</u>	<u>1,299,557</u>	<u>3,579,863</u>
<u>\$ 11,173</u>	<u>\$ 301,368</u>	<u>\$ 258,149</u>	<u>\$ 728</u>	<u>\$ 372,827</u>	<u>\$ 4,548,209</u>

**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, 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, 2011, which collectively comprise the County's primary government financial statements and have issued our report thereon dated March 1, 2012. 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

Management of the County is responsible for establishing and maintaining 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.

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 County'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 2011-1 through 2011-4 to be material weaknesses.

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.

Gibbons & Kawash, A.C.

March 1, 2012

**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, 2011. 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, 2011.

Internal Control Over Compliance

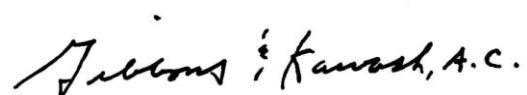
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over 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 purpose 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 2011-4 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, 2012

KANAWHA COUNTY, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Bullet Proof Vests	16.607	-	\$ 1,873
Drug Court Grant	16.585	2008-DC-BX-0029	91,096
COPS Technology	16.710	2010-CK-WX-0123	67,496
Mental Health Grant	16.745	2009-MO-BX-0021	97,639
Passed through State of West Virginia, Division of Criminal Justice Services:			
Victim Assistance (VOCA)-Sheriff	16.575	10-VA-022	25,426
VOCA-ARRA	16.801	09-VAR-16	25,676
Enforcing the Underage Drinking Laws	16.727	10-EUD-002	30,000
STOP Violence Against Women	16.588	09-VAW-019	46,172
<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	1,145,043
<u>U.S. Department of Homeland Security</u>			
Passed through State of West Virginia, Division of Homeland Security and Emergency Management:			
Homeland Security - Law Enforcement	97.067	07-LE-33	24,738
Homeland Security - Region I SHS 2009	97.067	09-SHS-23	4,455
Homeland Security - Region I SHS 2008	97.067	08-SHS-10	58,407
Homeland Security - Region I 2009	97.067	09-SHS-20	103,064
Homeland Security - Regional Planner	97.067	08-SHS-17	31,250
Homeland Security - IEC	97.001	08-IEC-01	130,717
Homeland Security - IEC	97.001	09-IEC-01	138,385
Emergency Management Planning Grant	97.042	FFY2009	117,596
Severe Repetitive Loss	97.110	SRL-PJ-03-WV-2009-003	100,772
			<u>\$ 2,239,805</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, 2011

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 deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

Type of auditor's 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	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, 2011

Section II - Financial Statement Findings

2011-1 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 \$5,281,233 at June 30, 2011.

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 timely procedures requiring segregated and appropriate documented supervisory review and approval of the areas noted in the condition above.

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 valuing of assets in custody, cash disbursement function, cash receipts function, and reconciliation processes. This timely review should be documented by the independent individual performing the control procedure.

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

Year Ended June 30, 2011

Section II - Financial Statement Findings (Continued)

2011-1 RECONCILIATION, REVIEW, AND APPROVAL (Continued)

Views of responsible officials:

The Kanawha County Sheriff's Office – Law Enforcement Division is in the process of revising its policy regarding the cash account held for the evidence room. The account for these moneys will be transferred to the County's named depository and information will be provided monthly to the Sheriff's Tax Office so that they can prepare proper bank reconciliations and disclose the reconciled balance on the monthly financial statement.

The financials for the Sheriff's Fiduciary accounts are reviewed by management, but there has not been a method of documentation put in place to corroborate this act. The Sheriff's Tax Division will implement a method of approval similar to that for the monthly financial statement to document the review process was completed and approval granted.

2011-2 GRANT REVENUE AND EXPENSE 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 properly reported in the Schedule of Expenditures of Federal Awards (SEFA).

Condition:

We noted that federal grant revenues presented in the June 30, 2011 unaudited financial statements were not properly recorded and reconciled to the corresponding expenses contained in the SEFA.

Context:

Federal grant revenues reported in the unaudited financial statements were overstated by \$526,981 and federal grant expenditures were overstated on the unaudited SEFA by \$635,055 for the year ended June 30, 2011.

Effect:

The County's financial statements did not report the proper amount of federal grant revenue and expense 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 financial statements is recognized in accordance with accounting principles generally accepted in the United States of America and the corresponding expense properly reconciled to the SEFA.

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

Year Ended June 30, 2011

Section II - Financial Statement Findings (Continued)

2011-2 GRANT REVENUE AND EXPENSE RECOGNITION (Continued)

Recommendation:

We recommend that the County develop procedures for agreeing the underlying grant activity to the appropriate revenue and expense account supporting the financial statements to determine that the reporting of governmental grant revenue and expense 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. Total federal grant revenue should be reconciled to the SEFA to ensure completeness and accuracy. This procedure should be subject to appropriate supervisory review and approval.

Views of responsible officials:

Management acknowledges that proper revenue and expense recognition for grants is essential and is sub-dividing all grants into their own account line items to facilitate improved tracking and matching of revenues (draw-downs) and expenses throughout the year. Also, the Grants Coordinator, CFO and Accounting Director will plan to meet quarterly with all agencies and departments holding grants to ensure that all grant revenues and expenses are reconciled prior to year end.

2011-3 FINANCIAL STATEMENT 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 and accounts receivable should include revenue earned but not received 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, 2011. Additionally, we noted that revenue balances reported in the financial statements prepared by management included revenue earned in prior fiscal years.

Context:

Accounts payable in the governmental funds balance sheet, as reported in the unaudited financial statements, was understated by \$220,573. Intergovernmental federal revenue and tax revenue in the governmental funds statement of revenues, expenditures, and changes in fund balances were overstated by \$406,008 and \$ 479,518, respectively.

KANAWHA COUNTY, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2011

Section II - Financial Statement Findings (Continued)

2011-3 FINANCIAL STATEMENT CUTOFF (Continued)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 receivable and payable is achieved.

Recommendation:

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

Views of responsible officials:

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

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

Section III - Federal Award Findings and Questioned Costs

2011- 4 GRANT REVENUE AND EXPENSE RECOGNITION

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

Material Weakness:

The material weakness and views of responsible officials identified at Finding 2011-2 applies to this federal award program.

KANAWHA COUNTY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

Prior Year Audit Findings:

Audit finding 2010-1 has been repeated in finding 2011-1.

Audit finding 2010-2 has been corrected.

Audit finding 2010-3 has been repeated in finding 2011-2.

Audit finding 2010-4 has been repeated in finding 2011-3.

Audit finding 2010-5 has been corrected.

Audit finding 2010-6 has been repeated in finding 2011-4.

Corrective Action Plan Provided by Management:

See the view of responsible officials identified at findings 2011-1 – 2011-4 for planned corrective action.