



Audited Financial Statements

Kanawha County, West Virginia

Year Ended June 30, 2012

Audited Financial Statements  
KANAWHA COUNTY, WEST VIRGINIA  
Year Ended June 30, 2012

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Audited Financial Statements  
KANAWHA COUNTY, WEST VIRGINIA  
Year Ended June 30, 2012

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KANAWHA COUNTY, WEST VIRGINIA  
LIST OF ELECTED COUNTY OFFICIALS

June 30, 2012

<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, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 opinions.

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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013, 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 26 through 28 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 29 through 38 are presented for purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund, 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.

*Gilbert & Kanosh, A.C.*

Charleston, West Virginia  
March 7, 2013

## KANAWHA COUNTY, WEST VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 16,303,943
Taxes receivable, net	4,276,131
Grants receivable, net	266,586
Capital assets, net	<u>32,201,573</u>
Total assets	<u>\$ 53,048,233</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Accumulated changes in fair value of hedging derivative instrument	<u>\$ 478,265</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 3,357,162
Other	860,746
Fair value of hedging derivative instrument	478,265
Noncurrent liabilities:	
Due within one year	1,759,369
Due in more than one year	<u>16,135,108</u>
Total liabilities	<u>\$ 22,590,650</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 16,515,543
Restricted	3,382,733
Unrestricted	<u>11,037,572</u>
Total net position	<u>\$ 30,935,848</u>

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

## KANAWHA COUNTY, WEST VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	Fines and Forfeits	Governmental Activities
Governmental activities:					
General government	\$ 30,818,072	\$ 3,152,829	\$ 1,424,708	\$ 78,714	\$ (26,161,821)
Public safety	17,056,319	-	1,693,814	-	(15,362,505)
Health and sanitation	1,046,126	-	-	-	(1,046,126)
Culture and recreation	5,012,770	-	-	-	(5,012,770)
Total primary government	<u>\$ 53,933,287</u>	<u>\$ 3,152,829</u>	<u>\$ 3,118,522</u>	<u>\$ 78,714</u>	<u>(47,583,222)</u>
General revenues:					
Taxes					47,112,208
Licenses and permits					367,337
Interest					10,269
Miscellaneous					4,393,680
Total general revenues					<u>51,883,494</u>
Change in net position					4,300,272
Net position, beginning of year					<u>26,635,576</u>
Net position, end of year					<u>\$ 30,935,848</u>

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



KANAWHA COUNTY, WEST VIRGINIA  
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

<u>ASSETS</u>	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>
Cash and cash equivalents	\$ 10,579,796	\$ 1,736,737	\$ 1,968,391
Taxes receivable, net	4,186,525	-	-
Grants receivable, net	266,586	-	-
Due from other funds	<u>698,828</u>	<u>101,366</u>	<u>4,234</u>
Total assets	<u>\$ 15,731,735</u>	<u>\$ 1,838,103</u>	<u>\$ 1,972,625</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ 679,407	\$ 109,507	\$ -
Accounts payable	2,659,187	160,229	33,144
Deferred revenue	3,551,254	-	-
Other	<u>772,174</u>	<u>5,718</u>	<u>82,162</u>
Total liabilities	<u>7,662,022</u>	<u>275,454</u>	<u>115,306</u>
Fund balances:			
Restricted	704,613	-	1,857,319
Committed	6,694,050	1,562,649	-
Unassigned	<u>671,050</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,069,713</u>	<u>1,562,649</u>	<u>1,857,319</u>
Total liabilities and fund balances	<u>\$ 15,731,735</u>	<u>\$ 1,838,103</u>	<u>\$ 1,972,625</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,019,019	\$ 16,303,943
89,606	4,276,131
-	266,586
<u>16,341</u>	<u>820,769</u>
<u>\$ 2,124,966</u>	<u>\$ 21,667,429</u>
\$ 31,855	\$ 820,769
504,602	3,357,162
76,078	3,627,332
<u>692</u>	<u>860,746</u>
<u>613,227</u>	<u>8,666,009</u>
820,801	3,382,733
690,938	8,947,637
-	<u>671,050</u>
<u>1,511,739</u>	<u>13,001,420</u>
<u>\$ 2,124,966</u>	<u>\$ 21,667,429</u>

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

June 30, 2012

Total fund balances on governmental funds balance sheet	\$ 13,001,420
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	32,201,573
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	3,627,332
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	(15,686,030)
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	(484,000)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	<u>(1,724,447)</u>
Net position of governmental activities	<u>\$ 30,935,848</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, 2012

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>
Revenues:			
Taxes (including interest and penalties)	\$ 42,294,894	\$ 1,791,314	\$ 2,114,358
Licenses and permits	162,962	-	-
Intergovernmental:			
Federal	2,106,888	-	-
State	407,399	-	-
Local	604,235	-	-
Charges for services	2,427,902	-	2,206
Fines and forfeits	-	-	-
Interest	7,244	942	1,628
Miscellaneous	<u>4,365,707</u>	<u>-</u>	<u>8</u>
Total revenues	<u>52,377,231</u>	<u>1,792,256</u>	<u>2,118,200</u>
Expenditures:			
General government	26,986,783	882,516	1,922,951
Public safety	13,866,043	695,312	-
Health and sanitation	1,093,634	-	-
Culture and recreation	4,997,498	-	-
Capital outlay	<u>1,146,827</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>48,090,785</u>	<u>1,577,828</u>	<u>1,922,951</u>
Excess (deficiency) of revenues over expenditures	4,286,446	214,428	195,249
Other financing sources (uses):			
Operating transfers in	12,289,674	-	-
Operating transfers out	<u>(13,054,616)</u>	<u>(1,076,250)</u>	<u>(239,844)</u>
Total other financing sources (uses)	<u>(764,942)</u>	<u>(1,076,250)</u>	<u>(239,844)</u>
Net change in fund balances	3,521,504	(861,822)	(44,595)
Fund balances, beginning of year	<u>4,548,209</u>	<u>2,424,471</u>	<u>1,901,914</u>
Fund balances, end of year	<u>\$ 8,069,713</u>	<u>\$ 1,562,649</u>	<u>\$ 1,857,319</u>

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

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 847,155	\$ 47,047,721
204,375	367,337
-	2,106,888
-	407,399
-	604,235
722,721	3,152,829
78,714	78,714
455	10,269
<u>27,965</u>	<u>4,393,680</u>
<u>1,881,385</u>	<u>58,169,072</u>
1,345,421	31,137,671
1,767,215	16,328,570
-	1,093,634
-	4,997,498
<u>982,266</u>	<u>2,129,093</u>
<u>4,094,902</u>	<u>55,686,466</u>
(2,213,517)	2,482,606
2,477,619	14,767,293
<u>(396,583)</u>	<u>(14,767,293)</u>
<u>2,081,036</u>	<u>-</u>
(132,481)	2,482,606
<u>1,644,220</u>	<u>10,518,814</u>
<u>\$ 1,511,739</u>	<u>\$ 13,001,420</u>

## KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$ 2,482,606
Governmental funds report capital outlays as expenditures while the cost of capital assets is allocated over their useful lives in the statement of activities	1,869,362
The net effect of transactions to capital assets which decreases the change in net position	(13,506)
Depreciation expense related to capital assets is not reported in the governmental funds because it does not affect current financial resources	(1,444,562)
Governmental funds report net payments of principal on long-term debts as expenditures while the repayment of such principal does not effect the statement of activities in the government-wide presentation	1,407,500
Revenue that is not available at year end for expenditure is not reported in the governmental funds	64,487
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	(66,000)
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>385</u>
Change in net position of governmental activities	<u>\$ 4,300,272</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, 2012

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,463,172	\$ 8,617,997
Taxes receivable	-	2,277,555
Real and personal property	1,888,778	-
Other	<u>81,219</u>	<u>-</u>
Total assets	<u>\$ 5,433,169</u>	<u>\$ 10,895,552</u>
<u>LIABILITIES</u>		
Due to other governmental entities	\$ -	\$ 6,300,777
Due to other third parties	<u>380,943</u>	<u>4,594,775</u>
Total liabilities	<u>\$ 380,943</u>	<u>\$ 10,895,552</u>
<u>NET ASSETS</u>		
Net assets, held for individuals	<u>\$ 5,052,226</u>	

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

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

Year Ended June 30, 2012

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund
<u>Additions</u>	
Contributions	\$ 2,640,350
<u>Deductions</u>	
Payments on behalf of beneficiaries	2,224,330
Changes in net assets	416,020
Net assets, beginning of year	4,636,206
Net assets, end of year	\$ 5,052,226

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. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The accompanying financial statements do not report any business type activities.

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

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

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

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

## KANAWHA COUNTY, WEST VIRGINIA

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

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

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

The County reports the following major governmental funds:

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

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

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

## KANAWHA COUNTY, WEST VIRGINIA

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

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

**4 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY**Budgetary 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 POLICIES**Cash Equivalents

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

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

## KANAWHA COUNTY, WEST VIRGINIA

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

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

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

Interfund Transactions

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

Fund Balance

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

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The County has no nonspendable fund balances as of June 30, 2012.

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

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

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

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 - RECLASSIFICATION OF FUND BALANCE**

The County implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* effective July 1, 2010. During the current fiscal year, the County has re-evaluated their interpretation of GASB No. 54 and as a result has reclassified a portion of the fund balance in the Coal Severance Fund. The County reclassified \$606,118 of restricted fund balance to committed fund balance, effective July 1, 2011.

**7 - DEPOSITS AND INVESTMENTS**

*Concentration of Credit Risk - Cash Deposits* - At June 30, 2012, the County had deposits in financial institutions reported as cash and cash equivalents with carrying balances of \$13,345,850 and bank balances of \$14,334,766. Of the bank balances, \$1,168,280 was covered by federal depository insurance and \$1,118,223 was held in the Sherriff's Fiduciary Private Purpose Trust Fund which was fully covered by federal depository insurance. Of the remaining \$12,048,263, \$11,914,465 was collateralized with securities held by the County's agent in the County's name and \$133,798 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 limits the exposure to credit risk in the West Virginia Money

## KANAWHA COUNTY, WEST VIRGINIA

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

Market Pool by requiring all corporate bonds to be rated AA- by Standard and Poor's (or its equivalent) or higher. Commercial paper must be rated A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

At June 30, 2012, the County had investments shown as cash and cash equivalents invested in these BTI sponsored external investment pools of \$12,538,656. These balances are not subject to concentration of credit risk disclosures. Due to the nature of these investments, they are not exposed to custodial credit risk and interest rate risk.

Also included in cash and cash equivalents at June 30, 2012, are \$2,500,606 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 \$577,390 in fixed income securities, \$579,681 in equity securities, and \$194,747 in US Treasury securities. There is a single insurance contract with a national insurance company carried at a fair value of \$476,197. \$98,581 of cash and cash equivalents are fully covered by depository insurance. The remaining \$574,010, 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, 2012, was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,614,939	\$ -	\$ (1,761)	\$ 1,613,178
Construction in progress	-	1,119,026	-	1,119,026
Total capital assets not being depreciated	<u>1,614,939</u>	<u>1,119,026</u>	<u>(1,761)</u>	<u>2,732,204</u>
<i>Capital assets being depreciated:</i>				
Buildings	26,880,489	-	-	26,880,489
Building improvements	13,052,692	47,508	-	13,100,200
Furniture and fixtures	10,037,934	702,828	(961,923)	9,778,839
Infrastructure	276,119	-	-	276,119
Total capital assets being depreciated	<u>50,247,234</u>	<u>750,336</u>	<u>(961,923)</u>	<u>50,035,647</u>
Less accumulated depreciation for:				
Buildings	(9,529,224)	(466,026)	-	(9,995,250)
Building improvements	(2,081,322)	(428,418)	-	(2,509,740)
Furniture and fixtures	(8,379,013)	(538,884)	950,178	(7,967,719)
Infrastructure	(82,335)	(11,234)	-	(93,569)
Total accumulated depreciation	<u>(20,071,894)</u>	<u>(1,444,562)</u>	<u>950,178</u>	<u>(20,566,278)</u>
Total capital assets being depreciated, net	<u>30,175,340</u>	<u>(694,226)</u>	<u>(11,745)</u>	<u>29,469,369</u>
Governmental activities capital assets, net	<u>\$ 31,790,279</u>	<u>\$ 424,800</u>	<u>\$ (13,506)</u>	<u>\$ 32,201,573</u>

For the year ended June 30, 2012, depreciation expense for the governmental activities in the government wide financial statements was \$1,444,562, comprised of \$832,213 charged to general government, \$597,077 charged to public safety, and \$15,272 charged to culture and recreation.

## KANAWHA COUNTY, WEST VIRGINIA

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

On February 15, 2011, the County issued \$8,121,600 of variable rate Kanawha County Building Commission Lease Revenue Refunding Bonds (Kanawha County Judicial Annex Project and Parking Garage) Series 2011, for the purpose of currently refunding the County's Series 2003A and 2003B bonds. The 2011 Series bonds mature through February 15, 2021 with a variable interest rate equal to 65% of the One Month LIBOR, plus 2%. The variable rate is adjusted monthly and has a floor of 2.6% for the first 36 months of the agreement. The refunding did not result in any gain or loss.

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 bonds for the year ended June 30, 2012 was \$689,416 and \$292,140, respectively.

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

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

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

## KANAWHA COUNTY, WEST VIRGINIA

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

The fair value balance of the hedging derivative instrument outstanding is \$478,265, at June 30, 2012, and is classified as a liability in the Statement of Net Position. The change in fair value of the hedging derivative instrument for the year ended June 30, 2012, is \$262,109. The accumulated changes in fair value of the hedging derivatives instrument is \$478,265, at June 30, 2012, and is classified as a deferred outflow of resources in the Statement of Net Position.

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, 2012, 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, 2012, the weighted-average interest rate on the County's hedged variable rate debt was 2.16%, while 65% of the one month LIBOR was .16%.

*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.



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

**9 - LONG-TERM DEBT (Continued)**

Risks (Continued)

*Swap Payments and Associated Debt*

Using rates as of June 30, 2012, 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.

Year Ending June 30	Variable Rate Bonds		Interest Rate Swap, Net	Total
	Principal	Interest		
2013	\$ 716,075	\$ 148,480	\$ 115,920	\$ 980,475
2014	743,764	132,755	103,647	980,166
2015	772,525	116,422	90,899	979,846
2016	802,397	99,458	78,125	979,980
2017	833,425	81,837	63,905	979,167
2018-2021	3,337,117	138,008	107,948	3,583,073
	<u>\$ 7,205,303</u>	<u>\$ 716,960</u>	<u>\$ 560,444</u>	<u>\$ 8,482,707</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.

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

Year Ending June 30	Principal	Interest	Total
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	1,516,735	444,698	1,961,433
2018-2022	7,317,350	1,177,057	8,494,407
2023-2024	1,401,739	71,661	1,473,400
	<u>\$ 15,686,030</u>	<u>\$ 4,092,746</u>	<u>\$ 19,778,776</u>

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

**9 - LONG-TERM DEBT (Continued)**

Risks (Continued)

The following is a summary of the long-term debt activity for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds payable	\$ 16,907,427	\$ -	\$ (1,221,397)	\$ 15,686,030	\$ 1,275,369
Long-term note payable	186,103	-	(186,103)	-	-
Post retirement benefits	800,646	487,519	(467,059)	821,106	-
Compensated absences	1,724,832	1,601,209	(1,601,594)	1,724,447	-
Health claims	<u>418,000</u>	<u>484,000</u>	<u>(418,000)</u>	<u>484,000</u>	<u>484,000</u>
Total governmental activity long-term liabilities	<u>\$ 20,037,008</u>	<u>\$ 2,572,728</u>	<u>\$ (3,894,153)</u>	<u>\$ 18,715,583</u>	<u>\$ 1,759,369</u>

Total cash paid for interest for the year ended June 30, 2012, on outstanding debt was \$742,426.

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

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, 2012, were as follows:

## KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
(Continued)**10 - PROPERTY TAXES (Continued)**

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess</u>
Class I	\$ -	14.30¢	6.09¢
Class II	\$ 3,361,660,414	28.60¢	12.18¢
Class III	\$ 2,479,443,762	57.20¢	24.36¢
Class IV	\$ 2,894,288,765	57.20¢	24.36¢

**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 rates of 14.5%, 12.5%, and 11%, respectively, for the years ending June 30, 2012, 2011, and 2010, of covered payroll is determined by PERS. Total contributions to PERS for the years ending June 30, 2012, 2011, and 2010, were \$2,399,222, \$2,178,538, and \$1,990,660, 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 rates of 13%, 10.5%, and 10.5%, respectively, for the years ending June 30, 2012, 2011, and 2010 of covered payroll is determined by WVDSRF.

## KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
(Continued)**11 - RETIREMENT SYSTEMS (Continued)**West Virginia Deputy Sheriff Retirement Fund (Continued)

Total contributions to WVDSRF for the years ending June 30, 2012, 2011 and 2010, were \$1,075,440, \$941,328, and \$945,828, 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 (RHBTf), 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 provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57<sup>th</sup> 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 \$487,519, \$496,691, and \$881,982 for the years ended June 30, 2012, 2011, and 2010, respectively, and the County has contributed \$467,059, \$497,725, and \$469,236, respectively, which represent 95.80%, 100.21%, and 53.2% of the ARC, respectively, for the years ending June 30, 2012, 2011, and 2010. At June 30, 2012 and 2011, the liability related to OPEB was \$821,106 and \$800,646, 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, 2012 and 2011.

**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 \$484,000 have been accrued in the Statement of Net Position for claims incurred prior to June 30, 2012 and paid as of December 31, 2012.

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 \$1,122,046 at June 30, 2012.

## KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
(Continued)**13 - COMMITMENTS AND CONTINGENCIES (Continued)**

The County committed \$2,000,000 to the Appalachian Power Baseball Park, payable to the City of Charleston, in annual payments of \$133,000. The County has not committed fund balance or recorded a liability for this commitment as it is only payable from certain annual revenues received. The balance of this commitment at June 30, 2012, was \$836,000.

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.

**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, 2012, 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, originally issued November 2004 - \$4,500,000 authorized, and refunded in 2011 with Series A) was \$2,687,769 at June 30, 2012. The aggregate principal amount

## KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
(Continued)**15 - CONDUIT DEBT OBLIGATIONS (Continued)**

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 - DEFICIT FUND BALANCE**

The Special Health non major governmental fund has a deficit fund balance of \$61,762 as of June 30, 2012. This deficit was the result of incurred expenditures that exceeded revenues.

**17 - EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS**

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for the County's June 30, 2014 financial statements. GASB has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the County's June 30, 2015 financial statements. Statement 68 will require the County to recognize a liability equal to its proportionate share of the net pension liability of the Public Employees Retirement System and Deputy Sherriff Retirement Fund. The County has not yet determined the effect that these pronouncements will have on the County's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Ad valorem property tax	\$ 42,479,947	\$ 42,479,947	\$ 42,249,121
Licenses and permits	118,000	118,000	162,962
Intergovernmental:			
Federal	385,690	1,024,000	1,784,052
State	82,838	607,084	335,740
Local	425,000	427,303	604,235
Charges for services	896,600	896,600	1,591,701
Interest	7,000	7,000	4,752
Miscellaneous	2,001,647	2,630,909	2,017,263
Total revenues	<u>46,396,722</u>	<u>48,190,843</u>	<u>48,749,826</u>
Expenditures:			
General government	24,632,852	28,575,839	20,004,597
Public safety	14,958,804	15,393,594	13,679,366
Health and sanitation	333,750	1,194,832	1,013,391
Culture and recreation	4,719,865	4,839,514	4,997,498
Capital outlay	-	1,085,172	882,885
Total expenditures	<u>44,645,271</u>	<u>51,088,951</u>	<u>40,577,737</u>
Excess (deficiency) of revenues over expenditures	1,751,451	(2,898,108)	8,172,089
Other financing sources (uses):			
Operating transfers in	752,372	3,836,564	3,001,218
Operating transfers out	<u>(2,503,823)</u>	<u>(3,145,748)</u>	<u>(9,777,448)</u>
Total other financing sources (uses)	<u>(1,751,451)</u>	<u>690,816</u>	<u>(6,776,230)</u>
Net change in fund balance	-	(2,207,292)	1,395,859
Fund balance, beginning of year	-	<u>2,207,292</u>	<u>1,637,209</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,033,068</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues:			
Taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,791,314
Interest	6,000	6,000	942
Total revenue	<u>1,281,000</u>	<u>1,281,000</u>	<u>1,792,256</u>
Expenditures:			
General government	519,781	2,299,614	882,516
Public safety	<u>761,219</u>	<u>986,357</u>	<u>695,312</u>
Total expenditures	<u>1,281,000</u>	<u>3,285,971</u>	<u>1,577,828</u>
Excess (deficiency) of revenues over expenditures	-	(2,004,971)	214,428
Other financing sources (uses):			
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,076,250)</u>
Net change in fund balance	-	(2,004,971)	(861,822)
Fund balance, beginning of year	<u>-</u>	<u>2,004,971</u>	<u>2,424,471</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,562,649</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues:			
Taxes	\$ 2,012,449	\$ 2,012,449	\$ 2,114,358
Interest	15,562	15,562	1,628
Charges for services	6,200	6,200	2,214
Total revenues	<u>2,034,211</u>	<u>2,034,211</u>	<u>2,118,200</u>
Expenditures:			
General government	<u>2,834,292</u>	<u>3,639,826</u>	<u>1,922,951</u>
Excess (deficiency) of revenues over expenditures	(800,081)	(1,605,615)	195,249
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(299,919)</u>	<u>(299,919)</u>	<u>(239,844)</u>
Total other financing sources (uses)	<u>(299,919)</u>	<u>(299,919)</u>	<u>(239,844)</u>
Net change in fund balance	(1,100,000)	(1,905,534)	(44,595)
Fund balance, beginning of year	<u>1,100,000</u>	<u>1,905,534</u>	<u>1,901,914</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,857,319</u>

See Independent Auditor's Report.

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

<u>ASSETS</u>	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Cash and cash equivalents	\$ 70,893	\$ 250,922	\$ 196,341
Taxes receivable, net	-	-	-
Due from other funds	-	1,841	14,500
Total assets	<u>\$ 70,893</u>	<u>\$ 252,763</u>	<u>\$ 210,841</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	-	12,690	4,168
Deferred revenue	-	-	-
Other	-	499	193
Total liabilities	<u>-</u>	<u>13,189</u>	<u>4,361</u>
Fund balances:			
Restricted	70,893	-	-
Committed	-	239,574	206,480
Total fund balances	<u>70,893</u>	<u>239,574</u>	<u>206,480</u>
Total liabilities and fund balances	<u>\$ 70,893</u>	<u>\$ 252,763</u>	<u>\$ 210,841</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>
\$ 832,810	\$ 274,424	\$ 148,745	\$ 244,884	\$ 2,019,019
89,606	-	-	-	89,606
-	-	-	-	16,341
<u>922,416</u>	<u>274,424</u>	<u>148,745</u>	<u>244,884</u>	<u>2,124,966</u>
\$ 31,855	\$ -	\$ -	\$ -	\$ 31,855
483,289	4,455	-	-	504,602
76,078	-	-	-	76,078
-	-	-	-	692
<u>591,222</u>	<u>4,455</u>	<u>-</u>	<u>-</u>	<u>613,227</u>
331,194	269,969	148,745	-	820,801
-	-	-	244,884	690,938
<u>331,194</u>	<u>269,969</u>	<u>148,745</u>	<u>244,884</u>	<u>1,511,739</u>
<u>\$ 922,416</u>	<u>\$ 274,424</u>	<u>\$ 148,745</u>	<u>\$ 244,884</u>	<u>\$ 2,124,966</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2012

	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	111,945	331,195	275,000
Fines and forfeits	-	-	-
Interest	68	150	84
Miscellaneous	<u>2,966</u>	<u>-</u>	<u>-</u>
Total revenues	<u>114,979</u>	<u>331,345</u>	<u>275,084</u>
Expenditures:			
General government	33,383	-	330,482
Public safety	-	595,742	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>33,383</u>	<u>595,742</u>	<u>330,482</u>
Excess (deficiency) of revenues over expenditures	81,596	(264,397)	(55,398)
Other financing sources (uses):			
Operating transfers in	-	350,000	165,000
Operating transfers out	<u>(328,586)</u>	<u>(43,041)</u>	<u>(24,956)</u>
Total other financing sources (uses)	<u>(328,586)</u>	<u>306,959</u>	<u>140,044</u>
Net change in fund balances	(246,990)	42,562	84,646
Fund balances, beginning of year	<u>317,883</u>	<u>197,012</u>	<u>121,834</u>
Fund balances, end of year	<u>\$ 70,893</u>	<u>\$ 239,574</u>	<u>\$ 206,480</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>
\$ 847,155	\$ -	\$ -	\$ -	\$ 847,155
-	204,375	-	-	204,375
4,581	-	-	-	722,721
-	-	78,714	-	78,714
17	105	31	-	455
-	24,999	-	-	27,965
<u>851,753</u>	<u>229,479</u>	<u>78,745</u>	<u>-</u>	<u>1,881,385</u>
-	-	-	981,556	1,345,421
1,089,068	82,405	-	-	1,767,215
-	-	-	982,266	982,266
<u>1,089,068</u>	<u>82,405</u>	<u>-</u>	<u>1,963,822</u>	<u>4,094,902</u>
(237,315)	147,074	78,745	(1,963,822)	(2,213,517)
-	-	-	1,962,619	2,477,619
-	-	-	-	(396,583)
-	-	-	1,962,619	2,081,036
(237,315)	147,074	78,745	(1,203)	(132,481)
<u>568,509</u>	<u>122,895</u>	<u>70,000</u>	<u>246,087</u>	<u>1,644,220</u>
<u>\$ 331,194</u>	<u>\$ 269,969</u>	<u>\$ 148,745</u>	<u>\$ 244,884</u>	<u>\$ 1,511,739</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -  
AGENCY FUNDS

June 30, 2012

	Delinquent and Nonentered Lands	Sale of Lien Surplus	Board of Health
<u>ASSETS</u>			
Cash and cash equivalents	\$ 173,584	\$ 858,867	\$ 1,596,850
Taxes receivable	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 173,584</u>	<u>\$ 858,867</u>	<u>\$ 1,596,850</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ 173,584	\$ 858,867	\$ 1,596,850
Due to other third parties	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>\$ 173,584</u>	<u>\$ 858,867</u>	<u>\$ 1,596,850</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>
\$ 5,535	\$ 1,001,560	\$ 219,812	\$ 79,611	\$ 79,611	\$ 3,492,620
<u>11,105</u>	<u>1,616,084</u>	<u>393,336</u>	<u>128,515</u>	<u>128,515</u>	<u>-</u>
<u>\$ 16,640</u>	<u>\$ 2,617,644</u>	<u>\$ 613,148</u>	<u>\$ 208,126</u>	<u>\$ 208,126</u>	<u>\$ 3,492,620</u>
\$ 16,640	\$ 2,617,644	\$ 613,148	\$ 208,126	\$ 208,126	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,492,620</u>
<u>\$ 16,640</u>	<u>\$ 2,617,644</u>	<u>\$ 613,148</u>	<u>\$ 208,126</u>	<u>\$ 208,126</u>	<u>\$ 3,492,620</u>



KANAWHA COUNTY, WEST VIRGINIA

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

June 30, 2012

	<u>Records Office</u>	<u>Writ of Execution</u>	<u>Deputy Retirement</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 488,751	\$ 1,646	\$ 7,210
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 488,751</u>	 <u>\$ 1,646</u>	 <u>\$ 7,210</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ -	\$ -	\$ 7,210
Due to other third parties	<u>488,751</u>	<u>1,646</u>	<u>-</u>
 Total liabilities	 <u>\$ 488,751</u>	 <u>\$ 1,646</u>	 <u>\$ 7,210</u>

See Independent Auditor's Report.

<u>Enhanced 911 System</u>	<u>Evidence Fund</u>	<u>Clerk's Delinquent Land</u>	<u>Total Agency Funds</u>
\$ 582	\$ 383,798	\$ 227,960	\$ 8,617,997
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,277,555</u>
<u>\$ 582</u>	<u>\$ 383,798</u>	<u>\$ 227,960</u>	<u>\$ 10,895,552</u>
\$ 582	\$ -	\$ -	\$ 6,300,777
<u>-</u>	<u>383,798</u>	<u>227,960</u>	<u>4,594,775</u>
<u>\$ 582</u>	<u>\$ 383,798</u>	<u>\$ 227,960</u>	<u>\$ 10,895,552</u>

KANAWHA COUNTY, WEST VIRGINIA  
 COMBINING BALANCE SHEET - GENERAL FUND

June 30, 2012

<u>ASSETS</u>	<u>General Operating</u>	<u>Dog and Kennel</u>	<u>General School</u>
Cash and cash equivalents	\$ 4,956,636	\$ 8,287	\$ 303,717
Taxes receivable, net	4,186,525	-	-
Grants receivable, net	266,586	-	-
Due from other funds	<u>555,186</u>	<u>22,596</u>	<u>-</u>
Total assets	<u>\$ 9,964,933</u>	<u>\$ 30,883</u>	<u>\$ 303,717</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ 246,489	\$ 11,734	\$ -
Accounts payable	2,362,018	-	-
Deferred revenue	3,551,254	-	-
Other	<u>772,104</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,931,865</u>	<u>11,734</u>	<u>-</u>
Fund balances:			
Restricted	-	-	303,717
Committed	2,362,018	19,149	-
Unassigned	<u>671,050</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,033,068</u>	<u>19,149</u>	<u>303,717</u>
Total liabilities and fund balances	<u>\$ 9,964,933</u>	<u>\$ 30,883</u>	<u>\$ 303,717</u>

See Independent Auditor's Report.

Worthless Check	Federal Grants	State Grants	County Manager's	Accident Photo	DARE & Community Policing
\$ 4,262	\$ 361,733	\$ 5,985	\$ 98,301	\$ 83,623	\$ 636
-	-	-	-	-	-
-	-	-	-	-	-
-	38,878	-	-	-	-
<u>\$ 4,262</u>	<u>\$ 400,611</u>	<u>\$ 5,985</u>	<u>\$ 98,301</u>	<u>\$ 83,623</u>	<u>\$ 636</u>
\$ -	\$ 330,412	\$ -	\$ -	\$ -	\$ -
-	6,969	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	337,381	-	-	-	-
4,262	63,230	5,985	-	83,623	-
-	-	-	98,301	-	636
-	-	-	-	-	-
<u>4,262</u>	<u>63,230</u>	<u>5,985</u>	<u>98,301</u>	<u>83,623</u>	<u>636</u>
<u>\$ 4,262</u>	<u>\$ 400,611</u>	<u>\$ 5,985</u>	<u>\$ 98,301</u>	<u>\$ 83,623</u>	<u>\$ 636</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - GENERAL FUND  
(Continued)

June 30, 2012

<u>ASSETS</u>	<u>Building Demolition</u>	<u>Capital Maintenance</u>	<u>Worthless Check Restitution</u>
Cash and cash equivalents	\$ 121,636	\$ 12,603	\$ 4,122
Taxes receivable, net	-	-	-
Grants receivable, net	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 121,636</u>	<u>\$ 12,603</u>	<u>\$ 4,122</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	1,773	-	-
Deferred revenue	-	-	-
Other	-	-	-
Total liabilities	<u>1,773</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	-	-	4,122
Committed	119,863	12,603	-
Unassigned	-	-	-
Total fund balances	<u>119,863</u>	<u>12,603</u>	<u>4,122</u>
Total liabilities and fund balances	<u>\$ 121,636</u>	<u>\$ 12,603</u>	<u>\$ 4,122</u>

See Independent Auditor's Report.

Hazard Mitigation Tax Escrow	Records Management & Preservation	Table Games	WV Drug Court Testing	Assessor's Dog	Financial Stabalization	Voter Registration
\$ 879	\$ 2,148	\$ 264,808	\$ 3,054	\$ 14,575	\$ 3,467,739	\$ 1,185
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11,734	-	-
<u>\$ 879</u>	<u>\$ 2,148</u>	<u>\$ 264,808</u>	<u>\$ 3,054</u>	<u>\$ 26,309</u>	<u>\$ 3,467,739</u>	<u>\$ 1,185</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
879	-	-	-	26,309	-	1,185
-	2,148	264,808	3,054	-	3,467,739	-
-	-	-	-	-	-	-
<u>879</u>	<u>2,148</u>	<u>264,808</u>	<u>3,054</u>	<u>26,309</u>	<u>3,467,739</u>	<u>1,185</u>
<u>\$ 879</u>	<u>\$ 2,148</u>	<u>\$ 264,808</u>	<u>\$ 3,054</u>	<u>\$ 26,309</u>	<u>\$ 3,467,739</u>	<u>\$ 1,185</u>

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

June 30, 2012

<u>ASSETS</u>	<u>Unemployment Compensation</u>	<u>Day Reporting Collections</u>	<u>Special Prosecuting Attorney</u>
Cash and cash equivalents	\$ 58,523	\$ 36,952	\$ 69,805
Taxes receivable, net	-	-	-
Grants receivable, net	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 58,523</u>	<u>\$ 36,952</u>	<u>\$ 69,805</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	-	-	4,715
Deferred revenue	-	-	-
Other	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>4,715</u>
Fund balances:			
Restricted	-	36,952	65,090
Committed	58,523	-	-
Unassigned	-	-	-
Total fund balances	<u>58,523</u>	<u>36,952</u>	<u>65,090</u>
Total liabilities and fund balances	<u>\$ 58,523</u>	<u>\$ 36,952</u>	<u>\$ 69,805</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>
\$ 13,559	\$ 274,201	\$ 300,909	\$ 659	\$ 109,259	\$ 10,579,796
-	-	-	-	-	4,186,525
-	-	-	-	-	266,586
-	69,900	464	70	-	698,828
<u>\$ 13,559</u>	<u>\$ 344,101</u>	<u>\$ 301,373</u>	<u>\$ 729</u>	<u>\$ 109,259</u>	<u>\$ 15,731,735</u>
\$ -	\$ 1,642	\$ 89,130	\$ -	\$ -	\$ 679,407
6,675	3,102	273,935	-	-	2,659,187
-	-	-	-	-	3,551,254
-	-	70	-	-	772,174
<u>6,675</u>	<u>4,744</u>	<u>363,135</u>	<u>-</u>	<u>-</u>	<u>7,662,022</u>
-	-	-	-	109,259	704,613
6,884	339,357	(61,762)	729	-	6,694,050
-	-	-	-	-	671,050
<u>6,884</u>	<u>339,357</u>	<u>(61,762)</u>	<u>729</u>	<u>109,259</u>	<u>8,069,713</u>
<u>\$ 13,559</u>	<u>\$ 344,101</u>	<u>\$ 301,373</u>	<u>\$ 729</u>	<u>\$ 109,259</u>	<u>\$ 15,731,735</u>



KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2012

	General Operating	Dog and Kennel	General School
Revenues:			
Taxes (including interest and penalties)	\$ 42,249,121	\$ -	\$ -
Licenses and permits	162,962	-	-
Intergovernmental:			
Federal	1,784,052	-	-
State	335,740	-	-
Local	604,235	-	-
Charges for services	1,591,701	-	601,134
Interest	4,752	3	178
Miscellaneous	<u>2,017,263</u>	<u>-</u>	<u>-</u>
Total revenues	<u>48,749,826</u>	<u>3</u>	<u>601,312</u>
Expenditures:			
General government	20,004,597	-	26,360
Public safety	13,679,366	12,314	-
Health and sanitation	1,013,391	-	-
Culture and recreation	4,997,498	-	-
Capital outlay	<u>882,885</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>40,577,737</u>	<u>12,314</u>	<u>26,360</u>
Excess (deficiency) of revenues over expenditures	8,172,089	(12,311)	574,952
Other financing sources (uses):			
Operating transfers in	3,001,218	29,536	-
Operating transfers out	<u>(9,777,448)</u>	<u>-</u>	<u>(585,556)</u>
Total other financing sources (uses)	<u>(6,776,230)</u>	<u>29,536</u>	<u>(585,556)</u>
Net change in fund balances	1,395,859	17,225	(10,604)
Fund balances, beginning of year	<u>1,637,209</u>	<u>1,924</u>	<u>314,321</u>
Fund balances, end of year	<u>\$ 3,033,068</u>	<u>\$ 19,149</u>	<u>\$ 303,717</u>

See Independent Auditor's Report.

<u>Worthless Check</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>County Manager's</u>	<u>Accident Photo</u>	<u>DARE &amp; Community Policing</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	322,836	-	-	-	-
-	71,659	-	-	-	-
-	-	-	-	-	-
13,898	-	-	-	172,671	-
4	-	3	-	-	-
-	-	-	48,301	-	-
<u>13,902</u>	<u>394,495</u>	<u>3</u>	<u>48,301</u>	<u>172,671</u>	<u>-</u>
14,479	365,251	-	-	-	-
-	-	-	-	174,363	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,479</u>	<u>365,251</u>	<u>-</u>	<u>-</u>	<u>174,363</u>	<u>-</u>
(577)	29,244	3	48,301	(1,692)	-
-	-	-	50,000	-	-
-	-	-	-	-	-
-	-	-	50,000	-	-
(577)	29,244	3	98,301	(1,692)	-
<u>4,839</u>	<u>33,986</u>	<u>5,982</u>	<u>-</u>	<u>85,315</u>	<u>636</u>
<u>\$ 4,262</u>	<u>\$ 63,230</u>	<u>\$ 5,985</u>	<u>\$ 98,301</u>	<u>\$ 83,623</u>	<u>\$ 636</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2012

	<u>Building Demolition</u>	<u>Capital Maintenance</u>	<u>Worthless Check Restitution</u>
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Local	-	-	-
Charges for services	-	-	1,734
Interest	66	7	-
Miscellaneous	<u>44,307</u>	<u>-</u>	<u>-</u>
Total revenues	<u>44,373</u>	<u>7</u>	<u>1,734</u>
Expenditures:			
General government	-	-	750
Public safety	-	-	-
Health and sanitation	80,243	-	-
Culture and recreation	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>80,243</u>	<u>-</u>	<u>750</u>
Excess (deficiency) of revenues over expenditures	(35,870)	7	984
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	(35,870)	7	984
Fund balances, beginning of year	<u>155,733</u>	<u>12,596</u>	<u>3,138</u>
Fund balances, end of year	<u>\$ 119,863</u>	<u>\$ 12,603</u>	<u>\$ 4,122</u>

See Independent Auditor's Report.

<u>Hazard Mitigation Tax Escrow</u>	<u>Records Management &amp; 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>
\$ -	\$ -	\$ -	\$ -	\$ 45,773	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,185
-	-	-	-	26	1,714	1
-	-	<u>396,267</u>	-	-	-	-
-	-	<u>396,267</u>	-	<u>45,799</u>	<u>1,714</u>	<u>1,186</u>
-	-	392,500	-	935	10,000	4,569
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	<u>392,500</u>	-	<u>935</u>	<u>10,000</u>	<u>4,569</u>
-	-	3,767	-	44,864	(8,286)	(3,383)
-	-	100,000	-	-	5,000,000	-
-	-	-	-	<u>(35,474)</u>	<u>(2,525,000)</u>	-
-	-	<u>100,000</u>	-	<u>(35,474)</u>	<u>2,475,000</u>	-
-	-	103,767	-	9,390	2,466,714	(3,383)
<u>879</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>
<u>\$ 879</u>	<u>\$ 2,148</u>	<u>\$ 264,808</u>	<u>\$ 3,054</u>	<u>\$ 26,309</u>	<u>\$ 3,467,739</u>	<u>\$ 1,185</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2012

	Unemployment Compensation	Day Reporting Collection	Special Prosecuting Attorney
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Local	-	-	-
Charges for services	-	45,579	-
Interest	16	-	-
Miscellaneous	-	-	31,579
	<u>16</u>	<u>45,579</u>	<u>31,579</u>
Total revenues			
	<u>16</u>	<u>45,579</u>	<u>31,579</u>
Expenditures:			
General government	11,985	-	13,315
Public safety	-	-	-
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
	<u>11,985</u>	<u>-</u>	<u>13,315</u>
Total expenditures			
	<u>11,985</u>	<u>-</u>	<u>13,315</u>
Excess (deficiency) of revenues over expenditures	(11,969)	45,579	18,264
Other financing sources (uses):			
Operating transfers in	60,000	-	-
Operating transfers out	-	(109,960)	-
	<u>60,000</u>	<u>(109,960)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>60,000</u>	<u>(109,960)</u>	<u>-</u>
Net change in fund balances	48,031	(64,381)	18,264
Fund balances, beginning of year	<u>10,492</u>	<u>101,333</u>	<u>46,826</u>
Fund balances, end of year	<u>\$ 58,523</u>	<u>\$ 36,952</u>	<u>\$ 65,090</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,294,894
-	-	-	-	-	162,962
-	-	-	-	-	2,106,888
-	-	-	-	-	407,399
-	-	-	-	-	604,235
-	-	-	-	-	2,427,902
-	-	99	1	374	7,244
<u>5,305</u>	<u>272,786</u>	<u>1,549,899</u>	<u>-</u>	<u>-</u>	<u>4,365,707</u>
<u>5,305</u>	<u>272,786</u>	<u>1,549,998</u>	<u>1</u>	<u>374</u>	<u>52,377,231</u>
9,594	213,619	5,918,829	-	-	26,986,783
-	-	-	-	-	13,866,043
-	-	-	-	-	1,093,634
-	-	-	-	-	4,997,498
-	-	-	-	263,942	1,146,827
<u>9,594</u>	<u>213,619</u>	<u>5,918,829</u>	<u>-</u>	<u>263,942</u>	<u>48,090,785</u>
(4,289)	59,167	(4,368,831)	1	(263,568)	4,286,446
-	-	4,048,920	-	-	12,289,674
-	(21,178)	-	-	-	(13,054,616)
-	(21,178)	4,048,920	-	-	(764,942)
(4,289)	37,989	(319,911)	1	(263,568)	3,521,504
<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>\$ 6,884</u>	<u>\$ 339,357</u>	<u>\$ (61,762)</u>	<u>\$ 729</u>	<u>\$ 109,259</u>	<u>\$ 8,069,713</u>

**SUPPLEMENTARY INFORMATION**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Commission of  
Kanawha County  
Charleston, West Virginia

We have audited the financial statements of the governmental activities, 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, 2012, which collectively comprise the County's primary government financial statements and have issued our report thereon dated March 7, 2013. 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 effective 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 2012-1 through 2012-4 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*.





We noted certain other matters that we reported to management of the County in a separate letter dated March 7, 2013.

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 members of the County Commission 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.

*Gilbert & Kanash, A.C.*

Charleston, West Virginia  
March 7, 2013

**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, 2012. 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, 2012.

Internal Control Over Compliance

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



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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-4 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the County's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the County's compliance but not to provide an opinion on the effectiveness of the County's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*Jillions & Kanawha, A.C.*

Charleston, West Virginia  
March 7, 2013

KANAWHA COUNTY, WEST VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2012

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	-	\$ 3,864
Drug Court Grant	16.585	-	92,026
COPS Technology	16.710	-	11,311
Mental Health Grant	16.745	-	86,966
Passed through State of West Virginia, Division of Criminal Justice Services:			
Victim Assistance (VOCA)-Sheriff Enforcing the Underage Drinking Laws	16.575	11-VA-GX-0018	56,353
STOP Violence Against Women	16.727	11-EUD-006	23,451
STOP Violence Against Women	16.588	09-VAW-019	23,828
STOP Violence Against Women	16.588	10-VAW-015	68,688
<u>U.S. Department of Energy</u>			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	-	583,400
<u>U.S. Department of the Interior Office of Surface Mining</u>			
Passed through State of West Virginia, Department of Environmental Protection			
Abandoned Mine Land Reclamation (AMLR) Program	15.252	19365	45,650
<u>U.S. Department of Commerce National Telecommunications and Information Administration</u>			
Passed through State of West Virginia, Division of Homeland Security and Emergency Management:			
Public Safety Interoperable Communications Grant Program	11.555	07-PSIC-02	204,966
Public Safety Interoperable Communications Grant Program	11.555	07-PSIC-05	196,728
<u>U.S. Department of Homeland Security</u>			
Passed through State of West Virginia, Division of Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	FEMA-1838-DR-WV-006	56,163
Hazard Mitigation Grant	97.039	FEMA-1918-DR-WV-002	94,106
Hazard Mitigation Grant	97.039	FEMA-1903-DR-WV-002	64,106
Homeland Security - Region I SHS 2009	97.067	09-SHS-23	13,483
Homeland Security - Region I SHS 2009	97.067	09-SHS-20	268,520
Homeland Security - Region I SHS 2009	97.067	09-SHS-21	63,661
Homeland Security - Region I SHS 2009	97.067	09-SHS-22	9,500
Emergency Management Planning Grant	97.042	2011-039	172,613
			<u>\$ 2,139,383</u>

See Independent Auditor's Report and accompanying Notes to the Schedule of Expenditures of Federal Awards.

## KANAWHA COUNTY, WEST VIRGINIA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**1 - BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes the federal grant activity of 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*.

**2 - SUBRECIPIENT DISBURSEMENTS**

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
Homeland Security - Region 1 SHS 2009	97.067	\$ 231,379

KANAWHA COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficienc(ies) identified?        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 deficienc(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>
81.128	Energy Efficiency and Conservation Block Grant
11.555	Public Safety Interoperable Communications Grant Program
97.067	Homeland Security - Region I SHS 2009

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, 2012

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Section II - Financial Statement Findings

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**2012-1 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's monthly financial reporting process over fiduciary accounts performed by the Sheriff's Tax Office, including the valuation of assets, is not subjected to supervisory review and approval by an individual independent of the fiduciary accounting process.

Context:

The total assets reported by the Sherriff's fiduciary funds were \$5,433,169 at June 30, 2012.

Effect:

Without appropriate and timely supervisory review, errors or fraud involving the fiduciary accounts may not be detected in a timely manner by employees in the normal course of performing their assigned functions. The unaudited financial statements for the Sheriff's fiduciary fund contained the following errors: total assets were understated by \$702,710, total additions were understated by \$620,599, total deductions were overstated by \$111,700, and beginning net assets were overstated by \$29,589.

Cause:

The County has not established procedures requiring timely and documented supervisory review and approval over the fiduciary accounts.

Recommendation:

The County should establish a policy that requires the monthly financial reporting for the Sheriff's fiduciary fund to be reviewed by an individual that is independent of compiling, valuing assets in custody, the cash disbursement function, cash receipts function, and the 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, 2012

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Section II - Financial Statement Findings (Continued)

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**2012-1 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.

**2012-2 GRANT REPORTING AND REVENUE RECOGNITION**

Criteria:

For expenditure driven grants, federal grant revenues should be reported in the financial statements of the County when 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, 2012 unaudited financial statements were not properly recorded and reconciled to the corresponding expenditures contained in the SEFA. We also noted that the unaudited SEFA was not prepared in accordance with generally accepted accounting principles.

Context:

Total expenditures reported on the SEFA were \$2,139,383.

Effect:

Federal expenditures reported on the unadjusted SEFA were understated by \$821,065 and federal grant revenue and grant receivables reported in the unaudited financial statements were understated by \$172,613 due to the improper cutoff of grant revenues.



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

Year Ended June 30, 2012

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Section II - Financial Statement Findings (Continued)

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**2012-2 GRANT REPORTING AND REVENUE RECOGNITION**

Cause:

The County has not established appropriate procedures to ensure that the grant revenue reported in the financial statements is recognized in accordance with generally accepted accounting principles and the corresponding expense properly reconciled to the SEFA. The County has not established appropriate procedures to ensure that the SEFA is prepared in accordance with generally accepted accounting principles. Additionally, the preparation of the SEFA is not subject to supervisory review and approval.

Recommendation:

We recommend that the County develop procedures for agreeing the underlying grant activity to the appropriate revenue and expense accounts supporting the financial statements to determine that the governmental grant revenues and expenditures are reported in accordance with generally accepted accounting principles. These procedures should include an evaluation of whether all accruals of all expenditures and related revenues have been recorded at the applicable fiscal year end. Total federal grant expenditures should be reconciled to the SEFA to ensure completeness and accuracy. These procedures and preparation of the SEFA 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. Beginning immediately, a member of the Commission Staff has assumed the responsibility for monthly reconciliation of revenues and expenses to the General Ledger to ensure that all grant revenues and expenses are reconciled prior to year end.

The Chief Fiscal Officer will review the SEFA to ensure that it is prepared in accordance with generally accepted accounting principles before it is submitted to the Clerk's office for inclusion in the financial statements. Similarly, the CFO will review the July and August grant revenues to ensure that they are recorded in the correct fiscal year.

**2012-3 FINANCIAL STATEMENT CUTOFF**

Criteria:

In accordance with generally accepted accounting principles, 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.

## KANAWHA COUNTY, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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**Section II - Financial Statement Findings (Continued)**

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**2012-3 FINANCIAL STATEMENT CUTOFF (Continued)**Condition:

We noted that accounts payable and accounts receivable balances reported in unaudited financial statements did not include all significant expenses, revenues, payables, and receivables, which had been incurred by the County as of June 30, 2012. Additionally, we noted that certain revenues reported in the unaudited financial statements had not been earned.

Context:

Accounts payable and taxes receivable were understated by \$350,890 in the unaudited financial statements of the agency funds. Accounts payable was understated by \$668,202, expenditures were understated by \$321,343, and revenue was overstated by \$346,859 in the unaudited financial statements of the governmental funds.

Effect:

The unaudited financial statements were materially misstated.

Cause:

Management has not established procedures to ensure that the unaudited financial statements include all revenues, expenditures, and related accruals in accordance with generally accepted accounting principles.

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 generally accepted accounting principles.

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 revenues and expenses by establishing work sessions between the CFO, Chief Tax Deputy and Director of Accounting to determine and properly record all anticipated revenues and expenses.

Management will ensure that court orders are no longer issued for payment when invoices have been received (as in payment of the Regional Jail Bill, grants and contracts). All payments will be made from the original invoice and court orders should only be issued when no invoice can be issued, i.e. as in inter-fund transfers. All vendors will be instructed to mail all invoices directly to the Clerk's office.

## KANAWHA COUNTY, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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**Section III - Federal Award Findings and Questioned Costs**

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**2012- 4 GRANT REPORTING AND REVENUE RECOGNITION**

- U.S. Department of Energy - CFDA # 81.128
- U.S. Department of Commerce National Telecommunications and Information Administration - CFDA # 11.555
- U.S. Department of Homeland Security - CFDA # 97.067

**Material Weakness:**

The material weakness and views of responsible officials identified at Finding 2012-2 applies to this federal award program.

KANAWHA COUNTY, WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2012

**Prior Year Audit Findings:**

Audit finding 2011-1 has been repeated in finding 2012-1.

Audit finding 2011-2 has been repeated in finding 2012-2.

Audit finding 2011-3 has been repeated in finding 2012-3.

Audit finding 2011-4 has been repeated in finding 2012-4.

**Corrective Action Plan Provided by Management:**

See the view of responsible officials identified at findings 2012-1 through 2012-4 for planned corrective action.