



Audited Financial Statements

Kanawha County, West Virginia

Year Ended June 30, 2013

Audited Financial Statements
KANAWHA COUNTY, WEST VIRGINIA
Year Ended June 30, 2013

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KANAWHA COUNTY, WEST VIRGINIA
Year Ended June 30, 2013

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KANAWHA COUNTY, WEST VIRGINIA
LIST OF ELECTED COUNTY OFFICIALS
June 30, 2013

<u>Office</u>	<u>Name</u>
Commissioner	W. Kent Carper
Commissioner	David Hardy
Commissioner	Henry C. Shores
County Clerk	Vera J. McCormick
Circuit Clerk	Cathy S. Gatson
Assessor	Sallie Robinson
Prosecuting Attorney	Mark Plants
Sheriff	Jonathan Rutherford

INDEPENDENT AUDITOR'S REPORT

To the Commission of
Kanawha County
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kanawha County, West Virginia (the County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

**Summary of Opinions**

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

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

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

Disclaimer of Opinion on Aggregate Discretely Presented Component Units

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

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter described in the "Basis for Disclaimer of Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the County, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 27 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund, agency fund, and general fund financial statements on pages 30 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the combining and individual non-major funds of including financial data for the County's legally separate component units, which was not practicable to determine, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Charleston, West Virginia
March 5, 2014

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 18,133,567
Taxes receivable, net	5,050,868
Grants receivable, net	308,283
Capital assets, net	<u>31,653,245</u>
Total assets	<u>\$ 55,145,963</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Accumulated changes in fair value of hedging derivative instrument	<u>\$ 348,704</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 2,250,189
Other	886,092
Fair value of hedging derivative instrument	348,704
Noncurrent liabilities:	
Due within one year	2,040,386
Due in more than one year	<u>14,842,633</u>
Total liabilities	<u>\$ 20,368,004</u>
<u>NET POSITION</u>	
Net investment in capital assets	\$ 16,959,437
Restricted	3,476,130
Unrestricted	<u>14,691,096</u>
Total net position	<u>\$ 35,126,663</u>

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

KANAWHA COUNTY, WEST VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

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	\$ 29,901,547	\$ 2,647,742	\$ 358,012	\$ 43,206	\$ (26,852,587)
Public safety	17,812,202	-	1,036,000	-	(16,776,202)
Health and sanitation	588,542	-	-	-	(588,542)
Culture and recreation	5,095,636	-	-	-	(5,095,636)
Interest	479,387	-	-	-	(479,387)
Total primary government	<u>\$ 53,877,314</u>	<u>\$ 2,647,742</u>	<u>\$ 1,394,012</u>	<u>\$ 43,206</u>	<u>(49,792,354)</u>
General revenues:					
Taxes					49,156,216
Licenses and permits					554,926
Interest					16,628
Miscellaneous					4,255,399
Total general revenues					<u>53,983,169</u>
Change in net position					4,190,815
Net position, beginning of year					<u>30,935,848</u>
Net position, end of year					<u>\$ 35,126,663</u>

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

KANAWHA COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

<u>ASSETS</u>	<u>General</u>	<u>Coal Severance Tax</u>	<u>Assessor's Valuation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 11,979,776	\$ 1,721,451	\$ 2,034,418	\$ 2,397,922	\$ 18,133,567
Taxes receivable, net	4,786,455	108,253	-	156,160	5,050,868
Grants receivable, net	308,283	-	-	-	308,283
Due from other funds	<u>364,584</u>	<u>101,745</u>	<u>4,312</u>	<u>16,211</u>	<u>486,852</u>
Total assets	<u>\$ 17,439,098</u>	<u>\$ 1,931,449</u>	<u>\$ 2,038,730</u>	<u>\$ 2,570,293</u>	<u>\$ 23,979,570</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to other funds	\$ 345,954	\$ 109,043	\$ -	\$ 31,855	\$ 486,852
Accounts payable	2,153,269	19,012	11,639	66,269	2,250,189
Deferred revenue	4,062,111	-	-	86,696	4,148,807
Other	<u>792,520</u>	<u>9,044</u>	<u>84,528</u>	<u>-</u>	<u>886,092</u>
Total liabilities	<u>7,353,854</u>	<u>137,099</u>	<u>96,167</u>	<u>184,820</u>	<u>7,771,940</u>
Fund balances:					
Restricted	577,476	-	1,942,563	956,091	3,476,130
Committed	9,943,918	1,794,350	-	1,429,382	13,167,650
Unassigned	<u>(436,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(436,150)</u>
Total fund balances	<u>10,085,244</u>	<u>1,794,350</u>	<u>1,942,563</u>	<u>2,385,473</u>	<u>16,207,630</u>
Total liabilities and fund balances	<u>\$ 17,439,098</u>	<u>\$ 1,931,449</u>	<u>\$ 2,038,730</u>	<u>\$ 2,570,293</u>	<u>\$ 23,979,570</u>

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

KANAWHA COUNTY, WEST VIRGINIA

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

June 30, 2013

Total fund balances on governmental funds balance sheet	\$ 16,207,630
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet	31,653,245
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	4,148,807
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	(14,693,808)
Liability for health claims incurred, as of year end, is not due and payable in the current period and therefore is not reported in the governmental funds balance sheet	(425,464)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	<u>(1,763,747)</u>
Net position of governmental activities	<u>\$ 35,126,663</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, 2013

	General	Coal Severance Tax	Assessor's Valuation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes (including interest and penalties)	\$ 43,597,932	\$ 1,809,800	\$ 2,161,870	\$ 1,065,139	\$ 48,634,741
Licenses and permits	186,047	-	-	368,879	554,926
Intergovernmental:					
Federal	619,599	-	-	-	619,599
State	337,897	-	-	-	337,897
Local	436,516	-	-	-	436,516
Charges for services	1,918,831	-	2,242	726,669	2,647,742
Fines and forfeits	-	-	-	43,206	43,206
Interest	12,991	801	1,981	855	16,628
Miscellaneous	4,254,875	-	15	509	4,255,399
Total revenues	<u>51,364,688</u>	<u>1,810,601</u>	<u>2,166,108</u>	<u>2,205,257</u>	<u>57,546,654</u>
Expenditures:					
General government	26,713,844	644,236	1,820,019	382,244	29,560,343
Public safety	14,238,996	824,215	-	2,266,039	17,329,250
Health and sanitation	588,542	-	-	-	588,542
Culture and recreation	5,014,491	65,873	-	-	5,080,364
Capital outlay	310,336	-	-	-	310,336
Debt service	-	-	-	1,471,609	1,471,609
Total expenditures	<u>46,866,209</u>	<u>1,534,324</u>	<u>1,820,019</u>	<u>4,119,892</u>	<u>54,340,444</u>
Excess (deficiency) of revenues over expenditures	4,498,479	276,277	346,089	(1,914,635)	3,206,210
Other financing sources (uses):					
Operating transfers in	9,641,916	-	28,385	2,866,209	12,536,510
Operating transfers out	<u>(12,124,864)</u>	<u>(44,576)</u>	<u>(289,230)</u>	<u>(77,840)</u>	<u>(12,536,510)</u>
Total other financing sources (uses)	<u>(2,482,948)</u>	<u>(44,576)</u>	<u>(260,845)</u>	<u>2,788,369</u>	<u>-</u>
Net change in fund balances	2,015,531	231,701	85,244	873,734	3,206,210
Fund balances, beginning of year	<u>8,069,713</u>	<u>1,562,649</u>	<u>1,857,319</u>	<u>1,511,739</u>	<u>13,001,420</u>
Fund balances, end of year	<u>\$ 10,085,244</u>	<u>\$ 1,794,350</u>	<u>\$ 1,942,563</u>	<u>\$ 2,385,473</u>	<u>\$ 16,207,630</u>

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

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 3,206,210
Governmental funds report capital outlays as expenditures while the cost of capital assets is allocated over their useful lives in the statement of activities	
Depreciation expense related to capital assets is not reported in the governmental funds because it does not affect current financial resources	(1,679,803)
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	992,222
Revenue that is not available at year end for expenditure is not reported in the governmental funds	521,475
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	58,536
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>(39,300)</u>
Change in net position of governmental activities	<u>\$ 4,190,815</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, 2013

	Sheriff's Fiduciary Fund Private-Purpose Trust Fund <hr style="border: 0.5px solid black;"/>
<u>Additions</u>	
Contributions	\$ 3,614,927
 <u>Deductions</u>	
Payments on behalf of beneficiaries	<hr style="border: 0.5px solid black;"/> 2,694,253
Changes in net assets	920,674
Net assets, beginning of year	<hr style="border: 0.5px solid black;"/> 5,052,226
Net assets, end of year	\$ <hr style="border: 0.5px solid black;"/> 5,972,900

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

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ENTITY

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

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

2 - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The accompanying financial statements do not report any business type activities.

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

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

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

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

KANAWHA COUNTY, WEST VIRGINIA

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

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following fund types:

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

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

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

KANAWHA COUNTY, WEST VIRGINIA

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

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

4 - BUDGETARY COMPLIANCE AND ACCOUNTABILITYBudgetary Information

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

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

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

5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESCash Equivalents

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

Capital Assets

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

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

KANAWHA COUNTY, WEST VIRGINIA

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

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

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

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, 2013.

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

6 - DEPOSITS AND INVESTMENTS

Concentration of Credit Risk - Cash Deposits - At June 30, 2013, the County had deposits in financial institutions reported as cash and cash equivalents with carrying balances of \$17,338,824 and bank balances of \$19,171,949. Of the bank balances, \$524,978 was covered by federal depository insurance and \$1,259,596 was held in the Sherriff's Fiduciary Private Purpose Trust Fund which was fully covered by federal depository insurance. The remaining \$17,387,375 was collateralized with securities held by the County's agent in the County's name.

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

At June 30, 2013, the County had investments shown as cash and cash equivalents invested in this BTI sponsored external investment pools of \$14,046,958. These balances are not subject to concentration of credit risk disclosures. Due to the nature of these investments, they are not exposed to custodial credit risk and interest rate risk.

KANAWHA COUNTY, WEST VIRGINIA

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

Also included in cash and cash equivalents at June 30, 2013, are \$2,389,209 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 \$598,308 in fixed income securities and \$660,810 in equity securities. There is a single insurance contract with a national insurance company carried at a fair value of \$462,003. Cash and cash equivalents of \$84,859 are fully covered by depository insurance. The remaining \$583,229 is invested in mutual funds and is not subject to concentration of credit risk, custodial credit risk, and interest rate risk disclosures.

7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,613,178	\$ -	\$ -	\$ 1,613,178
Construction in progress	<u>1,119,026</u>	-	<u>(1,119,026)</u>	-
Total capital assets not being depreciated	<u>2,732,204</u>	-	<u>(1,119,026)</u>	<u>1,613,178</u>
<i>Capital assets being depreciated:</i>				
Buildings	26,880,489	-	-	26,880,489
Building improvements	13,100,200	1,214,512	-	14,314,712
Furniture and fixtures	9,778,839	1,035,989	(515,887)	10,298,941
Infrastructure	<u>276,119</u>	-	-	<u>276,119</u>
Total capital assets being depreciated	<u>50,035,647</u>	<u>2,250,501</u>	<u>(515,887)</u>	<u>51,770,261</u>
Less accumulated depreciation for:				
Buildings	(9,995,250)	(466,026)	-	(10,461,276)
Building improvements	(2,509,740)	(445,432)	-	(2,955,172)
Furniture and fixtures	(7,967,719)	(757,111)	515,887	(8,208,943)
Infrastructure	<u>(93,569)</u>	<u>(11,234)</u>	-	<u>(104,803)</u>
Total accumulated depreciation	<u>(20,566,278)</u>	<u>(1,679,803)</u>	<u>515,887</u>	<u>(21,730,194)</u>
Total capital assets being depreciated, net	<u>29,469,369</u>	<u>570,698</u>	-	<u>30,040,067</u>
Governmental activities capital assets, net	<u>\$ 32,201,573</u>	<u>\$ 570,698</u>	<u>\$ (1,119,026)</u>	<u>\$ 31,653,245</u>

For the year ended June 30, 2013, depreciation expense for the governmental activities in the government wide financial statements was \$1,679,803, comprised of \$866,813 charged to general government, \$797,718 charged to public safety, and \$15,272 charged to culture and recreation.

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

8 - 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.

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

Principal and interest paid on the Series 2011 bonds for the year ended June 30, 2013 was \$716,075 and \$264,400, 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)**8 - LONG-TERM DEBT (Continued)**Revenue Bonds (Continued)

The fair value balance of the hedging derivative instrument outstanding is \$348,704, at June 30, 2013, 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, 2013, is \$129,561. The accumulated changes in fair value of the hedging derivatives instrument is \$348,704, at June 30, 2013, 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 A3 from Moody's, A- 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, 2013, 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, 2013, the weighted-average interest rate on the County's hedged variable rate debt was 2.13%, while 65% of the one month LIBOR was .13%.

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)

8 - LONG-TERM DEBT (Continued)

Swap Payments and Associated Debt

Using rates as of June 30, 2013, 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		
2014	\$ 743,764	\$ 130,781	\$ 105,621	\$ 980,166
2015	772,525	114,691	92,630	979,846
2016	802,398	97,978	79,604	979,980
2017	833,425	80,620	65,122	979,167
2018	865,653	62,590	50,564	978,807
2019-2021	<u>2,471,463</u>	<u>73,366</u>	<u>59,436</u>	<u>2,604,265</u>
	<u>\$ 6,489,228</u>	<u>\$ 560,026</u>	<u>\$ 452,977</u>	<u>\$ 7,502,231</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 of all debt service costs for each of the next five years and thereafter, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,614,922	\$ 838,645	\$ 2,453,567
2015	1,390,725	571,388	1,962,113
2016	1,452,337	509,910	1,962,247
2017	1,516,735	444,698	1,961,433
2018	1,584,045	377,029	1,961,074
2019-2023	6,656,053	859,548	7,515,601
2024	<u>478,991</u>	<u>12,142</u>	<u>491,133</u>
	<u>\$ 14,693,808</u>	<u>\$ 3,613,360</u>	<u>\$ 18,307,168</u>

KANAWHA COUNTY, WEST VIRGINIA

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

The following is a summary of the long-term debt activity for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 15,686,030	\$ -	\$ (992,222)	\$ 14,693,808	\$ 1,614,922
Post retirement benefits	821,106	476,654	(458,755)	839,005	-
Compensated absences	1,724,447	1,681,748	(1,642,448)	1,763,747	-
Health claims	<u>484,000</u>	<u>425,464</u>	<u>(484,000)</u>	<u>425,464</u>	<u>425,464</u>
Total governmental activity long-term liabilities	<u>\$ 18,715,583</u>	<u>\$ 2,583,866</u>	<u>\$ (3,577,425)</u>	<u>\$ 17,722,024</u>	<u>\$ 2,040,386</u>

Total cash paid for interest for the year ended June 30, 2013, on outstanding debt was \$479,387.

9 - PROPERTY TAXES

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July each year. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of the county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on the first day of September in the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid.

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, 2013, were as follows:

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - 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	\$ 3,519,305,650	28.60¢	12.18¢
Class III	\$ 2,663,744,756	57.20¢	24.36¢
Class IV	\$ 3,035,144,128	57.20¢	24.36¢

10 - RETIREMENT SYSTEMSWest Virginia Public Employees' Retirement System

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

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

The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The governmental entity contribution rates of 14.0%, 14.5%, and 12.5%, respectively, for the years ending June 30, 2013, 2012, and 2011, of covered payroll is determined by PERS. Total employee and employer contributions to PERS for the years ending June 30, 2013, 2012, and 2011, were \$2,378,516, \$2,399,222, and \$2,178,538, 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 governments, employed prior to July 1, 1998, could elect to join this plan or remain in PERS. Deputy sheriffs hired after this date are required to join 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 13.0%, 13.0%, and 10.5%, respectively, for the years ending June 30, 2013, 2012, and 2011 of covered payroll is determined by WVDSRF.

KANAWHA COUNTY, WEST VIRGINIA

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

Total employee and employer contributions to WVDSRF for the years ending June 30, 2013, 2012 and 2011, were \$1,100,446, \$1,075,440, and \$941,328, respectively, which were equal to the required contributions for each year.

11 - OTHER POST EMPLOYMENT BENEFITS

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

The OPEB Plan costs are funded by the County monthly based on invoices received from WVPEIA for the Plan's actuarially determined "pay as you go" balance. The County's Annual Required Contribution (ARC) (net of interest and amortization adjustments) was \$476,654, \$487,519, and \$496,691 for the years ended June 30, 2013, 2012, and 2011, respectively, and the County has contributed \$458,755, \$467,059, and \$497,725, respectively, which represent 96.24%, 95.80%, and 100.21% of the ARC, respectively, for the years ending June 30, 2013, 2012, and 2011. At June 30, 2013 and 2012, the liability related to OPEB was \$839,005 and \$821,106, 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, 2013 and 2012.

12 - COMMITMENTS AND CONTINGENCIES

The County is self-insured for employee health claims with a stop-loss insurance policy which covers health claims in excess of \$90,000 individually and \$2,000,000 in the aggregate. Claims of \$425,464 have been accrued in the Statement of Net Position for claims incurred prior to June 30, 2013 and paid as of December 31, 2013.

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 \$605,273 at June 30, 2013.

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS
(Continued)**12 - 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, 2013, was \$703,000.

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

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

13 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; public officials and law enforcement actions and other acts of the County or its representatives. The County has transferred its risks in exchange for premiums to purchase general liability, property loss, law enforcement liability, employee practice liability and workers compensation coverage insurance, from various 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 12.

14 - CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying leases. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2013, 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 \$2,553,667 at June 30, 2013. The aggregate principal amount

KANAWHA COUNTY, WEST VIRGINIA

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

payable for the two industrial revenue bonds issued after July 1995 (\$11,485,000 authorized) was \$9,158,130. The aggregate principal amount payable for the 134 series of Industrial Revenue Bonds issued prior to July 1, 1995, could not be determined; however, their original authorized amounts totaled \$797,940,000.

15 - SUBSEQUENT EVENTS

On September 24, 2013, the County issued Student Housing Revenue Bonds Series 2013 for \$25,175,000 to finance the costs of designing, acquiring, constructing, installing, and equipping a student housing facility upon the campus of West Virginia State University on behalf of its Foundation. This conduit obligation bears the name of the County, however, the County is not responsible for repayment of the debt and does not hold title to the asset to be constructed. The debt is secured by the constructed asset and its residual proceeds.

On January 9, 2014, the County committed \$1,500,000 to the West Virginia Department of Transportation, Division of Highways, payable in annual payments of \$150,000, to assist with the construction of a public road and bridge to provide access to Coonskin Park.

16 - 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. This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. 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, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Ad valorem property tax	\$ 44,113,504	\$ 44,113,504	\$ 43,552,210
Licenses and permits	135,000	135,000	186,047
Intergovernmental:			
Federal	238,554	598,566	430,092
State	88,000	99,000	324,092
Local	600,000	600,000	436,516
Charges for services	958,200	958,200	1,204,514
Interest	9,500	9,500	7,468
Miscellaneous	2,099,500	2,349,970	1,857,063
Total revenues	<u>48,242,258</u>	<u>48,863,740</u>	<u>47,998,002</u>
Expenditures:			
General government	24,494,335	25,666,532	19,300,964
Public safety	15,579,845	16,324,485	14,046,449
Health and sanitation	778,956	696,832	497,608
Culture and recreation	5,111,050	5,393,050	5,014,491
Capital outlay	287,440	554,234	310,336
Total expenditures	<u>46,251,626</u>	<u>48,635,133</u>	<u>39,169,848</u>
Excess (deficiency) of revenues over expenditures	1,990,632	228,607	8,828,154
Other financing sources (uses):			
Operating transfers in	830,000	3,895,000	271,151
Operating transfers out	<u>(2,820,632)</u>	<u>(8,598,898)</u>	<u>(10,714,137)</u>
Total other financing sources (uses)	<u>(1,990,632)</u>	<u>(4,703,898)</u>	<u>(10,442,986)</u>
Net change in fund balance	-	(4,475,291)	(1,614,832)
Fund balance, beginning of year	-	4,475,291	3,033,068
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418,236</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, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,809,800
Interest	2,200	2,200	801
Total revenue	<u>1,602,200</u>	<u>1,602,200</u>	<u>1,810,601</u>
Expenditures:			
General government	685,981	2,092,682	644,236
Public safety	761,219	895,157	824,215
Culture and recreation	125,000	99,487	65,873
Social services	30,000	-	-
Total expenditures	<u>1,602,200</u>	<u>3,087,326</u>	<u>1,534,324</u>
Excess (deficiency) of revenues over expenditures	-	(1,485,126)	276,277
Other financing sources (uses):			
Operating transfers out	-	-	(44,576)
Net change in fund balance	-	(1,485,126)	231,701
Fund balance, beginning of year	-	1,485,126	1,562,649
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,794,350</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, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Taxes	\$ 2,050,416	\$ 2,050,415	\$ 2,161,870
Interest	11,726	11,726	1,981
Charges for services	6,200	6,200	2,257
Total revenues	<u>2,068,342</u>	<u>2,068,341</u>	<u>2,166,108</u>
Expenditures:			
General government	<u>3,073,152</u>	<u>3,690,806</u>	<u>1,820,019</u>
Excess (deficiency) of revenues over expenditures	(1,004,810)	(1,622,465)	346,089
Other financing sources (uses):			
Operating transfers in	-	56,770	28,385
Operating transfers out	<u>(295,190)</u>	<u>(295,190)</u>	<u>(289,230)</u>
Total other financing sources (uses)	<u>(295,190)</u>	<u>(238,420)</u>	<u>(260,845)</u>
Net change in fund balance	(1,300,000)	(1,860,885)	85,244
Fund balance, beginning of year	<u>1,300,000</u>	<u>1,889,259</u>	<u>1,857,319</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 28,374</u>	<u>\$ 1,942,563</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

<u>ASSETS</u>	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Cash and cash equivalents	\$ 127,273	\$ 385,201	\$ 298,385
Taxes receivable, net	-	-	-
Due from other funds	-	1,788	14,423
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 127,273</u>	<u>\$ 386,989</u>	<u>\$ 312,808</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable	-	3,122	3,310
Deferred revenue	-	-	-
Other	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>3,122</u>	<u>3,310</u>
 Fund balances:			
Restricted	127,273	-	-
Committed	-	383,867	309,498
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>127,273</u>	<u>383,867</u>	<u>309,498</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 127,273</u>	<u>\$ 386,989</u>	<u>\$ 312,808</u>

See Independent Auditor's Report.

Public Safety Levy	Coal Reallocated Severance Tax	Concealed Weapons	Special Law Enforcement	Debt Service	Total Nonmajor Governmental Funds
\$ 122,894	\$ 131,681	\$ 434,623	\$ 161,848	\$ 736,017	\$ 2,397,922
102,121	54,039	-	-	-	156,160
-	-	-	-	-	16,211
<u>\$ 225,015</u>	<u>\$ 185,720</u>	<u>\$ 434,623</u>	<u>\$ 161,848</u>	<u>\$ 736,017</u>	<u>\$ 2,570,293</u>
\$ 31,855	\$ -	\$ -	\$ -	\$ -	\$ 31,855
43,151	-	16,686	-	-	66,269
86,696	-	-	-	-	86,696
-	-	-	-	-	-
<u>161,702</u>	<u>-</u>	<u>16,686</u>	<u>-</u>	<u>-</u>	<u>184,820</u>
63,313	185,720	417,937	161,848	-	956,091
-	-	-	-	736,017	1,429,382
<u>63,313</u>	<u>185,720</u>	<u>417,937</u>	<u>161,848</u>	<u>736,017</u>	<u>2,385,473</u>
<u>\$ 225,015</u>	<u>\$ 185,720</u>	<u>\$ 434,623</u>	<u>\$ 161,848</u>	<u>\$ 736,017</u>	<u>\$ 2,570,293</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2013

	<u>Magistrate Court</u>	<u>Home Confinement</u>	<u>Fiduciary</u>
Revenues:			
Taxes (including interest and penalties)	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	106,919	327,220	288,000
Fines and forfeits	-	-	-
Interest	79	255	197
Miscellaneous	<u>-</u>	<u>-</u>	<u>450</u>
Total revenues	<u>106,998</u>	<u>327,475</u>	<u>288,647</u>
Expenditures:			
General government	50,618	-	331,626
Public safety	-	501,447	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>50,618</u>	<u>501,447</u>	<u>331,626</u>
Excess (deficiency) of revenues over expenditures	56,380	(173,972)	(42,979)
Other financing sources (uses):			
Operating transfers in	-	358,110	169,055
Operating transfers out	<u>-</u>	<u>(39,845)</u>	<u>(23,058)</u>
Total other financing sources (uses)	<u>-</u>	<u>318,265</u>	<u>145,997</u>
Net change in fund balances	56,380	144,293	103,018
Fund balances, beginning of year	<u>70,893</u>	<u>239,574</u>	<u>206,480</u>
Fund balances, end of year	<u>\$ 127,273</u>	<u>\$ 383,867</u>	<u>\$ 309,498</u>

See Independent Auditor's Report.

<u>Public Safety Levy</u>	<u>Coal Reallocated Severance Tax</u>	<u>Concealed Weapons</u>	<u>Special Law Enforcement</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 879,419	\$ 185,720	\$ -	\$ -	\$ -	\$ 1,065,139
48	-	368,831	-	-	368,879
4,530	-	-	-	-	726,669
-	-	-	43,206	-	43,206
29	-	295	-	-	855
-	-	-	59	-	509
<u>884,026</u>	<u>185,720</u>	<u>369,126</u>	<u>43,265</u>	<u>-</u>	<u>2,205,257</u>
-	-	-	-	-	382,244
1,528,209	-	221,158	15,225	-	2,266,039
-	-	-	-	1,471,609	1,471,609
<u>1,528,209</u>	<u>-</u>	<u>221,158</u>	<u>15,225</u>	<u>1,471,609</u>	<u>4,119,892</u>
(644,183)	185,720	147,968	28,040	(1,471,609)	(1,914,635)
376,302	-	-	-	1,962,742	2,866,209
-	-	-	(14,937)	-	(77,840)
<u>376,302</u>	<u>-</u>	<u>-</u>	<u>(14,937)</u>	<u>1,962,742</u>	<u>2,788,369</u>
(267,881)	185,720	147,968	13,103	491,133	873,734
<u>331,194</u>	<u>-</u>	<u>269,969</u>	<u>148,745</u>	<u>244,884</u>	<u>1,511,739</u>
<u>\$ 63,313</u>	<u>\$ 185,720</u>	<u>\$ 417,937</u>	<u>\$ 161,848</u>	<u>\$ 736,017</u>	<u>\$ 2,385,473</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS

June 30, 2013

	Delinquent and Nonentered Lands	Sale of Lien Surplus	Board of Health
<u>ASSETS</u>			
Cash and cash equivalents	\$ 259,605	\$ 1,450,807	\$ 1,880,854
Taxes receivable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 259,605</u>	<u>\$ 1,450,807</u>	<u>\$ 1,880,854</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ 259,605	\$ 1,450,807	\$ 1,880,854
Due to other third parties	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 259,605</u>	<u>\$ 1,450,807</u>	<u>\$ 1,880,854</u>

See Independent Auditor's Report.

<u>School</u>	<u>State</u>	<u>Municipal</u>	<u>Kanawha Emergency Ambulance Authority</u>	<u>Kanawha Regional Transit Authority</u>	<u>Circuit Clerk</u>
\$ 998,080	\$ 8,402	\$ 192,695	\$ 82,764	\$ 82,764	\$ 5,888,430
<u>1,766,891</u>	<u>12,663</u>	<u>360,650</u>	<u>146,532</u>	<u>146,532</u>	<u>-</u>
<u>\$ 2,764,971</u>	<u>\$ 21,065</u>	<u>\$ 553,345</u>	<u>\$ 229,296</u>	<u>\$ 229,296</u>	<u>\$ 5,888,430</u>
\$ 2,764,971	\$ 21,065	\$ 553,345	\$ 229,296	\$ 229,296	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,888,430</u>
<u>\$ 2,764,971</u>	<u>\$ 21,065</u>	<u>\$ 553,345</u>	<u>\$ 229,296</u>	<u>\$ 229,296</u>	<u>\$ 5,888,430</u>

KANAWHA COUNTY, WEST VIRGINIA

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

June 30, 2013

	Records Office	Clerk's Delinquent Land	Domestic Violence
<u>ASSETS</u>			
Cash and cash equivalents	\$ 479,153	\$ 210,907	\$ 1,575
Taxes receivable	-	-	-
Total assets	<u>\$ 479,153</u>	<u>\$ 210,907</u>	<u>\$ 1,575</u>
<u>LIABILITIES</u>			
Due to other governmental entities	\$ -	\$ -	\$ -
Due to other third parties	<u>479,153</u>	<u>210,907</u>	<u>1,575</u>
Total liabilities	<u>\$ 479,153</u>	<u>\$ 210,907</u>	<u>\$ 1,575</u>

See Independent Auditor's Report.

<u>Deputy Retirement</u>	<u>Enhanced 911 System</u>	<u>Writ of Execution</u>	<u>Evidence Fund</u>	<u>Total Agency Funds</u>
\$ 6,807	\$ 316	\$ 2,678	\$ 394,249	\$ 11,940,086
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,433,268</u>
<u>\$ 6,807</u>	<u>\$ 316</u>	<u>\$ 2,678</u>	<u>\$ 394,249</u>	<u>\$ 14,373,354</u>
\$ 6,807	\$ 316	\$ -	\$ -	\$ 7,396,362
<u>-</u>	<u>-</u>	<u>2,678</u>	<u>394,249</u>	<u>6,976,992</u>
<u>\$ 6,807</u>	<u>\$ 316</u>	<u>\$ 2,678</u>	<u>\$ 394,249</u>	<u>\$ 14,373,354</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - GENERAL FUND

June 30, 2013

<u>ASSETS</u>	<u>General Operating</u>	<u>Dog and Kennel</u>	<u>General School</u>	<u>Worthless Check</u>
Cash and cash equivalents	\$ 3,036,951	\$ 29,478	\$ 281,139	\$ 13,879
Taxes receivable, net	4,786,455	-	-	-
Grants receivable, net	308,167	116	-	-
Due from other funds	<u>221,476</u>	<u>22,596</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,353,049</u>	<u>\$ 52,190</u>	<u>\$ 281,139</u>	<u>\$ 13,879</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ 246,488	\$ 11,734	\$ -	\$ -
Accounts payable	1,833,694	-	13,455	-
Deferred revenue	4,062,111	-	-	-
Other	<u>792,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,934,813</u>	<u>11,734</u>	<u>13,455</u>	<u>-</u>
Fund balances:				
Restricted	-	-	267,684	13,879
Committed	1,833,694	40,456	-	-
Unassigned	<u>(415,458)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,418,236</u>	<u>40,456</u>	<u>267,684</u>	<u>13,879</u>
Total liabilities and fund balances	<u>\$ 8,353,049</u>	<u>\$ 52,190</u>	<u>\$ 281,139</u>	<u>\$ 13,879</u>

See Independent Auditor's Report.

Federal Grants	State Grants	County Manager's	Accident Photo	Emergency Response	DARE & Community Policing
\$ -	\$ 3,939	\$ 156,218	\$ 13,318	\$ 129,664	\$ 636
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 38,878</u>	<u>\$ 3,939</u>	<u>\$ 156,218</u>	<u>\$ 13,318</u>	<u>\$ 129,664</u>	<u>\$ 636</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	994	26,760	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	994	26,760	-	-
38,878	3,939	-	-	-	-
-	-	155,224	-	129,664	636
<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,442)</u>	<u>-</u>	<u>-</u>
<u>38,878</u>	<u>3,939</u>	<u>155,224</u>	<u>(13,442)</u>	<u>129,664</u>	<u>636</u>
<u>\$ 38,878</u>	<u>\$ 3,939</u>	<u>\$ 156,218</u>	<u>\$ 13,318</u>	<u>\$ 129,664</u>	<u>\$ 636</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - GENERAL FUND
(Continued)

June 30, 2013

<u>ASSETS</u>	<u>Building Demolition</u>	<u>Capital Maintenance</u>	<u>Worthless Check Restitution</u>	<u>Hazard Mitigation Tax Escrow</u>
Cash and cash equivalents	\$ 89,819	\$ 12,614	\$ 7,750	\$ 879
Taxes receivable, net	-	-	-	-
Grants receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 89,819</u>	<u>\$ 12,614</u>	<u>\$ 7,750</u>	<u>\$ 879</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	9,326	-	-	-
Deferred revenue	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>9,326</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	-	-	7,750	879
Committed	80,493	12,614	-	-
Unassigned	-	-	-	-
Total fund balances	<u>80,493</u>	<u>12,614</u>	<u>7,750</u>	<u>879</u>
Total liabilities and fund balances	<u>\$ 89,819</u>	<u>\$ 12,614</u>	<u>\$ 7,750</u>	<u>\$ 879</u>

See Independent Auditor's Report.

Records Management & Preservation	Table Games	WV Drug Court Testing	Assessor's Dog	Financial Stabalization	Voter Registration
\$ 2,148	\$ 219,174	\$ 3,054	\$ 11,445	\$ 7,151,369	\$ 5,133
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,734	-	-
<u>\$ 2,148</u>	<u>\$ 219,174</u>	<u>\$ 3,054</u>	<u>\$ 23,179</u>	<u>\$ 7,151,369</u>	<u>\$ 5,133</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	26	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	26	-	-
-	-	-	23,153	-	5,133
2,148	219,174	3,054	-	7,151,369	-
-	-	-	-	-	-
<u>2,148</u>	<u>219,174</u>	<u>3,054</u>	<u>23,153</u>	<u>7,151,369</u>	<u>5,133</u>
<u>\$ 2,148</u>	<u>\$ 219,174</u>	<u>\$ 3,054</u>	<u>\$ 23,179</u>	<u>\$ 7,151,369</u>	<u>\$ 5,133</u>

KANAWHA COUNTY, WEST VIRGINIA

COMBINING BALANCE SHEET - GENERAL FUND
(Continued)

June 30, 2013

<u>ASSETS</u>	<u>Unemployment Compensation</u>	<u>Day Reporting Collections</u>	<u>Special Prosecuting Attorney</u>	<u>Drug Court Program</u>
Cash and cash equivalents	\$ 47,581	\$ 89,720	\$ 56,968	\$ 14,799
Taxes receivable, net	-	-	-	-
Grants receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 47,581</u>	<u>\$ 89,720</u>	<u>\$ 56,968</u>	<u>\$ 14,799</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	1,033
Deferred revenue	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,033</u>
Fund balances:				
Restricted	-	89,720	56,968	-
Committed	47,581	-	-	13,766
Unassigned	-	-	-	-
Total fund balances	<u>47,581</u>	<u>89,720</u>	<u>56,968</u>	<u>13,766</u>
Total liabilities and fund balances	<u>\$ 47,581</u>	<u>\$ 89,720</u>	<u>\$ 56,968</u>	<u>\$ 14,799</u>

See Independent Auditor's Report.

<u>Special Law Enforcement Investigations</u>	<u>Capital Equipment</u>	<u>Special Health Insurance</u>	<u>Parking Facility</u>	<u>Project 301 Bonds</u>	<u>Total General Fund</u>
\$ 33,791	\$ 185,056	\$ 346,821	\$ 731	\$ 35,702	\$ 11,979,776
-	-	-	-	-	4,786,455
-	-	-	-	-	308,283
-	69,900	-	-	-	364,584
<u>\$ 33,791</u>	<u>\$ 254,956</u>	<u>\$ 346,821</u>	<u>\$ 731</u>	<u>\$ 35,702</u>	<u>\$ 17,439,098</u>
\$ -	\$ 1,642	\$ 86,090	\$ -	\$ -	\$ 345,954
-	-	267,981	-	-	2,153,269
-	-	-	-	-	4,062,111
-	-	-	-	-	792,520
-	1,642	354,071	-	-	7,353,854
33,791	-	-	-	35,702	577,476
-	253,314	-	731	-	9,943,918
-	-	(7,250)	-	-	(436,150)
<u>33,791</u>	<u>253,314</u>	<u>(7,250)</u>	<u>731</u>	<u>35,702</u>	<u>10,085,244</u>
<u>\$ 33,791</u>	<u>\$ 254,956</u>	<u>\$ 346,821</u>	<u>\$ 731</u>	<u>\$ 35,702</u>	<u>\$ 17,439,098</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2013

	General Operating	Dog and Kennel	General School	Worthless Check
Revenues:				
Taxes (including interest and penalties)	\$ 43,552,210	\$ -	\$ -	\$ -
Licenses and permits	186,047	-	-	-
Intergovernmental:				
Federal	430,092	-	-	-
State	324,092	-	-	-
Local	436,516	-	-	-
Charges for services	1,204,514	-	557,136	9,611
Interest	7,468	14	290	6
Miscellaneous	1,857,063	-	-	-
Total revenues	<u>47,998,002</u>	<u>14</u>	<u>557,426</u>	<u>9,617</u>
Expenditures:				
General government	19,300,964	-	26,910	-
Public safety	14,046,449	8,000	-	-
Health and sanitation	497,608	-	-	-
Culture and recreation	5,014,491	-	-	-
Capital outlay	310,336	-	-	-
Total expenditures	<u>39,169,848</u>	<u>8,000</u>	<u>26,910</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	8,828,154	(7,986)	530,516	9,617
Other financing sources (uses):				
Operating transfers in	271,151	29,293	-	-
Operating transfers out	(10,714,137)	-	(566,549)	-
Total other financing sources (uses)	<u>(10,442,986)</u>	<u>29,293</u>	<u>(566,549)</u>	<u>-</u>
Net change in fund balances	(1,614,832)	21,307	(36,033)	9,617
Fund balances, beginning of year	<u>3,033,068</u>	<u>19,149</u>	<u>303,717</u>	<u>4,262</u>
Fund balances, end of year	<u>\$ 1,418,236</u>	<u>\$ 40,456</u>	<u>\$ 267,684</u>	<u>\$ 13,879</u>

See Independent Auditor's Report.

<u>Federal Grants</u>	<u>State Grants</u>	<u>County Manager's</u>	<u>Accident Photo</u>	<u>Emergency Response</u>	<u>DARE & Community Policing</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
62,800	-	-	-	126,707	-
13,805	-	-	-	-	-
-	-	-	-	-	-
-	-	-	87,230	-	-
-	4	-	-	-	-
-	-	46,002	-	234,438	-
<u>76,605</u>	<u>4</u>	<u>46,002</u>	<u>87,230</u>	<u>361,145</u>	<u>-</u>
54,337	-	70,279	-	231,481	-
-	-	-	184,295	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>54,337</u>	<u>-</u>	<u>70,279</u>	<u>184,295</u>	<u>231,481</u>	<u>-</u>
22,268	4	(24,277)	(97,065)	129,664	-
-	-	81,200	-	-	-
<u>(46,620)</u>	<u>(2,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(46,620)</u>	<u>(2,050)</u>	<u>81,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
(24,352)	(2,046)	56,923	(97,065)	129,664	-
<u>63,230</u>	<u>5,985</u>	<u>98,301</u>	<u>83,623</u>	<u>-</u>	<u>636</u>
<u>\$ 38,878</u>	<u>\$ 3,939</u>	<u>\$ 155,224</u>	<u>\$ (13,442)</u>	<u>\$ 129,664</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, 2013

	Building Demolition	Capital Maintenance	Worthless Check Restitution	Hazard Mitigation Tax Escrow
Revenues:				
Taxes (including interest and penalties)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	3,628	-
Interest	67	11	-	-
Miscellaneous	51,497	-	-	-
Total revenues	<u>51,564</u>	<u>11</u>	<u>3,628</u>	<u>-</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and sanitation	90,934	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>90,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(39,370)	11	3,628	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(39,370)	11	3,628	-
Fund balances, beginning of year	<u>119,863</u>	<u>12,603</u>	<u>4,122</u>	<u>879</u>
Fund balances, end of year	<u><u>\$ 80,493</u></u>	<u><u>\$ 12,614</u></u>	<u><u>\$ 7,750</u></u>	<u><u>\$ 879</u></u>

See Independent Auditor's Report.

<u>Records Management & Preservation</u>	<u>Table Games</u>	<u>WV Drug Court Testing</u>	<u>Assessor's Dog</u>	<u>Financial Stabalization</u>	<u>Voter Registration</u>
\$ -	\$ -	\$ -	\$ 45,722	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,944
-	-	-	18	4,830	4
-	<u>353,166</u>	-	-	-	-
-	<u>353,166</u>	-	<u>45,740</u>	<u>4,830</u>	<u>3,948</u>
-	398,800	-	13,088	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>398,800</u>	-	<u>13,088</u>	-	-
-	(45,634)	-	32,652	4,830	3,948
-	-	-	-	4,410,000	-
-	-	-	(35,808)	(731,200)	-
-	-	-	(35,808)	<u>3,678,800</u>	-
-	(45,634)	-	(3,156)	3,683,630	3,948
<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>\$ 2,148</u>	<u>\$ 219,174</u>	<u>\$ 3,054</u>	<u>\$ 23,153</u>	<u>\$ 7,151,369</u>	<u>\$ 5,133</u>

KANAWHA COUNTY, WEST VIRGINIA

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

Year Ended June 30, 2013

	Unemployment Compensation	Day Reporting Collection	Special Prosecuting Attorney	Drug Court Program
Revenues:				
Taxes (including interest and penalties)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	52,768	-	-
Interest	47	-	-	-
Miscellaneous	-	-	39,545	10,354
Total revenues	<u>47</u>	<u>52,768</u>	<u>39,545</u>	<u>10,354</u>
Expenditures:				
General government	10,989	-	18,915	3,472
Public safety	-	-	252	-
Health and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>10,989</u>	<u>-</u>	<u>19,167</u>	<u>3,472</u>
Excess (deficiency) of revenues over expenditures	(10,942)	52,768	20,378	6,882
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(28,500)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(28,500)</u>	<u>-</u>
Net change in fund balances	(10,942)	52,768	(8,122)	6,882
Fund balances, beginning of year	<u>58,523</u>	<u>36,952</u>	<u>65,090</u>	<u>6,884</u>
Fund balances, end of year	<u>\$ 47,581</u>	<u>\$ 89,720</u>	<u>\$ 56,968</u>	<u>\$ 13,766</u>

See Independent Auditor's Report.

Special Law Enforcement Investigations	Capital Equipment	Special Health Insurance	Parking Facility	Project 301 Bonds	Total General Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,597,932
-	-	-	-	-	186,047
-	-	-	-	-	619,599
-	-	-	-	-	337,897
-	-	-	-	-	436,516
-	-	-	-	-	1,918,831
4	-	135	2	91	12,991
<u>18,850</u>	<u>10,085</u>	<u>1,633,875</u>	<u>-</u>	<u>-</u>	<u>4,254,875</u>
<u>18,854</u>	<u>10,085</u>	<u>1,634,010</u>	<u>2</u>	<u>91</u>	<u>51,364,688</u>
-	486,909	6,024,052	-	73,648	26,713,844
-	-	-	-	-	14,238,996
-	-	-	-	-	588,542
-	-	-	-	-	5,014,491
-	-	-	-	-	310,336
-	<u>486,909</u>	<u>6,024,052</u>	<u>-</u>	<u>73,648</u>	<u>46,866,209</u>
18,854	(476,824)	(4,390,042)	2	(73,557)	4,498,479
14,937	390,781	4,444,554	-	-	9,641,916
-	-	-	-	-	(12,124,864)
<u>14,937</u>	<u>390,781</u>	<u>4,444,554</u>	<u>-</u>	<u>-</u>	<u>(2,482,948)</u>
33,791	(86,043)	54,512	2	(73,557)	2,015,531
-	<u>339,357</u>	<u>(61,762)</u>	<u>729</u>	<u>109,259</u>	<u>8,069,713</u>
<u>\$ 33,791</u>	<u>\$ 253,314</u>	<u>\$ (7,250)</u>	<u>\$ 731</u>	<u>\$ 35,702</u>	<u>\$ 10,085,244</u>

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

To the Commission of
Kanawha County
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 5, 2014. In our report, we expressed an unmodified opinion on the primary government financial statements, a disclaimer of opinion on the exclusion of aggregate discretely presented component units, and a qualified opinion on the exclusion of aggregate remaining fund information.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

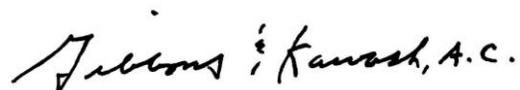
opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
March 5, 2014

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

To the Commission of
Kanawha County
Charleston, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Kanawha County, West Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

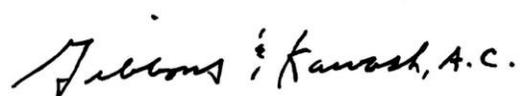
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Charleston, West Virginia
March 5, 2014

KANAWHA COUNTY, WEST VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2013

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Drug Court Grant	16.585	-	\$ 22,297
Mental Health Grant	16.745	-	5,986
Passed through State of West Virginia, Division of Criminal Justice Services:			
Victim Assistance (VOCA)-Sheriff	16.575	11-VA-045	55,853
Juvenile Accountability Block Grant	16.523	09-ABG-022	20,000
STOP Violence Against Women	16.588	09-VAW-019	2,665
STOP Violence Against Women	16.588	10-VAW-015	20,774
STOP Violence Against Women	16.588	11-VAW-021	68,495
<u>U.S. Department of Homeland Security</u>			
Passed through State of West Virginia, Division of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance	97.036	FEMA-0493-DR-WV	40,038
Disaster Grants - Public Assistance	97.036	FEMA-0471-DR-WV	86,669
Hazard Mitigation Grant	97.039	FEMA-1918-DR-WV-0002	13,934
Hazard Mitigation Grant	97.039	FEMA-1903-DR-WV-0003	20,582
Homeland Security Formula Grant	97.067	10-SHS-43	8,507
Homeland Security Formula Grant	97.067	10-SHS-12	69,672
Emergency Management Planning Grant	97.042	12-EMPG-020	184,126
			<u>\$ 619,598</u>

KANAWHA COUNTY, WEST VIRGINIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - BASIS OF PRESENTATION

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

KANAWHA COUNTY, WEST VIRGINIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____	yes	___X___	no
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KANAWHA COUNTY, WEST VIRGINIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

Year Ended June 30, 2013

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance
97.042	Emergency Management Planning Grant

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

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

Section II - Financial Statement Findings

2013-001 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 transactions and reconciliations which support the amounts reported in the financial statements.

Condition:

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

Context:

The total assets and liabilities reported by the Sherriff's fiduciary funds were \$6,065,322 and \$92,422, respectively, at June 30, 2013.

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 overstated by \$323,203, total liabilities were overstated by \$37,000, total additions were overstated by \$602,548, total deductions were understated by \$189,242, and beginning net assets were understated by \$351,356.

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

Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

2013-001 RECONCILIATION, REVIEW, AND APPROVAL (Continued)

Cause:

The Sherriff's Tax Office has not established procedures requiring timely and documented supervisory review and approval over the fiduciary accounts, and uses a series of software based spreadsheets to record all activity, which contained several clerical errors.

Recommendation:

A policy should be established that requires supervisory review procedures over the monthly financial reporting for the Sheriff's fiduciary fund to be performed in a timely manner by an individual that is independent of recording transactions and compiling balances, valuing assets and liabilities in custody, the cash disbursement function, cash receipts function, and the reconciliation process. This timely review should be documented by the independent individual performing the control procedure. The policy should be monitored and enforced by the Sherriff's Tax Office. In addition, we recommend that accounting software be procured and implemented to record and maintain the balances and activity of the Sheriff's fiduciary fund.

Views of responsible officials:

During the second half of 2012 The Accounting Manager retired and the Senior Accountant who was to replace the Accounting Manager left to pursue another career. This was a great loss of experience and it created a temporary lapse in segregation of duties. In addition, the individual hired to replace the Senior Accountant in 2013 was summarily terminated for performance issues. All of these issues have since been addressed, and the personnel in place now have a better understanding of the system and policies in place. Also, we are in the process of rewriting all Tax Division policies and procedures. Almost all of the events leading to misstatement have already been rectified, and are actively in place. The only issue remaining is whether or not commercial/custom software is available that staff can utilize.

The Accounting Manager is responsible for review of all financial documents prepared by the Senior Accountant and shall indicate such review by stamping the office copy with an approval stamp initialed and dated as to review. The Chief Tax Deputy is responsible for oversight that all policies and procedures are being followed. With respect to the use of spreadsheets versus a pre-packaged software or custom software, the Chief Tax Deputy will review all available products and/or programming services to see if commercial software is available to support the functions and reporting required of the Sheriff's Fiduciary Fund.

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

Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

2013-002 FINANCIAL STATEMENT CUTOFF

Criteria:

In accordance with generally accepted accounting principles, accounts receivable reported in the financial statements should include revenue earned but not received by the County as of the balance sheet date.

Condition:

We noted that accounts receivable balances reported in unaudited financial statements did not include all significant revenues and receivables earned by the County as of June 30, 2013.

Context:

Taxes receivable were understated by \$784,185 in the unaudited financial statements of the agency funds. Accounts receivable and revenue were understated by \$162,292 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 and related accruals in accordance with generally accepted accounting principles.

Recommendation:

Management should establish procedures to identify and record in the County's financial statements all receivables and any related revenues that are available and measurable as of the balance sheet date, in accordance with generally accepted accounting principles.

Views of responsible officials:

The County Clerk's Office will provide draft copies of the core financial statements to the commission for review and proofing a week prior to the meeting on which the financial statements are to be approved. This will allow the commission to proof the financial statements for completion to ensure that the taxes receivable are properly recorded.

The Clerk's Office will request that the Sheriff's Tax office begin entering more description in the information fields on the cash receipts in the general ledger as to the time periods or quarters the receipts are for so they may be recorded correctly in the general ledger.

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

Year Ended June 30, 2013

Section III - Federal Award Findings and Questioned Costs

None were noted.

KANAWHA COUNTY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

Prior Year Audit Findings:

Audit finding 2012-1 has been repeated in finding 2013-001.

Audit finding 2012-2 has been corrected.

Audit finding 2012-3 has been partially repeated in finding 2013-002.

Audit finding 2012-4 has been corrected

Corrective Action Plan Provided by Management:

See the view of responsible officials identified at findings 2013-001 through 2013-002 for planned corrective action.