

CITY OF HUNTINGTON, WEST VIRGINIA

A CLASS I MUNICIPALITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

**CITY OF HUNTINGTON, WEST VIRGINIA
MUNICIPAL OFFICIALS
JUNE 30, 2011**

| <u>Office</u> | <u>Name</u> | <u>Term</u> |
|------------------|--------------------|-------------------|
| Mayor: | Kim A. Wolfe | 01/01/09-12/31/12 |
| Council Members: | James Ritter | 01/01/09-12/31/12 |
| | Teresa Loudermilk | 01/01/09-12/31/12 |
| | Frances Jackson | 01/01/09-12/31/12 |
| | Nate Randolph | 01/01/09-12/31/12 |
| | Sandra M. Clements | 01/01/09-12/31/12 |
| | Mark A. Bates | 01/01/09-12/31/12 |
| | Scott Caserta | 01/01/09-12/31/12 |
| | Russell A. Houck | 01/01/09-12/31/12 |
| | James N. Insko | 01/01/09-12/31/12 |
| | Steve Williams | 01/01/09-12/31/12 |
| | Rebecca Thacker | 01/01/09-12/31/12 |

Appointive

| | |
|--|---------------------|
| Director of Administration and Finance: | Brandi Jacobs-Jones |
| Finance Director: | Deron Runyon |
| City Attorney: | Scott E. McClure |
| City Clerk: | Barbara Nelson |

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FUNDS
YEAR ENDED JUNE 30, 2011**

GOVERNMENTAL ACTIVITIES

Major Governmental Funds

*General Fund
Coal Severance Tax
Community Development Block Grant*

Other Governmental Funds

*Capital Improvement
Huntington Urban Renewal
Civic Arena
Landfill Reserve
Safety Town
Floodwall
Federal Drug
Special Paving and Sewer Assessment
Westmoreland Fire Protection
Civic Arena Surcharge
Jean Dean Public Safety Building
Workers' Compensation*

BUSINESS TYPE ACTIVITIES

Proprietary Funds

*Municipal Development Authority
Municipal Parking Board
Sanitation and Trash*

FIDUCIARY FUNDS

Pension Trust Funds

*Policemen's Pension and Relief
Firemen's Pension and Relief*

Expendable Trust Funds

*Police Retirees' Insurance
Fire Retirees' Insurance*

COMPONENT UNIT

Huntington Sanitary Board

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SULLIVANWEBB, PLLC

CERTIFIED PUBLIC ACCOUNTANTS
422 KINETIC DRIVE - P.O. BOX 2745
HUNTINGTON, WEST VIRGINIA 25727-2745
TELEPHONE: (304) 697-0565
FACSIMILE: (304) 697-0567
WWW.SULLIVANWEBB.COM

BRUCE I. SULLIVAN, CPA
CHARLES D. WEBB, MBA, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
WV SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of Huntington
Huntington, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Huntington, West Virginia, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Huntington, West Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Huntington, West Virginia, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that City of Huntington, West Virginia, will continue as a going concern. As discussed in Note 21 to the financial statements, a deficiency of revenues under expenditures was incurred in the City's General Fund, and a net operating loss was incurred in the Sanitation and Trash proprietary fund. Also, the city has large unfunded liabilities for its Policemen's and Firemen's pension plans and other post-employment benefits.

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | |
| | ASSETS | | | |
| Cash and cash equivalents | \$ 2,420,204 | \$ 1,089,538 | \$ 3,509,742 | \$ 500,786 |
| Investments | 2,509,919 | -0- | 2,509,919 | -0- |
| Taxes receivable, net | 69,793 | -0- | 69,793 | -0- |
| Accounts receivable, net | 2,230,834 | 4,539,868 | 6,770,702 | 1,085,406 |
| Reimbursements receivable | -0- | -0- | -0- | 119,871 |
| Loans and notes receivable | 11,354,798 | -0- | 11,354,798 | -0- |
| Inventories | 120,731 | -0- | 120,731 | 18,632 |
| Prepays | 163,800 | 22,179 | 185,979 | 108,993 |
| Deposits | -0- | 124,000 | 124,000 | -0- |
| Assets held for investment | 405,319 | -0- | 405,319 | -0- |
| Restricted assets: | | | | |
| Cash and cash equivalents | -0- | 5,035,561 | 5,035,561 | 3,244,561 |
| Intergovernmental receivable | 602,538 | 122,305 | 724,843 | 132,570 |
| Deferred debt expense, net | -0- | 136,459 | 136,459 | 393,015 |
| Capital assets, net of accumulated depreciation | <u>11,561,545</u> | <u>16,372,142</u> | <u>27,933,687</u> | <u>33,876,367</u> |
| TOTAL ASSETS | <u>31,439,481</u> | <u>27,442,052</u> | <u>58,881,533</u> | <u>39,480,201</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2011**

| | Primary Government | | | Component <u>Unit</u> |
|---|----------------------------|-----------------------------|------------------------|--------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expense | \$ 901,803 | \$ 203,985 | \$ 1,105,788 | \$ 426,629 |
| Wages and benefits payable | 684,677 | 58,924 | 743,601 | 91,862 |
| Compensated absences, current | 1,338,009 | 249,362 | 1,587,371 | 78,237 |
| Lease obligations payable, current | 613,381 | 118,353 | 731,734 | -0- |
| Bonds and notes payable, current | 255,265 | 753,426 | 1,008,691 | 1,253,825 |
| Due to other entities | 78,755 | -0- | 78,755 | -0- |
| Deferred revenue | 2,715,737 | 7,042 | 2,722,779 | -0- |
| Interest payable | -0- | 3,405 | 3,405 | 249,892 |
| Intergovernmental payable | 3,520,221 | 437,639 | 3,957,860 | -0- |
| Lease obligation payable, non-current | 2,366,257 | 135,753 | 2,502,010 | -0- |
| Bonds and notes payable, non-current | -0- | 12,513,785 | 12,513,785 | 12,229,850 |
| Net pension obligation | 52,736,017 | -0- | 52,736,017 | -0- |
| Other post-employment benefits | 21,011,027 | 402,084 | 21,413,111 | 1,225,020 |
| Unclaimed property | <u>2,236</u> | <u>-0-</u> | <u>2,236</u> | <u>-0-</u> |
| TOTAL LIABILITIES | <u>86,223,385</u> | <u>14,883,758</u> | <u>101,107,143</u> | <u>15,555,315</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 8,581,907 | 5,487,284 | 14,069,191 | 20,439,940 |
| Restricted for: | | | | |
| Capital improvements and debt service | -0- | 5,032,156 | 5,032,156 | 3,244,561 |
| Community Development | 12,598,783 | -0- | 12,598,783 | -0- |
| Other purposes | 2,822,712 | -0- | 2,822,712 | -0- |
| Unrestricted (deficit) | <u>(78,787,306)</u> | <u>2,038,854</u> | <u>(76,748,452)</u> | <u>240,385</u> |
| TOTAL NET ASSETS (DEFICIT) | <u>\$ (54,783,904)</u> | <u>\$ 12,558,294</u> | <u>\$ (42,225,610)</u> | <u>\$ 23,924,886</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> | |
|---|----------------------|-------------------------------------|---|---|-------------------------------|---------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Primary Government</u> | <u>Component Unit</u> |
| FUNCTIONS/PROGRAMS: | | | | | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 14,887,285 | \$ 2,015,974 | \$ 399,758 | \$ -0- | \$ (12,471,553) | |
| Public safety | 28,981,307 | 9,200,730 | 2,206,240 | 183,313 | (17,391,024) | |
| Highways and streets | 2,893,629 | 1,069,928 | -0- | -0- | (1,823,701) | |
| Health and sanitation | 225,510 | 70,557 | 20,734 | -0- | (134,219) | |
| Culture and recreation | 4,530,399 | 2,373,871 | 725,033 | -0- | (1,431,495) | |
| Community development | 4,016,812 | -0- | 1,813,034 | 2,749,821 | 546,043 | |
| Social services | 1,129 | -0- | 92,087 | -0- | 90,958 | |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>55,536,071</u> | <u>14,731,060</u> | <u>5,256,886</u> | <u>2,933,134</u> | <u>(32,614,991)</u> | |
| BUSINESS-TYPE ACTIVITIES: | | | | | | |
| Municipal Development Authority | 1,697,952 | 74,164 | 807,397 | -0- | (816,391) | |
| Municipal Parking Board | 915,877 | 946,883 | -0- | -0- | 31,006 | |
| Sanitation and Trash | 3,131,932 | 2,734,236 | -0- | -0- | (397,696) | |
| TOTAL BUSINESS-TYPE ACTIVITIES | <u>5,745,761</u> | <u>3,755,283</u> | <u>807,397</u> | <u>-0-</u> | <u>(1,183,081)</u> | |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 61,281,832</u> | <u>\$ 18,486,343</u> | <u>\$ 6,064,283</u> | <u>\$ 2,933,134</u> | <u>\$ (33,798,072)</u> | |
| COMPONENT UNIT: | | | | | | |
| Sanitary Board | \$ <u>10,858,529</u> | \$ <u>9,728,303</u> | \$ <u>1,801</u> | \$ <u>-0-</u> | <u>\$(1,128,425)</u> | |

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2011**

| | Primary Government | | | Component |
|---|------------------------|-----------------------|------------------------|-----------------------|
| | Governmental | Business-type | Total | Unit |
| | Activities | Activities | Total | |
| CHANGE IN NET ASSETS: | | | | |
| Net (expense) revenue | \$ <u>(32,614,991)</u> | \$ <u>(1,183,081)</u> | \$ <u>(33,798,072)</u> | \$ <u>(1,128,425)</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | 5,043,368 | -0- | 5,043,368 | -0- |
| B&O taxes | 15,793,148 | -0- | 15,793,148 | -0- |
| Excise tax on utilities | 2,193,688 | -0- | 2,193,688 | -0- |
| Alcohol beverage tax | 539,181 | -0- | 539,181 | -0- |
| Hotel/motel | 452,726 | -0- | 452,726 | -0- |
| Other taxes | 95,621 | -0- | 95,621 | -0- |
| Interest and investment income | 20,056 | 70,968 | 91,024 | 5,478 |
| Franchise fees | 556,303 | -0- | 556,303 | -0- |
| License and permits | 371,899 | -0- | 371,899 | -0- |
| Fines and fees | 606,960 | -0- | 606,960 | 145,852 |
| TIF revenue | -0- | 49,416 | 49,416 | -0- |
| Other | 515,025 | 3,406 | 518,431 | 20,289 |
| Transfers and Special Items: | | | | |
| Transfers | (674,071) | 674,071 | -0- | -0- |
| Gain (loss) on sale of assets | 30,610 | (2,415,208) | (2,384,598) | -0- |
| Proceeds from seized assets | 12,350 | -0- | 12,350 | -0- |
| Litigation Settlement | -0- | (6,600) | (6,600) | -0- |
| TOTAL GENERAL REVENUES AND TRANSFERS | <u>25,556,864</u> | <u>(1,623,947)</u> | <u>23,932,917</u> | <u>171,619</u> |
| CHANGE IN NET ASSETS | <u>(7,058,127)</u> | <u>(2,807,028)</u> | <u>(9,865,155)</u> | <u>(956,806)</u> |
| NET ASSETS, BEGINNING (DEFICIT) (See Note16) | <u>(47,725,777)</u> | <u>15,365,322</u> | <u>(32,360,455)</u> | <u>24,881,692</u> |
| NET ASSETS, ENDING (DEFICIT) | \$ <u>(54,783,904)</u> | \$ <u>12,558,294</u> | \$ <u>(42,225,610)</u> | \$ <u>23,924,886</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

| | General | Coal Severance Tax | CDBG | Other Governmental Funds | Total Governmental Funds |
|--|----------------------------|--------------------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,070,137 | \$ 33,737 | \$ 63,611 | \$ 1,252,719 | \$ 2,420,204 |
| Investments | 893,707 | -0- | -0- | 1,616,212 | 2,509,919 |
| Taxes receivable | 69,793 | -0- | -0- | -0- | 69,793 |
| Accounts receivable, net | 544,796 | -0- | 1,243,985 | 442,053 | 2,230,834 |
| Loans receivable | -0- | -0- | 11,354,798 | -0- | 11,354,798 |
| Inventory | 77,857 | -0- | -0- | 42,874 | 120,731 |
| Due from other funds | 1,400,101 | -0- | -0- | 155,798 | 1,555,899 |
| Intergovernmental receivable | 576,734 | -0- | 25,804 | -0- | 602,538 |
| Prepaid expenses | 138,507 | -0- | -0- | 25,293 | 163,800 |
| Assets held for investments | -0- | -0- | -0- | 405,319 | 405,319 |
| TOTAL ASSETS | \$ <u>4,771,632</u> | \$ <u>33,737</u> | \$ <u>12,688,198</u> | \$ <u>3,940,268</u> | \$ <u>21,433,835</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 708,976 | \$ -0- | \$ 60,554 | \$ 132,273 | \$ 901,803 |
| Accrued payroll and related liabilities | 659,185 | -0- | -0- | 25,492 | 684,677 |
| Line of credit | -0- | -0- | -0- | 255,265 | 255,265 |
| Due to other funds | 3,983,064 | -0- | 121,146 | 864,307 | 4,968,517 |
| Intergovernmental payable | 107,603 | -0- | -0- | -0- | 107,603 |
| Unclaimed property | -0- | -0- | -0- | 2,236 | 2,236 |
| Due to other entities | -0- | -0- | -0- | 78,755 | 78,755 |
| Deferred revenue | <u>399,628</u> | <u>-0-</u> | <u>2,060,115</u> | <u>255,994</u> | <u>2,715,737</u> |
| TOTAL LIABILITIES | <u>5,858,456</u> | <u>-0-</u> | <u>2,241,815</u> | <u>1,614,322</u> | <u>9,714,593</u> |
| Fund Balances | | | | | |
| Nonspendable | 216,364 | -0- | -0- | 68,167 | 284,531 |
| Restricted | -0- | -0- | 12,598,783 | -0- | 12,598,783 |
| Committed | -0- | -0- | -0- | -0- | -0- |
| Assigned | -0- | 33,737 | -0- | 2,504,444 | 2,538,181 |
| Unassigned | <u>(1,303,188)</u> | <u>-0-</u> | <u>(2,152,400)</u> | <u>(246,665)</u> | <u>(3,702,253)</u> |
| TOTAL FUND BALANCES | <u>(1,086,824)</u> | <u>33,737</u> | <u>10,446,383</u> | <u>2,325,946</u> | <u>11,719,242</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>4,771,632</u> | \$ <u>33,737</u> | \$ <u>12,688,198</u> | \$ <u>3,940,268</u> | \$ <u>21,433,835</u> |

CITY OF HUNTINGTON, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

| | |
|---|------------------------|
| Total Fund Balance - Total Governmental Funds | \$ 11,719,242 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets of \$ 35,406,453, net of accumulated depreciation of 23,844,908 are not financial resources and, therefore, are not reported in the funds. | 11,561,545 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include compensated absences of \$ 1,338,009 and capital lease obligations of \$ 2,979,638 | (4,317,647) |
| Other post employment benefits are not due and payable in the current period and are not reported in the funds. | (21,011,027) |
| Long-term net pension obligations are not due and payable in the current period and are not reported in the funds. | <u>(52,736,017)</u> |
| Net Assets of Governmental Activities (Deficit) | \$ <u>(54,783,904)</u> |

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

| | General | Coal Severance Tax | CDBG | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|--------------------------|----------------------|--------------------------------|--------------------------------|
| REVENUE | | | | | |
| Taxes | \$ 24,117,732 | \$ -0- | \$ -0- | \$ -0- | \$ 24,117,732 |
| Intergovernmental: | | | | | |
| Federal | 1,330,261 | -0- | 4,418,185 | -0- | 5,748,446 |
| State | 1,034,642 | 258,697 | -0- | -0- | 1,293,339 |
| Licenses and permits | 371,899 | -0- | -0- | -0- | 371,899 |
| Fines and fees | 553,630 | -0- | -0- | 53,330 | 606,960 |
| Rentals | -0- | -0- | -0- | 767,382 | 767,382 |
| Contributions | 41,887 | -0- | -0- | 929,367 | 971,254 |
| Interest | 2,193 | 39 | 15,316 | 2,508 | 20,056 |
| Charges for services | 10,855,436 | -0- | -0- | 1,680,913 | 12,536,349 |
| Health insurance premium charges | 1,049,442 | -0- | -0- | -0- | 1,049,442 |
| Franchise fees | 556,303 | -0- | -0- | -0- | 556,303 |
| Tax redemption income, net | -0- | -0- | -0- | 16,073 | 16,073 |
| Reimbursements | -0- | -0- | -0- | 377,887 | 377,887 |
| Rebates | -0- | -0- | -0- | 92,656 | 92,656 |
| Miscellaneous | 376,651 | -0- | -0- | 29,645 | 406,296 |
| TOTAL REVENUES | <u>40,290,076</u> | <u>258,736</u> | <u>4,433,501</u> | <u>3,949,761</u> | <u>48,932,074</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 14,734,963 | -0- | -0- | 39,109 | 14,774,072 |
| Public safety | 23,845,729 | -0- | -0- | 703,433 | 24,549,162 |
| Highways and streets | 2,181,645 | -0- | -0- | -0- | 2,181,645 |
| Health and sanitation | 191,703 | -0- | -0- | 7,647 | 199,350 |
| Culture and recreation | 1,132,598 | 299,017 | -0- | 2,825,710 | 4,257,325 |
| Community development | -0- | -0- | 4,636,106 | -0- | 4,636,106 |
| Capital Outlay | 1,538,566 | -0- | -0- | 64,411 | 1,602,977 |
| TOTAL EXPENDITURES | <u>43,625,204</u> | <u>299,017</u> | <u>4,636,106</u> | <u>3,640,310</u> | <u>52,200,637</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(3,335,128)</u> | <u>(40,281)</u> | <u>(202,605)</u> | <u>309,451</u> | <u>(3,268,563)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 176,981 | -0- | -0- | -0- | 176,981 |
| Transfer out | -0- | -0- | -0- | (145,000) | (145,000) |
| Sale of assets | 30,610 | -0- | -0- | -0- | 30,610 |
| Proceeds from capital lease | 1,538,566 | -0- | -0- | -0- | 1,538,566 |
| NET OTHER FINANCING SOURCES (USES) | <u>1,746,157</u> | <u>-0-</u> | <u>-0-</u> | <u>(145,000)</u> | <u>1,601,157</u> |
| NET CHANGE IN FUND BALANCES | (1,588,971) | (40,281) | (202,605) | 164,451 | (1,667,406) |
| Fund balance, beginning (See Note 16) | 502,147 | 74,018 | 10,648,988 | 2,161,495 | 13,386,648 |
| FUND BALANCE, ENDING | <u>\$ (1,086,824)</u> | <u>\$ 33,737</u> | <u>\$ 10,446,383</u> | <u>\$ 2,325,946</u> | <u>\$ 11,719,242</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (1,667,406)

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

Certain receivables will be collected this year but are not available soon enough to pay for the current period's expenditures. This is the amount by which such receivables increased (decreased). 182

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. The effect on net assets is the amount by which capital outlays exceeded depreciation in the current period.

| | |
|----------------------|-------------|
| Depreciation expense | (1,673,207) |
| Capital outlays | 2,363,833 |
| Seized assets | 12,350 |

Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.

| | |
|---|----------|
| Cost of assets disposed | (27,100) |
| Accumulated depreciation of assets disposed | 27,100 |

Capital lease proceeds are reported as liabilities in the statement of net assets instead of other financing sources in the governmental funds. (1,538,566)

The payment of the principal of long-term debt (e.g. leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on net assets. 657,787

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

| | |
|--------------------------------|-------------|
| Accrued compensated absences | (101,798) |
| Other post-employment benefits | (5,852,726) |

The current years changes to the net pension decreased net expenses of pensionable function on the statement of activities. 741,424

Change in Net Assets of Governmental Activities \$ (7,058,127)

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - COMPONENT UNIT
YEAR ENDED JUNE 30, 2011**

| | <u>Huntington Sanitary Board</u> |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 9,395,008 |
| Cash paid for goods and services | (4,797,973) |
| Cash paid for taxes | (2,633,014) |
| Interest and other income | 23,966 |
| Interest paid and other expense | <u>(636,612)</u> |
| NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES | <u>1,351,375</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Proceeds from long-term debt | 2,479,548 |
| Retirement of long-term debt | (1,151,951) |
| Bond issuance costs | (25,500) |
| Contribution | <u>1,801</u> |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>1,303,898</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of fixed assets | <u>(3,056,477)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (401,204) |
| CASH AND CASH EQUIVALENTS, JULY 1, (INCLUDING \$3,537,055 IN RESTRICTED ACCOUNTS) | <u>4,146,551</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, (INCLUDING \$3,244,561 IN RESTRICTED ACCOUNTS) | <u>\$ 3,745,347</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2011**

| | <u>Huntington Sanitary Board</u> |
|---|--|
| RECONCILIATION OF NET OPERATING INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES: | |
| Net operating income | \$ <u>(958,607)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 2,285,636 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (354,086) |
| Increase reimbursements receivable | (119,871) |
| Increase in deposits and prepaid assets | (56,161) |
| Decrease in taxes payable | (8,888) |
| Decrease in accounts payable and accrued expenses | (94,479) |
| Increase in other post employment benefits | 470,598 |
| Increase in accrued interest | 189,943 |
| Increase in materials and supplies inventory | <u>(2,710)</u> |
| TOTAL ADJUSTMENTS | <u>2,309,982</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ <u>1,351,375</u> |

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011

| | Huntington Municipal Development Authority | Municipal Parking Board | Sanitation and Trash | Total |
|---|---|----------------------------|-------------------------|-------------------|
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 740,788 | \$ 249,497 | \$ 99,253 | \$ 1,089,538 |
| Accounts receivable - rents | -0- | 2,260 | -0- | 2,260 |
| Accounts receivable - other, net | 4,071,933 | -0- | 465,675 | 4,537,608 |
| Prepaid expenses | -0- | 9,189 | 12,990 | 22,179 |
| Due from other funds | -0- | 20,681 | 101,624 | 122,305 |
| Deposits - TIF Project | <u>124,000</u> | <u>-0-</u> | <u>-0-</u> | <u>124,000</u> |
| TOTAL CURRENT ASSETS | <u>4,936,721</u> | <u>281,627</u> | <u>679,542</u> | <u>5,897,890</u> |
| RESTRICTED ASSETS: | | | | |
| Cash | 4,769,738 | -0- | -0- | 4,769,738 |
| Deposits with Municipal Bond Commission (cash equivalents) | <u>-0-</u> | <u>265,823</u> | <u>-0-</u> | <u>265,823</u> |
| TOTAL RESTRICTED ASSETS | <u>4,769,738</u> | <u>265,823</u> | <u>-0-</u> | <u>5,035,561</u> |
| NON-CURRENT ASSETS: | | | | |
| Property and equipment, net | 12,468,733 | 3,372,837 | 530,572 | 16,372,142 |
| Deferred debt expense, net | <u>122,731</u> | <u>13,728</u> | <u>-0-</u> | <u>136,459</u> |
| TOTAL NON-CURRENT ASSETS | <u>12,591,464</u> | <u>3,386,565</u> | <u>530,572</u> | <u>16,508,601</u> |
| TOTAL ASSETS | <u>22,297,923</u> | <u>3,934,015</u> | <u>1,210,114</u> | <u>27,442,052</u> |

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2011

| | Huntington Municipal Development Authority | Municipal Parking Board | Sanitation and Trash | Total |
|---|---|----------------------------|-------------------------|----------------------|
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable and accrued expenses | \$ 187,716 | \$ 781 | \$ 15,488 | \$ 203,985 |
| Accrued payroll and related liability | -0- | 14,993 | 43,931 | 58,924 |
| Due to other funds | -0- | 4,897 | 432,742 | 437,639 |
| Deferred revenue | -0- | 7,042 | -0- | 7,042 |
| Compensated absences | -0- | 136,038 | 113,324 | 249,362 |
| Capital lease obligations | -0- | -0- | 118,353 | 118,353 |
| TOTAL CURRENT LIABILITIES | <u>187,716</u> | <u>163,751</u> | <u>723,838</u> | <u>1,075,305</u> |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS: | | | | |
| Revenue bonds payable | 250,000 | 158,426 | -0- | 408,426 |
| Revenue bond interest payable | -0- | 3,405 | -0- | 3,405 |
| HUD loans payable | <u>345,000</u> | <u>-0-</u> | <u>-0-</u> | <u>345,000</u> |
| TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS | <u>595,000</u> | <u>161,831</u> | <u>-0-</u> | <u>756,831</u> |
| LONG-TERM LIABILITIES NET OF CURRENT PORTION: | | | | |
| Capital lease obligations | -0- | -0- | 135,753 | 135,753 |
| Revenue bonds payable | 8,655,000 | 1,493,758 | -0- | 10,148,758 |
| HUD loans payable | 1,250,000 | -0- | -0- | 1,250,000 |
| Notes payable | 1,115,027 | -0- | -0- | 1,115,027 |
| Net other post-employment benefits obligation | <u>5,004</u> | <u>40,890</u> | <u>356,190</u> | <u>402,084</u> |
| TOTAL LONG-TERM LIABILITIES | <u>11,025,031</u> | <u>1,534,648</u> | <u>491,943</u> | <u>13,051,622</u> |
| TOTAL LIABILITIES | <u>11,807,747</u> | <u>1,860,230</u> | <u>1,215,781</u> | <u>14,883,758</u> |
| NET ASSETS: | | | | |
| Invested in capital assets net of related debt | 3,476,437 | 1,734,381 | 276,466 | 5,487,284 |
| Restricted | 4,769,738 | 262,418 | -0- | 5,032,156 |
| Unrestricted (deficit) | <u>2,244,001</u> | <u>76,986</u> | <u>(282,133)</u> | <u>2,038,854</u> |
| TOTAL NET ASSETS | <u>\$ 10,490,176</u> | <u>\$ 2,073,785</u> | <u>\$ (5,667)</u> | <u>\$ 12,558,294</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

| | Huntington Municipal Development Authority | Municipal Parking Board | Sanitation and Trash | Total |
|---|---|----------------------------|----------------------------|---------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 10,000 | \$ 861,400 | \$ 2,734,236 | \$ 3,605,636 |
| Rent | 64,164 | 77,512 | -0- | 141,676 |
| Other | <u>-0-</u> | <u>7,971</u> | <u>-0-</u> | <u>7,971</u> |
| TOTAL OPERATING REVENUES | <u>74,164</u> | <u>946,883</u> | <u>2,734,236</u> | <u>3,755,283</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 130,369 | 511,689 | 1,971,650 | 2,613,708 |
| Contractual services | 1,650 | 24,456 | 672,205 | 698,311 |
| Supplies and materials | -0- | 19,749 | 147,874 | 167,623 |
| Utilities | 7,226 | 47,393 | 9,695 | 64,314 |
| Depreciation | 121,086 | 187,170 | 113,293 | 421,549 |
| Maintenance | 2,734 | 33,257 | 112,945 | 148,936 |
| Administrative and general | 54,194 | 49,491 | 91,980 | 195,665 |
| Taxes and assessments | <u>8,352</u> | <u>-0-</u> | <u>-0-</u> | <u>8,352</u> |
| TOTAL OPERATING EXPENSES | <u>325,611</u> | <u>873,205</u> | <u>3,119,642</u> | <u>4,318,458</u> |
| NET OPERATING INCOME | <u>(251,447)</u> | <u>73,678</u> | <u>(385,406)</u> | <u>(563,175)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Contributions | 648,118 | -0- | -0- | 648,118 |
| Investment income | 70,284 | 558 | 126 | 70,968 |
| The Housing Development Corp. | 43,640 | -0- | -0- | 43,640 |
| Public Service Fund | 115,639 | -0- | -0- | 115,639 |
| TIF revenue | 49,416 | -0- | -0- | 49,416 |
| Interest and fiscal charges | (664,741) | (41,227) | (12,290) | (718,258) |
| Depreciation | (540,646) | -0- | -0- | (540,646) |
| Amortization | (14,416) | (1,445) | -0- | (15,861) |
| Consulting services | (132,000) | -0- | -0- | (132,000) |
| Transfer in | 674,071 | -0- | -0- | 674,071 |
| Miscellaneous | (20,538) | (6,600) | 3,406 | (23,732) |
| Loss on sale of fixed assets | <u>(2,415,208)</u> | <u>-0-</u> | <u>-0-</u> | <u>(2,415,208)</u> |
| NET NONOPERATING REVENUES (EXPENSES) | <u>(2,186,381)</u> | <u>(48,714)</u> | <u>(8,758)</u> | <u>(2,243,853)</u> |
| CHANGE IN NET ASSETS | <u>(2,437,828)</u> | <u>24,964</u> | <u>(394,164)</u> | <u>(2,807,028)</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>12,928,004</u> | <u>2,048,821</u> | <u>388,497</u> | <u>15,365,322</u> |
| NET ASSETS, END OF YEAR | <u>\$ 10,490,176</u> | <u>\$ 2,073,785</u> | <u>\$ (5,667)</u> | <u>\$12,558,294</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

| | Huntington Municipal Development Authority | Municipal Parking Board | Sanitation and Trash | Total |
|---|---|----------------------------|----------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 10,000 | \$ 939,634 | \$ 2,735,045 | \$ 3,684,679 |
| Cash paid for goods and services | (233,459) | (173,433) | (782,414) | (1,189,306) |
| Other cash receipts | 64,161 | 7,971 | 111,799 | 183,931 |
| Cash paid to employees | (130,057) | (477,661) | (1,868,286) | (2,476,004) |
| Other cash payments | <u>(257,028)</u> | <u>(13,309)</u> | <u>-0-</u> | <u>(270,337)</u> |
| NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES | <u>(546,383)</u> | <u>283,202</u> | <u>196,144</u> | <u>(67,037)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers | 674,071 | -0- | -0- | 674,071 |
| Contributions | 807,396 | -0- | -0- | 807,396 |
| TIF revenue | 49,416 | -0- | -0- | 49,416 |
| Miscellaneous | <u>(25,538)</u> | <u>(6,600)</u> | <u>3,406</u> | <u>(28,732)</u> |
| NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>1,505,345</u> | <u>(6,600)</u> | <u>3,406</u> | <u>1,502,151</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Loan repayments | (4,944,970) | -0- | -0- | (4,944,970) |
| Bond issuance costs | (127,000) | -0- | -0- | (127,000) |
| Capital lease payments | -0- | -0- | (113,857) | (113,857) |
| Proceeds from bonds | 8,905,000 | -0- | -0- | 8,905,000 |
| Principal payments - bonds | (4,240,000) | (143,933) | -0- | (4,383,933) |
| Purchase of fixed assets | (26,356) | (50,756) | (59,904) | (137,016) |
| Proceeds from sale of fixed assets | 5,265,344 | -0- | -0- | 5,265,344 |
| Interest paid | <u>(664,741)</u> | <u>(41,227)</u> | <u>(12,290)</u> | <u>(718,258)</u> |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>4,167,277</u> | <u>(235,916)</u> | <u>(186,051)</u> | <u>3,745,310</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest received | <u>70,284</u> | <u>558</u> | <u>126</u> | <u>70,968</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 5,196,523 | 41,244 | 13,625 | 5,251,392 |
| CASH AND CASH EQUIVALENTS, JULY 1, (INCLUDING \$327,565 IN RESTRICTED ACCOUNTS) | <u>314,003</u> | <u>474,076</u> | <u>85,628</u> | <u>873,707</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, (INCLUDING \$503,561 IN RESTRICTED ACCOUNTS) | \$ <u>5,510,526</u> | \$ <u>515,320</u> | \$ <u>99,253</u> | \$ <u>6,125,099</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

| | <u>Huntington Municipal Development Authority</u> | <u>Municipal Parking Board</u> | <u>Sanitation and Trash</u> | <u>Total</u> |
|--|---|------------------------------------|-------------------------------------|------------------------|
| RECONCILIATION OF NET OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Net operating income | \$ (251,447) | \$ 73,678 | \$ (385,406) | \$ (563,175) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 121,086 | 187,170 | 113,293 | 421,549 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | (248,676) | 765 | 809 | (247,102) |
| (Increase) decrease in deposits and prepaid assets | (124,000) | 3,288 | 6,845 | (113,867) |
| (Increase) decrease in due from other funds | -0- | (9,260) | 111,799 | 102,539 |
| Increase (decrease) in accounts payable and accrued expense | (32,854) | (464) | 18,095 | (15,223) |
| Increase (Decrease) in due to other funds | (10,804) | 1,776 | 229,952 | 220,924 |
| Increase (Decrease) in deferred revenue | -0- | (43) | -0- | (43) |
| Increase in compensated absences | -0- | 19,363 | 18,015 | 37,378 |
| Increase in OPEB liability | 312 | 10,978 | 82,742 | 94,032 |
| (Decrease) in interest payable | <u>-0-</u> | <u>(4,049)</u> | <u>-0-</u> | <u>(4,049)</u> |
| TOTAL ADJUSTMENTS | <u>(294,936)</u> | <u>209,524</u> | <u>581,550</u> | <u>496,138</u> |
| NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES | \$ <u>(546,383)</u> | \$ <u>283,202</u> | \$ <u>196,144</u> | \$ <u>(67,037)</u> |

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2011

| | Pension Trust | Expendable Trust | Total |
|-------------------------------------|-----------------------------|----------------------------|-----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,400,518 | \$ 1,264,461 | \$ 3,664,979 |
| Investments | 14,972,778 | -0- | 14,972,778 |
| Due from other governments | 4,461,044 | -0- | 4,461,044 |
| Accounts receivable | 2,861 | -0- | 2,861 |
| Due from other funds | <u>3,716,514</u> | <u>-0-</u> | <u>3,716,514</u> |
| TOTAL ASSETS | <u>25,553,715</u> | <u>1,264,461</u> | <u>26,818,176</u> |
| LIABILITIES | | | |
| Accounts payable | -0- | -0- | -0- |
| Due to other funds | 5,598 | -0- | 5,598 |
| Other accrued expenses | <u>3,253</u> | <u>-0-</u> | <u>3,253</u> |
| TOTAL LIABILITIES | <u>8,851</u> | <u>-0-</u> | <u>8,851</u> |
| NET ASSETS HELD IN TRUST | \$ <u>25,544,864</u> | \$ <u>1,264,461</u> | \$ <u>26,809,325</u> |

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

| | Pension Trust Funds <u>Total</u> | Expendable Trust <u>Total</u> | <u>Total</u> |
|---|--|-------------------------------------|----------------------|
| <u>ADDITIONS</u> | | | |
| Contributions: | | | |
| Employer | \$ 10,526,165 | \$ 315,778 | \$ 10,841,943 |
| Employees | 689,245 | -0- | 689,245 |
| Insurance premium tax allocation | 2,261,669 | -0- | 2,261,669 |
| Interest | 124,995 | 3,352 | 128,347 |
| Dividends | 309,093 | -0- | 309,093 |
| Miscellaneous revenue | -0- | -0- | -0- |
| Unrealized gain (loss) on investments | <u>1,657,036</u> | <u>-0-</u> | <u>1,657,036</u> |
| TOTAL ADDITIONS | <u>15,568,203</u> | <u>319,130</u> | <u>15,887,333</u> |
| <u>DEDUCTIONS</u> | | | |
| Benefit payments | 8,378,255 | -0- | 8,378,255 |
| Administrative | 84,912 | 864 | 85,776 |
| Insurance premium payments | <u>-0-</u> | <u>255,088</u> | <u>255,088</u> |
| TOTAL DEDUCTIONS | <u>8,463,167</u> | <u>255,952</u> | <u>8,719,119</u> |
| CHANGE IN NET ASSETS | 7,105,036 | 63,178 | 7,168,214 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS: | | | |
| BEGINNING OF YEAR | 18,439,828 | 1,201,283 | 19,641,111 |
| END OF YEAR | \$ <u>25,544,864</u> | \$ <u>1,264,461</u> | \$ <u>26,809,325</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION - The financial statements of City of Huntington, West Virginia are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2011.

REPORTING ENTITY - The City is a municipal corporation governed by an elected mayor and eleven member council. As required by Generally Accepted Accounting Principles, these financial statements present the City and its component unit, entity for which the City is considered to be financially accountable. The criteria for inclusion in or exclusion from the financial reporting entity is outlined in Governmental Accounting Standards Board Statement Number 14 and includes oversight responsibility over agencies, boards and authorities by the City's Council. Oversight responsibilities include financial accountability, including selection of the governing authority, fiscal dependence and the ability for the council to impose its will on the potential component unit.

BLENDED COMPONENT UNIT - Although legally separate entities, these are, in substance, part of the primary government's operations and so data from these units should be combined with the primary government.

The Huntington Municipal Development Authority serves all the citizens of the City of Huntington and is governed by a fifteen member board comprised of three business representatives, three industry representatives, three labor representatives, one member of the council and five additional representatives. Bond issuance authorizations are approved by the City's elected council. The Huntington Municipal Development Authority is reported as a proprietary fund.

The Huntington Municipal Parking Board serves all the citizens of the City of Huntington and is governed by a seven member board with no members of the council included. The rates for user charges and bond issuance authorizations are approved by the City's elected council. The Huntington Municipal Parking Board is reported as a proprietary fund.

The Huntington Urban Renewal Authority serves all the citizens of the City of Huntington and is governed by a seven member board comprised of six appointees at large, and one member of council. The Huntington Urban Renewal Authority is presented as a governmental fund.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNIT - These are legally separate organizations for which elected officials of the primary government are financially accountable. The component unit (Huntington Sanitary Board) is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary government.

The Huntington Sanitary Board serves all the citizens of the City of Huntington and is governed by a three member board comprised of the Mayor as chairman with the remaining members appointed by council. The rates for user charges and bond issuance authorizations are approved by the City's elected council. The Sanitary Board is reported as a proprietary fund.

Complete financial statements for each of the individual component units can be obtained at the entity's administrative offices.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the city as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, if applicable, interfund services provided and used are not eliminated in the process of consolidation.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND FINANCIAL STATEMENTS - Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. With the exception of refuse fees and police and fire service fees, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. A period of one year is utilized for refuse fees and police and fire fees. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, excise taxes on utilities, B&O taxes, hotel taxes, wine and liquor taxes, refuse fees, police and fire service fees, and intergovernmental revenues. In general, other revenues are recognized when cash is received. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS - The following describes fund types and major funds:

Governmental Funds - The City reports the following major governmental funds:

General Fund - reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Coal Severance Tax Fund - established by City ordinance to account for coal severance taxes received from the State of West Virginia designated for purchases as allowed by State Code.

Community Development Block Grant Fund - This fund is used to account for the CDBG Entitlement Program. The CDBG Entitlement Program provides grants to metropolitan cities and urban counties for community development activities.

Proprietary Funds - The City reports the following enterprise funds:

Municipal Development Authority - accounts for the operating activities of the City's developmental services.

Municipal Parking Board - accounts for the operating activities of the City's parking services.

Sanitation and Trash - accounts for the operating activities of the City's trash collection services.

Other Fund Types - The City also reports the following fund types:

Pension Trust Funds - report fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions. The City's pension trust funds are limited to uniformed employees (policemen and firemen).

Agency Funds - account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others.

CASH AND INVESTMENTS - The City does not maintain cash and investment pools. Non-pooled cash and investments are separately held and reflected in their respective funds as "cash and cash equivalents" and "investments," some of which are restricted assets. Additional information concerning restricted accounts, legal restrictions, and the City's policies governing deposits and investments are discussed in Note 4.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are reported at fair value which is determined using quoted market prices. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of pension trust investments, additional cash and investment information, and fair values are presented in Note 4.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the State of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deeds of trust for property situated within this State if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded in the top three ratings, at the time of acquisition; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have more than nine percent invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

Municipal pension funds are governed as to type of investments by *West Virginia Code §8-22-22*. Pension funds are permitted to invest in all of the above mentioned types of investments with the exceptions of: (1) Direct and general obligations of the State and (2) pooled mortgage trusts. Additionally, pension funds are permitted to invest funds in the following categories of investments: (1) Repurchase agreements and (2) common stock, securities convertible into common stocks, or warrants and rights to purchase such securities. Pension funds have different rules concerning the purchase of marketable debt securities.

INVENTORIES AND PREPAIDS - Significant governmental fund and proprietary fund materials and supplies inventories are recorded at the lower of cost or market on a first-in, first-out basis. An expense is recorded at the time individual inventory items are used. Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION - The City's property, plant, equipment, and infrastructure assets with useful lives of more than one year are stated at historical cost, or estimated historical cost, if actual cost is unavailable, and are comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

With the exception of the proprietary funds, the City has elected, under the transition rules of GASB 34, not to retroactively report infrastructure assets in the accompanying government-wide financial statements.

The City has not valued or capitalized all of its land holdings. Generally accepted accounting principles require these assets be capitalized. The effect of this departure from generally accepted accounting principles is not believed by management to be material to the financial statements.

Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|-------------------------------------|---------|
| Land improvements | 5 - 70 |
| Buildings and improvements | 5 - 70 |
| General plant | 20 - 50 |
| Furniture, machinery, and equipment | 4 - 45 |

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS-

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES - Full-time, permanent employees are granted vacation, other paid time off and comp time benefits in varying amounts to specified maximums depending on tenure with the City. Employees are entitled to their accrued vacation leave upon termination. It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. There is no liability for unpaid accumulated sick leave in the governmental activities since the government does not have a policy to pay any amounts when employees separate from a service with the government. When a permanent employee retires, the employee may elect to have any accrued sick leave converted to insurance benefits. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. The current portion of this debt is estimated based on historical trends. Governmental funds report only the compensated absence liability payable from expendable, available financial resources in the fund financial statements.

ACCOUNTING ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

GOVERNMENTAL FUND EQUITY - Effective July 1, 2010, the Government adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the Government is bound to honor constraints on the specific purposes for which the amounts in Governmental funds can be spent. Fund balances are reported in the following categories:

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are amounts constrained for a specific purpose by external parties, constitutional provision or by legally enforceable enabling legislation.
- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Actions to constrain resources must occur prior to year-end, however the amount can be determined in the subsequent period.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the Government Board or by a body or official that has been delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue or capital projects funds, the City has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

The detailed components of the various fund balance categories as of June 30, 2011 are as follows:

| | <u>General Fund</u> | <u>Coal Severance Tax Fund</u> | <u>CDBG Fund</u> | <u>Other Governmental Funds</u> | <u>Total Government</u> |
|-----------------------------|------------------------------|--|-----------------------------|---|-----------------------------|
| Fund Balance | | | | | |
| Nonspendable: | | | | | |
| Inventory | \$ 77,857 | \$ -- | \$ -- | \$ 42,874 | \$ 120,731 |
| Prepaid Items | 138,507 | -- | -- | 25,293 | 163,800 |
| Restricted for: | | | | | |
| Community Development | -- | -- | 12,598,783 | -- | 12,598,783 |
| Committed to: | | | | | |
| Assigned to: | | | | | |
| Culture and Recreation | -- | 33,737 | -- | 118,268 | 152,005 |
| Urban Renewal | -- | -- | -- | 238,312 | 238,312 |
| Landfill Closure | -- | -- | -- | 1,468,147 | 1,468,147 |
| Public Safety | -- | -- | -- | 211,039 | 211,039 |
| Floodwall- Emergency | -- | -- | -- | 155,357 | 155,357 |
| Law Enforcement | -- | -- | -- | 171,738 | 171,738 |
| Other Capital Projects | -- | -- | -- | 783 | 783 |
| Civic Arena Improvements | -- | -- | -- | 46,147 | 46,147 |
| Public Safety Building | -- | -- | -- | 94,653 | 94,653 |
| Unassigned: | <u>(1,303,188)</u> | <u>-0-</u> | <u>(2,152,400)</u> | <u>(246,665)</u> | <u>(3,702,253)</u> |
| Total Fund Balances: | \$ <u>(1,086,824)</u> | \$ <u>33,737</u> | \$ <u>10,446,383</u> | \$ <u>2,325,946</u> | \$ <u>11,719,242</u> |

NOTE 2 - BUDGETARY INFORMATION

BUDGET POLICY AND PRACTICE - The Mayor submits an annual budget for the General Fund and Coal Severance Tax Fund to the City Council in accordance with the City Charter and state law. The budgets are prepared on prescribed forms and submitted for approval to the State Auditor's Office. These budgets are prepared in accordance with the following procedures:

1. The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 2 - BUDGETARY INFORMATION (CONTINUED)

2. The budget is then forthwith submitted to the State Auditor's Office for approval.
3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

BASIS OF BUDGETING - The General Fund and Coal Severance Tax Funds appropriated budget is prepared on a detailed line item basis. This detail is then submitted to the West Virginia State Auditor's Office, Chief Inspector Division, for approval. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions require approval by the City Council. Revisions that change a "departmental total" must also have approval of the West Virginia State Auditor, Chief Inspector. Revisions to the budget were made throughout the year.

The budgets for the General Fund and Coal Severance Tax Fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Excess of expenditures over appropriations: For the year ended June 30, 2011, expenditures exceeded appropriations in the fund listed at the function levels.

General Fund:

| <u>Function</u> | <u>Amount</u> |
|-----------------|---------------|
| Public Safety | \$1,458,840 |
| Capital Outlay | \$1,538,566 |

Deficiencies in net changes in fund balances and deficit fund balance: The following funds had deficiencies in net change in fund balance for the year ended June 30, 2011:

| <u>Fund</u> | <u>Amount</u> |
|--|---------------|
| Governmental Funds: | |
| General Fund | \$ 1,588,971 |
| Coal Severance | 40,281 |
| CDBG | 202,605 |
| Huntington Urban Renewal | 22,822 |
| Civic Arena | 53,401 |
| Safety Town | 3,044 |
| Civic Arena Surcharge | 19,556 |
| Proprietary Funds: | |
| Huntington Municipal Development Authority | 2,437,828 |
| Sanitation and Trash | 394,164 |
| Fiduciary Funds: | |
| Fire Retiree's Insurance | 555 |
| Component Unit: | |
| Huntington Sanitary Board | 956,806 |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 2 - BUDGETARY INFORMATION (CONTINUED)

Funds sufficient to provide for the excess expenditures in these Funds were made available from other sources within the funds.

The following funds had deficit fund balances as of June 30, 2011:

| <u>Fund</u> | <u>Amount</u> |
|----------------------------|---------------|
| Governmental Funds: | |
| General Fund | \$ 1,086,824 |
| Civic Arena | 165,043 |
| Workers' Compensation | 13,455 |
| Proprietary Funds: | |
| Sanitation and Trash | 5,667 |

NOTE 3 - CHANGE IN ACCOUNTING POLICY

GASB 54 - As of July 1, 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type definitions." This statement changed the terminology used to describe fund balances in the *governmental funds* and expanded the disclosure of those new definitions in the accompanying notes to the financial statements of the City for the year ended June 30, 2011.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS - At year end, the City had the following deposits:

| | <u>Reconciled Balance</u> |
|---------------------------------------|-------------------------------|
| Non-pooled cash and cash equivalents: | |
| Primary Government | |
| <i>Governmental Activities:</i> | |
| Major Funds: | |
| General Fund | \$ 1,070,137 |
| Coal Severance | 33,737 |
| CDBG | 63,611 |
| Other Governmental Funds: | 724,065 |
| Workers' Compensation | 528,653 |
| <i>Business-type Activities:</i> | |
| HMDA | 740,788 |
| HMPB | 249,497 |
| Sanitation and Trash | 99,253 |
| <i>Fiduciary Funds:</i> | |
| Pension Trust | 2,400,519 |
| Expendable Trust | 1,264,462 |
| <i>Component Unit:</i> | |
| Sanitary Board | <u>500,786</u> |
| TOTAL DEPOSITS | \$ <u>7,675,508</u> |

All deposits at June 30, 2011 that are exposed to Custodial Credit Risk (bank balances not covered by depository insurance) are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

As of June 30, 2011, the government had the following investments:

| Types of Investments | Fair Value/ Carrying Amount | Cost | Credit Risk/ Ratings (1) | Weighted Average Days To Maturity (2) |
|---|--------------------------------|----------------------|-----------------------------|---|
| PRIMARY GOVERNMENT | | | | |
| Government Activities | | | | |
| Non-pooled Investments: | | | | |
| Money Market Funds | \$ <u>2,509,920</u> | \$ <u>2,509,920</u> | N/A | N/A |
| Total Government Activities | <u>2,509,920</u> | <u>2,509,920</u> | | |
| Business-Type Activities | | | | |
| Money Market | <u>487,346</u> | <u>487,346</u> | N/A | N/A |
| Total Business-Type Activities | <u>487,346</u> | <u>487,346</u> | | |
| Total Primary Government Investments (Non-Fiduciary) | <u>2,997,266</u> | <u>2,997,266</u> | | |
| <i>Interest Risk Rate</i> | <u>0-5 years</u> | | | |
| Money Market Funds | <u>2,997,266</u> | | | |
| Total | <u>2,997,266</u> | | | |
| FIDUCIARY FUNDS | | | | |
| Money Market Funds | 883,501 | 883,501 | N/A | N/A |
| Federal Agency Bonds and Notes | 1,596,151 | 1,599,209 | AAA | 2389.91 |
| Mutual Funds | 6,169,075 | 5,365,324 | Not Rated | N/A |
| Corporate Debt | 2,387,680 | 2,260,560 | AAA-BBB+ | 1896.97 |
| Common Stock | 3,640,539 | 2,996,288 | N/A | N/A |
| Certificate of Deposit | 295,832 | 295,832 | N/A | N/A |
| Property Rights: | | | | |
| Deferred Compensation Agreement | <u>2,461,063</u> | <u>2,461,063</u> | N/A | N/A |
| Total Fiduciary Investments | <u>17,433,841</u> | <u>15,861,777</u> | | |
| Grand Total Investments | <u>\$20,431,107</u> | <u>\$ 18,859,043</u> | | |

(1) Ratings are provided where applicable to indicate associated risk. The Government's investments were rated by using Standard & Poor's rating scale. N/A indicates not applicable.

(2) Interest rate risk is estimated using either duration or weighted average days to maturity. N/A indicates not applicable.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

The above investments are reported as cash and cash equivalents or investments based on original maturity when purchased.

The composition of pension trust fund investments at fair value is included in the previous schedule and is shown in the following table:

| | <u>Policemen's Pension and Relief Fund</u> | <u>Firemen's Pension and Relief Fund</u> | <u>Total</u> |
|------------------------------|--|--|----------------------|
| Money Market Funds | \$ 551,785 | \$ 331,716 | \$ 883,501 |
| U.S. Government Agency Notes | 1,596,151 | -0- | 1,596,151 |
| Mutual Funds | 5,621,853 | 547,222 | 6,169,075 |
| Corporate Debt | 2,387,680 | -0- | 2,387,680 |
| Common Stock | 812,080 | 2,828,459 | 3,640,539 |
| Certificate of Deposit | <u>-0-</u> | <u>295,832</u> | <u>295,832</u> |
| Total | <u>\$ 10,969,549</u> | <u>\$ 4,003,229</u> | <u>\$ 14,972,778</u> |

| <i>Policemen's Pension and Relief Interest Risk Rate</i> | <u>0-5 Years</u> | <u>5-10 Years</u> | <u>Over 10 Years</u> |
|--|---------------------|---------------------|----------------------|
| Money Market Funds | \$ 551,785 | \$ -0- | \$ -0- |
| U.S. Government Agency Notes | 703,129 | 498,084 | 394,938 |
| Mutual Funds | 5,621,853 | -0- | -0- |
| Corporate Debt | 1,468,385 | 919,295 | -0- |
| Common Stock | 812,080 | -0- | -0- |
| Certificate of Deposit | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total | <u>\$ 9,157,232</u> | <u>\$ 1,417,379</u> | <u>\$ 394,938</u> |

| <i>Firemen's Pension and Relief Interest Risk Rate</i> | <u>0-5 Years</u> | <u>5-10 Years</u> | <u>Over 10 Years</u> |
|--|---------------------|-------------------|----------------------|
| Money Market Funds | \$ 331,716 | \$ -0- | \$ -0- |
| U.S. Government Agency Notes | -0- | -0- | -0- |
| Mutual Funds | 547,222 | -0- | -0- |
| Corporate Debt | -0- | -0- | -0- |
| Common Stock | 2,828,459 | -0- | -0- |
| Certificate of Deposit | <u>295,832</u> | <u>-0-</u> | <u>-0-</u> |
| Total | <u>\$ 4,003,229</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT POLICIES

Primary Government

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Finance Director. Investing is performed in accordance with investment policies prescribed by state statutes. City funds may be invested in:

- (1) Any direct obligation of, or obligation guaranteed as to the payment of both principal and interest by, the United States of America;
- (2) Any evidence of indebtedness issued by any United States government agency guaranteed as to the payment of both principal and interest, directly or indirectly, by the United States of America;
- (3) Any evidence of indebtedness issued by the Federal National Mortgage Association to the extent such indebtedness is guaranteed by the government National Mortgage Association;
- (4) Any evidence of indebtedness that is secured by a first lien deed of trust or mortgage upon real property situated within the State of West Virginia, if the payment thereof is substantially insured or guaranteed by the United States of America or any agency thereof;
- (5) Direct and general obligations of the State of West Virginia;
- (6) Any undivided interest in a trust, the corpus of which is restricted to mortgages on real property and, unless all of such property is situated within the State of West Virginia and insured, such trust at the time of the acquisition of such undivided interest is rated in one of the three highest rating grades by an agency which is nationally known in the field of rating pooled mortgage trusts;
- (7) Any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association: provided, that any such security is, at the time of its acquisition, rated in one of the three highest rating grades by an agency which is nationally known in the field of rating corporate securities: provided, however, that if any commercial paper or any such security will mature within one year from the date of its issuance, it shall, at the time of its acquisition, be rated in one of the two highest rating grades by any such nationally known agency, and commercial paper or other evidence of indebtedness of any private corporation or association shall be purchased only upon the written recommendation from an investment advisor that has over three hundred million dollars in other funds under its management;
- (8) Negotiable certificates of deposit issued by any bank, trust company, national banking association or savings institution which mature in less than one year and are fully collateralized;
- (9) Interest earning deposits including certificates of deposit, with any duly designated State of West Virginia depository, which deposits are fully secured by a collateralized secured bond; and
- (10) Mutual funds registered with the Securities and Exchange Commission which have assets in excess of three hundred million dollars.
- (11) Deposits with any duly designated state depository that is selected and authorized by the municipality to arrange for the redeposit of the funds through a deposit placement program that meets the conditions of West Virginia Code §8-13-27a (11).

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Cumulatively, portfolios of the City may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total City portfolio may be placed with any single financial institution. U.S. government securities are excluded from these restrictions.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name.

PENSION TRUST POLICY

The City's two pension trusts are the Policemen's Pension and Relief and Firemen's Pension and Relief. Investing is performed in accordance with investment policies prescribed by state statutes. The Board of Trustees are responsible for compliance with the investment policy.

Investment managers have been retained to assist them. Overall, investment guidelines provide for diversification and allow investments in the following:

- (1) Any direct obligation of, or obligation guaranteed as to the payment of both principal and interest by, the United States of America;
- (2) Any evidence of indebtedness issued by any United States government agency guaranteed as to the payment of both the principal and interest, directly or indirectly, by the United States of America;
- (3) Readily marketable (i.e. traded on a national securities exchange) debt securities rated in one of the three highest rating grades by an agency which is nationally known in the field of rating corporate securities, excluding municipal securities;
- (4) Any evidence of indebtedness that is secured by a first lien deed of trust or mortgage upon real property situated within the State of West Virginia, if the payment thereof is substantially insured or guaranteed by the United States of America or any agency thereof;
- (5) Repurchase agreements issued by any bank, trust company, national banking association or savings institutions which mature in less than one year and are fully collateralized, no reverse repurchase agreements shall be allowed;
- (6) Interest bearing deposits including certificates of deposit and passbook savings accounts that are FDIC insured;
- (7) Equity - Common stocks, securities convertible into common stocks, or warrants and rights to purchase such securities; provided, that each shall be listed on the NYSE, ASE or are traded on the National OTC Market and listed on the NASDAQ National Market.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Moneys invested are subject to the following restrictions and conditions:

- (a) Securities shall at no time exceed nine percent of the total assets of the pension fund, which are issued by a single private corporation or issuer;
- (b) At no time shall the equity mutual fund portion of the portfolio exceed sixty percent of the total portfolio.
- (c) Any investments in equity mutual funds shall be in mutual funds which have assets in excess of three hundred million dollars and shall be in a securities and exchange commission registered no sales-load equity mutual funds whose stated investment policy requires investment in a portfolio of securities which are at least eighty-five percent in New York Stock Exchange instruments and requires multi-industry diversification: *Provided*, That the value of such investments shall not exceed the lesser of : (a) One percent times completed months since enactment of this section; or (b) fifty percent of the total assets of said pension and relief fund.
- (d) The board of trustees of each fund shall obtain an independent performance evaluation of the funds at least annually and such evaluation shall consist of comparisons with other funds having similar investment objectives for performance results with appropriate market indices;
- (e) Each entity conducting business for each pension fund, shall fully disclose all fees and costs of transactions conducted on a quarterly basis. Entities conducting business in mutual funds for and on behalf of each pension fund, shall timely file revised prospectus and normal quarterly and annual Securities Exchange Commission reporting documents with the board of trustees of each pension fund.

Both plans address custodial credit risk similarly with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the respective pension boards. The pension trust funds hold \$2,996,288 in common stock and \$-0- in preferred stock which is held by the investment counterparty, not in the name of the pension fund or the City.

According to state statute, pension trustees shall exercise judgment and care under fiduciary duty which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable total return as well as the preservation of principal.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 5 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

ENTERPRISE RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Significant receivables include amounts due from customers primarily for municipal services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 90 days. Related amounts are shown in the following table:

| | Major Enterprise Funds | | | |
|---|------------------------|-------------------|-----------------------------------|-------------------|
| | <u>HMDA</u> | <u>HMPB</u> | Sanitation And <u>Trash</u> | <u>Total</u> |
| Unrestricted Accounts Receivable | \$ -0- | \$ 2,260 | \$ 465,675 | \$ 467,935 |
| Less: Allowance for Uncollectible Accounts | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Net Accounts Receivable | \$ <u>-0-</u> | \$ <u>2,260</u> | \$ <u>465,675</u> | \$ <u>467,935</u> |
| Uncollectible Amounts Netted With Revenues | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> |

GOVERNMENTAL RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Significant receivables include amounts due from customers for municipal services and police and fire service fee. These receivables are due within one year. Certain funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance is estimated using accounts receivable past due more than 90 days.

Loans receivable in the Community Development Block Grant Fund are reflected at gross and the unearned portion of these loans are deferred. The City periodically analyzes delinquent and uncollectible accounts and uses the direct write-off method.

The following comprise the balance of loans receivable to the CDBG Fund as of June 30, 2011:

| | |
|---|--|
| Community Development <u>Block Grant Program</u> | Home Investment <u>Partnerships Program</u> |
| \$ 6,648,663 | \$ 4,713,034 |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

**NOTE 5 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE
(CONTINUED)**

**PROPERTY TAXES RECEIVABLE, UNCOLLECTIBLE TAXES, DEFERRED REVENUE,
AND PROPERTY TAX CALENDAR**

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. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a 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 September first of the year for which the assessment is made, and becomes delinquent on October first, and 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 municipalities 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, twelve and one half cents (12.50 ¢); on Class II property, twenty-five cents (25.00 ¢); and on Class IV property, fifty cents (50.00 ¢). In addition, municipalities may provide for an election to lay an excess levy, the rates 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.

The levy rates levied by City of Huntington, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2011 were as follows:

| Class of Property | Assessed Valuations For Tax Purposes | Current Expense | Taxes Levied |
|---|---|--------------------|--------------------|
| Class I | \$ -0- | 11.00¢ | \$ -0- |
| Class II | 519,877,858 | 22.00¢ | 1,143,731 |
| Class IV | 886,252,767 | 44.00¢ | 3,899,512 |
| Less: uncollectables, exonerations, and delinquencies | | | (252,162) |
| Less: tax discounts | | | (95,822) |
| Less: allowance for tax increment financial | | | (95,157) |
| Less: assessor's valuation fund | | | <u>(90,099)</u> |
| Net amount to be raised by levy of property taxes | | | <u>\$4,510,003</u> |

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund once the levy is approved. At fiscal year-end, the receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year end, they are recorded as deferred revenue. It is the City's policy to estimate an allowance for uncollectible property taxes based on historical collection rates maintained by the city.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the City regardless of when cash is received.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

**NOTE 5 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE
(CONTINUED)**

INTERGOVERNMENTAL RECEIVABLES, GRANTS RECEIVABLE AND DEFERRED REVENUE

Intergovernmental receivables are primarily comprised of amounts due from other governmental entities. Revenue is recorded as earned when eligibility requirements are met. Grants receivable are recorded for expenses incurred in excess of grant funds received. Deferred revenues in the governmental fund financial statements also include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Other deferred revenue consists of other taxes and intergovernment revenue received after 60 days in the General and Coal Severance Tax Funds and other revenues received in advance of incurring qualifying expenditures. Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if eligibility requirements are met.

NOTE 6 - RESTRICTED ASSETS

Certain proprietary fund assets of the business-type activities are restricted for debt service and repair and replacement of capital assets. Total proprietary fund restricted assets, which consist of interest bearing checking accounts and deposits with the West Virginia Municipal Bond Commission amounted to \$5,035,561.

The component unit, Huntington Sanitary Board, has restricted assets of \$3,244,561, which consist of interest bearing checking accounts, certificates of deposit, and deposits with the West Virginia Municipal Bond Commission.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 7 - CAPITAL ASSETS

CHANGES IN CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

| | Primary Government | | | Ending Balance |
|---|-----------------------------|-------------------------|----------------------------|-----------------------------|
| | Beginning Balance | Increases | Decreases | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 173,279 | \$ -0- | \$ -0- | \$ 173,279 |
| Construction in progress | -0- | -0- | -0- | -0- |
| Total capital assets not being depreciated: | <u>173,279</u> | <u>-0-</u> | <u>-0-</u> | <u>173,279</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 9,791,292 | -0- | -0- | 9,791,292 |
| Machinery and equipment | 698,251 | 77,748 | -0- | 775,999 |
| Vehicles | 5,364,949 | 2,507,597 | 27,100 | 7,845,446 |
| Infrastructure | 16,820,437 | -0- | -0- | 16,820,437 |
| Less: accumulated depreciation | <u>(22,198,981)</u> | <u>(1,673,027)</u> | <u>(27,100)</u> | <u>(23,844,908)</u> |
| Total capital assets being depreciated, net | <u>10,475,948</u> | <u>912,318</u> | <u>-0-</u> | <u>11,388,266</u> |
| Governmental activities capital assets, net | <u>10,649,227</u> | <u>912,318</u> | <u>-0-</u> | <u>11,561,545</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 14,237,113 | \$ -0- | \$ 4,481,931 | \$ 9,755,182 |
| Construction in progress | -0- | -0- | -0- | -0- |
| Total capital assets not being depreciated: | <u>14,237,113</u> | <u>-0-</u> | <u>4,481,931</u> | <u>9,755,182</u> |
| Capital assets being depreciated: | | | | |
| Land and Improvements | 1,903,380 | 53,015 | -0- | 1,956,395 |
| Buildings and improvements | 21,211,166 | -0- | 5,371,713 | 15,839,453 |
| Furniture and Fixtures | 14,854 | -0- | 14,854 | -0- |
| Machinery and equipment | 703,139 | 14,088 | 4,415 | 712,812 |
| Vehicles | 1,389,703 | 69,914 | -0- | 1,459,617 |
| Less: accumulated depreciation | <u>(14,581,483)</u> | <u>(962,194)</u> | <u>(2,192,360)</u> | <u>(13,351,317)</u> |
| Total capital assets being depreciated, net | <u>10,640,759</u> | <u>(825,177)</u> | <u>3,198,622</u> | <u>6,616,960</u> |
| Business-type activities capital assets, net | <u>24,877,872</u> | <u>(825,177)</u> | <u>7,680,553</u> | <u>16,372,142</u> |
| Primary Government Capital Assets, Net | \$ <u>35,527,099</u> | \$ <u>87,141</u> | \$ <u>7,680,553</u> | \$ <u>27,933,687</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 7 - CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------------|----------------------|
| Component Unit - Sanitary Board | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 216,155 | \$ -0- | \$ -0- | \$ 216,155 |
| Construction in progress | <u>2,024,705</u> | <u>2,798,313</u> | <u>262,925</u> | <u>4,560,093</u> |
| Total capital assets, not being depreciated | <u>2,240,860</u> | <u>2,798,313</u> | <u>262,925</u> | <u>4,776,248</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 75,780,669 | 452,647 | -0- | 76,233,316 |
| Vehicles | 2,211,455 | 4,909 | -0- | 2,216,364 |
| Machinery and equipment | 1,610,392 | 63,533 | -0- | 1,673,925 |
| Less: accumulated depreciation | <u>(48,776,773)</u> | <u>(2,246,713)</u> | <u>-0-</u> | <u>(51,023,486)</u> |
| Total capital assets being depreciated, net | <u>30,825,743</u> | <u>(1,725,624)</u> | <u>-0-</u> | <u>29,100,119</u> |
| Component Unit Capital assets, net | \$ <u>33,066,603</u> | \$ <u>1,072,689</u> | \$ <u>262,925</u> | \$ <u>33,876,367</u> |

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

| Governmental Activities | | Business-Type Activities | |
|-------------------------|-----------|---------------------------------|------------|
| General government | \$ 37,279 | Municipal Development Authority | \$ 661,732 |
| Public safety | 565,114 | Municipal Parking Board | 187,170 |
| Highways and streets | 835,000 | Sanitation and Trash Fund | 113,293 |
| Health and sanitation | 26,160 | | |
| Culture and recreation | 186,245 | | |
| Social services | 1,129 | | |
| Community development | 22,100 | | |

Sale of Fixed Assets

In January, 2011, HMDA sold 1.2 acres of Kinetic Park for \$330,000. The net proceeds of the sale were used for the extinguishment of outstanding debt.

In February, 2011, HMDA sold the Huntington Industrial Center for \$3.51 million. A portion of the proceeds of this sale were used for the extinguishment of debt with the remainder being placed in bond repayment and restricted accounts.

NOTE 8 - LEASE COMMITMENTS

CAPITAL LEASES

The City's outstanding lease agreements include the acquisition of machinery and equipment for the highway and streets at a cost of \$922,377, sanitation and trash at a cost of \$571,828, fire equipment at a cost of \$2,762,489, air conditioning for the civic arena at a cost of \$581,621, vehicles at a cost of \$426,594, and general use machinery and equipment at a cost of \$106,995. These leases qualify as capital leases.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 8 - LEASE COMMITMENTS (CONTINUED)

Minimum future lease payments under capital leases as of June 30, 2011 for each of the next five years and in the aggregate are:

| Year Ending June 30, | Governmental Activities General Fund | | Business-Type Activities Sanitation and Trash | |
|-------------------------|---|-------------------|---|------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$ 613,381 | \$ 118,518 | \$ 118,353 | \$ 7,794 |
| 2013 | 535,665 | 95,451 | 72,849 | 3,699 |
| 2014 | 490,250 | 73,577 | 50,088 | 1,660 |
| 2015 | 339,321 | 53,685 | 12,817 | 120 |
| 2016 | 293,979 | 40,210 | -0- | -0- |
| Thereafter | 707,043 | 67,956 | -0- | -0- |
| Totals | <u>\$2,979,639</u> | <u>\$ 449,397</u> | <u>\$ 254,107</u> | <u>\$ 13,273</u> |

Interest rates on capital leases vary from 3.05% to 5.8% and are based on the lower of the City's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Total interest expense on capital leases for the fiscal year ended June 30, 2011 amounted to \$150,642, all of which was expensed.

Certain capital leases provide for renewal and/or purchase options. Generally, purchase options are at prices representing the expected fair value of the property at the expiration of the lease term.

NOTE 9 - LONG-TERM DEBT

REVENUE BONDS

Revenue bonds outstanding as of June 30, 2011 consist of debt issued by the City for its parking, sewer, and municipal development activities. The debt is payable solely from and secured by a pledge of the gross revenues to be derived from the operations of these facilities.

Bond Issuance:

During fiscal year 2011, the Sanitary Board issued the following bonds:

| | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|--------------|----------------------|-------------------------|----------------------|
| Series 2010B | 12/01/2031 | \$2,622,055 | 2% |

On December 29, 2010, the Huntington Municipal Development Authority issued the following bonds:

| | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|--------------|----------------------|-------------------------|----------------------|
| Series 2010A | 11/01/2022 | \$3,650,000 | 3.000% - 4.500% |
| Series 2010B | 11/01/2030 | \$5,255,000 | 2.750% - 8.000% |

Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. The general bond indenture and its supplements for the water system bonds require the use of revenue, depreciation, operations and maintenance, reserve, construction, renewal and replacement, rebate and sinking fund accounts.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The provisions of the Huntington Sanitary Board bond covenants require that revenues be sufficient to pay all operating expenses and leave a balance each year equal to at least one hundred twenty percent of the debt service on bonds and all other obligations secured by a lien on or payable by revenues. The Huntington Sanitary Board has complied with bond debt service covenants for fiscal year ended June 30, 2011.

CHANGES IN LONG-TERM DEBT

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

| <u>Description and Purpose</u> | <u>Balance July 1, 2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2011</u> | <u>Amounts Due Within one Year</u> | <u>Amounts Due Past One Year</u> |
|---|---------------------------------|----------------------|----------------------|----------------------------------|--|--------------------------------------|
| Primary Government | | | | | | |
| <i>Governmental Activities</i> | | | | | | |
| Compensated Absences | \$ 1,236,211 | \$ 1,338,009 | \$ 1,236,211 | \$ 1,338,009 | \$ 1,338,009 | \$ -0- |
| Lease Obligations Payable | 2,098,859 | 1,538,566 | 657,787 | 2,979,638 | 613,381 | 2,366,257 |
| Other Post-Employment Benefits | 15,158,301 | 5,852,726 | -0- | 21,011,027 | -0- | 21,011,027 |
| Net pension obligation | <u>53,477,441</u> | <u>9,784,741</u> | <u>10,526,165</u> | <u>52,736,017</u> | <u>10,090,445</u> | <u>42,645,572</u> |
| Total Governmental Activities | <u>71,970,812</u> | <u>18,514,042</u> | <u>12,420,163</u> | <u>78,064,691</u> | <u>12,041,835</u> | <u>66,022,856</u> |
| <i>Business-type Activities</i> | | | | | | |
| Revenue Bonds: | | | | | | |
| Major Enterprise Fund | | | | | | |
| HMDA | 4,240,000 | 8,905,000 | 4,240,000 | 8,905,000 | 250,000 | 8,655,000 |
| HMPB | <u>1,796,117</u> | <u>-0-</u> | <u>143,933</u> | <u>1,652,184</u> | <u>158,426</u> | <u>1,493,758</u> |
| Total Revenue Bonds | <u>6,036,117</u> | <u>8,905,000</u> | <u>4,383,933</u> | <u>10,557,184</u> | <u>408,426</u> | <u>10,148,758</u> |
| Notes Payable: | | | | | | |
| Major Enterprise Fund | | | | | | |
| HMDA | <u>6,907,780</u> | <u>-0-</u> | <u>4,197,753</u> | <u>2,710,027</u> | <u>200,000</u> | <u>2,510,027</u> |
| Total Notes Payable | <u>6,907,780</u> | <u>-0-</u> | <u>4,197,753</u> | <u>2,710,027</u> | <u>200,000</u> | <u>2,510,027</u> |
| Lease obligations payable | | | | | | |
| Major enterprise fund: | | | | | | |
| Sanitation and trash | <u>367,963</u> | <u>-0-</u> | <u>113,857</u> | <u>254,106</u> | <u>118,353</u> | <u>135,753</u> |
| Total lease obligations | <u>367,963</u> | <u>-0-</u> | <u>113,857</u> | <u>254,106</u> | <u>118,353</u> | <u>135,753</u> |
| Compensated Absences: | | | | | | |
| Enterprise Funds: | | | | | | |
| HMPB | 116,675 | 29,881 | 10,518 | 136,038 | 12,580 | 123,458 |
| Sanitation and trash | <u>95,309</u> | <u>113,324</u> | <u>95,309</u> | <u>113,324</u> | <u>113,324</u> | <u>-0-</u> |
| Total Compensated Absences | <u>211,984</u> | <u>143,205</u> | <u>105,827</u> | <u>249,362</u> | <u>125,904</u> | <u>123,458</u> |
| Other Post Employment Benefits: | | | | | | |
| Enterprise Funds: | | | | | | |
| HMDA | 4,692 | 312 | -0- | 5,004 | -0- | 5,004 |
| HMPB | 29,912 | 10,978 | -0- | 40,890 | -0- | 40,890 |
| Sanitation and Trash | <u>273,448</u> | <u>82,742</u> | <u>-0-</u> | <u>356,190</u> | <u>-0-</u> | <u>356,190</u> |
| Total OPEB | <u>308,052</u> | <u>94,032</u> | <u>-0-</u> | <u>402,084</u> | <u>-0-</u> | <u>402,084</u> |
| Total Business-type Activities | <u>13,831,896</u> | <u>9,142,237</u> | <u>8,801,370</u> | <u>14,172,763</u> | <u>852,683</u> | <u>13,320,080</u> |
| Total Primary Government Long-term Debt | <u>\$ 85,802,708</u> | <u>\$ 27,656,279</u> | <u>\$ 21,221,533</u> | <u>\$ 92,237,454</u> | <u>\$ 12,894,518</u> | <u>\$ 79,342,936</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

| <i>Component Unit</i> <i>Sanitary Board</i> | | | | | | | |
|--|---------------------------------------|---------------------|---------------------|--|--|--|--|
| <u>Description and Purpose</u> | <u>Balance</u> <u>July 1, 2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance</u> <u>June 30, 2011</u> | <u>Amounts Due</u> <u>With One Year</u> | <u>Amounts Due</u> <u>Past One Year</u> | |
| Revenue Bonds | \$ 11,998,666 | \$ 2,479,548 | \$ 1,079,934 | \$ 13,398,280 | \$ 1,181,151 | \$ 12,217,129 | |
| Notes payable | 157,413 | -0- | 72,018 | 85,395 | 72,674 | 12,721 | |
| Compensated Absences: | 78,702 | 78,237 | 78,702 | 78,237 | 78,237 | -0- | |
| Other Post -Employment Benefits: | <u>754,422</u> | <u>470,598</u> | <u>-0-</u> | <u>1,225,020</u> | <u>-0-</u> | <u>1,225,020</u> | |
| Total Component Unit Long -Term Debt | \$ <u>12,989,203</u> | \$ <u>3,028,383</u> | \$ <u>1,230,654</u> | \$ <u>14,786,932</u> | \$ <u>1,332,062</u> | \$ <u>13,454,870</u> | |

The amount of interest cost incurred by the Huntington Sanitary Board was \$534,431 in 2011, all of which has been expensed.

ADDITIONAL DEBT DISCLOSURE

Outstanding Bonds, Maturity Dates, and Interest Rates

| <u>Description and purpose</u> | <u>Issue</u> <u>Date</u> | <u>Maturity</u> <u>Date</u> | <u>Interest</u> <u>Rate(s)</u> | <u>Amount of</u> <u>Original</u> <u>Issue</u> | <u>Balance</u> <u>July 1,</u> <u>2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance</u> <u>June 30,</u> <u>2011</u> |
|---------------------------------|-----------------------------|--------------------------------|-----------------------------------|---|---|---------------------|---------------------|--|
| Primary Government | | | | | | | | |
| <i>Business-type activities</i> | | | | | | | | |
| Revenue Bonds: | | | | | | | | |
| <u>Major Enterprise Funds</u> | | | | | | | | |
| Huntington Municipal | | | | | | | | |
| Development Authority | | | | | | | | |
| Jean Dean Bldg.(Public) | 11/15/98 | 11/01/18 | 3.2%- 5.1% | \$ 3,350,000 | \$ 1,855,000 | \$ -0- | \$ 1,855,000 | \$ -0- |
| Civic Arena | 11/15/98 | 11/01/18 | 3.2% - 5.51% | \$ 3,610,000 | 1,995,000 | -0- | 1,995,000 | -0- |
| Jean Dean Bldg. (Private) | 11/15/98 | 11/01/18 | 5.35%-6.55% | \$ 650,000 | 390,000 | -0- | 390,000 | -0- |
| Civic Arena | 12/29/10 | 05/01/23 | 3.0%-4.5% | \$ 3,650,000 | -0- | 3,650,000 | -0- | 3,650,000 |
| Civic Arena | 12/29/10 | 05/01/31 | 2.75%-8.0% | \$ 5,255,000 | -0- | <u>5,255,000</u> | -0- | <u>5,255,000</u> |
| Total | | | | | \$ <u>4,240,000</u> | \$ <u>8,905,000</u> | \$ <u>4,240,000</u> | \$ <u>8,905,000</u> |
| Huntington Municipal | | | | | | | | |
| Parking Board | 12/01/00 | 12/01/20 | 2.275% | \$ 2,500,000 | \$ 1,796,118 | \$ -0- | \$ 143,934 | \$ 1,652,184 |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

| | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate(s)</u> | <u>Amount of Original Issue</u> | <u>Balance July 1, 2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2011</u> |
|--|-------------------|----------------------|-------------------------|---------------------------------|-----------------------------|---------------|---------------------|------------------------------|
| <i>Business-type activities</i> | | | | | | | | |
| Notes Payable: | | | | | | | | |
| <u>Major Enterprise Funds</u> | | | | | | | | |
| Huntington Municipal Development Authority | | | | | | | | |
| WVEDA - Kinetic Park | 01/01/04 | | 6.0% | 1,125,000 | 267,985 | \$ -0- | 267,985 | \$ -0- |
| WVIJDC - Kinetic Park | 01/01/04 | | 6.0% | 2,625,000 | 1,884,795 | -0- | 769,768 | 1,115,027 |
| HUD Sec. 108 Loan - Huntington High | 06/14/00 | 08/01/14 | LIBO + 2% | 1,720,000 | 575,000 | -0- | 115,000 | 460,000 |
| HUD Sec. 108 Loan - Douglass Centre | 10/24/02 | 08/01/22 | LIBO + 2% | 1,600,000 | 1,220,000 | -0- | 85,000 | 1,135,000 |
| HUD Sec. 108 Loan - Kinetic Park | 02/01/02 | 08/01/21 | LIBO + 2% | 4,000,000 | 2,960,000 | -0- | 2,960,000 | -0- |
| Total | | | | | <u>\$ 6,907,780</u> | <u>\$ -0-</u> | <u>\$ 4,197,753</u> | <u>\$ 2,710,027</u> |

| | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate(s)</u> | <u>Amount of Original Issue</u> | <u>Balance July 1, 2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2011</u> |
|-----------------------|-------------------|----------------------|-------------------------|---------------------------------|-----------------------------|---------------------|---------------------|------------------------------|
| <i>Component Unit</i> | | | | | | | | |
| Revenue Bonds: | | | | | | | | |
| Sanitary Board | | | | | | | | |
| | 11/25/97 | 03/01/19 | 2.00% | \$ 3,039,895 | \$ 1,422,642 | \$ -0- | \$ 150,304 | \$ 1,272,338 |
| | 09/01/99 | 09/01/09 | 2.00% | 2,083,550 | 1,145,348 | -0- | 104,529 | 1,040,819 |
| | 10/31/00 | 10/31/20 | 2.00% | 1,559,119 | 1,138,368 | -0- | 88,951 | 1,049,417 |
| | 11/30/06 | 11/01/16 | 4.25% - 4.70% | 3,150,000 | 2,355,000 | -0- | 295,000 | 2,060,000 |
| | 12/27/07 | 11/01/23 | 4.20% | 5,500,000 | 4,985,000 | -0- | 275,000 | 4,710,000 |
| | 01/12/10 | 03/01/30 | 2.00% | 4,022,945 | 952,308 | 1,549,578 | 166,150 | 2,335,736 |
| | 11/10/10 | 12/01/31 | 2.00% | 2,622,055 | -0- | 929,970 | -0- | 929,970 |
| Total | | | | | <u>\$ 11,998,666</u> | <u>\$ 2,479,548</u> | <u>\$ 1,079,934</u> | <u>\$ 13,398,280</u> |

| | | | | | | | | |
|----------------|----------|----------|--------|------------|-------------------|---------------|------------------|------------------|
| Notes Payable: | | | | | | | | |
| Sanitary Board | | | | | | | | |
| | 07/01/08 | 7/01/12 | 0.00% | \$ 400,000 | \$ 94,497 | \$ -0- | \$ 47,248 | \$ 47,249 |
| | 04/07/09 | 04/07/12 | 4.644% | 15,017 | 9,013 | -0- | 4,634 | 4,379 |
| | 01/13/10 | 01/13/13 | 4.55% | 62,020 | 53,903 | -0- | 20,134 | 33,769 |
| | | | | | <u>\$ 157,413</u> | <u>\$ -0-</u> | <u>\$ 72,016</u> | <u>\$ 85,397</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

ARBITRAGE COMPLIANCE

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The City invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds.

The annual debt service requirements to maturity, including principal and interest for bonds payable as of June 30, 2011 are as follows:

| Year Ending June 30, | <u>BUSINESS TYPE ACTIVITIES</u> | | | | <u>COMPONENT UNIT</u> | |
|-------------------------|---|-------------------|---|---------------------|----------------------------|---------------------|
| | Municipal Parking Board Revenue Bonds | Interest | Municipal Development Authority Revenue Bonds | Interest | Sanitary Board Bonds | Interest |
| 2012 | \$ 158,426 | \$ 35,942 | \$ 250,000 | \$ 365,726 | \$ 1,188,151 | \$ 407,912 |
| 2013 | 162,068 | 32,300 | 255,000 | 357,789 | 1,299,557 | 381,563 |
| 2014 | 165,793 | 28,574 | 270,000 | 349,239 | 1,346,378 | 338,741 |
| 2015 | 169,605 | 24,763 | 280,000 | 339,589 | 1,393,638 | 294,092 |
| 2016 | 173,504 | 20,864 | 290,000 | 328,189 | 1,441,341 | 247,596 |
| 2017 - 2021 | 822,788 | 43,186 | 1,950,000 | 1,481,381 | 5,114,303 | 658,627 |
| 2022 - 2026 | -0- | -0- | 2,515,000 | 943,351 | 1,614,912 | 83,987 |
| 2027 - 2031 | -0- | -0- | 3,095,000 | 342,425 | -0- | -0- |
| Total | \$1,652,184 | \$ 185,629 | \$ 8,905,000 | \$ 4,507,689 | \$ 13,398,280 | \$ 2,412,518 |

Long-term debt for governmental activities is accounted for in the government-wide statements. Long-term debt and current year principal and interest requirements for the revenue bonds are accounted for within the enterprise fund which was funded by the issue. Long-term debt and current year principal and interest requirements for the revenue bonds of the Component Unit are accounted for within the Component Unit.

See Note 8 for debt service relating to leases.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the City's long-term debt transactions for the fiscal year ended June 30, 2011:

| | Revenue Bonds Payable | Notes Payable | Lease Purchase Agreements |
|---------------------------------|-----------------------------|---------------------|---------------------------------|
| Debt outstanding, June 30, 2010 | \$ 18,034,783 | \$ 7,065,193 | \$ 2,466,822 |
| Additions of new debt | 11,384,548 | -0- | 1,538,566 |
| Retirements and repayments | <u>(5,463,867)</u> | <u>(4,469,770)</u> | <u>(771,644)</u> |
| Debt outstanding, June 30, 2011 | \$ <u>23,955,464</u> | \$ <u>2,595,423</u> | \$ <u>3,233,744</u> |

On January 12, 2010, the Huntington Sanitary Board was authorized to issue \$4,022,945 of 20 year local bonds. The Bonds shall bear interest at a rate of 2% per annum. Commencing June 1, 2010, principal and interest of the Bonds are payable quarterly, with an administrative fee of 1%. Quarterly payment will be made on March 1, June 1, September 1 and December 1 of each year. At June 30, 2011, \$2,542,908 of these bonds had been issued.

The line of credit recorded in HURA is payable to a bank, with monthly installments of accrued interest and one final principal and interest payment due January 5, 2012. The line of credit has a variable interest rate not to be less than 4.250% or more than the maximum rate allowed by applicable law; collateralized by deeds of trust on real property. The line of credit has been renewed subsequent to year end.

The following is a summary of changes in short-term debt for the year ended June 30, 2011:

| | Balance <u>July 1, 2010</u> | <u>Issued</u> | <u>Retired</u> | Balance <u>June 30, 2011</u> |
|------------------------------|--------------------------------|---------------|----------------|---------------------------------|
| Lines of Credit: | | | | |
| Non-major Governmental Fund: | | | | |
| HURA | \$ 241,211 | \$430,787 | \$416,733 | \$ 255,265 |
| Major Enterprise Fund: | | | | |
| HMDA | \$ 747,218 | \$ 2,295 | \$749,513 | \$ -0- |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of; damage to; destruction of assets; errors and omissions; and natural disasters, the City carries insurance for these various risks.

Workers' Compensation: The City is self-insured and hires a third party administrator approved by the state Self Insurance Unit. The following units use Brick Street - Huntington Sanitary Board, Huntington Municipal Development Authority, and Huntington Municipal Parking Board.

NOTE 11 - RECEIVABLES AND PAYABLES

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

| <u>Due From:</u> | <u>Due To:</u> | | | | | | |
|--------------------------------------|---|---------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-------------------------------|------------------|
| <u>Primary Government</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | | | |
| | Major Governmental <u>Fund</u> General | Other Governmental <u>Funds</u> | Municipal Dev. <u>Auth.</u> | Municipal Parking <u>Board</u> | Sanitation and <u>Trash</u> | <u>Total Due From</u> | |
| Governmental Activities: | | | | | | | |
| <u>Major Governmental Funds</u> | | | | | | | |
| General | \$ -0- | \$ 91,507 | \$ 530 | \$ 20,681 | \$ 101,624 | \$ | 214,342 |
| Community Development Block Grant | 121,146 | -0- | -0- | -0- | -0- | | 121,146 |
| <u>Other Governmental Funds</u> | 279,615 | 44,820 | -0- | -0- | -0- | | 324,435 |
| <u>Internal Service Fund</u> | 539,872 | -0- | -0- | -0- | -0- | | 539,872 |
| Business-type Activities: | | | | | | | |
| <u>Major Enterprise Funds</u> | | | | | | | |
| Municipal Dev. Auth. | 9,983 | -0- | -0- | -0- | -0- | | 9,983 |
| Parking Board | 23,989 | -0- | -0- | -0- | -0- | | 23,989 |
| Sanitation and Trash | <u>413,272</u> | <u>19,470</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | | <u>432,742</u> |
| Total Due To | \$ <u>1,387,877</u> | \$ <u>155,797</u> | \$ <u>530</u> | \$ <u>20,681</u> | \$ <u>101,624</u> | \$ | <u>1,666,509</u> |

| <u>Payable To Primary Government</u> | <u>Receivable From Component Unit</u> | <u>Receivable From Primary Government</u> | <u>Payable To Component Unit</u> |
|--|---|---|--------------------------------------|
| Governmental <u>Activities</u> | Sanitary <u>Board</u> | Governmental <u>Activities</u> | Sanitary <u>Board</u> |
| General | \$ <u>6,627</u> | General | \$ <u>132,570</u> |
| Total | \$ <u>6,627</u> | Total | \$ <u>132,570</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 - RECEIVABLES AND PAYABLES (CONTINUED)

| <u>Payable To Primary Government</u> | <u>Receivable From Fiduciary Funds</u> | | <u>Receivable From Primary Government</u> | <u>Payable To Fiduciary Funds</u> | |
|--|--|--------------------------------|---|---------------------------------------|--------------------------------|
| Governmental <u>Activities</u> | Police Pension <u>Fund</u> | Fire Pension <u>Fund</u> | Governmental <u>Activities</u> | Police Pension <u>Fund</u> | Fire Pension <u>Fund</u> |
| General | \$ <u>3,445</u> | \$ <u>2,153</u> | General | \$ <u>1,708,854</u> | \$ <u>2,007,660</u> |
| Total | \$ <u>3,445</u> | \$ <u>2,153</u> | Total | \$ <u>1,708,854</u> | \$ <u>2,007,660</u> |

NOTE 12 - TRANSFERS AND PAYMENTS

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Transfers *within* the two columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity:

| <u>Transfer From:</u> Primary Government | <u>Transfers To:</u> | | |
|---|------------------------------------|---|------------------------------------|
| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total Transfer From</u> |
| Governmental Activities: | | | |
| Major Governmental Funds | \$ 466,335 | \$ 674,071 | \$ 1,140,406 |
| Other Governmental Funds | <u>145,000</u> | <u>-0-</u> | <u>145,000</u> |
| Total Transfers To | \$ <u>611,335</u> | \$ <u>674,071</u> | \$ <u>1,285,406</u> |

The transfers to Governmental Activities represent a \$466,335 transfer from the General Fund to the Civic Arena for operating deficits and a \$145,000 transfer from the Capital Improvement Fund to the Civic Arena Fund for naming rights. The transfer to Business Type Activities represents a transfer of \$674,071 to the Municipal Development Authority from Community Development Block Grant for debt service payments on HUD 108 Projects.

Additionally, the administrative fee charged to Sanitation & Trash and payable to the General Fund was forgiven in the amount of \$175,336.

NOTE 13 - REVENUES AND EXPENDITURES - BENEFITS FUNDED BY THE STATE OF WEST VIRGINIA

For fiscal year 2011, the State of West Virginia contributed payments on behalf of City employees as follows:

| <u>Plan</u> | <u>Amount</u> |
|---|---------------|
| City of Huntington Policemen's Pension and Relief Fund | \$ 990,195 |
| City of Huntington Firemen's Pension and Relief Fund | \$ 1,271,475 |

State contributions are funded by allocations of the state's insurance premium tax. The City is not legally responsible for these contributions.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - EMPLOYEES RETIREMENT PLAN

All City employees, with the exception of part-time temporary employees, police officers, and fire fighters participate in the West Virginia Public Employees Retirement System (the System), a multi-employer, cost sharing public employee retirement system covering employees of the State of West Virginia and its participating political subdivisions. For the year ended June 30, 2011, covered payroll totaled \$5,361,219 and the required contribution from the City totaled \$670,380, with an additional \$241,337 contributed by covered employees.

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

| | |
|--|---|
| Eligibility to participate | All full time employees by a municipality other than uninformed employees. |
| Authority establishing contribution obligations and benefit provisions | State Statute |
| Plan members' contribution rate | 4.5% of covered payroll |
| City's contribution rate | 12.5% of covered payroll (14.5% effective July, 2011) |
| Period required to vest | 5 years |
| Benefits and eligibility for Distribution (full-time) | 2% of final average (highest 3 years out of the last 10 years) salary multiplied by years of service; 5 years age 60 or at least age 55 with age and service equal to 80. |
| Deferred retirement option | Yes, 5 years credited service, including at least three years of contributing service age 62 |
| Provisions for: | |
| Cost of living adjustments (normal retirement) | No |
| Death (duty, non-duty, post retirement) | Yes |
| Disability (duty, non-duty) | Yes |
| Cost of living allowances | No |

Trend information is as follows:

| <u>Fiscal Year</u> | <u>Employee Contribution</u> | <u>Employer Contribution</u> | <u>Percentage Contribution</u> |
|--------------------|------------------------------|------------------------------|--------------------------------|
| 2011 | \$ 241,337 | \$ 670,380 | 100% |
| 2010 | 239,555 | 585,574 | 100% |
| 2009 | 247,118 | 576,610 | 100% |
| 2008 | 235,907 | 567,838 | 100% |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

The amount reported below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among government pension plans and employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System. The System does not conduct separate measurements of assets and pension benefit obligations for individual employers. The accrued liability at July 1, 2010, the date of the most recent actuarial valuation for the System as a whole, was \$5,325,830,000. The System's net assets available for benefits on that date (valued at market value) were \$3,974,610,000.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Avenue, S.E., Charletson, WV 25304.

In addition to having elected to become a participating public employer under the West Virginia Public Employees Retirement System, the City of Huntington has established and maintains the following employees retirement and benefits funds, as authorized by West Virginia § 8-22-1 et seq. for all eligible employees.

(a) Policemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund of the City of Huntington covers all eligible employees of the police department paid on a full-time basis from public funds. The City's contribution for the fiscal year ended June 30, 2011 was \$4,850,111 and \$990,195 was provided by the insurance premium tax allocation, and \$364,266 was withheld from the police employees wages for a total contribution of \$6,204,572.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

As of July 1, 2010, (the latest valuation date) employee membership data related to the pension plan were as follows:

| | | |
|---|--|----------------------|
| Current Employees (96 participants) | | |
| Employee contributions/Employer-financed vested and non-vested | | \$ 31,182,399 |
| Non-Active Participants (124 participants) | | |
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | | <u>52,593,809</u> |
| Total pension benefit obligation | | 83,776,208 |
| Assets at market value | | <u>12,731,238</u> |
| Unfunded pension benefit obligation | | \$ <u>71,044,970</u> |

Special assumptions used in the above calculations were:

| | | | |
|-----------------|----|--|-------------------------|
| Interest | 5% | | (pre & post retirement) |
| CPI | 3% | | |
| Salary increase | 5% | | |

The pension plan provides pension benefits, and death and disability benefits. A member may retire after reaching the age of 50 or accumulating 20 years of service. Employees who retire at or after age 50 with 20 or more years of service are entitled to monthly pension payments for the remainder of their lives based on a percentage of their highest three year average countable compensation. The percentage is based on years of service.

Pension provisions include disability and death benefits. If after examination by at least two physicians at Marshall or West Virginia University, a member is judged to be totally, physically or mentally incapacitated for employment as a police officer, he or she is given up to four 26 week periods of temporary disability entitlement and, thereafter, if eligible and if there is no recovery, is judged to have a permanent disability.

If the disability is service-related, no membership requirement must be met to have the disability adjudged permanent. If **not** service related, the employee must have at least five years of service to have his disability adjudged permanent. The disability benefit is payable for four 26 week periods if the member is entitled only to temporary disability benefits. If, after the four 26 week periods, a disability is adjudged permanent and if the disabled member is eligible, benefits are payable for life. The monthly benefit is 60% of the member's monthly base compensation (excluding any lump sum to pay for unused sick leave, vacation or holiday).

CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

For non-line-of-duty disabilities commencing April 1, 1991 or after, when earned income exceeds \$7,500 per annum, there is to be \$1 of offset for each \$3 of income, on the portion of the annual pension which is in excess of \$7,500 per annum.

If the disability benefit plus Worker's Compensation benefits exceeds 100% of compensation paid to the position from which the member became disabled, the disability benefit is reduced so the sum will not exceed this 100% limit. Lump sum Worker's Compensation benefits are not counted.

The 60% of monthly base compensation is increased by 1% for each year the member participated in the armed forces, up to a maximum of 4%.

Upon death of a member while active (if eligible), while waiting to receive retirement benefits or while retired:

A surviving spouse receives 60% of the pension being paid or 60% of the pension earned as of the date of the member's death, such spouse benefit continuing until the spouse' death or remarriage. The spouse benefit is subject to a minimum of \$300 per month.

Each surviving dependent child receives 20% of the pension being paid or 20% of the pension earned to the date of the member's death, such child's benefit continuing until the child's death or marriage. Benefits cease at age 18 unless the dependent child is totally physically or mentally disabled.

Each surviving dependent orphan child shall receive 25% of the pension being paid or 25% of the pension earned to the date of the member's death, such orphan child's benefits continuing until the child's death or marriage. Benefits cease at age 18 unless the dependent orphan child is totally physically or mentally disabled.

A surviving dependent mother or father shall receive 10% of the pension being paid or 10% of the pension earned to the date of the member's death, such dependent parent's benefit continuing until the death of the dependent parent.

Surviving dependent brothers and sisters each receive \$50 with a maximum of \$100 payable for all such brothers and sisters, these benefits being payable until age 18 or marriage of the dependent brother or sister.

The total may not exceed 100% of the pension being paid or 100% of the pension earned to the date of the members' death. If more is payable because of the number of surviving dependents, all such benefits are reduced pro rata, but spouse and the children cannot receive less than 65% of the total amount paid to all dependents.

If the death occurs **not** in the line of duty, five years of service is required for an employee to be eligible for the payment of death benefits to his beneficiary(ies). On the other hand, if death occurs in the line of duty, no service requirement must be met.

If there is no eligible survivor, accumulated member contributions are payable to a named beneficiary inclusive of 6% interest, to the extent such accumulated contributions exceed any disability or retirement benefits received before death.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

The death benefits payable to the beneficiary of a deceased non-line-of-duty disabled pensioner shall be calculated as if the disabled person were not employed, so that the \$1 for \$3 offset, applicable to the disabled employee's pension, does not affect the death benefit.

Employees of the police department are required to pay 7% of their gross earnings to the pension plan. The payments are deducted from the employee's wages or salary and are remitted by the City to the plan on a monthly basis. If an officer leaves the employment of the City, the accumulated contributions are refunded to the employee or the employee's designated beneficiary without interest.

The City makes monthly contributions to the pension plan equal to the amount required by state statutes.

The City's annual pension cost and net pension obligation for the Policemen's Pension and Relief fund are as follows:

| | |
|--|----------------------|
| Annual required contribution | \$ 4,308,079 |
| Interest on NPO | 1,175,372 |
| Adjustment to annual required contribution | <u>(897,133)</u> |
| Annual pension cost | 4,586,318 |
| Employer Contributions made | <u>(4,850,111)</u> |
| Decrease in net pension obligation | (263,793) |
| Net pension obligation at beginning of the year | <u>23,507,436</u> |
| Net pension obligation at the end of the year | \$ <u>23,243,643</u> |

Trend information is as follows:

| Fiscal Year | Annual Pension Cost | Percentage Contributed | Net Pension Obligation (NPO) |
|-------------|------------------------|---------------------------|---------------------------------|
| 2011 | \$ 4,586,318 | 106% | \$ 23,243,643 |
| 2010 | \$ 4,086,266 | 93% | \$ 23,507,436 |
| 2009 | \$ 4,322,184 | 95% | \$ 23,222,429 |
| 2008 | \$ 4,159,401 | 92% | \$ 22,998,136 |

The schedule of funding progress included in the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets in relation to the actuarial accrued liability for benefits.

(b) Firemen's Pension and Relief Fund

The Firemen's Pension and Relief Fund of the City of Huntington covers all eligible employees of the fire department paid on a full-time basis from public funds. The City's contribution for the fiscal year ended June 30, 2011 was \$5,676,054 and \$1,271,474 was provided by the insurance premium tax allocation, and \$324,979 was withheld from the fire employees wages for a total contribution of \$7,272,507.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

As of July 1, 2010, (date of latest valuation) employee membership data related to the pension plan were as follows:

| | |
|---|----------------------|
| Current Employees (103 participants) | |
| Employee contributions | |
| Employer - financed | |
| vested and non-vested | \$ 25,574,471 |
| | |
| Non-Active Participants (183 participants) | |
| Retirees and beneficiaries currently receiving | |
| benefits and terminated employees not yet | |
| receiving benefits | <u>68,363,069</u> |
| Total pension benefit obligation | 93,937,540 |
| Net assets available for benefits at market value | <u>5,708,591</u> |
| Unfunded pension benefit obligation | \$ <u>88,228,949</u> |

Special assumptions used in the above calculations were:

| | |
|-----------------|-----|
| Interest | 5 % |
| CPI | 3 % |
| Salary increase | 5 % |

The pension plan provides pension benefits, and death and disability benefits. A member may retire after reaching the age of 50 or accumulating 20 years of service. Employees who retire at or after age 50 with 20 or more years of service are entitled to monthly pension payments for the remainder of their lives based on a percentage of their highest three year average countable compensation. The percentage is based on years of service.

A participant who becomes permanently disabled by reason of physical or mental disability and (1) who has completed five years continuous service preceding his disability, or (2) whose disability is by reason of service rendered in the performance of his duties, is eligible for a disability benefit. The amount of the monthly disability benefit is 60% of the monthly compensation which the participant is being paid at the time of the disability plus 1% per year of military service up to four years. The monthly disability amount shall not be less than \$500 or, when aggregated with the monthly amount of workers' compensation, exceed 100% of the member's monthly salary at the time of his disability. The disability benefit commences on the participant's date of disability and continues for life or until recovery. A disabled participant may be examined from time to time as required by the Board of Medical Examiners. If the participant has recovered and the participant can be restored to his former position in the Department, his disability benefit will terminate.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

A participant in the service of the department who dies after having completed five years continuous service, or whose death is by reason of service rendered in the performance of his duties, and who is survived by a dependent spouse, dependent children under the age of 18, dependent children over the age of 18 who are physically or mentally disabled, dependent father, dependent mother, or any dependent brothers or sisters under the age of 18, shall be entitled to have death benefits paid to such surviving dependents. A participant not currently in the service of the department, but who dies while receiving disability or pension benefits, or who dies and was eligible to receive pension benefits commencing at a future date, and who leaves surviving dependents as listed above, is eligible to have death benefits paid to those surviving dependents.

Upon death of a member while active (if eligible), while waiting to receive retirement benefits or while retired:

A surviving spouse's monthly benefit is 60% of the participant's monthly accrued pension, but not less than \$300. The dependent spouse's benefit commences on the participant's date of death and continues until the death or remarriage of the spouse.

Each surviving dependent child's monthly benefit is 20% of the participant's monthly accrued pension, but not less than \$50. The monthly dependent children's benefit for each such child is increased to 25% of the participant's monthly accrued pension, but not less than \$125, if the children are orphaned. The dependent children's benefit commences on the date of the participant's death and continues to each child until that child attains age 18 or marries, whichever is earlier.

A surviving dependent mother or father's monthly benefit is 10% of the participant's monthly accrued pension, but not less than \$50. The dependent mother's or father's benefit commences on the participant's date of death and continues to each dependent party for life.

A surviving dependent brothers' or sisters' monthly benefit is \$50, but not more than \$100 in total to all dependent brothers and sisters. The dependent brothers' and sisters' benefit commences on the participant's date of death and continues to each dependent brother and sister until that party attains age 18 or marries, whichever is earlier.

Employees of the fire department are required to pay 7% of their gross earnings to the pension plan. The payments are deducted from the employee's wages or salary and are remitted by the City to the plan on a monthly basis. If an individual leaves the employment of the City, the accumulated contributions are refunded to the employee or the employee's designated beneficiary without interest.

The City makes monthly contributions to the pension plan equal to the amount required by state statutes.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

The City's annual pension cost and net pension obligation for the Firemen's Pension and Relief Fund are as follows:

| | |
|--|----------------------|
| Annual required contribution | \$ 4,843,692 |
| Interest on NPO | 1,498,500 |
| Adjustment to annual required contribution | <u>(1,143,769)</u> |
| Annual pension cost | 5,198,423 |
| Contributions made | <u>(5,676,054)</u> |
| Increase in net pension obligation | (477,631) |
| Net pension obligation at beginning of the year | <u>29,970,005</u> |
| Net pension obligation at the end of the year | \$ <u>29,492,374</u> |

Trend information is as follows:

| Fiscal Year | Annual Pension Cost | Percentage Contributed | Net Pension Obligation (NPO) |
|-------------|------------------------|---------------------------|---------------------------------|
| 2011 | \$ 5,198,423 | 109% | \$ 29,492,374 |
| 2010 | 4,732,990 | 94% | 29,970,005 |
| 2009 | 4,285,656 | 97 % | 29,691,085 |
| 2008 | 4,089,482 | 95 % | 29,542,995 |

The schedule of funding progress included in the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets in relation to the actuarial accrued liability for benefits.

MUNICIPAL POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM

West Virginia state legislation became effective December 2009 allowing municipalities the voluntary right to enter a new state-run retirement system for police officers and firefighters. The system known as the West Virginia Municipal Police Officers and Firefighters Retirement System (MPFRS) is managed by the state Consolidated Public Retirement Board. The legislation allows municipalities the right to enter the new system and is effective for police officers and firefighters employed by the City from January 1, 2010 forward. Police Officers and firefighters hired before January 1, 2010 will remain in the existing Municipal Police/Fire Pension and Relief Funds.

MPFRS is funded by employee and employer contributions. An active employee contributes 8.5% of his or her gross monthly salary, and the employer contributes 8.5% of the employee's gross monthly salary for a total combined contribution equal to 17%. The Board may, upon recommendation of the Board's actuary, increase the employee contribution rate to 10.5% should the plan not be seventy percent funded by July 1, 2014. The Board may increase the employer contribution rate no more than 10.5% to ensure actuarially sound funding for the plan. At no time may the rate of employee contribution exceed the rate of employer contribution. If the participation threshold of 100 members is not met by January 1, 2014, MPFRS will merge with Emergency Medical Services Retirement System. The current EMSRS employee contribution rate is 8.5% and the current employer contribution rate is 10.5%, for a total current combined contribution equal to 19%.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

Any active member who has concurrent employment in an additional job or jobs that requires participation in another retirement system administered by CPRB must contribute 8.5% of his or her monthly salary from such additional employment to MPRFS.

The statute prohibits any payout of retirement, disability, or death benefits from MPFRS fund prior to January 1, 2013. In order to qualify for regular retirement benefits, a member of MPFRS must meet one of the following requirements:

While still in covered employment:

- Attainment of age 50 when age plus contributory service equals 70 (excluding military service)
- Attainment of age 60 and completion of 10 years contributory service (excluding military service)

When covered employment has ceased:

- Attainment of age 50 and the completion of 20 years of contributory service (excluding military service)
- Attainment of age 62 with 5 or more years of contributory service (excluding military service)

Trend information is as follows:

| <u>Fiscal Year</u> | <u>Employee Contribution</u> | <u>Employer Contribution</u> | <u>Percentage Contribution</u> |
|--------------------|------------------------------|------------------------------|--------------------------------|
| 2011 | \$27,265 | \$27,265 | 100% |
| 2010 | \$ 2,816 | \$ 2,816 | 100% |

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

The City provides post retirement health, prescription and vision benefits for certain retirees and their dependents. The payment for these benefits vary based on the classification of the employee upon retirement. The administrative employees upon retirement have the option of being paid for up to 140 days of accumulated sick leave or can opt to use up to 75 days of accumulated sick leave for medical, prescription and vision coverage and be paid directly for the remainder of the 140 days accumulated. They can redeem the sick leave at the rate of 5 days for one month coverage.

SCHEDULE OF EMPLOYER CONTRIBUTIONS OPEB:

| <u>Annual Required Fiscal Year End</u> | <u>Percent of Contributions</u> | <u>Employer Contribution (ARC)</u> | <u>ARC Contributed</u> |
|--|-------------------------------------|--|------------------------|
| June 30, 2008 | \$ 2,282,041 | \$ 6,997,034 | 32.6% |
| June 30, 2009 | \$ 2,426,494 | \$ 7,208,363 | 33.7% |
| June 30, 2010 | \$ 2,527,711 | \$ 9,217,969 | 27.4% |
| June 30, 2012 | \$ 2,717,289 | \$ 9,095,940 | 29.9% |

ANNUAL OPEB COST:

| <u>As of</u> | <u>Annual OPEB Cost</u> | <u>Percent of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------|-------------------------|--|--------------------------------|
| June 30, 2008 | \$ 6,997,034 | 32.6% | \$ 4,714,993 |
| June 30, 2009 | \$ 7,219,570 | 33.6% | \$ 9,508,069 |
| June 30, 2010 | \$ 9,240,568 | 27.4% | \$16,220,926 |
| June 30, 2011 | \$ 9,134,494 | 29.8% | \$22,638,131 |

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The City's annual other post-employment benefit cost is as follows:

| | |
|---|----------------------|
| Annual required contribution | \$ 9,095,940 |
| Interest on net OPEB obligation | 729,942 |
| Adjustment to annual required contribution | <u>(691,388)</u> |
| Annual OPEB cost | 9,134,494 |
| Contributions made | <u>(2,717,289)</u> |
| Increase in net OPEB obligation | 6,417,205 |
| Net OPEB obligation at the beginning of the year | <u>16,220,926</u> |
| Net OPEB obligation at the end of the year | <u>\$ 22,638,131</u> |

Retirees who were members of the American Federation of State, County and Municipal Employees (AFSCME) are entitled to use up to 120 days of accumulated sick leave. They have the option to be paid up to 75 days and then use the remainder of the 120 days as insurance premium or to use the entire 120 days to exchange for medical, prescription and vision coverage. They can purchase insurance at the rate of 5 days of sick leave for one month coverage.

Policemen and Fireman may be paid for 140 days of accumulated sick leave. The redemption of the remaining accumulated sick days varies between the two classifications.

Policemen may redeem the remainder of accumulated sick leave over 140 days at the following rate:

| <u>Coverage</u> | <u>Medical</u> | <u>Prescription</u> | <u>Vision</u> |
|-----------------|----------------|---------------------|---------------|
| Family | 5 days | 1.5 days | 0.5 days |
| Single | 2 days | 0.5 days | 0.5 days |

Firemen may redeem the remainder of accumulated sick leave over 140 days as a percentage reduction in the medical, prescription and vision premium. The following rate is applied:

MEDICAL

For family coverage the premium is reduced by 40% for every 24 hours sick leave. For single coverage the premium is reduced by 40% for every 12 hours sick leave. The City pays for 50% of the remaining premium leaving the retiree to pay 10%.

PRESCRIPTION

For family coverage the premium is reduced by 40% for every 12 hours sick leave for 2 months. For single coverage the premium is reduced by 40% for every 12 hours sick leave for 4 months.

VISION

For both family and single coverages the premium is reduced by 40% for every 12 hours for the period of one year.

The postretirement benefits for the Police and Fire retirees continue up to a maximum of 10 years or until the exhaustion of accumulated sick leave.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial valuations reflect a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Therefore, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan member up to that point.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information as to whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the City maintains no Plan assets, information relative to Plan assets required disclosures is not applicable.

NOTE 16 - RESTATEMENTS

Net assets at the beginning of the year required restatement:

Governmental Activities:

| | | |
|---|----|---------------------|
| Net assets - June 30, 2010, as previously reported | \$ | (48,001,589) |
| Add: Investments – vested health insurance account plan | | <u>275,812</u> |
| Net assets - June 30, 2010, as restated | \$ | <u>(47,725,777)</u> |

The fund balance at the beginning of the year of the following fund(s) required restatement:

| | General Fund |
|--|-------------------|
| Fund balance at June 30, 2010, as previously stated | \$ <u>226,334</u> |
| Current asset – Investments - vested health insurance account | <u>275,812</u> |
| Total Adjustments | <u>275,812</u> |
| Fund balance at June 30, 2010, as restated | \$ <u>502,146</u> |

Fund balances at the beginning of fiscal year 2011 have been restated to record previously unrecorded invested assets in the General Fund.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 17 – COMMITMENTS AND CONTINGENCIES

The City had encumbrances totaling \$1,949,450 as of June 30, 2011 in the following funds:

| General Fund | CDBG | Federal Drug | Westmoreland Fire Protection | Jean Dean Public Safety |
|-----------------|-------------|-----------------|---------------------------------|----------------------------|
| \$ 458,137 | \$1,290,128 | \$ 154,276 | \$ 610 | \$ 46,299 |

Encumbrances are classified as Restricted, Committed, or Assigned fund balance depending on the specific purpose of the encumbrance.

FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the City's independent auditor and state and federal regulatory agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund.

LITIGATION

The City is party to various other legal proceedings which normally occur in governmental operations management. These legal proceedings are not likely to have a material impact on the affected funds of the City.

LANDFILL CLOSURE

The Department of Environmental Protection forced the city to close its landfill in 1994 because it did not have an underlying liner. Some procedures which are required for closure have been completed, however, additional procedures are still required to complete the closure. Costs to complete the closure have been estimated at approximately \$5 million.

HUNTINGTON SANITARY BOARD - COMPONENT UNIT

A large percentage of Huntington's sewer system consists of lines that carry both storm water and sewage. The combined lines often overflow during heavy rain, which prevents the Huntington Sanitary Board's wastewater treatment plant from treating the water. The Environmental Protection Agency requires communities to separate these systems. In 2007, a consultant presented a plan to the Huntington City Council that would undertake the repair of the Combined Sewer Overflow (CSO) problem. The proposed plan would cost \$657 million. The Sanitary Board has prepared a revised \$357 million plan, with an initial phase estimated to cost \$54.5 million. The plan is currently under review by environmental officials.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 18 - CONCENTRATION OF CREDIT RISK

The General Fund bills the residents and businesses of Huntington, West Virginia a municipal fee. The Sanitation and Trash fund bills customers for municipal trash collection. The Sanitary Board is a supplier of sewer services to the residents and businesses of Huntington, West Virginia. The Municipal Parking Board provides parking in downtown Huntington and issues parking tickets. The aforementioned charges are provided on a credit basis without requiring collateral or any other security. Accounts receivable are recorded net of an allowance for bad debts of \$10,979 for the Sanitary Board. Accounts receivable for the General Fund, Sanitation and Trash, and Municipal Parking Board have been adjusted for all known uncollectible accounts. An allowance for bad debts in those funds has not been set up as the amount is not considered material.

The City maintains cash balances in checking accounts at local banks. The accounts at the institutions are insured by the Federal Deposit Insurance Corporation. At various times throughout the year, the City had balances exceeding the FDIC insured limits. However, the City has obtained pledged securities which are reviewed by the Finance Director's office and the financial institution to be certain that accounts are fully collateralized at all times.

NOTE 19 - AMOUNTS DUE TO THE GENERAL FUND

The General Fund has loaned money to or paid expenses for other City funds. These transactions have been recorded as due from other funds in the General Fund financial statements. Such transactions create stress on cash flows of the General Fund and create risk to the General Fund of meeting future financial needs should repayment not be realized. The following is a summary of amounts due to the General Fund from other funds, net of amounts due from the General Fund:

| <u>Due From Fund</u> | <u>Amount Due To General Fund</u> |
|--|---------------------------------------|
| Community Development Block Grant | \$ 121,146 |
| Civic Arena | 233,182 |
| Federal Drug | 134 |
| Jean Dean Public Safety | 46,299 |
| Workers' Compensation | 539,872 |
| Huntington Municipal Development Authority | 9,983 |
| Huntington Municipal Parking Board | 23,989 |
| Sanitation & Trash | 413,272 |
| Police Pension & Relief | 3,445 |
| Fire Pension & Relief | 2,153 |
| Sanitary Board | <u>6,627</u> |
| Due to General Fund | \$ <u>1,400,102</u> |

NOTE 20 - SUBSEQUENT EVENTS

Lease Purchase:

On July 28, 2011, the City entered into an agreement to purchase energy saving equipment through a capital lease. The lease term is 15 years and provides for 30 equal semiannual payments of \$73,950.

Subsequent Refinancing:

HURA renewed a line of credit payable to a bank. The renewed line of credit is payable in one principal payment on November 11, 2012, with monthly interest payments at a variable interest rate not to be less than 4.250% or more than the maximum rate allowed by applicable law; collateralized by deeds of trust.

CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 20 - SUBSEQUENT EVENTS (CONTINUED)

City of Huntington has evaluated subsequent events through March 24, 2012, the date to which the Financial statements were available to be issued.

NOTE 21 - FINANCIAL CONDITION

The City of Huntington, West Virginia is experiencing financial difficulties. The following conditions or events are of concern:

- The City's General Fund had excess expenditures over revenues of \$(1,588,971) for year ended June 30, 2011, and an ending deficit fund balance of \$(1,086,824).
- The Sanitation and Trash Proprietary Fund incurred a net operating loss of \$(394,164) for the year with ending net assets deficit of \$(5,667).
- The City has approximately \$159 million of unfunded liabilities for its Policemen's and Firemen's pension and relief plans. The amounts required to service these liabilities are expected to increase over the coming years.
- As of July 1, 2010, the most recent actuarial valuation for other post-employment benefits (OPEB) for the City's employees, the City had an unfunded actuarial accrued liability (UAAL) of \$108,988,787. Additional employer contributions from the City will be needed if this liability is to be reduced.

MANAGEMENT HAS SET FORTH THE FOLLOWING PLANS TO ADDRESS THE FOREGOING FINANCIAL CONDITIONS DESCRIBED ABOVE:

Revenue Sources:

The City implemented a temporary \$100 increase to the Municipal Service Fee effective January 1, 2012 through June 30, 2012. The 18,000 Municipal Service Fee accounts represent \$1.8 million dollars in new fees. Additionally, the City implemented a permanent increase in the Refuse Fee from \$15.00 per month to \$20.00 per month effective November 1, 2011. The 17,000 Refuse accounts represent \$680,000 in additional fees in FY2012 and \$1,020,000 in FY2013 and thereafter.

City Council passed a comprehensive tax reform package in August, 2010 that was subsequently approved by the West Virginia Home Rule Board in March, 2011. The package included a 1% occupation tax to become effective July 1, 2011, a 1% sales tax to become effective January 1, 2012, the repeal of the \$3.00 per week City Service Fee and the reduction of Business and Occupation taxes for selected business types (manufacturing, retail and service). The City entered a temporary injunction in late June 2011 that prevented the start of the 1% occupation tax and kept the \$3.00 per week City Service Fee in place. The case is still pending in Kanawha County circuit court as of this audit and the injunction remains in place.

Effective January 1, 2012, the City did implement the 1% sales tax and the business occupation tax reductions. The anticipated revenues from the sales tax will cover the revenue that is being foregone from the business and occupation tax reductions. The \$3.00 per week City Service Fee remains in place as well.

CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 21 - FINANCIAL CONDITION (CONTINUED)

Pension Liabilities:

The City's deficit balance represents a determination of additional pension expense for FY2011. The City entered a new state run pension plan for Police Officers and Firefighters hired after January 1, 2010. The contributions to the new plan are between 8.50% and 10.50% of compensation each year. The city was allowed to close its legacy Police and Fire pension plans to only those hired before January 1, 2010. During this transition, the state established the Municipal Pensions Oversight Board to provide oversight of legacy pension plans. In early July, 2011, the MPOB determined that the City should have contributed an additional \$2.4 million dollars for FY2011. As of the date of this audit all outstanding contributions for FY2011 have been made to the legacy pension plans and the pension plans have received all outstanding state insurance premium tax matching dollars. Prior to this finding the City general fund balance was \$976,000.

The long-term outlook for pension contributions is a slow decline in the amount of contributions to the legacy plans as the plans are closed to persons hired after January 1, 2012. Pension fund assets continue to grow (combined growth of nearly \$12 million dollars in the last three years). The contributions are being amortized over a 40 year period that began January 1, 2010 with full funding expected by 2050. As assets grow the expected rate of return used in the actuary reports is expected to rise from the current 5.00%. Growth in the expected rate of return has a positive impact on the expected contribution rate of the City.

OPEB Expenses:

The City is exploring changes to its benefit structure for employees hired after June 30, 2012 that would have a positive impact on its OPEB liability.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST
YEAR ENDED JUNE 30, 2011**

I. SCHEDULES OF FUNDING PROGRESS

Firemen's Pension and Relief Fund

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) -Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Future Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| 7/1/05 | 1,064,842 | 67,138,938 | 66,074,096 | 2% | 4,054,648 | 1630% |
| 7/1/06 | 1,818,597 | 70,535,912 | 68,717,315 | 3% | 4,238,353 | 1621% |
| 7/1/07 | 2,770,146 | 71,624,817 | 68,854,671 | 4% | 4,562,553 | 1506% |
| 7/1/09 | 4,368,513 | 77,022,857 | 72,654,344 | 6% | 4,442,757 | 1635% |
| 7/1/10 | 5,708,591 | 93,937,540 | 88,228,949 | 6% | 4,575,882 | 1928% |

Police Pension & Relief Fund

| | | | | | | |
|--------|------------|------------|------------|-----|-----------|-------|
| 7/1/05 | 3,721,967 | 57,913,268 | 54,191,301 | 6% | 4,052,062 | 1337% |
| 7/1/06 | 5,277,416 | 62,072,334 | 56,794,918 | 9% | 4,336,563 | 1310% |
| 7/1/07 | 7,338,963 | 64,079,126 | 56,740,163 | 11% | 4,573,217 | 1241% |
| 7/1/09 | 10,301,778 | 68,238,403 | 57,936,625 | 15% | 5,096,730 | 1137% |
| 7/1/10 | 12,731,238 | 83,776,208 | 71,044,970 | 15% | 5,228,133 | 1359% |

II. SCHEDULES OF EMPLOYER CONTRIBUTIONS

The employer contributions as calculated in accordance with the West Virginia State Code optional method of financing (alternative minimum annual employer contribution formula prior to fiscal year 2010) are as follows:

| Fiscal Year | <u>Firemen's Pension and Relief</u> | | <u>Police Pension and Relief</u> | |
|----------------|-------------------------------------|---------------------------|------------------------------------|---------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2005 | 3,156,529 | 100% | 3,126,261 | 100% |
| 2006 | 3,377,486 | 100% | 3,345,099 | 100% |
| 2007 | 3,613,911 | 100% | 3,579,256 | 100% |
| 2008 | 3,866,885 | 100% | 3,829,804 | 100% |
| 2009 | 4,137,567 | 100% | 4,097,890 | 100% |
| 2010 | 4,590,488 | 97% | 3,950,928 | 96% |
| 2011 | 5,539,636 | 102% | 4,700,443 | 103% |

**CITY OF HUNTINGTON, WEST VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION TRUST
 YEAR ENDED JUNE 30, 2011**

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

| | <u>Firemen's Pension & Relief Fund</u> | <u>Police Pension & Relief Fund</u> |
|----------------------------------|---|--|
| Valuation date | 7/1/10 | 7/1/10 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization cost method | 40 year closed level dollar amortization for funding (from 1/1/10) | 40 year closed level dollar amortization for funding (from 1/1/10) |
| Amortization period | 30 year closed level percentage of pay amortization for GASB 25/27 accounting (from 7/1/10) | 30 year closed level percentage of pay amortization for GASB 25/27 accounting (from 7/1/10) |
| Actuarial asset valuation method | Market value | Market value |
| Accrual assumptions: | | |
| Investment rate of return | 5.00% | 5.00% |
| Projected salary increases | 5.00% | 5.00% |
| Post retirement COLA | 3% on first \$15,000 of annual benefit and on the accumulated supplemental pension amounts for prior years | 3% on first 15,000 of annual benefit and on the accumulated supplemental pension amounts for prior years. |
| Inflation | 3.00% | 3.00% |

**CITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS -
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2011**

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefits

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liability (AAL) -Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Future Payroll |
|--------------------------|---------------------------|--------------------------------------|---------------------|--------------|-----------------|--|
| 7/1/07 | \$ -0- | \$ 85,445,330 | \$ 85,445,330 | 0.0% | \$ 16,423,689 | 520.3% |
| 7/1/08 | -0- | 88,506,374 | 88,506,374 | 0.0% | 16,916,399 | 523.2% |
| 7/1/09 | -0- | 109,692,330 | 109,692,330 | 0.0% | 16,849,837 | 651.0% |
| 7/1/10 | -0- | 108,988,787 | 108,988,787 | 0.0% | 17,355,332 | 628.0% |

Other Post-Employment Benefits

| | |
|----------------------------------|-----------------------|
| Valuation date | 7/1/10 |
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Level percentage open |
| Amortization period | 30 Years |
| Actuarial asset valuation method | N/A |
| Accrual assumptions: | |
| Discount Rate | 4.5% |
| Salary scale | 3.0% per year |
| Health care trend rates: | |

Annual rates by benefit are as shown below.

| FYE | Medical | Rx |
|------|---------|-------|
| 2012 | 7.25% | 8.25% |
| 2013 | 7.00% | 8.00% |
| 2014 | 6.75% | 7.75% |
| 2015 | 6.50% | 7.50% |
| 2016 | 6.25% | 7.25% |
| 2017 | 6.00% | 7.00% |
| 2018 | 5.75% | 6.75% |
| 2019 | 5.50% | 6.50% |
| 2020 | 5.25% | 6.25% |
| 2021 | 5.00% | 6.00% |
| 2022 | 5.00% | 5.75% |
| 2023 | 5.00% | 5.50% |

Health Care Trends - Pre-65 retiree contributions are assumed to be constant for police and fire retirees. Pre-65 retiree contributions for general City employees and Sanitary Board employees are assumed to increase with health care trend rates. Post-65 retiree contributions for all groups are assumed to increase with health care trend rates.

**CITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

| | Original Budget | Revisions | Revised Budget | Actual Amounts | Variance with Revised Positive (Negative) |
|--|--------------------------|-------------------------|--------------------------|---------------------------|---|
| REVENUES | | | | | |
| Taxes: | | | | | |
| Property | \$ 4,960,854 | \$ 99,146 | \$ 5,060,000 | \$ 5,043,368 | \$ (16,632) |
| B&O | 15,850,000 | 200,000 | 16,050,000 | 15,793,148 | (256,852) |
| Alcoholic beverages tax | 498,000 | 87,000 | 585,000 | 539,181 | (45,819) |
| Utility services tax | 2,200,000 | 50,000 | 2,250,000 | 2,193,688 | (56,312) |
| Amusement tax | 45,000 | (15,000) | 30,000 | 53,235 | 23,235 |
| Hotel-motel tax | 430,000 | 70,000 | 500,000 | 452,726 | (47,274) |
| Oil & gas severance tax | 60,000 | (15,000) | 45,000 | 40,394 | (4,606) |
| Animal control tax | <u>2,000</u> | <u>-0-</u> | <u>2,000</u> | <u>1,992</u> | <u>(8)</u> |
| TOTAL TAXES | 24,045,854 | 476,146 | 24,522,000 | 24,117,732 | (404,268) |
| Licenses and permits | 497,000 | (59,484) | 437,516 | 371,899 | (65,617) |
| Intergovernmental: | | | | | |
| Federal | 500,000 | 1,578,872 | 2,078,872 | 1,330,261 | (748,611) |
| State | 500,000 | 2,281,329 | 2,781,329 | 1,034,642 | (1,746,687) |
| Fines and forfeitures | 240,602 | 321 | 240,923 | 553,630 | 312,707 |
| Interest | 1,000 | 1,500 | 2,500 | 2,193 | (307) |
| Charges for services | 11,699,200 | (390,700) | 11,308,500 | 10,855,436 | (453,064) |
| Franchise fees | 545,000 | 30,000 | 575,000 | 556,303 | (18,697) |
| Contributions from other entities | 42,000 | (1,000) | 41,000 | 41,887 | 887 |
| Employee insurance charges | 542,000 | (47,000) | 495,000 | 494,588 | (412) |
| Retiree insurance charges | 570,000 | (13,600) | 556,400 | 554,854 | (1,546) |
| Miscellaneous | <u>360,041</u> | <u>36,817</u> | <u>396,858</u> | <u>376,651</u> | <u>(20,207)</u> |
| TOTAL REVENUES | <u>39,542,697</u> | <u>3,893,201</u> | <u>43,435,898</u> | <u>40,290,076</u> | <u>(3,145,822)</u> |
| EXPENDITURES | | | | | |
| General government | 14,092,073 | 2,908,223 | 17,000,296 | 14,734,963 | 2,265,333 |
| Public safety | 22,108,631 | 278,258 | 22,386,889 | 23,845,729 | (1,458,840) |
| Highway and streets | 2,774,210 | 163,736 | 2,937,946 | 2,181,645 | 756,301 |
| Health and sanitation | 160,000 | 31,703 | 191,703 | 191,703 | -0- |
| Culture and recreation | 1,155,000 | 228,798 | 1,383,798 | 1,132,598 | 251,200 |
| Capital outlay | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>1,538,566</u> | <u>(1,538,566)</u> |
| TOTAL EXPENDITURES | <u>40,289,914</u> | <u>3,610,718</u> | <u>43,900,632</u> | <u>43,625,204</u> | <u>275,428</u> |
| (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES | <u>(747,217)</u> | <u>282,483</u> | <u>(464,734)</u> | <u>(3,335,128)</u> | <u>(2,870,394)</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2011**

| | Original Budget | Revisions | Revised Budget | Actual Amounts | Variance with Revised Positive/Negative |
|--|--------------------|------------------|-------------------|-----------------------|---|
| OTHER FINANCING | | | | | |
| SOURCES (USES) | | | | | |
| Operating transfers in | \$ 208,400 | \$ -0- | \$ 208,400 | \$ 176,981 | \$ (31,419) |
| Sale of fixed assets | 30,000 | -0- | 30,000 | 30,610 | 610 |
| Proceeds from capital leases | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>1,538,566</u> | <u>1,538,566</u> |
| NET OTHER FINANCING SOURCES (USES) | <u>238,400</u> | <u>-0-</u> | <u>238,400</u> | <u>1,746,157</u> | <u>1,507,757</u> |
| | | | | | |
| (DEFICIENCY) EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES | <u>(508,817)</u> | <u>282,483</u> | <u>(226,334)</u> | <u>(1,588,971)</u> | <u>(1,362,637)</u> |
| | | | | | |
| FUND BALANCE, (NON-GAAP BUDGETARY BASIS) BEGINNING | <u>508,817</u> | <u>(282,483)</u> | <u>226,334</u> | <u>502,147</u> | <u>275,813</u> |
| | | | | | |
| FUND BALANCE, (NON-GAAP BUDGETARY BASIS) ENDING | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>(1,086,824)</u> | \$ <u>(1,086,824)</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
COAL SEVERANCE FUND
YEAR ENDED JUNE 30, 2011**

| | <u>Original Budget</u> | <u>Revisions</u> | <u>Revised Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|----------------------|---------------------------|-------------------------|-------------------------|
| REVENUES | | | | | |
| Intergovernmental: | | | | | |
| State | \$ 225,000 | \$ -0- | \$ 225,000 | \$ 258,697 | \$ 33,697 |
| Interest | <u>100</u> | <u>-0-</u> | <u>100</u> | <u>39</u> | <u>(61)</u> |
| TOTAL REVENUES | <u>225,100</u> | <u>-0-</u> | <u>225,100</u> | <u>258,736</u> | <u>33,636</u> |
| EXPENDITURES | | | | | |
| Culture and recreation | <u>257,126</u> | <u>41,991</u> | <u>299,117</u> | <u>299,017</u> | <u>100</u> |
| TOTAL EXPENDITURES | <u>257,126</u> | <u>41,991</u> | <u>299,117</u> | <u>299,017</u> | <u>100</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(32,026)</u> | <u>(41,991)</u> | <u>(74,017)</u> | <u>(40,281)</u> | <u>33,736</u> |
| FUND BALANCE, (NON-GAAP BUDGETARY BASIS BEGINNING | | | | | |
| | <u>32,026</u> | <u>41,991</u> | <u>74,017</u> | <u>74,018</u> | <u>1</u> |
| FUND BALANCE, (NON-GAAP BUDGETARY BASIS ENDING | | | | | |
| | \$ <u><u>-0-</u></u> | \$ <u><u>-0-</u></u> | \$ <u><u>-0-</u></u> | \$ <u><u>33,737</u></u> | \$ <u><u>33,737</u></u> |

OTHER SUPPLEMENTARY INFORMATION

CITY OF HUNTINGTON, WEST VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

| | <u>Capital Improvements</u> | <u>Huntington Urban Renewal</u> | <u>Civic Arena</u> | <u>Landfill Reserve</u> | <u>Safety Town</u> |
|---|---------------------------------|---|--------------------------|-----------------------------|-------------------------|
| ASSETS AND OTHER DEBITS | | | | | |
| Cash and cash equivalents | \$ 5,768 | \$ 90,658 | \$ 199,494 | \$ 2,102 | \$ 13,607 |
| Investments | -0- | -0- | -0- | 1,446,575 | -0- |
| Accounts receivable | 300,000 | -0- | 98,492 | -0- | -0- |
| Inventory | -0- | -0- | 42,874 | -0- | -0- |
| Prepaid expenses | -0- | -0- | 25,293 | -0- | -0- |
| Due from other funds | -0- | -0- | 41,685 | 19,470 | -0- |
| Assets held for investment | <u>-0-</u> | <u>405,319</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL ASSETS AND OTHER DEBITS | \$ <u>305,768</u> | \$ <u>495,977</u> | \$ <u>407,838</u> | \$ <u>1,468,147</u> | \$ <u>13,607</u> |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ -0- | \$ 2,400 | \$ 122,138 | \$ -0- | \$ -0- |
| Accrued payroll | -0- | -0- | 25,492 | -0- | -0- |
| Line of credit | -0- | 255,265 | -0- | -0- | -0- |
| Due to other funds | -0- | -0- | 278,002 | -0- | -0- |
| Unclaimed property | -0- | -0- | -0- | -0- | -0- |
| Due to promoters | -0- | -0- | 78,755 | -0- | -0- |
| Deferred revenue: | | | | | |
| Charges for services | 187,500 | -0- | 37,298 | -0- | -0- |
| Ticket sales unearned | -0- | -0- | 10,029 | -0- | -0- |
| Sponsorship revenue | -0- | -0- | 21,167 | -0- | -0- |
| Interest payable | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL LIABILITIES | <u>187,500</u> | <u>257,665</u> | <u>572,881</u> | <u>-0-</u> | <u>-0-</u> |
| Fund balances: | | | | | |
| Nonspendable | -0- | -0- | 68,167 | -0- | -0- |
| Restricted | -0- | -0- | -0- | -0- | -0- |
| Committed | -0- | -0- | -0- | -0- | -0- |
| Assigned | 118,268 | 238,312 | -0- | 1,468,147 | 13,607 |
| Unassigned | <u>-0-</u> | <u>-0-</u> | <u>(233,210)</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL FUND BALANCES | <u>118,268</u> | <u>238,312</u> | <u>(165,043)</u> | <u>1,468,147</u> | <u>13,607</u> |
| TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS | \$ <u>305,768</u> | \$ <u>495,977</u> | \$ <u>407,838</u> | \$ <u>1,468,147</u> | \$ <u>13,607</u> |

| <u>Floodwall</u> | <u>Federal Drug</u> | <u>Special Paving and Sewer Assessment</u> | <u>Westmoreland Fire Protection</u> | <u>Civic Arena Surcharge</u> | <u>Workers' Compensation</u> | <u>Jean Dean Public Safety</u> | <u>Total</u> |
|------------------|---------------------|--|-------------------------------------|------------------------------|------------------------------|--------------------------------|--------------|
| \$ 155,357 | \$ 174,272 | \$ 783 | \$ 32,080 | \$ 1,327 | \$ 528,653 | \$ 48,618 | \$ 1,252,719 |
| -0- | -0- | -0- | 169,637 | -0- | -0- | -0- | 1,616,212 |
| -0- | -0- | -0- | -0- | -0- | -0- | 43,561 | 442,053 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 42,874 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 25,293 |
| -0- | -0- | -0- | -0- | 44,820 | -0- | 49,823 | 155,798 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 405,319 |

\$ 155,357 \$ 174,272 \$ 783 \$ 201,717 \$ 46,147 \$ 528,653 \$ 142,002 \$ 3,940,268

| | | | | | | | |
|--------|----------|--------|----------|--------|---------|----------|------------|
| \$ -0- | \$ 2,400 | \$ -0- | \$ 4,285 | \$ -0- | \$ -0- | \$ 1,050 | \$ 132,273 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 25,492 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 255,265 |
| -0- | 134 | -0- | -0- | -0- | 539,872 | 46,299 | 864,307 |
| -0- | -0- | -0- | -0- | -0- | 2,236 | -0- | 2,236 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 78,755 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 224,798 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 10,029 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 21,167 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| -0- | 2,534 | -0- | 4,285 | -0- | 542,108 | 47,349 | 1,614,322 |

| | | | | | | | |
|----------------|----------------|------------|----------------|---------------|-----------------|---------------|------------------|
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 68,167 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| 155,357 | 171,738 | 783 | 197,432 | 46,147 | -0- | 94,653 | 2,504,444 |
| -0- | -0- | -0- | -0- | -0- | (13,455) | -0- | (246,665) |
| <u>155,357</u> | <u>171,738</u> | <u>783</u> | <u>197,432</u> | <u>46,147</u> | <u>(13,455)</u> | <u>94,653</u> | <u>2,325,946</u> |

\$ 155,357 \$ 174,272 \$ 783 \$ 201,717 \$ 46,147 \$ 528,653 \$ 142,002 \$ 3,940,268

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011**

| | <u>Capital Improvements</u> | <u>Huntington Urban Renewal</u> | <u>Civic Arena</u> | <u>Landfill Reserve</u> | <u>Safety Town</u> |
|--|---------------------------------|---|------------------------|-----------------------------|------------------------|
| OPERATING REVENUE | | | | | |
| Charges for services | \$ 145,000 | \$ -0- | \$ 1,420,536 | \$ 70,557 | \$ -0- |
| Interest | 1 | 214 | -0- | 296 | 25 |
| Reimbursements | -0- | -0- | 377,887 | -0- | -0- |
| Contributions | -0- | -0- | 466,335 | -0- | 18,000 |
| Rentals | -0- | -0- | 385,628 | -0- | -0- |
| Tax redemption income, net | -0- | 16,073 | -0- | -0- | -0- |
| Rebates | -0- | -0- | 92,656 | -0- | -0- |
| Miscellaneous | -0- | -0- | 29,269 | -0- | -0- |
| Fines and forfeits | -0- | -0- | -0- | -0- | -0- |
| TOTAL OPERATING REVENUE | <u>145,001</u> | <u>16,287</u> | <u>2,772,311</u> | <u>70,853</u> | <u>18,025</u> |
| OPERATING EXPENSES | | | | | |
| Contributions | -0- | -0- | -0- | -0- | -0- |
| Contractual | -0- | -0- | -0- | -0- | -0- |
| Administrative expenses | -0- | 39,109 | -0- | -0- | -0- |
| Public safety | -0- | -0- | -0- | -0- | 21,069 |
| Health and sanitation | -0- | -0- | -0- | 7,647 | -0- |
| Culture and recreation | -0- | -0- | 2,825,712 | -0- | -0- |
| Capital outlay | -0- | -0- | -0- | -0- | -0- |
| TOTAL OPERATING EXPENSES | <u>-0-</u> | <u>39,109</u> | <u>2,825,712</u> | <u>7,647</u> | <u>21,069</u> |
| Excess (deficiency) of revenues over (under) expenditures | 145,001 | (22,822) | (53,401) | 63,206 | (3,044) |
| Transfers | (145,000) | -0- | -0- | -0- | -0- |
| FUND BALANCE AT BEGINNING OF YEAR | <u>118,267</u> | <u>261,133</u> | <u>(111,642)</u> | <u>1,404,941</u> | <u>16,651</u> |
| FUND BALANCES AT END OF YEAR | \$ <u>118,268</u> | \$ <u>238,311</u> | \$ <u>(165,043)</u> | \$ <u>1,468,147</u> | \$ <u>13,607</u> |

| <u>Floodwall</u> | <u>Federal Drug</u> | <u>Special Paving and Sewer Assessment</u> | <u>Westmoreland Fire Protection</u> | <u>Civic Arena Surcharge</u> | <u>Workers' Compensation</u> | <u>Jean Dean Public Safety</u> | <u>Total</u> |
|-------------------|---------------------|--|-------------------------------------|------------------------------|------------------------------|--------------------------------|---------------------|
| \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ 44,820 | \$ -0- | \$ -0- | \$ 1,680,913 |
| 243 | 295 | 1 | 427 | 35 | 828 | 143 | 2,508 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 377,887 |
| -0- | 417,468 | -0- | 27,564 | -0- | -0- | -0- | 929,367 |
| -0- | -0- | -0- | -0- | -0- | -0- | 381,754 | 767,382 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 16,073 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 92,656 |
| -0- | -0- | 376 | -0- | -0- | -0- | -0- | 29,645 |
| -0- | -0- | -0- | -0- | -0- | -0- | 53,330 | 53,330 |
| <u>243</u> | <u>417,763</u> | <u>377</u> | <u>27,991</u> | <u>44,855</u> | <u>828</u> | <u>435,227</u> | <u>3,949,761</u> |
| -0- | -0- | -0- | -0- | -0- | -0- | 115,639 | 115,639 |
| -0- | -0- | -0- | -0- | -0- | -0- | 267,109 | 267,109 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 39,109 |
| -0- | 272,407 | -0- | 27,209 | -0- | -0- | -0- | 320,685 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 7,647 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | 2,825,712 |
| -0- | -0- | -0- | -0- | 64,411 | -0- | -0- | 64,411 |
| <u>-0-</u> | <u>272,407</u> | <u>-0-</u> | <u>27,209</u> | <u>64,411</u> | <u>-0-</u> | <u>382,748</u> | <u>3,640,312</u> |
| 243 | 145,356 | 377 | 782 | (19,556) | 828 | 52,479 | 309,449 |
| -0- | -0- | -0- | -0- | -0- | -0- | -0- | (145,000) |
| <u>155,114</u> | <u>26,381</u> | <u>406</u> | <u>196,649</u> | <u>65,703</u> | <u>(14,283)</u> | <u>42,175</u> | <u>2,161,495</u> |
| \$ <u>155,357</u> | \$ <u>171,737</u> | \$ <u>783</u> | \$ <u>197,431</u> | \$ <u>46,147</u> | \$ <u>(13,455)</u> | \$ <u>94,654</u> | \$ <u>2,325,944</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 PENSION TRUST FUNDS
 JUNE 30, 2011**

| | Policemen's Pension and <u>Relief</u> | Firemen's Pension and <u>Relief</u> | <u>Total</u> |
|--|---|---|---------------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 2,029,034 | \$ 371,484 | \$ 2,400,518 |
| Investments | 10,969,549 | 4,003,229 | 14,972,778 |
| Due from other governments | 1,945,065 | 2,515,979 | 4,461,044 |
| Account receivable - miscellaneous | 2,861 | -0- | 2,861 |
| Due from other funds | <u>1,708,854</u> | <u>2,007,660</u> | <u>3,716,514</u> |
| TOTAL ASSETS | \$ <u>16,655,363</u> | \$ <u>8,898,352</u> | \$ <u>25,553,715</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ -0- | \$ -0- | \$ -0- |
| Due to other funds | 3,445 | 2,153 | 5,598 |
| Other accrued expenses | <u>3,253</u> | <u>-0-</u> | <u>3,253</u> |
| TOTAL LIABILITIES | <u>6,698</u> | <u>2,153</u> | <u>8,851</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | \$ <u>16,648,665</u> | \$ <u>8,896,199</u> | \$ <u>25,544,864</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
 PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2011**

| | Policemen's Pension and <u>Relief</u> | Firemen's Pension and <u>Relief</u> | <u>Total</u> |
|---|---|---|-----------------------------|
| <u>ADDITIONS</u> | | | |
| Contributions: | | | |
| Employer | \$ 4,850,111 | \$ 5,676,054 | \$ 10,526,165 |
| Employees | 364,266 | 324,979 | 689,245 |
| Insurance premium tax allocation | 990,195 | 1,271,474 | 2,261,669 |
| Interest | 118,979 | 6,016 | 124,995 |
| Dividends | 235,919 | 73,174 | 309,093 |
| Unrealized gain (loss) on investments | <u>987,105</u> | <u>669,931</u> | <u>1,657,036</u> |
| TOTAL ADDITIONS | <u>7,546,575</u> | <u>8,021,628</u> | <u>15,568,203</u> |
| <u>DEDUCTIONS</u> | | | |
| Benefit payments | 3,579,925 | 4,798,330 | 8,378,255 |
| Administrative | <u>49,223</u> | <u>35,689</u> | <u>84,912</u> |
| TOTAL DEDUCTIONS | <u>3,629,148</u> | <u>4,834,019</u> | <u>8,463,167</u> |
| CHANGE IN NET ASSETS | 3,917,427 | 3,187,609 | 7,105,036 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS: | | | |
| BEGINNING OF YEAR | <u>12,731,238</u> | <u>5,708,590</u> | <u>18,439,828</u> |
| END OF YEAR | \$ <u>16,648,665</u> | \$ <u>8,896,199</u> | \$ <u>25,544,864</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 EXPENDABLE TRUST FUNDS
 JUNE 30, 2011**

| | <u>Police Retirees' Insurance</u> | <u>Fire Retirees' Insurance</u> | <u>Total</u> |
|--|---|---|---------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 813,594 | \$ 450,867 | \$1,264,461 |
| Due from other funds | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL ASSETS | \$ <u>813,594</u> | \$ <u>450,867</u> | \$<u>1,264,461</u> |
| <u>LIABILITIES</u> | | | |
| TOTAL LIABILITIES | \$ <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| NET ASSETS HELD IN TRUST FOR INSURANCE BENEFITS | \$ <u>813,594</u> | \$ <u>450,867</u> | \$<u>1,264,461</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
 EXPENDABLE TRUST FUNDS
 YEAR ENDED JUNE 30, 2011**

| | <u>Police Retirees' Insurance</u> | <u>Fire Retirees' Insurance</u> | <u>Total</u> |
|---|---|---|----------------------------|
| <u>ADDITIONS</u> | | | |
| Contributions: | | | |
| Employee | \$ -0- | \$ -0- | \$ -0- |
| Employer | 228,098 | 87,680 | 315,778 |
| Interest | <u>2,256</u> | <u>1,096</u> | <u>3,352</u> |
| TOTAL ADDITIONS | <u>230,354</u> | <u>88,776</u> | <u>319,130</u> |
| <u>DEDUCTIONS</u> | | | |
| Administrative expenses | 432 | 432 | 864 |
| Insurance premium payments | <u>166,189</u> | <u>88,899</u> | <u>255,088</u> |
| TOTAL DEDUCTIONS | <u>166,621</u> | <u>89,331</u> | <u>255,952</u> |
| CHANGE IN NET ASSETS | 63,733 | (555) | 63,178 |
| NET ASSETS HELD IN TRUST FOR INSURANCE BENEFITS: | | | |
| BEGINNING OF YEAR | <u>749,861</u> | <u>451,422</u> | <u>1,201,283</u> |
| END OF YEAR | \$ <u>813,594</u> | \$ <u>450,867</u> | \$ <u>1,264,461</u> |

ACCOMPANYING INFORMATION

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

| Federal Grantor/ Pass-Through Grantor <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identity Number</u> | <u>Expenditures</u> |
|--|------------------------------------|--|---------------------|
| Primary Government | | | |
| U.S. Department of Housing and Urban Development | | | |
| Community Development Block Grants | | | |
| Entitlement Grants Cluster: | | | |
| Community Development Block Grant | 14.218 | N/A | \$ 2,562,629 |
| ARRA-Community Development Block Grant | 14.253 | N/A | 113,727 |
| Emergency Shelter Grant | 14.231 | N/A | 83,425 |
| HOME Project | 14.239 | N/A | 1,419,171 |
| ARRA-Homelessness Prevention and Rapid Re-Housing Program | 14.257 | N/A | 425,071 |
| Pass-through WV State Office of Economic Opportunity | | | |
| Emergency Shelter Grant | 14.231 | S-10-DC-54-0001 | <u>108,885</u> |
| Total Department of Housing and Urban Development | | | <u>4,712,908</u> |
| U.S. Department of Justice | | | |
| CCDO Weed and Seed | 16.595 | N/A | 166,736 |
| ARRA-Justice Assistance Grant | 16.804 | N/A | 86,300 |
| ARRA-Cops Hiring Program | 16.710 | N/A | 214,225 |
| COPS Law Enforcement Tech | 16.710 | N/A | 555,297 |
| JAG Program Solicitation | 16.580 | N/A | 73,029 |
| Pass-Through State of West Virginia | | | |
| Division of Criminal Justice Services | | | |
| Project Safe Neighborhoods | 16.744 | 2007-GP-CX-0042 | 8,075 |
| ARRA-Police IT Co-ordinator/Stat. Analyst | 16.803 | 2009-SU-B9-0034 | 47,893 |
| WV JABG Program | 16.523 | 2008-JB-FX-0052 | 3,866 |
| Pass through Division of Justice and Community Services | | | |
| DJCS Drug Market Intervention | 16.738 | 10-JAG-25 | <u>75,059</u> |
| Total Department of Justice | | | <u>1,230,480</u> |
| U.S. Department of Agriculture | | | |
| Pass-Through WV Department of Education | | | |
| Child Nutrition Grant | 10.558 | 51105 | <u>20,219</u> |
| Total U.S. Department of Agriculture | | | <u>20,219</u> |
| U.S. Department of Transportation | | | |
| Pass-through WV Department of Transportation – Highway Safety | | | |
| Highway Safety Cluster: | | | |
| Highway Safety 402 – Stop - 2011 | 20.600 | F12HS02-402 | 83,843 |
| Highway Safety 402 - Stop 2010 | 20.600 | F10HS02-402 | 27,847 |
| Child Safety Seats – 2011 - Stop | 20.613 | F12HS02-2012 | 699 |
| Child Safety Seats 2011 - Stop | 20.613 | F10HS02-2011 | 2,807 |
| DUI Prevention 154 - Stop 2010 | 20.601 | F10HS02-154 | 24,675 |
| 410 High Visibility - Stop 2010 | 20.601 | F10HS02-410HV | 18,366 |
| 410 High Fatality Rate - Stop | 20.601 | F12HS02-410 | 2,352 |
| Underage Alcohol 402AL - Stop | 20.601 | F10HS02-402AL | 14,989 |
| Underage Alcohol 402AL - STOP | 20.601 | F12HS02-402 | 42,424 |
| DUI Checkpoints 410 - Stop 2010 | 20.601 | F10HS02-410 | 8,011 |

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

| Federal Grantor/ Pass-Through Grantor <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identity Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|----------------------------|
| U.S. Department of Transportation | | | |
| Pass-through WV Department of Transportation – Highway Safety Highway Safety Cluster (Continued): | | | |
| 410 High Visibility Stop – 2011 | 20.601 | F12HS02-410 | 40,576 |
| DUI Prevention 154 Stop – 2011 | 20.601 | F12HS02-154 | 63,545 |
| DUI Checkpoints 410 – Stop 2011 | 20.601 | F12HS02-410 | 7,168 |
| Equipment 406 – Stop 2011 | 20.609 | F12HS02-406 | 174,281 |
| Computers 406 - Stop 2010 | 20.609 | F10HS02-406 | <u>18,373</u> |
| Total U.S. Department of Transportation | | | <u>529,956</u> |
| U. S. Environmental Protection Agency | | | |
| Pass-through West Virginia Department of Environmental Protection Brownfield Grant | | | |
| | 66.8142009-SU-B9-0034 | | 73,743 |
| Capitalization Grants for Clean Water - State Revolving Funds | 66.458 | C332206 | <u>2,475,006</u> |
| Total U. S. Environmental Protection Agency | | | <u>2,548,749</u> |
| U. S. Department of Homeland Security | | | |
| Pass-through West Virginia Department of Military Affairs and Public Safety Homeland Security Grant Program | | | |
| | 97.067 | 2007-GE-T7-0041 | <u>94,229</u> |
| Total U. S. Department of Homeland Security | | | <u>94,229</u> |
| U. S. Department of Energy | | | |
| ARRA – Energy Efficiency & Conservation | 81.128 | N/A | <u>127,872</u> |
| Total U. S. Department of Energy | | | <u>127,872</u> |
| Total Federal Assistance | | | \$ <u>9,264,413</u> |

**CITY OF HUNTINGTON, WEST VIRGINIA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUB-RECIPIENT DISBURSEMENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to the following subrecipients:

| <u>Federal CFDA Program Title</u> | <u>Number</u> | <u>Subrecipient</u> |
|---------------------------------------|---------------|---|
| Community Development Block Grant | 14.218 | Huntington City Mission Central City Cleanup/Beautification Children's Place Kitchen Cabell-Huntington Coalition for the Homeless – Harmony House Unlimited Futures, Inc. Mountain State Centers for Independent Living Guyandotte – Slip Repair Information and Referral Healing Place West 5 th Avenue Park HURA – Land Bank |
| Emergency Shelter Grants | 14.231 | Prestera Center Cabell-Huntington Coalition for the Homeless Branches Domestic Violence Shelter, Inc. Huntington City Mission |

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

SULLIVANWEBB, PLLC

CERTIFIED PUBLIC ACCOUNTANTS
422 KINETIC DRIVE - P.O. BOX 2745
HUNTINGTON, WEST VIRGINIA 25727-2745
TELEPHONE: (304) 697-0565
FACSIMILE: (304) 697-0567
WWW.SULLIVANWEBB.COM

BRUCE I. SULLIVAN, CPA
CHARLES D. WEBB, MBA, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
WV SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS

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*

The Honorable Mayor and
Members of City Council
City of Huntington
Huntington, West Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Huntington, West Virginia, as of and for the year ended June 30, 2011, which collectively comprise the City of Huntington, West Virginia's basic financial statements and have issued our report thereon dated March 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Huntington, West Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 City of Huntington, West Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Huntington, West Virginia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Huntington, West Virginia'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-01.

We noted certain matters that we reported to management of City of Huntington, West Virginia in a separate letter dated March 24, 2012.

City of Huntington, West Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Huntington, West Virginia's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 24, 2012

SULLIVAN WEBB, PLLC

CERTIFIED PUBLIC ACCOUNTANTS
422 KINETIC DRIVE - P.O. BOX 2745
HUNTINGTON, WEST VIRGINIA 25727-2745
TELEPHONE: (304) 697-0565
FACSIMILE: (304) 697-0567
WWW.SULLIVANWEBB.COM

BRUCE I. SULLIVAN, CPA
CHARLES D. WEBB, MBA, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
WV SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS

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

The Honorable Mayor and
Members of City Council
City of Huntington
Huntington, West Virginia

Compliance

We have audited of City of Huntington, West Virginia, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of its major federal programs for the year ended June 30, 2011. City of Huntington, West Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Huntington, West Virginia's management. Our responsibility is to express an opinion on City of Huntington, West Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Huntington, West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Huntington, West Virginia's compliance with those requirements.

In our opinion, City of Huntington, West Virginia, complied in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of finding and questioned costs as item 2011-01. 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.

City of Huntington, West Virginia's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Huntington, West Virginia's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 24, 2012

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**CITY OF HUNTINGTON, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR YEAR
AUDIT FINDINGS**

Reference Number: 2010-01
Audit Finding Title: Accounting and Reconciliation Procedures
Contact Person: Deron Runyon, Finance Director

This finding was not repeated.

Reference Number: 2010-02
Audit Finding Title: Reconciliation of Accounting Records – Civic Arena
Contact Person: Deron Runyon, Finance Director

This finding was not repeated.

Reference Number: 2010-03
Audit Finding Title: Expenditures Not Recorded in Proper Period – Component Unit
Contact Person: Deron Runyon, Finance Director

This finding was not repeated.

Reference Number: 2010-04
Audit Finding Title: Unrecorded Demolition Liens
Contact Person: Deron Runyon, Finance Director

This finding was not repeated.

Reference Number: 2010-05
Audit Finding Title: Schedule of Expenditures of Federal Awards Preparation
Contact Person: Deron Runyon, Finance Director

This finding was repeated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

| | |
|---|---------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness identified | No |
| Significant deficiency identified that is not considered to be material weakness? | None Reported |
| Non compliance material to the financial statements noted? | No |

Federal Awards

| | |
|---|-------------|
| Internal control over major programs: | |
| Material weakness identified | No |
| Significant deficiency identified that is not considered to be material weakness? | Yes |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with §___.510(a) of Circular A-133? | Yes |

The programs tested as major programs included:

| <u>Program</u> | <u>CFDA #</u> |
|--|--------------------------------------|
| U.S. Department of Transportation | |
| Pass-through West Virginia Department of Transportation | |
| Highway Safety Cluster | 20.600, 20.601, 20.609 and 20.613 |
| U.S. Environmental Protection Agency | |
| Pass through West Virginia Department of Environmental Protection: | |
| Capitalization Grant for Clean Water - State Revenue Funds | |
| State Revolving Funds - Sanitary Board | 66.458 |
| U.S. Department of Housing and Urban Development | |
| ARRA - Homelessness Prevention And Rapid Re-Housing Program | 14.257 |
| Community Development Block Grant-- Entitlement Grants Cluster: | |
| Community Development Block Grant | 14.218 |
| ARRA - Community Development Block Grant - R | 14.253 |

**CITY OF HUNTINGTON, WEST VIRGINIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDIT RESULTS (CONTINUED)

| <u>Program</u> | <u>CFDA #</u> |
|--|----------------|
| U.S. Department of Energy | |
| ARRA – Energy Efficiency & Conservation Grant | 81.128 |
| U.S. Department of Justice | |
| ARRA – COPS Hiring Program | 16.710 |
| COPS Law Enforcement Tech. | 16.710 |
| The dollar threshold used to distinguish Type A from Type B Programs: | \$ 300,000 |
| Auditee qualifies as low-risk auditee? | No |

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

See Finding 2011-01

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

No. 2011-01: Schedule of Expenditures of Federal Awards Preparation

U. S. Department of Transportation CFDA No. 20.600, 20.601, 20.609, and 20.613
U. S. Department of Housing and Urban Development CFDA No. 14.218
U. S. Department of Housing and Urban Development CFDA No. 14.253
U. S. Department of Housing and Urban Development CFDA No. 14.257
U. S. Department of Justice CFDA No. 16.710
U. S. Environmental Protection Agency CFDA No. 66.458
U. S. Department of Energy CFDA No. 81.128

**Questioned
Costs**

CONDITION: The City's procedures for preparing the Schedule of Expenditures of Federal Awards are cumbersome and lend themselves to the possibility for errors or omissions.

CONTEXT: Each fund that receives Federal awards maintains separate records which are aggregated at year end. There is no centralized management of Federal award programs, and there is no single document maintained during the year that includes all Federal awards received by the City.

CRITERIA: Proper internal control mandates that records be maintained to include all necessary information to be able to track all revenues and expenditures related to Federal awards. Furthermore, adequate internal controls over Federal awards expenditures are essential to assure compliance with the requirements of grants and OMB Circular A-133, which states in part:

Subpart C – Auditees, § .300 Auditee responsibilities.

“The Auditee shall

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts of grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § .310”.

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL PROGRAMS (CONTINUED)

No. 2011-01: Schedule of Expenditures of Federal Awards Preparation

**U. S. Department of Transportation CFDA No. 20.600, 20.601, 20.609, and 20.613
U. S. Department of Housing and Urban Development CFDA No. 14.218
U. S. Department of Housing and Urban Development CFDA No. 14.253
U. S. Department of Housing and Urban Development CFDA No. 14.257
U. S. Department of Justice CFDA No. 16.710
U. S. Environmental Protection Agency CFDA No. 66.458
U. S. Department of Energy CFDA No. 81.128**

**Questioned
Costs**

CRITERIA (CONTINUED):

Subpart C – Auditees, §_.310 (b) Financial statements.

“The Auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency...
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the passthrough entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule”.

CAUSE: Federal award information is separately maintained by each fund that receives federal awards. There is no centralized management of federal award programs, and there is no single document maintained during the year that includes all federal awards received and expended by the City.

EFFECT: During preparation of the Schedule of Expenditures of Federal Awards some expenditures could be inadvertently omitted as a result of insufficient information being provided to the preparer.

TOTAL QUESTIONED COSTS

Not-Determinable

RECOMMENDATION: We recommend that City of Huntington, West Virginia implement procedures to centralize preparation of the Schedule of Expenditures of Federal Awards, to facilitate the reporting of all federal expenditures.

AUDITED AGENCY’S RESPONSE: The Finance Division will centralize the preparation of the Schedule of Expenditures of Federal Awards from multiple City agencies and departments.