

CITY OF HUNTINGTON, WEST VIRGINIA

A CLASS I MUNICIPALITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**CITY OF HUNTINGTON, WEST VIRGINIA
MUNICIPAL OFFICIALS
JUNE 30, 2012**

<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, 2012**

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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CHARLES D. WEBB, MBA, CPA

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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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows, 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 20 to the financial statements, the City has large unfunded liabilities for its Policemen's and Firemen's pension plans and for other post-employment benefits. Also, a net operating loss was incurred in the Sanitation and Trash proprietary fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of the City of Huntington, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 66 through 68 and the schedules of funding progress for the defined pension benefit trust and other post-employment benefits on pages 63 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntington, West Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



March 22, 2013

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,126,576	\$ 772,805	\$ 3,899,381	\$ 1,133,842
Investments	2,383,499	-0-	2,383,499	-0-
Taxes receivable, net	1,898,415	-0-	1,898,415	-0-
Accounts receivable, net	2,288,823	740,031	3,028,854	1,085,303
Loans and notes receivable	8,303,690	3,885,453	12,189,143	-0-
Inventories	83,483	-0-	83,483	20,934
Prepaid expenses	131,527	22,479	154,006	35,495
Assets held for investment	576,128	-0-	576,128	-0-
Restricted assets:				
Cash and cash equivalents	-0-	1,689,359	1,689,359	4,028,833
Intragovernmental receivables	527,215	-0-	527,215	-0-
Intergovernmental receivable	750,697	459,939	1,210,636	53,765
Deferred debt expense, net	-0-	120,598	120,598	357,336
Capital assets, net of accumulated depreciation	<u>11,300,552</u>	<u>18,423,238</u>	<u>29,723,790</u>	<u>34,672,241</u>
TOTAL ASSETS	<u>31,370,605</u>	<u>26,113,902</u>	<u>57,484,507</u>	<u>41,387,749</u>

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued expense	\$ 1,748,739	\$ 234,733	\$ 1,983,472	\$ 369,547
Wages and benefits payable	712,202	-0-	712,202	107,762
Compensated absences, current	1,201,950	242,310	1,444,260	71,848
Lease obligations payable, current	583,019	72,849	655,868	-0-
Bonds and notes payable, current	543,899	601,545	1,145,444	1,164,988
Due to other entities	83,986	-0-	83,986	-0-
Deferred revenue	2,591,682	2,575	2,594,257	-0-
Interest payable	-0-	-0-	-0-	31,892
Intragovernmental payable	3,111,430	998,856	4,110,286	-0-
Lease obligation payable, non-current	3,416,672	62,905	3,479,577	-0-
Bonds and notes payable, non-current	-0-	12,079,139	12,079,139	13,409,329
Net pension obligation	50,122,160	-0-	50,122,160	-0-
Other post-employment benefits	28,101,136	443,159	28,544,295	1,536,711
Unclaimed property	2,236	-0-	2,236	-0-
Deposits	-0-	-0-	-0-	2,700
Contingency (see note 16)	_____	_____	_____	_____
TOTAL LIABILITIES	<u>92,219,111</u>	<u>14,738,071</u>	<u>106,957,182</u>	<u>16,694,777</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,300,861	5,606,800	12,907,661	20,097,924
Capital improvements and debt service	-0-	1,689,359	1,689,359	4,028,833
Community Development	9,431,136	-0-	9,431,136	-0-
Unrestricted (deficit)	<u>(77,580,503)</u>	<u>4,079,672</u>	<u>(73,500,831)</u>	<u>566,215</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ (60,848,506)</u>	<u>\$ 11,375,831</u>	<u>\$ (49,472,675)</u>	<u>\$ 24,692,972</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	<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	\$ 15,386,859	\$ 1,779,116	\$ 179,006	\$ 64,608	\$ (13,364,129)	
Public safety	27,985,326	10,634,548	1,544,354	476,118	(15,330,306)	
Highways and streets	3,036,232	1,141,783	-0-	-0-	(1,894,449)	
Health and sanitation	394,195	72,101	21,924	-0-	(300,170)	
Culture and recreation	3,503,717	2,097,162	335,245	166,736	(904,574)	
Community development	4,344,815	-0-	1,139,968	1,810,485	(1,394,362)	
Social services	1,128	-0-	463,536	-0-	462,408	
TOTAL GOVERNMENTAL ACTIVITIES	<u>54,652,272</u>	<u>15,724,710</u>	<u>3,684,033</u>	<u>2,517,947</u>	<u>(32,725,582)</u>	
BUSINESS-TYPE ACTIVITIES:						
Municipal Development Authority	1,980,292	-0-	-0-	-0-	(1,980,292)	
Municipal Parking Board	1,023,182	920,094	-0-	-0-	(103,088)	
Sanitation and Trash	3,016,066	3,224,886	-0-	-0-	208,820	
TOTAL BUSINESS-TYPE ACTIVITIES	<u>6,019,540</u>	<u>4,144,980</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,874,560)</u>	
TOTAL PRIMARY GOVERNMENT	<u>\$ 60,671,812</u>	<u>\$ 19,869,690</u>	<u>\$ 3,684,033</u>	<u>\$ 2,517,947</u>	<u>\$ (34,600,142)</u>	
COMPONENT UNIT:						
Sanitary Board	\$ <u>10,226,391</u>	\$ <u>10,606,047</u>	\$ <u>4995</u>	\$ <u>-0-</u>	\$ <u>384,651</u>	

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
CHANGE IN NET ASSETS:				
Net (expense) revenue	\$ (32,725,582)	\$ (1,874,560)	\$ (34,600,142)	\$384,651
General Revenues:				
Taxes:				
Property taxes	5,184,865	-0-	5,184,865	-0-
B&O taxes	16,112,357	-0-	16,112,357	-0-
Excise tax on utilities	2,074,610	-0-	2,074,610	-0-
Alcohol beverage tax	517,219	-0-	517,219	-0-
Hotel/motel	461,083	-0-	461,083	-0-
Other taxes	2,339,898	-0-	2,339,898	-0-
Interest and investment income	6,570	72,817	79,387	3,580
Franchise fees	547,130	-0-	547,130	-0-
License and permits	339,886	-0-	339,886	-0-
Fines and forfeitures	616,416	-0-	616,416	163,067
TIF revenue	-0-	59,277	59,277	-0-
Other	594,450	2,641	597,091	216,788
Transfers and Special Items:				
Transfers	(642,687)	642,687	-0-	-0-
Gain (Loss) on sale of assets	(32,890)	(85,225)	(118,115)	-0-
Proceeds from seized assets	-0-	-0-	-0-	-0-
Litigation Settlement	-0-	(100)	(100)	-0-
TOTAL GENERAL REVENUES AND TRANSFERS	<u>28,118,907</u>	<u>692,097</u>	<u>28,811,004</u>	<u>383,435</u>
CHANGE IN NET ASSETS	(4,606,675)	(1,182,463)	(5,789,138)	768,086
NET ASSETS, BEGINNING (DEFICIT) (See Note 15)	<u>(56,241,831)</u>	<u>12,558,294</u>	<u>(43,683,537)</u>	<u>23,924,886</u>
NET ASSETS, ENDING (DEFICIT)	\$ <u>(60,848,506)</u>	\$ <u>11,375,831</u>	\$ <u>(49,472,675)</u>	\$ <u>24,692,972</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Coal Severance Tax	CDBG	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,441,808	\$ 21,352	\$ 342,032	\$ 1,321,384	\$ 3,126,576
Investments	687,834	-0-	-0-	1,695,665	2,383,499
Taxes receivable, net	1,898,415	-0-	-0-	-0-	1,898,415
Accounts receivable, net	750,708	-0-	1,122,270	415,845	2,288,823
Loans receivable	-0-	-0-	8,303,690	-0-	8,303,690
Inventory	52,804	-0-	-0-	30,679	83,483
Due from other funds	2,246,009	-0-	942	236,085	2,483,036
Intergovernmental receivable	750,697	-0-	-0-	-0-	750,697
Prepaid expenses	118,536	-0-	-0-	12,991	131,527
Assets held for investments	-0-	-0-	-0-	576,128	576,128
TOTAL ASSETS	\$ 7,946,811	\$ 21,352	\$ 9,768,934	\$ 4,288,777	\$ 22,025,874
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 1,446,016	\$ -0-	\$ 223,040	\$ 79,683	\$ 1,748,739
Accrued payroll and related liabilities	628,263	-0-	54,542	29,397	712,202
Line of credit	-0-	-0-	-0-	543,899	543,899
Due to other funds	3,814,343	-0-	248,468	1,004,440	5,067,251
Intergovernmental payable	83,986	-0-	-0-	-0-	83,986
Unclaimed property	-0-	-0-	-0-	2,236	2,236
Due to other entities	-0-	-0-	-0-	-0-	-0-
Deferred revenue	846,976	-0-	1,856,770	239,642	2,943,388
TOTAL LIABILITIES	6,819,584	-0-	2,382,820	1,899,297	11,101,701
Fund Balances					
Nonspendable	171,340	-0-	-0-	43,670	215,010
Restricted	-0-	-0-	9,431,136	-0-	9,431,136
Committed	270,266	-0-	-0-	-0-	270,266
Assigned	-0-	21,352	-0-	2,559,089	2,580,441
Unassigned	685,621	-0-	(2,045,022)	(213,279)	(1,572,680)
TOTAL FUND BALANCES	1,127,227	21,352	7,386,114	2,389,480	10,924,173
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,946,811	\$ 21,352	\$ 9,768,934	\$ 4,288,777	\$ 22,025,874

CITY OF HUNTINGTON, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Total Governmental Funds	\$10,924,173
Amounts reported for governmental activities in the statement of net assets are different because:	
Property taxes receivable which will be collected, but not available soon enough to pay for current period expenditures are deferred in the fund statements.	351,706
Capital assets of \$36,930,912, net of accumulated depreciation of \$25,630,360 are not financial resources and, therefore, are not reported in the funds.	11,300,552
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include compensated absences of \$ 1,201,950 and capital lease obligations of \$ 3,999,691.	(5,201,641)
Other post-employment benefits are not due and payable in the current period and are not reported in the funds.	(28,101,136)
Long-term net pension obligations are not due and payable in the current period and are not reported in the funds.	<u>(50,122,160)</u>
Net Assets of Governmental Activities (Deficit)	\$ <u>(60,848,506)</u>

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Coal Severance Tax	CDBG	Other Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 26,652,330	\$ -0-	\$ -0-	\$ -0-	\$ 26,652,330
Intergovernmental:					
Federal	1,212,141	-0-	3,203,211	-0-	4,415,352
State	865,925	260,344	-0-	-0-	1,126,269
Licenses, permits, and fees	339,886	-0-	-0-	-0-	339,886
Fines and forfeitures	590,904	-0-	-0-	25,557	616,461
Rentals	-0-	-0-	-0-	798,170	798,170
Contributions	44,283	-0-	-0-	616,075	660,358
Interest	4,369	36	-0-	2,165	6,570
Charges for services	12,119,468	-0-	-0-	1,341,295	13,460,763
Health insurance premium charges	1,037,121	-0-	-0-	-0-	1,037,121
Franchise fees	547,130	-0-	-0-	-0-	547,130
Tax redemption income, net	-0-	-0-	-0-	22,208	22,208
Reimbursements	-0-	-0-	-0-	430,692	430,692
Rebates	-0-	-0-	-0-	167,384	167,384
Miscellaneous	363,438	-0-	6,953	30,809	401,200
TOTAL REVENUES	<u>43,776,995</u>	<u>260,380</u>	<u>3,210,164</u>	<u>3,434,355</u>	<u>50,681,894</u>
EXPENDITURES					
Current:					
General government	15,216,988	-0-	-0-	37,176	15,254,164
Public safety	22,216,705	-0-	-0-	1,020,952	23,237,657
Highways and streets	2,378,503	-0-	-0-	-0-	2,378,503
Health and sanitation	366,152	-0-	-0-	1,883	368,035
Culture and recreation	736,777	79,590	-0-	2,702,371	3,518,738
Community development	-0-	-0-	4,336,591	-0-	4,336,591
Capital Outlay	1,638,215	-0-	-0-	12,205	1,650,420
TOTAL EXPENDITURES	<u>42,553,340</u>	<u>79,590</u>	<u>4,336,591</u>	<u>3,774,587</u>	<u>50,744,108</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,223,655</u>	<u>180,790</u>	<u>(1,126,427)</u>	<u>(340,232)</u>	<u>(62,214)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	1,638,215	-0-	-0-	-0-	1,638,215
Transfers in	446,685	-0-	100,000	540,965	1,087,650
Transfer out	(1,130,251)	(193,175)	(261,911)	(145,000)	(1,730,337)
Sale of assets	34,125	-0-	-0-	7,805	41,930
Proceeds from bonds	1,622	-0-	-0-	-0-	1,622
NET OTHER FINANCING SOURCES (USES)	<u>990,396</u>	<u>(193,175)</u>	<u>(161,911)</u>	<u>403,770</u>	<u>1,039,080</u>
NET CHANGE IN FUND BALANCES	2,214,051	(12,385)	(1,288,338)	63,538	976,866
Fund balance, beginning (See Note 15)	<u>(1,086,824)</u>	<u>33,737</u>	<u>8,674,452</u>	<u>2,325,942</u>	<u>9,947,307</u>
FUND BALANCE, ENDING	<u>\$ 1,127,227</u>	<u>\$ 21,352</u>	<u>\$ 7,386,114</u>	<u>\$ 2,389,480</u>	<u>\$ 10,924,173</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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ 976,866

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).

Property taxes receivable 37,702

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 (1,824,388)
Capital outlays 1,638,211

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 (113,756)
Accumulated depreciation of assets disposed 38,936

Capital lease proceeds are reported as liabilities in the statement of net assets instead of other financing sources in the governmental funds.

(1,638,215)

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.

618,162

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 136,059
Other post-employment benefits (7,090,109)

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

2,613,857

Change in Net Assets of Governmental Activities \$ (4,606,675)

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - COMPONENT UNIT
YEAR ENDED JUNE 30, 2012**

	<u>Huntington Sanitary Board</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 10,970,593
Cash paid for goods and services	(4,412,535)
Other cash receipts	215,373
Cash paid to employees	(2,542,018)
Other cash payment	<u>(890,941)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>3,340,472</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from long-term debt	2,346,081
Retirement of long-term debt	(1,255,439)
Bond issuance costs	-0-
Contribution	<u>4,995</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,095,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	<u>(3,018,781)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,417,328
CASH AND CASH EQUIVALENTS, JULY 1, (INCLUDING \$3,244,561 IN RESTRICTED ACCOUNTS)	<u>3,745,347</u>
CASH AND CASH EQUIVALENTS, JUNE 30, (INCLUDING \$4,028,833 IN RESTRICTED ACCOUNTS)	\$ <u>5,162,675</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2012**

Huntington
Sanitary
Board

**RECONCILIATION OF NET OPERATING
INCOME TO NET CASH (USED IN)
PROVIDED BY OPERATING ACTIVITIES:**

Net operating income	\$ <u>763,091</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,258,586
Changes in assets and liabilities:	
Decrease in intergovernmental receivables	78,805
Decrease in accounts receivable	103
Decrease reimbursements receivable	119,871
Decrease in deposits and prepaid assets	73,498
Increase in taxes payable	28,445
Decrease in accounts payable and accrued expenses	(76,016)
Increase in other post employment benefits	311,691
Decrease in accrued interest payable	(218,000)
Increase in materials and supplies inventory	(2,302)
Increase in deposits	<u>2,700</u>
 TOTAL ADJUSTMENTS	 <u>2,577,381</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ <u>3,340,472</u>

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

	Huntington Municipal Development Authority	Huntington Municipal Parking Board	Sanitation and Trash Fund	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 482,075	\$ 204,421	\$ 86,309	\$ 772,805
Accounts receivable - rents	-0-	17,685	-0-	17,685
Accounts receivable - other, net	4,142,379	-0-	465,420	4,607,799
Prepaid expenses	-0-	9,066	13,413	22,479
Due from other funds	-0-	-0-	459,939	459,939
TOTAL CURRENT ASSETS	4,624,454	231,172	1,025,081	5,880,707
RESTRICTED ASSETS:				
Cash	1,422,219	-0-	-0-	1,422,219
Deposits with Municipal Bond Commission (cash equivalents)	-0-	267,140	-0-	267,140
TOTAL RESTRICTED ASSETS	1,422,219	267,140	-0-	1,689,359
NON-CURRENT ASSETS:				
Property and equipment, net	14,758,012	3,250,082	415,144	18,423,238
Deferred debt expense, net	108,315	12,283	-0-	120,598
TOTAL NON-CURRENT ASSETS	14,866,327	3,262,365	415,144	18,543,836
TOTAL ASSETS	20,913,000	3,760,677	1,440,225	26,113,902

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2012

	Huntington Municipal Development Authority	Huntington Municipal Parking Board	Sanitation and Trash Fund	Total
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 184,841	\$ 6,118	\$ 43,774	\$ 234,733
Due to other funds	57,140	55,511	886,205	998,856
Deferred revenue	-0-	2,575	-0-	2,575
Compensated absences	-0-	160,925	81,385	242,310
Capital lease obligations	<u>-0-</u>	<u>-0-</u>	<u>72,849</u>	<u>72,849</u>
TOTAL CURRENT LIABILITIES	<u>241,981</u>	<u>225,129</u>	<u>1,084,213</u>	<u>1,551,323</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:				
Revenue bonds payable	255,000	141,545	-0-	396,545
HUD loans payable	<u>205,000</u>	<u>-0-</u>	<u>-0-</u>	<u>205,000</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>460,000</u>	<u>141,545</u>	<u>-0-</u>	<u>601,545</u>
LONG-TERM LIABILITIES NET OF CURRENT PORTION:				
Capital lease obligations	-0-	-0-	62,905	62,905
Revenue bonds payable	8,400,000	1,374,112	-0-	9,774,112
HUD loans payable	1,190,000	-0-	-0-	1,190,000
Notes payable	1,115,027	-0-	-0-	1,115,027
Other post-employment benefits obligation	<u>5,188</u>	<u>49,069</u>	<u>388,902</u>	<u>443,159</u>
TOTAL LONG-TERM LIABILITIES	<u>10,710,215</u>	<u>1,423,181</u>	<u>451,807</u>	<u>12,585,203</u>
TOTAL LIABILITIES	<u>11,412,196</u>	<u>1,789,855</u>	<u>1,536,020</u>	<u>14,738,071</u>
NET ASSETS:				
Invested in capital assets net of related debt	3,592,985	1,734,425	279,390	5,606,800
Restricted	1,422,219	267,140	-0-	1,689,359
Unrestricted (deficit)	<u>4,485,600</u>	<u>(30,743)</u>	<u>(375,185)</u>	<u>4,079,672</u>
TOTAL NET ASSETS	<u>\$ 9,500,804</u>	<u>\$ 1,970,822</u>	<u>\$ (95,795)</u>	<u>\$ 11,375,831</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Huntington Municipal Development Authority	Huntington Municipal Parking Board	Sanitation and Trash Fund	Total
OPERATING REVENUES				
Charges for services	\$ -0-	\$ 829,248	\$ 3,224,886	\$ 4,054,134
Rent	-0-	82,497	-0-	82,497
Other	<u>-0-</u>	<u>8,349</u>	<u>-0-</u>	<u>8,349</u>
TOTAL OPERATING REVENUES	<u>-0-</u>	<u>920,094</u>	<u>3,224,886</u>	<u>4,144,980</u>
OPERATING EXPENSES				
Personal services	149,864	612,272	2,121,935	2,884,071
Contractual services	-0-	29,107	410,506	439,613
Supplies and materials	-0-	23,938	147,844	171,782
Utilities	1,426	32,383	9,309	43,118
Depreciation	-0-	162,633	115,428	278,061
Maintenance	65	36,846	115,427	152,338
Administrative and general	10,466	60,365	87,823	158,654
Taxes and assessments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OPERATING EXPENSES	<u>161,821</u>	<u>957,544</u>	<u>3,008,272</u>	<u>4,127,637</u>
NET OPERATING INCOME	<u>(161,821)</u>	<u>(37,450)</u>	<u>216,614</u>	<u>17,343</u>
NONOPERATING REVENUES (EXPENSES)				
Contributions	(410,000)	-0-	-0-	(410,000)
Investment income	72,496	225	96	72,817
TIF revenue	59,277	-0-	-0-	59,277
Interest and fiscal charges	(591,534)	(64,193)	(7,794)	(663,521)
Depreciation	(777,072)	-0-	-0-	(777,072)
Amortization	(14,416)	(1,445)	-0-	(15,861)
Miscellaneous	(25,449)	(100)	2,641	(22,908)
Loss on sale of fixed assets	<u>(85,225)</u>	<u>-0-</u>	<u>-0-</u>	<u>(85,225)</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>(1,771,923)</u>	<u>(65,513)</u>	<u>(5,057)</u>	<u>(1,842,493)</u>
Transfer in	1,044,372	-0-	-0-	1,044,372
Transfer out	<u>(100,000)</u>	<u>-0-</u>	<u>(301,685)</u>	<u>(401,685)</u>
CHANGE IN NET ASSETS	(989,372)	(102,963)	(90,128)	(1,182,463)
NET ASSETS, BEGINNING OF YEAR	<u>10,490,176</u>	<u>2,073,785</u>	<u>(5,667)</u>	<u>12,558,294</u>
NET ASSETS, END OF YEAR	\$ <u>9,500,804</u>	\$ <u>1,970,822</u>	\$ <u>(95,795)</u>	\$ <u>11,375,831</u>

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Huntington Municipal Development Authority	Huntington Municipal Parking Board	Sanitation and Trash Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ -0-	\$ 891,853	\$ 3,225,141	\$ 4,116,994
Cash paid for goods and services	(14,832)	(177,179)	(743,046)	(935,057)
Other cash receipts	124,000	76,239	95,148	295,387
Cash paid to employees	(149,680)	(594,199)	(2,165,093)	(2,908,972)
Other cash payments	<u>(13,306)</u>	<u>-0-</u>	<u>-0-</u>	<u>(13,306)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(53,818)</u>	<u>196,714</u>	<u>412,150</u>	<u>555,046</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers	944,372	-0-	(301,685)	642,687
Contributions	(410,000)	-0-	-0-	(410,000)
TIF revenue	59,277	-0-	-0-	59,277
Miscellaneous	<u>(25,449)</u>	<u>(100)</u>	<u>2,641</u>	<u>(22,908)</u>
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>568,200</u>	<u>(100)</u>	<u>(299,044)</u>	<u>269,056</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan repayments	(200,000)	-0-	-0-	(200,000)
Bond issuance costs	-0-	-0-	-0-	-0-
Capital lease payments	-0-	-0-	(118,352)	(118,352)
Proceeds from bonds	-0-	-0-	-0-	-0-
Principal payments - bonds	(250,000)	(136,527)	-0-	(386,527)
Purchase of fixed assets	(3,726,351)	(39,878)	-0-	(3,766,229)
Proceeds from sale of fixed assets	660,000	-0-	-0-	660,000
Loss on sale of fixed assets	(85,225)	-0-	-0-	(85,225)
Interest paid	<u>(591,534)</u>	<u>(64,193)</u>	<u>(7,794)</u>	<u>(663,521)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,193,110)</u>	<u>(240,598)</u>	<u>(126,146)</u>	<u>(4,559,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>72,496</u>	<u>225</u>	<u>96</u>	<u>72,817</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,606,232)	(43,759)	(12,944)	(3,662,935)
CASH AND CASH EQUIVALENTS, JULY 1, (INCLUDING \$503,561 IN RESTRICTED ACCOUNTS)	<u>5,510,526</u>	<u>515,320</u>	<u>99,253</u>	<u>6,125,099</u>
CASH AND CASH EQUIVALENTS, JUNE 30, (INCLUDING \$1,689,359 IN RESTRICTED ACCOUNTS)	\$ <u>1,904,294</u>	\$ <u>471,561</u>	\$ <u>86,309</u>	\$ <u>2,462,164</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Huntington Municipal Development Authority	Huntington Municipal Parking Board	Sanitation and Trash Fund	Total
RECONCILIATION OF NET OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:				
Net operating income	\$ (161,821)	\$ (37,450)	\$ 216,614	\$ 17,343
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-0-	162,633	115,428	278,061
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(70,446)	(15,425)	255	(85,616)
(Increase) decrease in deposits and prepaid assets	124,000	123	(423)	123,700
(Increase) decrease in due from other funds	-0-	20,681	(358,315)	(337,634)
(Decrease) in accounts payable and accrued expense	(2,875)	(9,656)	(15,645)	(28,176)
Increase in due to other funds	57,140	50,614	453,463	561,217
(Decrease) in deferred revenue	-0-	(4,467)	-0-	(4,467)
Increase (decrease) in compensated absences	-0-	24,887	(31,939)	(7,052)
Increase in OPEB liability	184	8,179	32,712	41,075
(Decrease) in interest payable	-0-	(3,405)	-0-	(3,405)
 TOTAL ADJUSTMENTS	 <u>108,003</u>	 <u>234,164</u>	 <u>195,536</u>	 <u>537,703</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 \$ <u>(53,818)</u>	 \$ <u>196,714</u>	 \$ <u>412,150</u>	 \$ <u>555,046</u>

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust	Expendable Trust	Total
ASSETS			
Cash and cash equivalents	\$ 1,061,808	\$ 1,003,947	\$ 2,065,755
Investments	25,366,965	-0-	25,366,965
Due from other governments	658,888	-0-	658,888
Accounts receivable	2,861	-0-	2,861
Due from other funds	<u>3,111,430</u>	<u>-0-</u>	<u>3,111,430</u>
TOTAL ASSETS	<u>30,201,952</u>	<u>1,003,947</u>	<u>31,205,899</u>
LIABILITIES			
Accounts payable	-0-	-0-	-0-
Due to other funds	3,322	400	3,722
Other accrued expenses	<u>13,550</u>	<u>-0-</u>	<u>13,550</u>
TOTAL LIABILITIES	<u>16,872</u>	<u>400</u>	<u>17,272</u>
NET ASSETS HELD IN TRUST	\$ <u>30,185,080</u>	\$ <u>1,003,547</u>	\$ <u>31,188,627</u>

CITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Pension Trust Funds <u>Total</u>	Expendable Trust <u>Total</u>	<u>Total</u>
<u>ADDITIONS</u>			
Contributions:			
Employer	\$ 10,104,323	\$ -0-	\$ 10,104,323
Employees	679,975	-0-	679,975
Insurance premium tax allocation	2,142,610	-0-	2,142,610
Interest	191,179	1,930	193,109
Dividends	350,253	-0-	350,253
Miscellaneous revenue	-0-	-0-	-0-
Unrealized gain (loss) on investments	<u>(158,861)</u>	<u>-0-</u>	<u>(158,861)</u>
TOTAL ADDITIONS	<u>13,309,479</u>	<u>1,930</u>	<u>13,311,409</u>
<u>DEDUCTIONS</u>			
Benefit payments	8,544,667	-0-	8,544,667
Administrative	91,657	400	92,057
Insurance premium payments	-0-	262,444	262,444
Employee contribution refunds	<u>32,939</u>	<u>-0-</u>	<u>32,939</u>
TOTAL DEDUCTIONS	<u>8,669,263</u>	<u>262,844</u>	<u>8,932,107</u>
CHANGE IN NET ASSETS	4,640,216	(260,914)	4,379,302
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	<u>25,544,864</u>	<u>1,264,461</u>	<u>26,809,325</u>
END OF YEAR	\$ <u>30,185,080</u>	\$ <u>1,003,547</u>	\$ <u>31,188,627</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

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.

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, 2012.

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 units 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, 2012**

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. 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, 2012**

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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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, sales 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, 2012**

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 - A special revenue fund established to account for coal severance taxes received from the State of West Virginia.

Community Development Block Grant Fund - A special revenue fund 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 major enterprise funds:

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

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 3.

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, 2012**

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 3.

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 over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may the portfolio have more than five 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 cost 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, 2012**

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, 2012**

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, 2012**

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, 2012 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	\$ 52,804	\$ -0-	\$ -0-	\$ 30,679	\$ 83,483
Prepaid Items	118,536	-0-	-0-	12,991	131,527
Restricted for:					
Community					
Development	-0-	-0-	9,431,136	-0-	9,431,136
Committed to:					
Landfill Closures	270,266	-0-	-0-	-0-	270,266
Assigned to:					
Culture and					
Recreation	-0-	21,352	-0-	118,267	139,619
Urban Renewal	-0-	-0-	-0-	231,230	231,230
Landfill Closure	-0-	-0-	-0-	1,538,681	1,538,681
Public Safety	-0-	-0-	-0-	175,174	175,174
Floodwall-					
Emergency	-0-	-0-	-0-	155,522	155,522
Law Enforcement	-0-	-0-	-0-	66,736	66,736
Other Capital					
Projects	-0-	-0-	-0-	784	784
Civic Arena					
Improvements	-0-	-0-	-0-	69,738	69,738
Public Safety					
Building	-0-	-0-	-0-	202,957	202,957
Unassigned:	<u>685,621</u>	<u>-0-</u>	<u>(2,045,022)</u>	<u>(213,279)</u>	<u>(1,572,680)</u>
Total Fund Balances:	\$ <u>1,127,227</u>	\$ <u>21,352</u>	\$ <u>7,386,114</u>	\$ <u>2,389,480</u>	\$ <u>10,924,173</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, 2012**

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, 2012, expenditures exceeded appropriations in the General Fund at the function levels listed.

General Fund:

<u>Function</u>	<u>Amount</u>
Health and Sanitation	\$ 52,081
Capital Outlay	\$ 1,638,215
Transfers Out	\$ 1,130,251

The over-expenditures in capital outlay are a result of not budgeting for the proceeds and related expenditures of a new lease purchase agreement. The over expenditures in transfers out occurred because certain items were originally budgeted as expenses, but are reported as transfers. Funds sufficient to provide for these excess expenditures were made available from other sources within the General Fund.

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, 2012:

<u>Fund</u>	<u>Amount</u>
Governmental Funds:	
Coal Severance	\$12,385
CDBG	1,288,338
Huntington Urban Renewal	7,081
Westmoreland Fire Protection	28,570
Safety Town	7,294
Federal Drug	105,001

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

NOTE 2 - BUDGETARY INFORMATION (CONTINUED)

Proprietary Funds:	
Huntington Municipal Development Authority	\$ 989,372
Huntington Municipal Parking Board	102,963
Sanitation and Trash	90,128
Fiduciary Funds:	
Police Retirees' Insurance	165,179
Fire Retirees' Insurance	95,736

Funds sufficient to provide for the excess expenditures were made available from other sources and the deficiencies did not impact the operations of the funds.

The following funds had deficit fund balances as of June 30, 2012:

<u>Fund</u>	<u>Amount</u>
Governmental Funds:	
Civic Arena	\$ (156,715)
Workers' Compensation	(12,894)
Proprietary Funds:	
Sanitation and Trash	(95,795)

NOTE 3 - 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	\$ 1,441,808
Coal Severance	21,352
CDBG	342,032
Other Governmental Fund:	792,171
Workers' Compensation	529,214
<i>Business-type Activities:</i>	
HMDA	482,075
HMPB	53,942
Sanitation and Trash	83,609
<i>Fiduciary Funds:</i>	
Pension Trust	1,061,808
Expendable Trust	1,003,947
<i>Component Unit:</i>	
Sanitary Board	<u>1,133,842</u>
TOTAL DEPOSITS	\$ <u>6,945,800</u>

All deposits at June 30, 2012 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, 2012**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

As of June 30, 2012, 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				
Money Market Funds	\$ 2,383,499	\$ 2,383,499	N/A	N/A
Total Government Activities	<u>2,383,499</u>	<u>2,383,499</u>		
Business-Type Activities				
Money Market	<u>417,273</u>	<u>417,273</u>	N/A	N/A
Total Business-Type Activities	<u>417,273</u>	<u>417,273</u>		
Total Primary Government Investments (Non-Fiduciary)	\$ <u>2,800,772</u>	\$ <u>2,800,772</u>		
<i>Interest Rate Risk</i>				
	<i>0-5 years</i>			
Money Market Funds	\$ <u>2,800,772</u>			
Total	\$ <u>2,800,772</u>			
FIDUCIARY FUNDS				
Money Market Funds	\$ 982,676	\$ 982,676	N/A	N/A
Federal Agency Bonds and Notes	3,629,317	3,644,945	AAA-AA+	6048.22
Municipal obligations	951,396	964,573	AAA - AA-	770.61
Mutual Funds	9,245,251	8,965,298	Not Rated	N/A
Corporate Debt	5,189,663	5,087,700	AAA - BBB-	2665.46
Common Stock	4,753,727	4,149,883	A+ - B-	N/A
Preferred stock	286,620	275,000	BBB - BBB+	N/A
Real estate investment trusts	29,399	28,460	B-	N/A
Certificate of Deposit	298,917	298,917	N/A	N/A
Property Rights:				
Deferred Compensation Agreement	<u>2,550,169</u>	<u>2,550,169</u>	N/A	N/A
Total Fiduciary Investments	<u>27,917,135</u>	<u>26,947,621</u>		
Grand Total Investments	<u>\$30,717,907</u>	<u>\$ 29,748,393</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, 2012**

NOTE 3 - 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:

	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund	Total
Money Market Funds	\$ 911,686	\$ 70,990	\$ 982,676
U.S. Government Agency Notes	2,729,947	899,370	3,629,317
Municipal Obligations	951,396	-0-	951,396
Mutual Funds	7,585,186	1,660,065	9,245,251
Corporate Debt	3,268,345	1,921,318	5,189,663
Common Stock	1,528,375	3,225,352	4,753,727
Preferred stock	-0-	286,620	286,620
Real Estate Investment Trusts	-0-	29,399	29,399
Certificate of Deposit	-0-	298,917	298,917
Total	<u>\$ 16,974,935</u>	<u>\$ 8,392,031</u>	<u>\$ 25,366,966</u>

Policemen's Pension and Relief <i>Interest Rate Risk</i>	<u>0-5 Years</u> <u>5-10 Years</u> <u>Over 10 Years</u>		
	Money Market Funds	\$ 911,686	\$ -0-
U.S. Government Agency Notes	-0-	150,053	2,579,894
Municipal Obligations	130,064	-0-	821,332
Mutual Funds	7,585,186	730,438	1,066,630
Corporate Debt	1,471,277	-0-	-0-
Common Stock	1,528,375	-0-	-0-
Total	<u>\$ 11,626,588</u>	<u>\$ 880,491</u>	<u>\$ 4,467,856</u>

Firemen's Pension and Relief <i>Interest Rate Risk</i>	<u>0-5 Years</u> <u>5-10 Years</u> <u>Over 10 Years</u>		
	Money Market Funds	\$ 70,990	\$ -0-
U.S. Government Agency Notes	50,028	274,939	574,403
Mutual Funds	1,660,065	-0-	-0-
Corporate Debt	945,243	976,075	-0-
Common Stock	3,225,352	-0-	-0-
Preferred Stock	286,620	-0-	-0-
Real Estate Investment Trusts	29,399	-0-	-0-
Certificate of Deposit	298,917	-0-	-0-
Total	<u>\$ 6,566,614</u>	<u>\$ 1,251,014</u>	<u>\$ 574,403</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

NOTE 3 - 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 collaterally 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, 2012**

NOTE 3 - 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, 2012**

NOTE 3 - 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 \$4,753,727 in common stock and \$286,620 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, 2012**

NOTE 4 - 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			
	HMDA	HMPPB	Sanitation And Trash	Total
Unrestricted Accounts Receivable	\$ -0-	\$ 17,685	\$ 465,420	\$ 483,105
Less: Allowance for Uncollectible Accounts	-0-	-0-	-0-	-0-
Net Accounts Receivable	\$ -0-	\$ 17,685	\$ 465,420	\$ 483,105
Uncollectible Amounts Netted With Revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-

GOVERNMENTAL RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Significant receivables include property taxes, sales taxes, 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 allowance method.

The following comprise the balance of loans receivable to the CDBG Fund as of June 30, 2012:

	Community Development Block Grant Program	Home Investment Partnerships Program
Loans receivable	\$ 4,810,440	\$ 5,277,258
Less: Allowance for Uncollectible loans	-0-	1,784,008
Net loans receivable	\$ 4,810,440	\$ 3,493,250

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

**NOTE 4 - 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 distraint for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on 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, 2012 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense	Taxes Levied
Class I	\$ -0-	11.00¢	\$ -0-
Class II	528,648,422	22.00¢	1,163,026
Class IV	906,230,498	44.00¢	3,987,414
Less: uncollectables, exonerations, and delinquencies			(257,522)
Less: tax discounts			(97,858)
Less: allowance for tax increment financial			(85,650)
Less: assessor's valuation fund			<u>(94,188)</u>
Net amount to be raised by levy of property taxes			<u>\$4,615,222</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, 2012**

**NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE
(CONTINUED)**

Property taxes receivable as of yearend are as follows:

Taxes receivable	\$ 693,257
Less: Allowance for uncollectable	<u>(257,522)</u>
Net Taxes receivable	\$ <u>435,735</u>

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 5 - 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 \$1,689,359.

The component unit, Huntington Sanitary Board, has restricted assets of \$4,028,833, 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, 2012**

NOTE 6 - 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	582,724	1,638,215	-0-	2,220,939
Vehicles	8,038,721	-0-	(113,756)	7,924,965
Infrastructure	16,820,437	-0-	-0-	16,820,437
Less: accumulated depreciation	<u>(23,844,908)</u>	<u>(1,824,388)</u>	<u>38,936</u>	<u>(25,630,360)</u>
Total capital assets being depreciated, net	<u>11,388,266</u>	<u>(186,173)</u>	<u>(74,820)</u>	<u>11,127,273</u>
Governmental activities capital assets, net	<u>11,561,545</u>	<u>(186,173)</u>	<u>(74,820)</u>	<u>11,300,552</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,755,182	\$ 8,000	\$ (737,703)	\$ 9,025,479
Construction in progress	-0-	-0-	-0-	-0-
Total capital assets not being depreciated:	<u>9,755,182</u>	<u>8,000</u>	<u>(737,703)</u>	<u>9,025,479</u>
Capital assets being depreciated:				
Land and Improvements	1,956,396	526,153	(7,090)	2,475,459
Buildings and improvements	15,839,453	3,276,991	-0-	19,116,444
Furniture and Fixtures	-0-	-0-	-0-	-0-
Machinery and equipment	620,443	39,878	-0-	660,321
Vehicles	1,551,965	-0-	-0-	1,551,965
Less: accumulated depreciation	<u>(13,351,296)</u>	<u>(1,055,173)</u>	<u>39</u>	<u>(14,406,430)</u>
Total capital assets being depreciated, net	<u>6,616,961</u>	<u>2,787,849</u>	<u>(7,051)</u>	<u>9,397,759</u>
Business-type activities capital assets, net	<u>16,372,143</u>	<u>2,795,849</u>	<u>(744,754)</u>	<u>18,423,238</u>
Primary Government Capital Assets, Net	\$ <u>27,933,688</u>	\$ <u>2,609,676</u>	\$ <u>(819,574)</u>	\$ <u>29,723,790</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

NOTE 6 - 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>4,560,093</u>	<u>2,462,150</u>	<u>(672,763)</u>	<u>6,349,480</u>
Total capital assets, not being depreciated	<u>4,776,248</u>	<u>2,462,150</u>	<u>(672,763)</u>	<u>6,565,645</u>
Capital assets being depreciated:				
Buildings and improvements	76,233,316	1,224,032	-0-	77,457,348
Vehicles	2,216,364	-0-	-0-	2,216,364
Machinery and equipment	1,673,925	5,362	-0-	1,679,287
Less: accumulated depreciation	<u>(51,023,486)</u>	<u>(2,222,907)</u>	<u>-0-</u>	<u>(53,246,393)</u>
Total capital assets being depreciated, net	<u>29,100,119</u>	<u>(993,513)</u>	<u>-0-</u>	<u>28,106,606</u>
Component Unit Capital assets, net	\$ <u>33,876,367</u>	\$ <u>1,468,637</u>	\$ <u>(672,763)</u>	\$ <u>34,672,247</u>

Depreciation Expense

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

Governmental Activities		Business-Type Activities	
General government	\$ 91,886	Municipal Development	
Public safety	678,799	Authority	\$ 777,112
Highways and streets	821,946	Municipal Parking	
Health and sanitation	26,160	Board	162,633
Culture and recreation	186,245	Sanitation and Trash	
Social services	1,129	Fund	115,428
Community development	18,223		

Sale of Fixed Assets

In March, 2012, HMDA sold 2 acres of Kinetic Park for \$660,000. The proceeds of the sale were used for the extinguishment of outstanding debt.

NOTE 7 - 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. Additionally, on July 28, 2011 The City entered into energy savings management contract at a cost of \$1,638,215 whereby energy conservation equipment has been installed in several city buildings. The equipment is leased for a period of 15 years through a capital lease – purchase agreement beginning January 28, 2012. At the end of the contract period, the City will retain ownership of the equipment.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

NOTE 7 - LEASE COMMITMENTS (CONTINUED)

Minimum future lease payments under capital leases as of June 30, 2012 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
2013	\$ 583,019	\$ 189,988	\$ 72,849	\$ 3,699
2014	577,452	134,275	50,088	1,660
2015	429,939	110,967	12,817	120
2016	388,146	93,942	-0-	-0-
2017	336,431	78,215	-0-	-0-
Thereafter	<u>1,684,704</u>	<u>302,549</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$3,999,691</u>	<u>\$ 909,936</u>	<u>\$ 135,754</u>	<u>\$ 5,479</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, 2012 amounted to \$127,540, all of which was expensed.

NOTE 8 - LONG-TERM DEBT

REVENUE BONDS

Revenue bonds outstanding as of June 30, 2012 consist of debt issued by the City for its parking, sewer, and municipal development activities. The debt is payable from and secured by a pledge of the gross revenues to be derived from the operations of these facilities.

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 sewer 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, 2012**

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DEBT COVENANT

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, 2012.

CHANGES IN LONG-TERM DEBT

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

<u>Description and Purpose</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within one Year</u>	<u>Amounts Due Past One Year</u>
Primary Government						
<i>Governmental Activities</i>						
Compensated Absences	\$ 1,338,009	\$ 1,201,950	\$ 1,338,009	\$ 1,201,950	\$ 1,201,950	\$ -0-
Lease Obligations Payable	2,979,639	1,638,215	618,163	3,999,691	583,019	3,416,672
Other Post-Employment Benefits	21,011,027	7,090,109	-0-	28,101,136	-0-	28,101,136
Net pension obligation	<u>52,736,017</u>	<u>7,490,466</u>	<u>10,104,323</u>	<u>50,122,160</u>	<u>9,676,704</u>	<u>40,445,456</u>
Total Governmental Activities	<u>78,064,692</u>	<u>17,420,740</u>	<u>12,060,495</u>	<u>83,424,937</u>	<u>11,461,673</u>	<u>71,963,264</u>
<i>Business-type Activities</i>						
Revenue Bonds:						
Major Enterprise Fund						
HMDA	8,905,000	-0-	250,000	8,655,000	255,000	8,400,000
HMPB	<u>1,652,184</u>	<u>-0-</u>	<u>136,527</u>	<u>1,515,657</u>	<u>141,545</u>	<u>1,374,112</u>
Total Revenue Bonds	<u>10,557,184</u>	<u>-0-</u>	<u>386,527</u>	<u>10,170,657</u>	<u>396,545</u>	<u>9,774,112</u>
Notes Payable:						
Major Enterprise Fund						
HMDA	<u>2,710,027</u>	<u>-0-</u>	<u>200,000</u>	<u>2,510,027</u>	<u>205,000</u>	<u>2,305,027</u>
Total Notes Payable	<u>2,710,027</u>	<u>-0-</u>	<u>200,000</u>	<u>2,510,027</u>	<u>205,000</u>	<u>2,305,027</u>
Lease obligations payable						
Major enterprise fund:						
Sanitation and trash	<u>254,106</u>	<u>-0-</u>	<u>118,352</u>	<u>135,754</u>	<u>72,849</u>	<u>62,905</u>
Total lease obligations	<u>254,106</u>	<u>-0-</u>	<u>118,352</u>	<u>135,754</u>	<u>72,849</u>	<u>62,905</u>
Compensated Absences:						
Enterprise Funds:						
HMPB	136,038	37,467	12,580	160,925	13,148	147,777
Sanitation and trash	<u>113,324</u>	<u>81,385</u>	<u>113,324</u>	<u>81,385</u>	<u>81,385</u>	<u>-0-</u>
Total Compensated Absences	<u>249,362</u>	<u>118,852</u>	<u>125,904</u>	<u>242,310</u>	<u>94,533</u>	<u>147,777</u>
Other Post Employment Benefits:						
Enterprise Funds:						
HMDA	5,004	184	-0-	5,188	-0-	5,188
HMPB	40,890	8,179	-0-	49,069	-0-	49,069
Sanitation and Trash	<u>356,190</u>	<u>32,712</u>	<u>-0-</u>	<u>388,902</u>	<u>-0-</u>	<u>388,902</u>
Total OPEB	<u>402,084</u>	<u>41,075</u>	<u>-0-</u>	<u>443,159</u>	<u>-0-</u>	<u>443,159</u>
Total Business-type Activities	<u>14,172,763</u>	<u>159,927</u>	<u>630,783</u>	<u>13,501,907</u>	<u>768,927</u>	<u>12,732,980</u>
Total Primary Government Long-term Debt	\$ <u>92,237,455</u>	\$ <u>17,580,667</u>	\$ <u>12,891,278</u>	\$ <u>96,926,844</u>	\$ <u>12,230,600</u>	\$ <u>84,696,244</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2012**

NOTE 8 - LONG-TERM DEBT (CONTINUED)

<i>Component Unit Sanitary Board</i>							
<u>Description and Purpose</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due With One Year</u>	<u>Amounts Due Past One Year</u>	
Revenue Bonds	\$ 13,398,280	\$ 2,332,141	\$ 1,168,817	\$ 14,561,604	\$ 1,281,449	\$ 13,280,155	
Notes payable	85,395	-0-	72,682	12,713	12,713	-0-	
Compensated Absences	78,237	71,848	78,237	71,848	71,848	-0-	
Other Post-Employment Benefits	<u>1,225,020</u>	<u>311,691</u>	<u>-0-</u>	<u>1,536,711</u>	<u>-0-</u>	<u>1,536,711</u>	
Total Component Unit Long-Term Debt	\$ <u>14,786,932</u>	\$ <u>2,715,680</u>	\$ <u>1,319,736</u>	\$ <u>16,182,876</u>	\$ <u>1,366,010</u>	\$ <u>14,816,866</u>	

The amount of interest cost incurred by the Huntington Sanitary Board was \$427,246 in 2012, all of which has been expensed.

ADDITIONAL DEBT DISCLOSURE

Outstanding Bonds, Maturity Dates, and Interest Rates

<u>Description and purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate(s)</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
Primary Government								
<i>Business-type activities</i>								
Revenue Bonds:								
<u>Major Enterprise Funds</u>								
Huntington Municipal Development Authority								
Civic Arena/JDPS Bldg	12/29/10	05/01/23	3.0%-4.5%	\$ 3,650,000	3,650,000	-0-	-0-	3,650,000
Civic Arena/JDPS Bldg	12/29/10	05/01/31	2.75%-8.0%	\$ 5,255,000	<u>5,255,000</u>	<u>-0-</u>	<u>250,000</u>	<u>5,005,000</u>
Total					\$ <u>8,905,000</u>	\$ <u>-0-</u>	\$ <u>250,000</u>	\$ <u>8,655,000</u>
Huntington Municipal Parking Board	12/01/00	12/01/20	4.0%	\$ 2,500,000	\$ <u>1,652,184</u>	\$ <u>-0-</u>	\$ <u>136,527</u>	\$ <u>1,515,657</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 8 - 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, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
<i>Business-type activities</i>								
Notes Payable:								
<u>Major Enterprise Funds</u>								
Huntington Municipal Development Authority								
WVIJDC - Kinetic Park	01/01/04		6.0%	2,625,000	1,115,027	-0-	-0-	1,115,027
HUD Sec. 108 Loan - Huntington High	06/14/00	08/01/14	LIBO + 2%	1,720,000	460,000	-0-	115,000	345,000
HUD Sec. 108 Loan - Douglass Centre	10/24/02	08/01/22	LIBO + 2%	1,600,000	<u>1,135,000</u>	-0-	<u>85,000</u>	<u>1,050,000</u>
Total					<u>\$ 2,710,027</u>	<u>\$ -0-</u>	<u>\$ 200,000</u>	<u>\$ 2,510,027</u>

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate(s)</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
<i>Component Unit</i>								
Revenue Bonds:								
Sanitary Board								
	11/25/97	03/01/19	2.00%	\$ 3,039,895	\$ 1,272,338	\$ -0-	\$ 153,332	\$ 1,119,006
	09/01/99	09/01/19	2.00%	2,083,550	1,040,819	-0-	106,636	934,183
	10/31/00	10/31/20	2.00%	1,559,119	1,049,417	-0-	90,743	958,674
	11/30/06	11/01/16	4.25% - 4.70%	3,150,000	2,060,000	-0-	305,000	1,755,000
	12/27/07	11/01/23	4.20%	5,500,000	4,710,000	-0-	290,000	4,420,000
	01/12/10	03/01/30	2.00%	4,022,945	2,335,736	802,378	169,498	2,968,616
	11/10/10	12/01/31	2.00%	2,622,055	<u>929,970</u>	<u>1,529,763</u>	<u>53,608</u>	<u>2,406,125</u>
Total					<u>\$ 13,398,280</u>	<u>\$ 2,332,141</u>	<u>\$ 1,168,817</u>	<u>\$ 14,561,604</u>

Notes Payable:								
Sanitary Board								
	07/01/08	7/01/12	0.00%	\$ 400,000	\$ 47,247	\$ -0-	\$ 47,247	\$ -0-
	04/07/09	04/07/12	4.644%	15,017	4,379	-0-	4,379	-0-
	01/13/10	01/13/13	4.55%	62,020	<u>33,769</u>	<u>-0-</u>	<u>21,056</u>	<u>12,713</u>
					<u>\$ 85,395</u>	<u>\$ -0-</u>	<u>\$ 72,682</u>	<u>\$ 12,713</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 8 - 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, 2012 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
2013	\$ 141,545	\$ 58,304	\$ 255,000	\$ 357,789	\$ 1,281,449	\$ 399,672
2014	161,917	51,965	270,000	349,239	1,324,677	360,441
2015	168,513	45,368	280,000	339,589	1,368,173	319,555
2016	175,379	38,503	290,000	328,189	1,411,938	276,998
2017	182,524	31,358	305,000	316,289	1,460,981	232,635
2018 - 2022	685,779	49,173	2,110,000	1,334,444	4,762,270	706,541
2023 - 2027	-0-	-0-	2,615,000	838,449	2,486,740	158,163
2028 - 2032	-0-	-0-	2,530,000	228,800	465,376	15,345
Total	\$ 1,515,657	\$ 274,671	\$ 8,655,000	\$ 4,092,788	\$ 14,561,604	\$ 2,469,350

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 7 for debt service relating to leases.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the City's long-term debt transactions for the fiscal year ended June 30, 2012:

	Revenue Bonds Payable	Notes Payable	Lease Purchase Agreements
Debt outstanding, June 30, 2011	\$ 23,955,464	\$ 2,795,424	\$ 3,233,744
Additions of new debt	2,332,141	-0-	1,638,215
Retirements and repayments	<u>(1,542,616)</u>	<u>(272,684)</u>	<u>(736,514)</u>
Debt outstanding, June 30, 2012	\$ <u>24,744,989</u>	\$ <u>2,522,740</u>	\$ <u>4,135,445</u>

On January 12, 2010, the Huntington Sanitary Board authorized the issue of \$4,022,945 Series 2010 A and \$2,622,055 Series 2010 B twenty year bonds. The Bonds shall bear interest at a rate of 2% per annum. Commencing June 1, 2010 for 2010 A bonds, and March 1, 2012 for 2010 B bonds, principal and interest 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, 2012, \$3,345,286 of the 2010 A bonds and \$2,459,733 of the 2010 B 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, 2012:

	Balance <u>July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2012</u>
Non-major Governmental Fund:				
HURA Line of Credit	\$ <u>255,265</u>	\$ <u>372,214</u>	\$ <u>83,580</u>	\$ <u>543,899</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 9 - 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 BrickStreet Insurance: Huntington Sanitary Board, Huntington Municipal Development Authority, and Huntington Municipal Parking Board.

NOTE 10 - 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>			
	<u>Major Governmental Funds</u>		Other Governmental Funds	<u>Major Enterprise Funds</u>			Total Due From
	<u>General</u>	<u>CDBG</u>	<u>Funds</u>	<u>Municipal Dev. Auth.</u>	<u>Municipal Parking Board</u>	<u>Sanitation and Trash</u>	
Governmental Activities:							
<u>Major Governmental Funds</u>							
General	\$ -0-	\$ 942	\$ 171,467	\$ -0-	\$ 16,801	\$ 459,939	\$ 649,149
Community Development Block Grant	303,010	-0-	-0-	-0-	-0-	-0-	303,010
<u>Other Governmental Funds</u>	405,798	-0-	58,770	-0-	-0-	-0-	464,568
<u>Internal Service Fund</u>	539,872	-0-	-0-	-0-	-0-	-0-	539,872
Business-type Activities:							
<u>Major Enterprise Funds</u>							
Municipal Dev. Auth.	57,140	-0-	-0-	-0-	-0-	-0-	57,140
Parking Board	55,511	-0-	-0-	-0-	-0-	-0-	55,511
Sanitation and Trash	880,356	-0-	5,849	-0-	-0-	-0-	886,205
Total Due To	\$ <u>2,241,687</u>	\$ <u>942</u>	\$ <u>236,086</u>	\$ <u>-0-</u>	\$ <u>16,801</u>	\$ <u>459,939</u>	\$ <u>2,955,455</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>
<u>Governmental Activities</u>	<u>Sanitary Board</u>	<u>Governmental Activities</u>	<u>Sanitary Board</u>
General	\$ <u>-0-</u>	General	\$ <u>53,765</u>
Total	\$ <u>-0-</u>	Total	\$ <u>53,765</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 10 - RECEIVABLES AND PAYABLES (CONTINUED)

Payable To Primary Government	Receivable From Fiduciary Funds				Receivable From Primary Government	Payable To Fiduciary Funds	
Governmental Activities	Police Pension Fund	Fire Pension Fund	Police Retirees Insurance Fund	Fire Retirees Insurance Fund	Governmental Activities	Police Pension Fund	Fire Pension Fund
General	\$ <u>1,231</u>	\$ <u>2,092</u>	\$ <u>200</u>	\$ <u>200</u>	General	\$ <u>1,438,760</u>	\$ <u>1,672,670</u>
Total	\$ <u>1,231</u>	\$ <u>2,092</u>	\$ <u>200</u>	\$ <u>200</u>	Total	\$ <u>1,438,760</u>	\$ <u>1,672,670</u>

NOTE 11 - 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:

Transfer From: Primary Government	Transfers To:		
	Governmental Activities	Business Type Activities	Total Transfer From
Governmental Activities:			
Major Governmental Funds	\$ 540,965	\$ 1,044,372	\$ 1,585,337
Other Governmental Funds	145,000	-0-	145,000
Business – Type Activities:	<u>401,685</u>	<u>-0-</u>	<u>401,685</u>
Total Transfers To	<u>\$ 1,087,650</u>	<u>\$ 1,044,372</u>	<u>\$ 2,132,022</u>

The transfers to Governmental Activities represent transfers from the General Fund and Coal Severance Tax Fund of \$347,790 and \$193,175, respectively to the Civic Arena for operating deficits and a \$100,000 transfer from Huntington Municipal Development Authority to the Community Development Block Grant Fund from the sale of land. The transfer to Business-Type Activities represents a transfer of \$1,044,372 to the Municipal Development Authority from General Fund and Community Development Block Grant for debt service payments on Bonds and HUD 108 Loans.

Additionally, the administrative fee charged to Sanitation & Trash and payable to the General Fund was forgiven in the amount of \$316,872.

NOTE 12 - REVENUES AND EXPENDITURES - BENEFITS FUNDED BY THE STATE OF WEST VIRGINIA

For fiscal year 2012, the State of West Virginia contributed payments on behalf of City employees as follows:

Plan	Amount
City of Huntington Policemen's Pension and Relief Fund	\$ 971,129
City of Huntington Firemen's Pension and Relief Fund	\$ 1,171,481

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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - 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, 2012, covered payroll totaled \$4,906,198 and the required contribution from the City totaled \$711,400, with an additional \$220,779 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	14.5% of covered payroll (14% effective July, 2012)
Period required to vest	5 years
Benefits and eligibility for Distribution (full-time)	2% of final average (highest 3 years out of the last 15 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

Trend information is as follows:

Fiscal Year	Employee Contribution	Employer Contribution	Percentage Contribution
2012	\$ 220,779	\$ 711,400	100%
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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - 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, 2011, the date of the most recent actuarial valuation for the System as a whole, was \$5,515,250,000. The System's net assets available for benefits on that date (valued at market value) were \$4,322,670,000.

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., Charleston, 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, 2012 was \$4,716,399, \$971,129 was provided by the insurance premium tax allocation, and \$364,589 was withheld from the police employees wages for a total contribution of \$6,052,117.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

As of July 1, 2011, (the latest valuation date) employee membership data related to the pension plan were as follows:

Current Employees (95 participants)	
Employee contributions/Employer-financed vested and non-vested	\$ 29,496,721
Non-Active Participants (124 participants)	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	<u>49,449,689</u>
Total pension benefit obligation	78,946,410
Assets at market value	<u>16,648,665</u>
Unfunded pension benefit obligation	\$ <u>62,297,745</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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - 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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - 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	\$ 4,063,211
Interest on NPO	1,278,400
Adjustment to annual required contribution	<u>(972,437)</u>
Annual pension cost	4,369,174
Employer contributions made	(4,716,399)
Insurance premium tax allocation	<u>(971,129)</u>
Decrease in net pension obligation	(1,318,354)
Net pension obligation at beginning of the year	<u>23,243,643</u>
Net pension obligation at the end of the year	<u>\$ 21,925,289</u>

Trend information is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (NPO)</u>
2012	\$ 4,369,174	130%	\$ 21,925,289
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
2007	\$ 3,415,735	105%	\$ 22,668,136

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, 2012 was \$5,387,924, \$1,171,481 was provided by the insurance premium tax allocation, and \$315,387 was withheld from the fire employees wages for a total contribution of \$6,874,792.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

As of July 1, 2011, (date of latest valuation) employee membership data related to the pension plan were as follows:

Current Employees (101 participants)	
Employee contributions	
Employer - financed	
vested and non-vested	\$ 26,299,834
Non-Active Participants (180 participants)	
Retirees and beneficiaries currently receiving	
benefits and terminated employees not yet	
receiving benefits	<u>69,185,372</u>
Total pension benefit obligation	95,485,206
Net assets available for benefits at market value	<u>8,896,199</u>
Unfunded pension benefit obligation	\$ <u>86,589,007</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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - 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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - 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	\$ 4,948,339
Interest on NPO	1,474,619
Adjustment to annual required contribution	<u>(1,159,055)</u>
Annual pension cost	5,263,903
Employer contributions made	(5,387,924)
Insurance premium tax allocation	<u>(1,171,481)</u>
Increase in net pension obligation	(1,295,502)
Net pension obligation at beginning of the year	<u>29,492,374</u>
Net pension obligation at the end of the year	\$ <u>28,196,872</u>

Trend information is as follows:

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)
2012	\$ 5,263,903	125%	\$ 28,196,872
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
2007	3,874,461	93 %	29,320,399

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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 13 - EMPLOYEES RETIREMENT PLAN (CONTINUED)

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>
2012	\$40,754	\$40,754	100%
2011	\$27,265	\$27,265	100%
2010	\$ 2,816	\$ 2,816	100%

NOTE 14 - 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 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, 2011	\$ 2,717,289	\$ 9,095,940	29.9%
June 30, 2012	\$ 2,635,155	\$ 10,024,224	26.3%

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
June 30, 2012	\$ 10,078,030	26.1%	\$ 30,081,006

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Annual required contribution	\$10,024,224
Interest on net OPEB obligation	1,018,716
Adjustment to annual required contribution	<u>(964,910)</u>
Annual OPEB cost	10,078,030
Contributions made	<u>(2,635,155)</u>
Increase in net OPEB obligation	7,442,875
Net OPEB obligation at the beginning of the year	<u>22,638,131</u>
Net OPEB obligation at the end of the year	<u>\$30,081,006</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 post-retirement 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
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 14 - 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 15 - RESTATEMENTS

Net assets at the beginning of the year have been restated:

Governmental Activities:

Net assets - June 30, 2011, as previously reported	\$	(54,783,904)
Property taxes revenues (General Fund)		314,004
HOME loans receivable (CDBG)		<u>(1,771,931)</u>
Net assets - June 30, 2011, as restated	\$	<u>(56,241,831)</u>

Beginning net assets in the Government-wide financial statements have been adjusted to recognize property taxes receivable at June 30, 2011 which were collected after year end (deferred in fund statements) and to reconcile the beginning balances of HOME program loans receivable in the Community Development Block Grant fund.

The fund balance at the beginning of the year of the following fund has been restated:

	<u>CDBG</u>
Fund balance at June 30, 2011, as previously stated	\$10,446,383
HOME Program loans receivable	<u>(1,771,931)</u>
Fund balance at June 30, 2011, as restated	<u>\$8,674,452</u>

Beginning fund balances for fiscal year 2012 have been adjusted to reconcile the balances of previously recorded loans receivable in the Community Block Grant Fund and to remove one which was assigned to the HMDA Proprietary Fund.

**CITY OF HUNTINGTON, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 16 – COMMITMENTS AND CONTINGENCIES

CONTINGENCY

The City has been advised by the State Treasurer’s Office that between 1997 and 2012 the Treasurer’s Office used an incorrect formula to allocate the insurance premium surtax resulting in an overpayment of approximately \$1.4 million to the City’s Police and Fire Pension funds. The state legislature is considering legislation to address this matter and the City cannot at this time predict the outcome of this legislation. Accordingly, no provision for any estimated loss is reflected in the accompanying financial statements.

ENCUMBRANCES

The City’s governmental funds had encumbrances totaling \$453,502 as of June 30, 2012 as follows:

General <u>Fund</u>	<u>CDBG</u>	Federal <u>Drug</u>	Westmoreland Fire <u>Protection</u>	Jean Dean Public <u>Safety</u>
\$ 436,445	\$ 5,176	\$ 10,031	\$ 610	\$ 1,240

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

Additionally, the City had encumbrances of \$1,331 and \$431 at June 30, 2012, in the Sanitation and Trash (proprietary fund) and the Fireman’s Pension and Relief (fiduciary fund), respectively.

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. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

LITIGATION

The City is party to various legal proceedings which normally occur in governmental operations. While it is not possible to determine the ultimate outcome of any lawsuit, management believes that the City’s liability insurance will mitigate potential liabilities resulting from litigation and that 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.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 rains, which prevent 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.

NOTE 17 - 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 \$16,174 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 ensure that accounts are fully collateralized at all times.

NOTE 18 - 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.

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 18 - AMOUNTS DUE TO THE GENERAL FUND (CONTINUED)

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	\$	303,010
Civic Arena		249,621
Federal Drug		396
Westmoreland Fire		614
Jean Dean Public Safety		10,166
Workers' Compensation		539,872
Capital Improvements		145,000
Huntington Municipal Development Authority		57,140
Huntington Municipal Parking Board		55,511
Sanitation & Trash		880,356
Police Pension & Relief		1,231
Fire Pension & Relief		2,092
Police Insurance		200
Fire Insurance		<u>200</u>
Due to General Fund	\$	<u>2,245,409</u>

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to year end, HURA renewed its line of credit payable to a bank. The renewed note is payable on demand or on December 31, 2049 and collateralized by deeds of trust.

NOTE 20 - FINANCIAL CONDITION

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

- The City has approximately \$149 million of unfunded liabilities for its Policemen's and Firemen's pension and relief plans.
- As of July 1, 2011, 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 \$118,891,508. Additional employer contributions from the City will be needed if this liability is to be reduced.
- The Sanitation and Trash Proprietary Fund incurred a net loss of \$(90,128) for the year with ending net assets deficit of \$(95,795).

**CITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 20 - FINANCIAL CONDITION (CONTINUED)

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

Revenue Sources:

The City implemented a Municipal Alternative Sales and Service and Use Tax effective January 1, 2012 and it remains in effect. The estimated sales tax revenue for FY 2013 will exceed the B&O taxes forgone by \$1.5 million.

The City raised the monthly Refuse fee for residents from \$15 per month to \$20 per month effective November 1, 2011. The increased revenue is being used to stabilize the Sanitation and Trash fund balance and to fund a General Fund Landfill Closure account.

Liabilities:

The City continues to fund the Police and Fire legacy pension funds above the actuarially required contribution to shore up the funds. As of February 2013, combined assets of Police and Fire legacy pension plans exceed \$33 million.

The City continues to monitor its retiree health insurance costs and look for cost savings while maintaining retirees' current benefit levels.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST
YEAR ENDED JUNE 30, 2012**

I. SCHEDULES OF FUNDING PROGRESS

Firemen's Pension and Relief Fund

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
7/1/05	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%
7/1/11	8,896,199	95,485,206	86,589,007	9%	4,583,449	1889%

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%
7/1/11	16,648,665	78,946,410	62,297,745	21%	5,170,926	1205%

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%
2012	4,948,339	132%	4,063,211	140%

**CITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST
YEAR ENDED JUNE 30, 2012**

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

	<u>Firemen's Pension & Relief Fund</u>	<u>Police Pension & Relief Fund</u>
Valuation date	7/1/11	7/1/11
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	29 year closed level percentage of pay amortization for GASB 25/27 accounting (from 7/1/10)	29 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%	5.50%
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, 2012**

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefits

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
7/1/07	\$ -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%
7/1/11	-0-	118,891,508	118,891,508	0.0%	15,568,431	763.7%

<u>Other Post- Employment Benefits</u>	
Valuation date	7/1/11
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
2013	7.50%	8.50%
2014	7.25%	8.25%
2015	7.00%	8.00%
2016	6.75%	7.75%
2017	6.50%	7.50%
2018	6.25%	7.25%
2019	6.00%	7.00%
2020	5.75%	6.75%
2021	5.50%	6.50%
2022	5.25%	6.25%
2023	5.00%	6.00%
2024	-	5.75%
2025+	-	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, 2012**

	Original Budget	Revisions	Revised Budget	Actual Amounts	Variance with Revised Positive (Negative)
REVENUES					
Taxes:					
Property	\$ 5,218,499	\$ (121,499)	\$ 5,097,000	\$ 5,147,163	\$ 50,163
B&O	16,300,000	(55,656)	16,244,344	16,112,357	(131,987)
Alcoholic beverages tax	468,000	37,000	505,000	517,219	12,219
Utility services tax	2,275,000	(155,000)	2,120,000	2,074,610	(45,390)
Amusement tax	30,000	(10,000)	20,000	63,592	43,592
Hotel-motel tax	500,000	(50,000)	450,000	461,083	11,083
Oil & gas severance tax	45,000	(5,000)	40,000	48,545	8,545
Animal control tax	2,000	-0-	2,000	2,016	16
Sales tax	-0-	1,992,725	1,992,725	2,225,745	233,020
TOTAL TAXES	24,838,499	(1,632,570)	26,471,069	26,652,330	181,261
Licenses and permits	464,200	830	465,030	339,886	(125,144)
Intergovernmental:					
Federal	1,000,000	850,511	1,850,511	1,212,141	(638,370)
State	1,000,000	179,355	1,179,355	865,925	(313,430)
Fines and forfeitures	262,558	50,328	312,886	590,904	278,018
Interest	2,500	1,800	4,300	4,369	69
Charges for services	11,408,500	768,550	12,177,050	12,119,468	(57,582)
Franchise fees	575,000	(59,000)	516,000	547,130	31,130
Contributions from other entities	41,000	1,500	42,500	44,283	1,783
Employee insurance charges	495,000	(17,000)	478,000	478,066	66
Retiree insurance charges	556,400	(400)	556,000	559,055	3,055
Miscellaneous	514,595	(178,595)	336,000	363,438	27,438
TOTAL REVENUES	41,158,252	3,230,449	44,388,701	43,776,995	(611,706)
EXPENDITURES					
General government	15,322,345	82,387	15,404,732	15,216,988	187,744
Public safety	21,741,736	1,494,628	23,236,364	22,216,705	1,019,659
Highway and streets	3,228,267	(196,415)	3,031,852	2,378,503	653,349
Health and sanitation	182,500	131,571	314,071	366,152	(52,081)
Culture and recreation	1,554,337	242,717	1,797,054	736,777	1,060,277
Capital outlay	-0-	-0-	-0-	1,638,215	(1,638,215)
TOTAL EXPENDITURES	42,029,185	1,754,888	43,784,073	42,553,340	1,230,733
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(870,933)	1,475,561	604,628	1,223,655	619,027

**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, 2012**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual Amounts</u>	<u>Variance with Revised Positive/Negative</u>
OTHER FINANCING					
SOURCES (USES)					
Proceeds from capital leases	\$ -0-	\$ -0-	\$ -0-	\$ 1,638,215	\$ 1,638,215
Operating transfers in	208,400	241,122	449,522	(446,685)	(2,837)
Transfers out	-0-	-0-	-0-	(1,130,251)	(1,130,251)
Sale of fixed assets	30,000	2,675	32,675	34,125	1,450
Proceeds from bonds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,622</u>	<u>1,622</u>
NET OTHER FINANCING					
SOURCES (USES)	<u>238,400</u>	<u>243,797</u>	<u>482,197</u>	<u>990,396</u>	<u>508,199</u>
 (DEFICIENCY) EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES					
	<u>(632,533)</u>	<u>1,719,357</u>	<u>1,086,824</u>	<u>2,214,053</u>	<u>1,127,227</u>
 FUND BALANCE, (NON-GAAP BUDGETARY BASIS)					
BEGINNING	<u>-0-</u>	<u>-0-</u>	<u>(1,086,824)</u>	<u>(1,086,824)</u>	<u>-0-</u>
 FUND BALANCE, (NON-GAAP BUDGETARY BASIS)					
ENDING	\$ <u>(632,533)</u>	\$ <u>1,719,358</u>	\$ <u>-0-</u>	\$ <u>1,127,227</u>	\$ <u>1,127,227</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, 2012**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Intergovernmental:					
State	\$ 245,000	\$ -0-	\$ 245,000	\$ 260,344	\$ 15,344
Interest	<u>100</u>	<u>-0-</u>	<u>100</u>	<u>36</u>	<u>(64)</u>
TOTAL REVENUES	<u>245,100</u>	<u>-0-</u>	<u>245,100</u>	<u>260,380</u>	<u>15,280</u>
EXPENDITURES					
Culture and recreation	<u>269,437</u>	<u>9,400</u>	<u>278,837</u>	<u>272,765</u>	<u>6,072</u>
TOTAL EXPENDITURES	<u>269,437</u>	<u>9,400</u>	<u>278,837</u>	<u>272,765</u>	<u>6,072</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(24,337)</u>	<u>9,400</u>	<u>(33,737)</u>	<u>(12,385)</u>	<u>21,352</u>
FUND BALANCE, (NON-GAAP BUDGETARY BASIS)					
BEGINNING	<u>24,337</u>	<u>9,400</u>	<u>33,737</u>	<u>33,737</u>	<u>-0-</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>21,352</u></u>	\$ <u><u>21,352</u></u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF HUNTINGTON, WEST VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<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	\$ 5,769	\$ 203,006	\$ 161,529	\$ 2,105	\$ 6,473
Investments	-0-	-0-	-0-	1,530,727	-0-
Accounts receivable	295,000	-0-	120,845	-0-	-0-
Inventory	-0-	-0-	30,679	-0-	-0-
Prepaid expenses	-0-	-0-	12,991	-0-	-0-
Due from other funds	-0-	-0-	94,557	5,849	-0-
Assets held for investment	<u>-0-</u>	<u>576,128</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS AND OTHER DEBITS	\$ <u>300,769</u>	\$ <u>779,134</u>	\$ <u>420,601</u>	\$ <u>1,538,681</u>	\$ <u>6,473</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS					
LIABILITIES					
Accounts payable and Accrued expenses	\$ -0-	\$ 2,475	\$ 38,918	\$ -0-	\$ 160
Accrued payroll	-0-	-0-	29,397	-0-	-0-
Line of credit	-0-	543,899	-0-	-0-	-0-
Due to other funds	145,000	-0-	308,392	-0-	-0-
Unclaimed property	-0-	-0-	-0-	-0-	-0-
Deferred revenue:					
Charges for services	37,502	-0-	14,162	-0-	-0-
Ticket sales unearned	-0-	-0-	140,650	-0-	-0-
Sponsorship revenue	-0-	-0-	22,000	-0-	-0-
Deposits	<u>-0-</u>	<u>1,530</u>	<u>23,797</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>182,502</u>	<u>547,904</u>	<u>577,316</u>	<u>-0-</u>	<u>160</u>
Fund balances:					
Nonspendable	-0-	-0-	43,670	-0-	-0-
Restricted	-0-	-0-	-0-	-0-	-0-
Committed	-0-	-0-	-0-	-0-	-0-
Assigned	118,267	231,230	-0-	1,538,681	6,313
Unassigned	<u>-0-</u>	<u>-0-</u>	<u>(200,385)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL FUND BALANCES	<u>118,267</u>	<u>231,230</u>	<u>(156,715)</u>	<u>1,538,681</u>	<u>6,313</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ <u>300,769</u>	\$ <u>779,134</u>	\$ <u>420,601</u>	\$ <u>1,538,681</u>	\$ <u>6,473</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>
\$ 155,522	\$ 94,399	\$ 784	\$ 4,537	\$ 10,968	\$ 529,214	\$ 147,078	\$ 1,321,384
-0-	-0-	-0-	164,938	-0-	-0-	-0-	1,695,665
-0-	-0-	-0-	-0-	-0-	-0-	-0-	415,845
-0-	-0-	-0-	-0-	-0-	-0-	-0-	30,679
-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,991
-0-	-0-	-0-	-0-	58,770	-0-	76,909	236,085
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>576,128</u>
<u>\$ 155,522</u>	<u>\$ 94,399</u>	<u>\$ 784</u>	<u>\$ 169,475</u>	<u>\$ 69,738</u>	<u>\$ 529,214</u>	<u>\$ 223,987</u>	<u>\$ 4,288,777</u>
\$ -0-	\$ 27,267	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 10,864	\$ 79,684
-0-	-0-	-0-	-0-	-0-	-0-	-0-	29,397
-0-	-0-	-0-	-0-	-0-	-0-	-0-	543,899
-0-	396	-0-	614	-0-	539,872	10,166	1,004,440
-0-	-0-	-0-	-0-	-0-	2,236	-0-	2,236
-0-	-0-	-0-	-0-	-0-	-0-	-0-	51,664
-0-	-0-	-0-	-0-	-0-	-0-	-0-	140,650
-0-	-0-	-0-	-0-	-0-	-0-	-0-	22,000
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>25,327</u>
<u>-0-</u>	<u>27,663</u>	<u>-0-</u>	<u>614</u>	<u>-0-</u>	<u>542,108</u>	<u>21,030</u>	<u>1,899,297</u>
-0-	-0-	-0-	-0-	-0-	-0-	-0-	43,670
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
155,522	66,736	784	168,861	69,738	-0-	202,957	2,559,089
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,894)</u>	<u>-0-</u>	<u>(213,279)</u>
<u>155,522</u>	<u>66,736</u>	<u>784</u>	<u>168,861</u>	<u>69,738</u>	<u>(12,894)</u>	<u>202,957</u>	<u>2,389,480</u>
<u>\$ 155,522</u>	<u>\$ 94,399</u>	<u>\$ 784</u>	<u>\$ 169,475</u>	<u>\$ 69,738</u>	<u>\$ 529,214</u>	<u>\$ 223,987</u>	<u>\$ 4,288,777</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012**

	<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-	\$ 1,088,637	\$ 72,101	\$ -0-
Interest	1	82	-0-	316	16
Reimbursements	-0-	-0-	430,692	-0-	-0-
Contributions	-0-	-0-	53,049	-0-	18,524
Rentals	-0-	-0-	399,313	-0-	-0-
Tax redemption income, net	-0-	22,208	-0-	-0-	-0-
Rebates	-0-	-0-	167,384	-0-	-0-
Miscellaneous	-0-	-0-	30,659	-0-	-0-
Fines and forfeits	-0-	-0-	-0-	-0-	-0-
Loss on abandonment of property	-0-	(15,748)	-0-	-0-	-0-
Gain on sale of assets	-0-	23,553	-0-	-0-	-0-
TOTAL OPERATING REVENUE	<u>145,001</u>	<u>30,095</u>	<u>2,169,734</u>	<u>72,417</u>	<u>18,540</u>
OPERATING EXPENSES					
Contributions	-0-	-0-	-0-	-0-	-0-
Contractual	-0-	-0-	-0-	-0-	-0-
Administrative expenses	-0-	37,176	-0-	-0-	-0-
Public safety	-0-	-0-	-0-	-0-	25,599
Health and sanitation	-0-	-0-	-0-	1,883	-0-
Culture and recreation	-0-	-0-	2,702,371	-0-	-0-
Capital outlay	-0-	-0-	-0-	-0-	235
TOTAL OPERATING EXPENSES	<u>-0-</u>	<u>37,176</u>	<u>2,702,371</u>	<u>1,883</u>	<u>25,834</u>
Excess (deficiency) of revenues over (under) expenditures	1	(7,081)	(532,637)	70,534	(7,294)
Transfers	(145,000)	-0-	540,965	-0-	-0-
FUND BALANCE AT BEGINNING OF YEAR	<u>118,266</u>	<u>238,311</u>	<u>(165,043)</u>	<u>1,468,147</u>	<u>13,607</u>
FUND BALANCES AT END OF YEAR	<u>\$ 118,267</u>	<u>\$ 231,230</u>	<u>\$ (156,715)</u>	<u>\$ 1,538,681</u>	<u>\$ 6,313</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-	\$ 1	\$ -0-	\$ 35,556	\$ -0-	\$ -0-	\$ 1,341,295
165	498	-0-	303	5	561	218	2,165
-0-	-0-	-0-	-0-	-0-	-0-	-0-	430,692
-0-	544,502	-0-	-0-	-0-	-0-	-0-	616,075
-0-	-0-	-0-	-0-	-0-	-0-	398,857	798,170
-0-	-0-	-0-	-0-	-0-	-0-	-0-	22,208
-0-	-0-	-0-	-0-	-0-	-0-	-0-	167,384
-0-	150	-0-	-0-	-0-	-0-	-0-	30,809
-0-	-0-	-0-	-0-	-0-	-0-	25,557	25,557
-0-	-0-	-0-	-0-	-0-	-0-	-0-	(15,748)
-0-	-0-	-0-	-0-	-0-	-0-	-0-	23,553
<u>165</u>	<u>545,150</u>	<u>1</u>	<u>303</u>	<u>35,561</u>	<u>561</u>	<u>424,632</u>	<u>3,442,160</u>
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	316,329	316,329
-0-	-0-	-0-	-0-	-0-	-0-	-0-	37,176
-0-	650,151	-0-	28,873	-0-	-0-	-0-	704,623
-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,883
-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,702,371
-0-	-0-	-0-	-0-	11,970	-0-	-0-	12,205
<u>-0-</u>	<u>650,151</u>	<u>-0-</u>	<u>28,873</u>	<u>11,970</u>	<u>-0-</u>	<u>316,329</u>	<u>3,774,587</u>
165	(105,001)	1	(28,570)	23,591	561	108,303	(332,427)
-0-	-0-	-0-	-0-	-0-	-0-	-0-	395,965
<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>2,325,942</u>
\$ <u>155,522</u>	\$ <u>66,736</u>	\$ <u>784</u>	\$ <u>168,861</u>	\$ <u>62,738</u>	\$ <u>(12,894)</u>	\$ <u>202,957</u>	\$ <u>2,389,480</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 PENSION TRUST FUNDS
 JUNE 30, 2012**

	Policemen's Pension and <u>Relief</u>	Firemen's Pension and <u>Relief</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 532,542	\$ 529,266	\$ 1,061,808
Investments	16,974,935	8,392,030	25,366,965
Due from other governments	295,612	363,276	658,888
Account receivable - miscellaneous	2,861	-0-	2,861
Due from other funds	<u>1,438,760</u>	<u>1,672,670</u>	<u>3,111,430</u>
TOTAL ASSETS	\$ <u>19,244,710</u>	\$ <u>10,957,242</u>	\$ <u>30,201,952</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -0-	\$ -0-	\$ -0-
Due to other funds	1,231	2,091	3,322
Other accrued expenses	3,253	-0-	3,253
Due to other governments	<u>1,360</u>	<u>8,937</u>	<u>10,297</u>
TOTAL LIABILITIES	<u>5,844</u>	<u>11,028</u>	<u>16,872</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 \$ <u>19,238,866</u>	 \$ <u>10,946,214</u>	 \$ <u>30,185,080</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
 PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2012**

	Policemen's Pension and <u>Relief</u>	Firemen's Pension and <u>Relief</u>	<u>Total</u>
<u>ADDITIONS</u>			
Contributions:			
Employer	\$ 4,716,399	\$ 5,387,924	\$ 10,104,323
Employees	364,589	315,386	679,975
Insurance premium tax allocation	971,129	1,171,481	2,142,610
Interest	178,365	12,814	191,179
Dividends	235,669	114,584	350,253
Unrealized gain (loss) on investments	<u>(201,407)</u>	<u>42,546</u>	<u>(158,861)</u>
TOTAL ADDITIONS	<u>6,264,744</u>	<u>7,044,735</u>	<u>13,309,479</u>
<u>DEDUCTIONS</u>			
Benefit payments	3,589,017	4,955,650	8,544,667
Employee refunds	22,506	10,433	32,939
Administrative	<u>63,020</u>	<u>28,637</u>	<u>91,657</u>
TOTAL DEDUCTIONS	<u>3,674,543</u>	<u>4,994,720</u>	<u>8,669,263</u>
CHANGE IN NET ASSETS	2,590,201	2,050,015	4,640,216
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	<u>16,648,665</u>	<u>8,896,199</u>	<u>25,544,864</u>
END OF YEAR	\$ <u>19,238,866</u>	\$ <u>10,946,214</u>	\$ <u>30,185,080</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 EXPENDABLE TRUST FUNDS
 JUNE 30, 2012**

	<u>Police Retirees' Insurance</u>	<u>Fire Retirees' Insurance</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 648,616	\$ 355,331	\$1,003,947
Due from other funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS	\$ <u>648,616</u>	\$ <u>355,331</u>	\$ <u>1,003,947</u>
<u>LIABILITIES</u>			
Due to other funds	\$ <u>200</u>	\$ <u>200</u>	\$ <u>400</u>
TOTAL LIABILITIES	\$ <u>200</u>	\$ <u>200</u>	\$ <u>400</u>
NET ASSETS HELD IN TRUST FOR INSURANCE BENEFITS	\$ <u>648,416</u>	\$ <u>355,131</u>	\$ <u>1,003,547</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
 EXPENDABLE TRUST FUNDS
 YEAR ENDED JUNE 30, 2012**

	<u>Police Retirees' Insurance</u>	<u>Fire Retirees' Insurance</u>	<u>Total</u>
<u>ADDITIONS</u>			
Contributions:			
Employee	\$ -0-	\$ -0-	\$ -0-
Employer	-0-	-0-	-0-
Interest	<u>1,278</u>	<u>652</u>	<u>1,930</u>
TOTAL ADDITIONS	<u>1,278</u>	<u>652</u>	<u>1,930</u>
<u>DEDUCTIONS</u>			
Administrative expenses	200	200	400
Insurance premium payments	<u>166,256</u>	<u>96,188</u>	<u>262,444</u>
TOTAL DEDUCTIONS	<u>166,456</u>	<u>96,388</u>	<u>262,844</u>
CHANGE IN NET ASSETS	(165,178)	(95,736)	(260,914)
NET ASSETS HELD IN TRUST FOR INSURANCE BENEFITS:			
BEGINNING OF YEAR	<u>813,594</u>	<u>450,867</u>	<u>1,264,461</u>
END OF YEAR	\$ <u>648,416</u>	\$ <u>355,131</u>	\$ <u>1,003,547</u>

ACCOMPANYING INFORMATION

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

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	\$ 2,458,350
ARRA-Community Development Block Grant-R	14.253	N/A	33,737
Emergency Shelter Grant	14.231	N/A	77,150
HOME Project	14.239	N/A	658,313
ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	N/A	276,636
Pass-through WV State Office of Economic Opportunity			
Emergency Shelter Grant	14.231	S-11-DC-54-0001	<u>91,395</u>
Total Department of Housing and Urban Development			<u>3,595,581</u>
U.S. Department of Justice			
CCDO Weed and Seed	16.595	2010-WS-QX-0005	76,144
ARRA-Justice Assistance Grant	16.804	2009-SB-B9-1646	203,035
ARRA-Cops Hiring Program	16.710	2009-RK-WX-0915	246,219
COPS Law Enforcement Tech	16.710	2010-CK-WX-0173	69,586
JAG Program Solicitation	16.580	2010-DJ-BX-1079	32,485
Pass-Through State of West Virginia			
Division of Criminal Justice Services			
Project Safe Neighborhoods	16.609	2011-GP-BX-0001	17,441
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2011-CD-BX-0068	113,336
Pass through Division of Justice and Community Services			
BJA BYRNE JAG Program	16.738	2009-DJ-BX-1065	21,400
BYRNE Memorial JAG Grant	16.738	2008-DJ-BX-0125	11,484
JAG Program Solicitation 2012	16.738	2011-DJ-BX-3104	78,610
Juvenile Justice and Delinquency Prevention	16.540	11-JJP-009	<u>7,465</u>
Total Department of Justice			<u>877,205</u>
U.S. Department of Agriculture			
Pass-Through WV Department of Education			
Child Nutrition Grant	10.558	51105	<u>22,135</u>
Total U.S. Department of Agriculture			<u>22,135</u>
U.S. Department of Transportation			
Pass-through WV Department of Transportation – Highway Safety			
Highway Safety Cluster:			
Highway Safety 402 – Stop - 2011	20.600	F11HS02-402	42,488
Highway Safety 402 - Stop 2012	20.600	F12HS02-402	109,990
Child Safety Seats – 2011 – Stop - 2011	20.613	F11HS02-2011	3,098
Child Safety Seats 2011 - Stop - 2012	20.613	F12HS02-2012	1,018
DUI Prevention 154 - Stop 2011	20.607	F11HS02-154	16,132
410 High Visibility - Stop 2011	20.601	F11HS02-410HV	12,005
410 High Fatality Rate – Stop - 2011	20.601	F11HS02-410HF	10,131
410 High Fatality Rate – Stop - 2012	20.601	F12HS02-410HF	22,166
Underage Alcohol 402AL – STOP - 2011	20.601	F11HS02-402AL	7,491
DUI Checkpoints 410 - Stop 2012	20.601	F12HS02-410	17,986

CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2012

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 – 2012	20.601	F12HS02-410HV	32,386
DUI Prevention 154 Stop – 2012	20.607	F12HS02-154	23,234
DUI Checkpoints 410 – Stop 2011	20.601	F11HS02-410	11,520
Equipment 406 – Stop 2011	20.609	F11HS02-406	12,472
Equipment 406 - Stop 2012	20.609	F12HS02-406	88,541
State Traffic Safety Information System Improvement Grants	20.610	F12HS02-408	<u>21,680</u>
Total U.S. Department of Transportation			<u>432,338</u>
U. S. Environmental Protection Agency			
Pass-through West Virginia Department of Environmental Protection			
Brownfield Grant	66.818	BF-97370201-0	91,779
Capitalization Grants for Clean Water - State Revolving Funds	66.458	C332206	<u>2,313,586</u>
Total U. S. Environmental Protection Agency			<u>2,405,365</u>
U. S. Department of Energy			
ARRA – Energy Efficiency & Conservation	81.128	DE-RW000100	<u>101,028</u>
Total U. S. Department of Energy			<u>101,028</u>
Total Federal Assistance			\$ <u>7,433,652</u>

**CITY OF HUNTINGTON, WEST VIRGINIA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012**

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 Information and Referral Healing Place HURA – Land Bank
Emergency Shelter Grants	14.231	Prestera Center Cabell-Huntington Coalition for the Homeless Branches Domestic Violence Shelter, Inc. Huntington City Mission

NOTE 3 – LOAN PROGRAMS

The loan programs listed subsequently are administered directly by the City of Huntington and balances and transactions relating to these programs are included in the City of Huntington's Community Development Block Grant Fund financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards. The balance of loans outstanding net of estimated allowances for uncollectable amounts at June 30, 2012 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2012</u>
14.218	Community Development Block Grant	\$ 4,810,440
14.239	Home Project	\$ 3,493,250

**REPORTS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

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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, 2012, which collectively comprise the City of Huntington, West Virginia's basic financial statements and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Huntington, West Virginia, is responsible for establishing and maintaining effective 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weakness (2012-01 and 2012-02).

A significant deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency (2012-03).

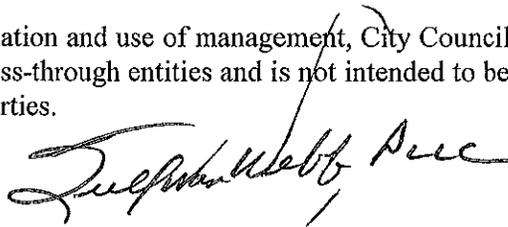
Compliance and Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Huntington, West Virginia in a separate letter dated March 22, 2013.

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

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 22, 2013

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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's compliance, 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, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 preceding 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 a significant deficiency as described in accompanying schedule of findings and questioned costs as item 2012-03. 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 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, 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 22, 2013

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

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

Reference Number:	2011-01
Audit Finding Title:	Schedule of Expenditures of Federal Awards Preparation
Contact Person:	Deron Runyon, Finance Director

This finding was not repeated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	Yes
Significant deficiency(ies) identified that is not considered to be material weakness(es)?	Yes
Non compliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	No
Significant deficiency(ies) identified that is not considered to be material weakness(es)?	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
	20.607
	20.609
	20.610
	20.613

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS

2012-01 Reconciliation of accounting records – Civic Arena Fund

CONDITION: Internal controls over financial reporting in the Civic Arena Fund were not sufficient to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. Financial statements of the Civic Arena Fund as initially prepared by Civic Arena management, required several adjustments to reflect accurate balances.

CONTEXT: Specifically, we noted the following accounting issues for the Civic Arena Fund:

Bank reconciliations contained \$47,000 of unsupported reconciling items.

Abnormal (negative) balances were recorded in several accounts. For example, debit balances were noted in deferred revenue accounts and credit balances in accounts receivable.

Several of the accounts receivable balances included amounts that management indicated should be written off.

Deferred revenue accounts included amounts for events which had already occurred.

Several small accounts receivable balances had been recorded at June 30, 2012, but had not been collected as of the time of the audit.

CRITERIA: An objective of an internal control system is to provide management with reasonable assurance that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Proper internal control mandates that all transactions be recorded in a timely manner.

CAUSE: The Civic Arena Fund did not follow proper internal controls to reconcile the general ledger to supporting documentation. Internal controls over financial reporting in the Civic Arena Fund were not sufficient to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

EFFECT: Civic Arena management struggles to produce financial statements presented in accordance with generally accepted accounting principles. Additionally, since General Fund subsidizes Civic Arena deficits, failure on the part of the Civic Arena to maintain reliable financial information in a timely manner impacts the general government's ability to budget these expenditures.

RECOMMENDATIONS: In order to properly reconcile accounting records and for the preparation of reliable financial statements, we recommend management establish and maintain effective internal controls to ensure that transactions are recorded completely, timely and accurately.

AUDITED AGENCY'S RESPONSE: Internal controls at the Civic Arena have improved. Civic Arena contractor SMG management has overseen a complete reconciliation of cash. Procedures are in place to require Civic Arena accounting personnel to provide monthly bank reconciliations to the Director of the Civic Arena and the Assistant Finance Director of the City by the 25th of the following month.

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS

2012-02 Reconciliation of accounting records – CDBG Fund

CONDITION: The transition between accounting information systems in the Community Development Block Grant Fund has resulted in management determining that some loan balances that were originally recorded in the Masterpiece accounting system have changed over time but may not been updated in the system. Additionally, management has determined that some demolition liens are no longer collectible because the properties have been acquired by the Huntington Urban Renewal Land Bank and that an economic development loan which was recorded on the previous system has since been assigned to the Huntington Municipal Development Authority and should no longer be reported on the CDBG financial statements.

CONTEXT: During the transition from the Masterpiece accounting information system to the QuickBooks system, management of CDBG Fund became aware of differences in the valuations and collectability of some loans receivable. As a result, adjustments were necessary to ensure that the Fund's financial statements reflected accurate balances. Management has researched and corrected all known differences which were noted during the transition.

CRITERIA: An objective of an internal control system is to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. Additionally, the internal controls should provide management with reasonable assurance that account balances are accurately recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles.

CAUSE: Management has worked diligently to ensure that all account balances have been transferred from the Masterpiece accounting information system into QuickBooks. Management adjusted all discrepancies in account balances that were noted during the transition, however additional differences were noted during the audit procedures that resulted in additional adjustments to the Fund's financial statements.

EFFECT: While management has corrected all differences which were identified during and subsequent the Fund's accounting information system transition, the design or operation of the Fund's internal controls was not such that it allowed management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct material misstatements on a timely basis.

RECOMMENDATIONS: In order to maintain the Fund's accounting records for the preparation of financial statements in accordance with generally accepted accounting principles, we recommend that the Fund's management continue to be diligent in maintaining effective internal controls to ensure that all transactions and account balances are recorded completely, timely, and accurately.

AUDITED AGENCY'S RESPONSE: Internal controls at CDBG Fund have improved. CDBG accounting personnel oversaw a significant change in accounting systems that uncovered the errors present in the former accounting software. CDBG personnel have been cooperative with the change that has increased the accuracy of the loan balances held by the fund. The fund balance changes were a one time occurrence.

**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

No. 2012-03: Purchase Orders

U. S. Department of Transportation

CFDA No. 20.600, 20.601, 20.607,
20.609 and 20.613

U. S. Environmental Protection Agency

CFDA No. 66.458

U. S. Department of Housing and Urban Development

CFDA No. 14.218 and 14.253

CFDA No. 14.239

**Questioned
Costs**

CONDITION: We noted instances where disbursements were made from Highway Safety Cluster program and Capitalization Grants for Clean Water-State Revolving Funds program in which invoices predated the approved purchase orders. We also noted that purchase orders were not used for the Community Development Block Grant program and the HOME project program.

CONTEXT: We noted invoices that indicated that goods and/or services had been ordered and/or received prior to the preparation and approval of a purchase order.

CRITERIA: Office of Management and Budget (OMB) Circular A-87 states in part that:

“To be allowable under Federal awards, cost must meet the following general criteria:

Be consistent with policies, regulations, and procedures that apply uniformly to both Federal Awards and other activities of the governmental unit, and

Be adequately documented.”

It is the policy of City of Huntington to maintain a requisition and purchase order system and have an approved, pre-numbered purchase order in place prior to the purchase of goods and/or services.

CAUSE: Management of City of Huntington failed to enforce internal controls whereby all purchases of goods and services were made through a purchase order approved in writing before the purchase.

EFFECT: We noted that purchase orders were not prepared prior to disbursing funds for The Community Development Block Grant Program and the HOME Project Program which are administered through the CDBG Fund.

Additionally, invoices predated the purchase orders in the following amounts:

Highway Safety Cluster Program	\$48,933.19
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Capitalization Grants for Clean Water State Revolving Funds – Sanitary Board	\$10,497.39
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**CITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

No. 2012-03: Purchase Orders

U. S. Department of Transportation

**CFDA No. 20.600, 20.601, 20.607,
20.609 and 20.613**

U. S. Environmental Protection Agency

CFDA No. 66.458

U. S. Department of Housing and Urban Development

CFDA No. 14.218 and 14.253

CFDA No. 14.239

**Questioned
Costs**

RECOMMENDATION: The City should take steps to assure that policies whereby all purchases of goods and services are made through an approved purchase order are enforced for all federal awards expenditures.

TOTAL QUESTIONED COSTS

Undeterminable

AUDITED AGENCY'S RESPONSE: Management will more closely monitor use of the purchase order requisition system. In addition, City Council has approved the use of a Purchasing Card program managed by the West Virginia State Auditor's Office that allows purchases outside the purchase order system. The purchasing card system will be allowed for federal awards expenditures as well as other City expenditures.