

**AUDIT REPORT OF
THE MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax
Community Development Block Grant

PROPRIETARY FUND TYPE

MAJOR FUNDS

Sanitation and Trash

NONMAJOR FUNDS

Special Revenue Funds

Capital Improvements
Safety Town
Federal Drug
Special Paving and Sewer Assessment
Westmoreland Fire Protection
Jean Dean Public Safety
Urban Renewal

Capital Projects Funds

Landfill Reserve
Floodwall

Debt Service Fund

Tax Increment Financing

Enterprise Fund

Civic Arena

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FIDUCIARY FUND TYPES

Agency Funds

Police Retirees' Insurance
Fire Retirees' Insurance

Pension Funds

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

COMPONENT UNITS

Discretely Presented

Municipal Development Authority
Municipal Parking Board
Sanitary Board

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INTRODUCTORY SECTION

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2013

OFFICE	NAME	TERM
	<u>Elective</u>	
Mayor:	Steve Williams	01-01-13 / 12-31-16
Council Members:	David G. Ball	01-01-13 / 12-31-16
	Mark A. Bates	01-01-13 / 12-31-16
	Gary L. Bunn	01-01-13 / 12-31-16
	Scott Caserta	01-01-13 / 12-31-16
	Joyce Clark	01-01-13 / 12-31-16
	Sandra M. Clements	01-01-13 / 12-31-16
	Pete Gillespie	01-01-13 / 12-31-16
	Frances Jackson	01-01-13 / 12-31-16
	Tom McGuffin	01-01-13 / 12-31-16
	Rick Simmons	01-01-13 / 12-31-16
	Rebecca Thacker	01-01-13 / 12-31-16
	<u>Appointive</u>	
Director of Administration and Finance:	Brandi Jacobs-Jones	
Finance Director:	Deron Runyon	
City Attorney:	Scott E. McClure	
City Clerk:	Barbara Nelson	

FINANCIAL SECTION



State of West Virginia

Glen B. Gainer III

**State Auditor and
Chief Inspector**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Huntington
Huntington, West Virginia 25717

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Huntington, West Virginia (the Municipality), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Huntington, West Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note I.D.9, the Municipality and the discretely presented component units implemented the provisions of Governmental Accounting Standards Board Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress and the Schedules of Employer Contributions for the Police and Fire Pension Relief Funds 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 (GASB) 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.

The Municipality has omitted the management's discussion and analysis that 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 GASB 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Rate Covenant Compliance, and the Schedule of Expenditures of Federal Awards as required by the Office of Management Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), the combining fund financial statements for the Special Revenue, Capital Projects and Debt Service funds and the fund financial statements for the discretely presented component units, and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Rate Covenant Compliance, and the Schedule of Expenditures of Federal Awards as required by the Office of Management Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), and the combining fund financial statements for the Special Revenue, Capital Projects and Debt Service funds and the fund financial statements for the discretely presented component units are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Rate Covenant Compliance, the Schedule of Expenditures of Federal Awards and the combining fund financial statements for the Special Revenue, Capital Projects and Debt Service funds and the fund financial statements for the discretely presented component units are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glen B. Gainer III". The signature is written in a cursive style with a horizontal line at the end.

Glen B. Gainer III
West Virginia State Auditor
Charleston, West Virginia

February 13, 2014

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Municipal Development Authority	Municipal Parking Board	Sanitary Board
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,673,068	\$ 377,803	\$ 5,050,871	\$ 186,277	\$ 163,049	\$ 1,017,732
Investments	1,935,425	--	1,935,425	--	--	--
Receivables:						
Accounts	2,753,191	601,621	3,354,812	--	3,892	1,471,099
Taxes	5,566,388	--	5,566,388	--	--	--
Loans	8,012,326	--	8,012,326	4,142,379	--	--
Internal balances	664,513	(664,513)	--	--	--	--
Due from:						
Primary government	--	--	--	--	--	2,300
Component units	37,922	--	37,922	--	--	--
Fiduciary funds	2,292	--	2,292	--	--	--
Other governments	584,217	--	584,217	--	--	--
Assets held for resale	706,543	--	706,543	--	--	--
Inventory, at cost	--	31,866	31,866	--	--	26,568
Prepaid expenses	163,827	60,521	224,348	--	9,652	12,342
Total current assets	25,099,712	407,298	25,507,010	4,328,656	176,593	2,530,041
Noncurrent assets:						
Regular account	--	--	--	1,549,614	266,552	504,285
Reserve account	--	--	--	--	--	1,190,682
Renewal and replacement	--	--	--	--	--	786,360
Reserve for construction	--	--	--	--	--	2,084,765
Capital assets:						
Nondepreciable:						
Land	173,279	--	173,279	6,009,557	1,751,377	216,155
Construction in progress	--	--	--	--	--	3,366,277
Depreciable:						
Buildings	9,770,482	--	9,770,482	12,798,118	4,775,403	82,038,794
Structures and improvements	--	--	--	1,588,811	686,648	--
Infrastructure	16,820,437	--	16,820,437	--	--	--
Transmission and distribution	--	1,816,616	1,816,616	--	--	--
Machinery and equipment	3,003,697	35,000	3,038,697	200,000	672,029	1,788,980
Vehicles	8,376,535	--	8,376,535	--	--	2,253,094
Furniture and fixtures	--	--	--	2,625,739	--	--
Less: accumulated depreciation	(27,290,370)	(1,253,710)	(28,544,080)	(9,491,542)	(4,790,737)	(55,521,112)
Other debits:						
Other	--	--	--	93,899	10,838	341,708
Total noncurrent assets	10,854,060	597,906	11,451,966	15,374,196	3,372,110	39,049,988
Total assets	35,953,772	1,005,204	36,958,976	19,702,852	3,548,703	41,580,029
DEFERRED OUTFLOWS						
	--	--	--	--	--	--
Total deferred outflows of resources	--	--	--	--	--	--

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Municipal Development Authority</u>	<u>Municipal Parking Board</u>	<u>Sanitary Board</u>
LIABILITIES						
Current liabilities payable						
from current assets:						
Accounts payable	\$ 1,212,347	\$ 162,597	\$ 1,374,944	\$ 125,820	\$ 2,956	\$ 660,422
Payroll payable	747,730	28,063	775,793	--	--	23,631
Other accrued expenses	--	--	--	--	--	55,000
Contracts payable	--	72,310	72,310	--	--	--
Accrued interest payable	--	--	--	--	--	17,161
Reserve for health claims	702,960	29,524	732,484	5,114	18,616	--
Due to:						
Primary government	--	--	--	11,037	26,885	--
Component unit	2,300	--	2,300	--	--	--
Fiduciary funds	2,451,430	--	2,451,430	--	--	--
Other governments	46,564	--	46,564	--	--	--
Deferred revenues:						
Charges for services	--	4,275	4,275	--	2,610	--
Ticket sales	--	54,145	54,145	--	--	--
Other deferred revenues	637,500	2,083	639,583	--	--	--
Total current liabilities	5,800,831	352,997	6,153,828	141,971	51,067	756,214
Noncurrent liabilities due within one year:						
Bonds payable	--	--	--	270,000	147,323	1,261,468
Notes payable	--	--	--	205,000	--	--
Leases payable	971,140	101,482	1,072,622	--	--	--
Tax increment bonds payable	65,592	--	65,592	--	--	--
Line of credit	677,856	--	677,856	--	--	--
Noncurrent liabilities due in more than one year:						
Bonds payable	--	--	--	8,130,000	1,211,929	12,323,680
Notes payable	--	--	--	985,000	--	--
Leases payable	3,417,615	200,778	3,618,393	--	--	--
Other postemployment benefits	35,727,631	431,891	36,159,522	5,429	59,501	2,107,418
Net pension obligation payable	47,850,748	--	47,850,748	--	--	--
Compensated absences payable	1,212,466	100,136	1,312,602	--	179,291	73,398
Tax increment bonds payable	1,452,408	--	1,452,408	--	--	--
Total noncurrent liabilities	91,375,456	834,287	92,209,743	9,595,429	1,598,044	15,765,964
Total liabilities	97,176,287	1,187,284	98,363,571	9,737,400	1,649,111	16,522,178
DEFERRED INFLOWS						
	--	--	--	--	--	--
Total deferred inflows of resources	--	--	--	--	--	--

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Municipal Development Authority</u>	<u>Municipal Parking Board</u>	<u>Sanitary Board</u>
NET POSITION						
Net investment in capital assets	\$ 6,399,713	\$ 295,646	\$ 6,695,359	\$ 4,140,683	\$ 1,735,468	\$ 20,557,040
Restricted for:						
Debt service	23,521	--	23,521	1,549,614	266,552	1,694,967
Community development projects	11,134,552	--	11,134,552	--	--	--
Other purposes	--	--	--	--	--	2,575,340
Unrestricted	<u>(78,780,301)</u>	<u>(477,726)</u>	<u>(79,258,027)</u>	<u>4,275,155</u>	<u>(102,428)</u>	<u>230,504</u>
Total net position	<u>\$ (61,222,515)</u>	<u>\$ (182,080)</u>	<u>\$ (61,404,595)</u>	<u>\$ 9,965,452</u>	<u>\$ 1,899,592</u>	<u>\$ 25,057,851</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Net (Expense) Revenues and
Changes in Net Position

Program Revenues

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-type Activities	Total	Municipal Development Authority	Municipal Parking Board	Sanitary Board		
Functions / Programs												
Primary government:												
Governmental activities:												
General government	\$ 23,972,965	\$ 12,549,591	\$ 478,098	\$ --	\$ (10,945,276)	\$ --	\$ --	\$ (10,945,276)	\$ --	\$ --	\$ --	\$ --
Public safety	21,070,863	613,695	1,217,167	472,086	(18,767,915)	--	--	(18,767,915)	--	--	--	--
Streets and transportation	2,704,484	--	--	--	(2,704,484)	--	--	(2,704,484)	--	--	--	--
Health and sanitation	254,300	--	6,914	30,000	(217,386)	--	--	(217,386)	--	--	--	--
Culture and recreation	923,185	--	290,152	388,031	(245,002)	--	--	(245,002)	--	--	--	--
Interest on long-term debt	355,453	--	--	--	(355,453)	--	--	(355,453)	--	--	--	--
Social services	1,128	--	262,322	--	261,194	--	--	261,194	--	--	--	--
Economic development	2,916,646	--	1,611,687	1,338,933	33,974	--	--	33,974	--	--	--	--
Total governmental activities	52,199,024	13,163,286	3,866,340	2,229,050	(32,940,348)	--	--	(32,940,348)	--	--	--	--
Business-type activities:												
Sanitation and trash	3,154,114	3,501,208	48,552	--	--	395,646	--	395,646	--	--	--	--
Total nonmajor enterprise funds	2,441,592	1,907,968	--	--	--	(533,624)	--	(533,624)	--	--	--	--
Total business-type activities	5,595,706	5,409,176	48,552	--	--	(137,978)	--	(137,978)	--	--	--	--
Total primary government	\$ 57,794,730	\$ 18,572,462	\$ 3,914,892	\$ 2,229,050	(32,940,348)	(137,978)	--	(33,078,326)	--	--	--	--
Component units:												
Municipal Development Authority	1,660,876	2,794	--	1,146,032	--	--	--	--	(512,050)	--	--	--
Municipal Parking Board	963,380	889,625	--	--	--	--	--	--	--	(73,755)	--	--
Sanitary Board	10,251,649	10,604,757	--	--	--	--	--	--	--	--	--	353,108
Total component units	\$ 12,875,905	\$ 11,497,176	\$ --	\$ 1,146,032	--	--	--	(512,050)	(512,050)	(73,755)	--	353,108

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Net (Expense) Revenues and
Changes in Net Position

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Municipal Development Authority	Municipal Parking Board	Sanitary Board
General revenues:						
Ad valorem property taxes	6,004,196	--	6,004,196	75,171	--	--
Business & occupation tax	13,214,365	--	13,214,365	--	--	--
Alcoholic beverages tax	554,287	--	554,287	--	--	--
Utility services tax	2,133,173	--	2,133,173	--	--	--
Hotel occupancy tax	352,589	--	352,589	--	--	--
Animal tax	2,037	--	2,037	--	--	--
Gas and oil severance tax	46,200	--	46,200	--	--	--
Amusement tax	26,047	--	26,047	--	--	--
Other taxes	6,531,591	--	6,531,591	--	--	--
Coal severance tax	215,438	--	215,438	--	--	--
Unrestricted investment earnings	14,058	125	14,183	903	305	4,781
Refunds	557,023	--	557,023	--	--	--
Reimbursement	476,105	--	476,105	--	--	--
Gain on sale of capital assets	--	--	--	--	2,220	--
Miscellaneous	395,916	--	395,916	--	--	--
Transfers	(996,854)	96,230	(900,624)	900,624	--	--
Total general revenues and transfers	29,526,171	96,355	29,622,526	976,698	2,525	4,781
Change in net position	(3,414,177)	(41,623)	(3,455,800)	464,648	(71,230)	357,889
Net position - beginning (restated Note III.I.)	(57,808,338)	(140,457)	(57,948,795)	9,500,804	1,970,822	24,699,962
Net position - ending	<u>\$ (61,222,515)</u>	<u>\$ (182,080)</u>	<u>\$ (61,404,595)</u>	<u>\$ 9,965,452</u>	<u>\$ 1,899,592</u>	<u>\$ 25,057,851</u>

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2013

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Community Development Block Grant</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS					
Assets:					
Current:					
Cash and cash equivalents	\$ 3,039,302	\$ 70,492	\$ 577,360	\$ 985,914	\$ 4,673,068
Investments	631,065	--	--	1,304,360	1,935,425
Receivables:					
Taxes	5,566,388	--	--	--	5,566,388
Accounts	768,560	--	1,233,288	751,343	2,753,191
Loans	--	--	8,012,326	--	8,012,326
Due from:					
Other funds	1,182,696	--	--	45,435	1,228,131
Fiduciary funds	2,292	--	--	--	2,292
Other governments	584,217	--	--	--	584,217
Component units	37,922	--	--	--	37,922
Assets held for resale	--	--	--	706,543	706,543
Prepaid expenses	163,827	--	--	--	163,827
Total assets	<u>11,976,269</u>	<u>70,492</u>	<u>9,822,974</u>	<u>3,793,595</u>	<u>25,663,330</u>
Deferred Outflows:					
	--	--	--	--	--
Total deferred outflows of resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 11,976,269</u>	<u>\$ 70,492</u>	<u>\$ 9,822,974</u>	<u>\$ 3,793,595</u>	<u>\$ 25,663,330</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	996,582	--	183,644	32,121	1,212,347
Payroll payable	747,730	--	--	--	747,730
Reserve for health claims	683,305	--	19,655	--	702,960
Line of credit	--	--	--	677,856	677,856
Due to:					
Component unit	2,300	--	--	--	2,300
Other funds	302,188	--	133,408	128,022	563,618
Fiduciary funds	2,451,430	--	--	--	2,451,430
Other governments	46,564	--	--	--	46,564
Deferred revenue:					
Taxes	782,082	--	--	--	782,082
Other deferred revenue	--	--	--	637,500	637,500
Total liabilities	<u>6,012,181</u>	<u>--</u>	<u>336,707</u>	<u>1,475,499</u>	<u>7,824,387</u>

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General	Coal Severance Tax	Community Development Block Grant	Other Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows:					
	\$ --	\$ --	\$ --	\$ --	\$ --
Total deferred inflows of resources	--	--	--	--	--
Total liabilities and deferred inflows of resources	6,012,181	--	336,707	1,475,499	7,824,387
Fund balances:					
Nonspendable	163,827	--	--	706,543	870,370
Restricted	--	--	11,111,031	23,521	11,134,552
Committed	714,790	--	--	--	714,790
Assigned	1,156,065	70,492	--	2,009,107	3,235,664
Unassigned	3,929,406	--	(1,624,764)	(421,075)	1,883,567
Total fund balances	5,964,088	70,492	9,486,267	2,318,096	17,838,943
Total liabilities, deferred inflows and fund balances	\$ 11,976,269	\$ 70,492	\$ 9,822,974	\$ 3,793,595	\$ 25,663,330

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances on the governmental fund's balance sheet	\$	17,838,943
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds (Note III.C).		10,854,060
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds (Note III.B).		782,082
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note III.G).		
Leases payable		(4,388,755)
Tax increment financing		(1,518,000)
Other postemployment benefits		(35,727,631)
Net pension obligation		(47,850,748)
Compensated absences		<u>(1,212,466)</u>
Net position of governmental activities	\$	<u>(61,222,515)</u>

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General	Coal Severance Tax	Community Development Block Grant	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Ad valorem property taxes	\$ 5,322,315	\$ --	\$ --	\$ 251,506	\$ 5,573,821
Business & occupation tax	13,214,365	--	--	--	13,214,365
Alcoholic beverages tax	554,287	--	--	--	554,287
Utility services tax	2,133,173	--	--	--	2,133,173
Hotel occupancy tax	352,589	--	--	--	352,589
Animal tax	2,037	--	--	--	2,037
Gas and oil severance tax	46,200	--	--	--	46,200
Amusement tax	26,047	--	--	--	26,047
Other taxes	6,531,591	--	--	--	6,531,591
Coal severance tax	--	215,438	--	--	215,438
Licenses and permits	374,064	--	--	--	374,064
Intergovernmental:					
Federal	1,482,240	--	3,347,957	--	4,830,197
State	598,090	--	--	--	598,090
Charges for services	11,064,282	--	--	514,451	11,578,733
Fines and forfeits	576,708	--	--	36,987	613,695
Interest and investment earnings	7,668	14	4,875	1,501	14,058
Franchise fees	557,023	--	--	--	557,023
Employees health insurance	476,105	--	--	--	476,105
Retirees health insurance	568,345	--	--	28,449	596,794
Contributions and donations	320,295	--	--	346,808	667,103
Miscellaneous	386,441	--	--	9,475	395,916
Total revenues	44,593,865	215,452	3,352,832	1,189,177	49,351,326
EXPENDITURES					
Current:					
General government	16,307,961	--	--	32,173	16,340,134
Public safety	22,867,235	--	--	553,386	23,420,621
Streets and transportation	1,947,048	--	--	--	1,947,048
Health and sanitation	216,130	--	--	12,010	228,140
Culture and recreation	667,715	80,666	--	--	748,381
Capital projects	1,321,773	--	--	29,246	1,351,019
Economic development	--	--	2,916,646	--	2,916,646
Debt service:					
Principal	--	--	--	140,000	140,000
Interest	--	--	--	124,626	124,626
Total expenditures	43,327,862	80,666	2,916,646	891,441	47,216,615

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General	Coal Severance Tax	Community Development Block Grant	Other Nonmajor Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures	\$ 1,266,003	\$ 134,786	\$ 436,186	\$ 297,736	\$ 2,134,711
OTHER FINANCING SOURCES (USES)					
Transfers in	656,914	--	--	--	656,914
Transfers (out)	(1,079,517)	(85,646)	(221,105)	(267,500)	(1,653,768)
Proceeds from the sale of assets	49,701	--	--	(65,797)	(16,096)
Capital leases	1,094,841	--	--	--	1,094,841
 Total other financing sources (uses)	 721,939	 (85,646)	 (221,105)	 (333,297)	 81,891
 Net change in fund balances	 1,987,942	 49,140	 215,081	 (35,561)	 2,216,602
 Fund balances - beginning (restated Note III.J.)	 3,976,146	 21,352	 9,271,186	 2,353,657	 15,622,341
 Fund balances - ending	 \$ 5,964,088	 \$ 70,492	 \$ 9,486,267	 \$ 2,318,096	 \$ 17,838,943

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 2,216,602
Capital outlays are reported as an expenditure in the governmental funds, but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year (Note III.C).	1,366,984
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year (Note III.C).	(1,811,411)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold (Note III.C).	(2,065)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference in the deferred taxes of \$782,082 from the prior year of \$351,707 (Note III.B).	430,375
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note III.G).	
Lease proceeds	(1,094,841)
Lease principle payments	705,778
Tax increment financing principle payments	140,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (Note III.G).	
Other postemployment benefits	(7,626,495)
Net pension obligation	2,271,412
Compensated absences	(10,516)
Change in net position of governmental activities	\$ (3,414,177)

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Modified Accrual Basis	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Ad valorem property taxes	\$ 5,209,371	\$ 5,319,371	\$ 5,322,315	\$ 2,944
Business & occupation tax	13,541,124	12,815,566	13,214,365	398,799
Alcoholic beverages tax	473,000	510,000	554,287	44,287
Utility services tax	2,250,000	2,050,000	2,133,173	83,173
Hotel occupancy tax	500,000	500,000	352,589	(147,411)
Animal tax	2,000	2,000	2,037	37
Gas and oil severance tax	40,000	48,000	46,200	(1,800)
Amusement tax	40,000	60,000	26,047	(33,953)
Other taxes	3,812,500	6,245,590	6,531,591	286,001
Licenses and permits	482,500	493,000	374,064	(118,936)
Intergovernmental:				
Federal	1,666,736	1,166,736	1,482,240	315,504
State	1,500,000	1,000,000	598,090	(401,910)
Charges for services	11,477,500	11,298,000	11,064,282	(233,718)
Fines and forfeits	290,900	320,900	576,708	255,808
Interest earnings	2,500	1,500	7,668	6,168
Franchise fees	540,000	545,000	557,023	12,023
Employees health insurance	495,000	470,000	476,105	6,105
Retirees health insurance	548,500	561,000	568,345	7,345
Contributions and donations	504,109	732,780	320,295	(412,485)
Miscellaneous	325,000	341,000	386,441	45,441
Total revenues	<u>43,700,740</u>	<u>44,480,443</u>	<u>44,593,865</u>	<u>113,422</u>
EXPENDITURES				
Current:				
General government	14,841,485	15,657,751	16,307,961	(650,210)
Public safety	24,424,443	24,690,381	22,867,235	1,823,146
Streets and transportation	3,110,465	3,163,191	1,947,048	1,216,143
Health and sanitation	60,000	205,000	216,130	(11,130)
Culture and recreation	1,494,347	1,921,347	667,715	1,253,632
Capital projects	--	--	1,321,773	(1,321,773)
Total expenditures	<u>43,930,740</u>	<u>45,637,670</u>	<u>43,327,862</u>	<u>2,309,808</u>
Excess (deficiency) of revenues over expenditures	<u>(230,000)</u>	<u>(1,157,227)</u>	<u>1,266,003</u>	<u>2,423,230</u>

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ --	\$ --	\$ 656,914	\$ 656,914
Transfers (out)	--	--	(1,079,517)	(1,079,517)
Proceeds from the sale of assets	30,000	30,000	49,701	19,701
Capital leases	--	--	1,094,841	1,094,841
	<u>30,000</u>	<u>30,000</u>	<u>721,939</u>	<u>691,939</u>
Total other financing sources (uses)				
Net change in fund balance	(200,000)	(1,127,227)	1,987,942	3,115,169
Fund balance - beginning	<u>200,000</u>	<u>1,127,227</u>	<u>3,976,146</u>	<u>2,848,919</u>
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,964,088</u>	<u>\$ 5,964,088</u>

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Modified Accrual Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Coal severance tax	\$ 275,000	\$ 275,000	\$ 215,438	\$ (59,562)
Interest earnings	100	100	14	(86)
Total revenues	<u>275,100</u>	<u>275,100</u>	<u>215,452</u>	<u>(59,648)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>275,100</u>	<u>296,452</u>	<u>80,666</u>	<u>215,786</u>
Total expenditures	<u>275,100</u>	<u>296,452</u>	<u>80,666</u>	<u>215,786</u>
Excess (deficiency) of revenues over expenditures	<u>--</u>	<u>(21,352)</u>	<u>134,786</u>	<u>156,138</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>--</u>	<u>--</u>	<u>(85,646)</u>	<u>(85,646)</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>(85,646)</u>	<u>(85,646)</u>
Net change in fund balance	--	(21,352)	49,140	70,492
Fund balance - beginning	<u>--</u>	<u>21,352</u>	<u>21,352</u>	<u>--</u>
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 70,492</u>	<u>\$ 70,492</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2013

	Business-type Activities - Enterprise Funds		Totals
	Sanitation and Trash	Nonmajor Enterprise Funds	
ASSETS			
Current:			
Cash and cash equivalents	\$ 117,019	\$ 260,784	\$ 377,803
Receivables:			
Accounts	465,060	136,561	601,621
Due from:			
Other funds	160,517	111,110	271,627
Inventory, at cost	--	31,866	31,866
Prepaid expenses	14,636	45,885	60,521
Total current assets	<u>757,232</u>	<u>586,206</u>	<u>1,343,438</u>
Capital assets:			
Depreciable:			
Transmission and distribution	1,816,616	--	1,816,616
Machinery and equipment	35,000	--	35,000
Less: accumulated depreciation	<u>(1,253,710)</u>	<u>--</u>	<u>(1,253,710)</u>
Total capital assets (net of accumulated depreciation)	<u>597,906</u>	<u>--</u>	<u>597,906</u>
Total noncurrent assets	<u>597,906</u>	<u>--</u>	<u>597,906</u>
Total assets	<u>1,355,138</u>	<u>586,206</u>	<u>1,941,344</u>
DEFERRED OUTFLOWS	<u>--</u>	<u>--</u>	<u>--</u>
Total deferred outflows of resources	<u>--</u>	<u>--</u>	<u>--</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2013

	Business-type Activities - Enterprise Funds		Totals
	Sanitation and Trash	Nonmajor Enterprise Funds	
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	\$ 66,043	\$ 96,554	\$ 162,597
Payroll payable	--	28,063	28,063
Contracts payable	72,310	--	72,310
Customer deposits	--	29,524	29,524
Due to:			
Other funds	526,950	409,190	936,140
Leases payable	101,482	--	101,482
 Total current liabilities payable from current assets	 766,785	 563,331	 1,330,116
Deferred revenues:			
Charges for services	--	4,275	4,275
Ticket sales	--	54,145	54,145
Other deferred revenues	--	2,083	2,083
 Total deferred revenues	 --	 60,503	 60,503
Noncurrent liabilities			
Leases payable	200,778	--	200,778
Other postemployment benefits payable	431,891	--	431,891
Compensated absences payable	100,136	--	100,136
 Total noncurrent liabilities	 732,805	 --	 732,805
 Total liabilities	 1,499,590	 623,834	 2,123,424
DEFERRED INFLOWS			
	--	--	--
 Total deferred inflows of resources	 --	 --	 --
NET POSITION			
Net investment in capital assets	295,646	--	295,646
Unrestricted	(440,098)	(37,628)	(477,726)
 Total net position	 \$ (144,452)	 \$ (37,628)	 \$ (182,080)

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		Totals
	Sanitation and Trash	Nonmajor Enterprise Funds	
Operating revenues:			
Sales and services to customers	\$ 3,455,967	\$ 969,967	\$ 4,425,934
Contributions	--	55,814	55,814
Rebates and reimbursements	--	571,742	571,742
Rental fees	--	301,162	301,162
Miscellaneous	45,241	9,283	54,524
Total revenues	3,501,208	1,907,968	5,409,176
Operating expenses:			
Personal services	2,094,415	665,249	2,759,664
Contractual services	480,109	241,616	721,725
Administrative and general	80,984	1,115,397	1,196,381
Miscellaneous	--	71,999	71,999
Liability insurance	--	125,721	125,721
Materials and supplies	186,603	9,771	196,374
Utilities	8,165	173,517	181,682
Depreciation	116,890	--	116,890
Maintenance	180,702	38,322	219,024
Total operating expenses	3,147,868	2,441,592	5,589,460
Operating income (loss)	<u>353,340</u>	<u>(533,624)</u>	<u>(180,284)</u>
Nonoperating revenues (expenses):			
Interest revenue	--	14	14
Investment earnings	111	--	111
Interest and fiscal charges	(6,246)	--	(6,246)
Operating grants	48,552	--	48,552
Total nonoperating revenues (expenses)	<u>42,417</u>	<u>14</u>	<u>42,431</u>
Income (loss) before operating transfers and contributions	<u>395,757</u>	<u>(533,610)</u>	<u>(137,853)</u>
Transfers in	--	540,644	540,644
Transfers(out)	(444,414)	--	(444,414)
Change in net position	(48,657)	7,034	(41,623)
Net position at beginning of year	<u>(95,795)</u>	<u>(44,662)</u>	<u>(140,457)</u>
Net position at end of year	<u>\$ (144,452)</u>	<u>\$ (37,628)</u>	<u>\$ (182,080)</u>

See accompanying notes to the financial statements.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		Totals
	Sanitation and Trash	Nonmajor Proprietary Funds	
Cash flows from operating activities:			
Cash received from customers	\$ 3,799,767	\$ 1,900,388	\$ 5,700,155
Cash paid for goods and services	(1,254,799)	(1,686,176)	(2,940,975)
Cash paid to employees	(1,979,116)	(666,583)	(2,645,699)
Net cash provided (used) by operating activities	<u>565,852</u>	<u>(452,371)</u>	<u>113,481</u>
Cash flows from noncapital financing activities:			
Transfers in	--	540,644	540,644
Transfers (out)	(444,414)	--	(444,414)
Miscellaneous	48,552	--	48,552
Net cash provided (used) by noncapital financing activities	<u>(395,862)</u>	<u>540,644</u>	<u>144,782</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	264,652	--	264,652
Purchases of capital assets	(299,651)	--	(299,651)
Principal paid on capital debt	(98,146)	--	(98,146)
Interest paid on capital debt	(6,246)	--	(6,246)
Net cash provided (used) by capital and related financing activities	<u>(139,391)</u>	<u>--</u>	<u>(139,391)</u>
Cash flows from investing activities:			
Interest and investment earnings	111	14	125
Net cash provided (used) by investing activities	<u>111</u>	<u>14</u>	<u>125</u>
Net increase (decrease) in cash and cash equivalents	<u>30,710</u>	<u>88,287</u>	<u>118,997</u>
Cash and cash equivalents, July 1,	<u>86,309</u>	<u>172,497</u>	<u>258,806</u>
Cash and cash equivalents, June 30,	<u>\$ 117,019</u>	<u>\$ 260,784</u>	<u>\$ 377,803</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		Totals
	Sanitation and Trash	Nonmajor Proprietary Funds	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 353,340	\$ (533,624)	\$ (180,284)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	116,890	--	116,890
Decrease (increase) in accounts receivable	360	(15,716)	(15,356)
Decrease (increase) in due from other funds	299,421	42,217	341,638
Decrease (increase) in inventory	--	(1,187)	(1,187)
Decrease (increase) in prepaid expenses	(1,223)	(32,894)	(34,117)
Increase (decrease) in customer deposits	--	5,727	5,727
Increase (decrease) in accounts payable	22,269	57,636	79,905
Increase (decrease) in other postemployment benefits payable	42,989	--	42,989
Increase (decrease) in deferred revenues	--	(116,309)	(116,309)
Increase (decrease) in payroll payable	(359,255)	(1,334)	(360,589)
Increase (decrease) in reserve for health care claims	72,310	--	72,310
Increase (decrease) in compensated absences payable	18,751	--	18,751
Increase (decrease) in due to other funds	--	143,113	143,113
Net cash provided by operations	<u>\$ 565,852</u>	<u>\$ (452,371)</u>	<u>\$ 113,481</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Non-pooled cash	\$ 1,185,757	\$ 1,073,401
Total cash	<u>1,185,757</u>	<u>1,073,401</u>
Investments, at fair value:		
Money market funds	2,203,085	--
U.S Government agency notes	3,726,724	--
Municipal obligations	2,040,498	--
Mutual funds	10,692,934	--
Corporate bonds	5,632,170	--
Common stock	6,589,758	--
Preferred stock	520,810	--
Real estate investment trusts	65,340	--
Certificate of deposit	451,028	--
Total investments	<u>31,922,347</u>	<u>--</u>
Receivables:		
Accounts receivable	2,861	--
Due from primary government	2,340,178	111,252
Due from other governments	502,367	--
Other	--	--
Total receivables	<u>2,845,406</u>	<u>111,252</u>
Total assets	<u>35,953,510</u>	<u>1,184,653</u>
DEFERRED OUTFLOWS		
Total deferred outflows of resources	<u>--</u>	<u>--</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
LIABILITIES		
Accounts payable	\$ 1,274	\$ --
Refunds payable and other	3,377	--
Due to: other funds	2,092	200
Due to: other governments	10,297	--
	<u>17,040</u>	<u>200</u>
DEFERRED INFLOWS		
	<u>--</u>	<u>--</u>
Total deferred inflows of resources	<u>--</u>	<u>--</u>
NET POSITION		
Net position held in trust for pension benefits	<u>\$ 35,936,470</u>	<u>\$ 1,184,453</u>

(1) A schedule of funding progress for each plan is presented in the Required Supplementary Information section of this report.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 9,770,769
Plan members	693,634
Insurance premium surtax	<u>2,135,291</u>
Total contributions	<u>12,599,694</u>
Investment income:	
Net increase (decrease) in fair value of investments	1,018,348
Interest and dividends	<u>1,188,392</u>
Net investment income	<u>2,206,740</u>
Total additions	<u>14,806,434</u>
DEDUCTIONS	
Benefits	8,833,998
Administrative expenses	186,903
Refunds of contributions	<u>28,804</u>
Total deductions	<u>9,049,705</u>
Change in net assets	5,756,729
Net position held in trust for pension benefits:	
Beginning of year	<u>30,179,741</u>
End of year	<u>\$ 35,936,470</u>

(1) A schedule of funding progress for each plan is presented in the Required Supplementary Information section of this report.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality of Huntington, West Virginia (the Municipality), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The Municipality of Huntington is a municipal corporation governed by an elected mayor and eleven-member council. The accompanying financial statements present the government and its component units as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the Municipality, health and sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government and its component units as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality.

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the Municipality, but are financially accountable to the Municipality, or whose relationship with the Municipality is such that exclusion would cause the Municipality's financial statements to be misleading or incomplete. Because of the nature of services they provide and the Municipality's ability to impose its will on them or a financial benefit/burden relationship exists, the following component units are discretely presented in accordance with GASB Statement No. 61. The discretely presented component units are presented on the government-wide statements.

The *Sanitary Board* serves all the citizens of the Municipality of Huntington and is governed by a three-member board comprised of the Mayor and two members appointed by council. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

The *Municipal Development Authority* serves Municipality of Huntington, West Virginia, and is governed by a board comprised of fifteen members appointed by the Municipality comprised of three business representatives, three industry representatives, three labor representatives, one member of the council and five additional representatives. The Municipal Development Authority develops property on behalf of the Municipality and also provides services to external parties. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Municipal Parking Board* serves all citizens of the Municipality by providing parking services and is governed by a seven-member Board appointed by the Municipality. The Municipality provides financial support to the Board on an annual basis. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Interest on general long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Combining financial statements for the nonmajor governmental funds and for the discretely presented component units are included as supplementary information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Also, certain taxpayer-assessed revenues such as business and occupation and utility taxes are accrued as revenue at year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The government reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

The *Community Development Block Grant fund*, a special revenue fund, accounts for the CDBG entitlement Program. The CDBG Entitlement Program provides grants to metropolitan area and urban counties for community development.

The government reports the following major proprietary fund:

The *Sanitation and Trash* fund serves the Municipality by providing garbage collection and disposal service to the public.

Additionally, the government reports the following fund types:

The *Pension Trust funds* account for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified public safety employees. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

The *Agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Municipality of Huntington, West Virginia holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sanitation and Trash (enterprise fund) and the Sanitary Board, Municipal Development Authority and Municipal Parking Board (discretely presented component units) are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Deposits and Investments

The Municipality of Huntington, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value. The composition of investments and fair values are presented in Note III.A.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 the 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 more than five percent of the portfolio be 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.

The following restrictions apply only to pension portfolios and are separate and distinct from the limitations mentioned above: (1) fixed income securities which are issued by one issuer (with the exception of the United States government) are not to exceed five percent of the total pension fund assets; and (2) at no time can the nonreal estate equity portion of the portfolio exceed seventy-five percent of the total portfolio.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Trade Receivables

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Property Tax Receivable

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; the second installment is payable on the first day 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 the taxes are not paid on or before the date in 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 the date they are 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 five-tenths cents (12.5 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2013, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense
Class II	\$ 533,735,516	22.00 cents
Class IV	\$ 937,095,205	44.00 cents

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. Inventories and Prepaid Items

For the Sanitary Board, a discretely presented component unit, and the Civic Center inventories are valued at cost using the first-in/first-out (FIFO) method.

The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Restricted Assets

Certain proceeds of the discretely presented component units revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.

The "reserve" account is used to report resources set aside to make up potential future deficiencies in the regular account.

The "renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.

The "reserve for construction account" is used to report those proceeds of revenue bond that are restricted for use in construction.

5. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Structures and improvements	40-50
Infrastructure	40-50
Transmission and distribution	05-10
Machinery and equipment	05-10
Vehicles	05-10
Furniture and fixtures	05-10

6. Compensated Absences

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 in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

When a permanent full time employee retires, the employee may elect to have any accrued sick leave converted to insurance benefits based on the formula of two days sick leave for one month single coverage insurance premium or three days sick leave for one month family coverage insurance premium. A liability has been accrued for all employees who have actually retired at June 30, 2013, converted accrued sick leave to insurance premiums, and the actual costs to the Municipality has been calculated.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

8. Fund Balances

In the governmental fund financial statements, fund balance is reported in five classifications.

Nonspendable fund balance	Inventories and prepaid amounts represent fund balance amounts that are not in spendable form.
Restricted	The restricted category is the portion of fund balance that is externally imposed by creditors, grantors, contributors or laws or regulations. It also is imposed by law through constitutional provisions or enabling legislation.
Committed	The committed category is the portion of fund balance whose use is constrained by limitations have been approved by an order (the highest level of formal action) of the City Council, and that remain binding unless removed in the same manner. The approval does not automatically lapse at the end of the fiscal year. The government does not have any committed fund balance this fiscal year.
Assigned	The assigned category is the portion of fund balance that has been approved by formal action of the City Council/other official authorized to assign amounts for any amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The government does not have any assigned fund balance this fiscal year.
Unassigned	The unassigned category is the portion of fund balance that has not been reported in any other classification. Only the general fund can report a positive amount of unassigned fund balance. However, any governmental fund in a deficit position could report a negative amount of unassigned fund balance.

The City Council is the government's highest level of decision-making authority. The Council would take formal action to establish, and modify or rescind, a fund balance commitment or to assign fund balance amounts to a specific purpose. The government has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The government has the authority to deviate from this policy if it is in the best interest of the Municipality.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

9. Change in Accounting Principle

Effective July 1, 2012, the Municipality adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the government's financial statements; however, there was no effect on beginning net position/fund balance.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal year end.

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

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year:

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

General Fund:

<u>Amount</u>	<u>Description</u>
\$ 816,266	General Government Expenditure Increase
265,938	Public Safety Expenditure Increase
52,726	Streets and Transportation Expenditure Increase
145,000	Health and Sanitation Expenditure Increase
427,000	Culture and Recreation Expenditure Increase

Coal Severance Tax Fund

\$ 21,352	Culture and Recreation Expenditure Increase
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B. Deficit Net Position

The Governmental Activities had a deficit net position of (\$61,222,515) as of June 30, 2013. The Municipality has incurred significant debt in excess of anticipated revenues in this and prior years for the Net Pension Obligation and the Other Postemployment Benefits obligation as estimated within the actuarial evaluations. The Municipality is in the process of developing funding strategies to reduce these debts in the future.

The Sanitation and Trash fund had a deficit net position of (\$144,452) as of June 30, 2013. The fund has incurred expenditures in excess of anticipated amounts in this and prior years and the Municipal officials will be monitoring the situation to determine if a rate increase is necessary.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government had the following investments:

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Primary Government			
U.S. Treasury Bills	<u>\$ 1,935,425</u>	AAA	AAA

Interest Rate Risk

	<u>0-3 years</u>
U.S. Treasury Bills	<u>\$ 1,935,425</u>

Component Units

The discretely presented component units had the following investments held with the Municipal Bond Commission.

	<u>Fair Value</u>
Municipal Development Authority	\$ 1,549,614
Municipal Parking Board	266,552
Sanitary Board	<u>1,694,967</u>
Total	<u>3,511,133</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Investment Services
Fiduciary Funds			
Policemen's Pension and Relief			
Money market funds	\$ 1,447,277	Not Rated	Not Rated
U.S. Government agency notes	3,011,250	AAA-AA+	AAA-AA+
Municipal obligations	1,993,909	AAA-BBB	AAA-BBB
Mutual funds	8,913,984	A-BBB+	A-BBB+
Corporate bonds	3,359,519	AAA-BBB-	AAA-BBB-
Common stock	1,835,502	A+-B-	A+-B-
Certificate of deposit	149,826	Not Rated	Not Rated
Total	<u>\$ 20,711,267</u>		

Interest Rate Risk

	0-3 years	4-7 years	7-10 years	Over 10 years
Money market funds	\$ 1,447,277	\$ --	\$ --	\$ --
U.S. Government agency notes	2,770,645	--	240,605	--
Municipal obligations	88,171	--	383,778	1,521,960
Mutual funds	8,913,984	--	--	--
Corporate bonds	1,255,511	402,589	732,307	969,112
Common stock	1,835,502	--	--	--
Certificate of deposit	--	--	149,826	--
Total	<u>\$ 16,311,090</u>	<u>\$ 402,589</u>	<u>\$ 1,506,516</u>	<u>\$ 2,491,072</u>

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Investment Services
Firemen's Pension and Relief			
Money market funds	\$ 755,808	Not Rated	Not Rated
U.S. Government agency notes	715,474	AAA-AA+	AAA-AA+
Municipal obligations	46,589	AAA-BBB	AAA-BBB
Mutual funds	1,778,950	A-BBB+	A-BBB+
Corporate bonds	2,272,651	AAA-BBB-	AAA-BBB-
Common stock	4,754,256	A+-B-	A+-B-
Preferred stock	520,810	Not Rated	Not Rated
Real estate investment trusts	65,340	B	B
Certificate of deposit	301,202	Not Rated	Not Rated
Total	<u>\$ 11,211,080</u>		

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

Interest Rate Risk

	0-3 years	4-7 years	7-10 years	Over 10 years
Money market funds	\$ 755,808	\$ --	\$ --	\$ --
U.S. Government agency notes	--	48,558	142,117	524,799
Municipal obligations	--	--	46,589	--
Mutual funds	1,778,950	--	--	--
Corporate bonds	377,915	1,395,735	499,001	--
Common stock	4,754,256	--	--	--
Preferred stock	520,810	--	--	--
Real estate investment trusts	65,340	--	--	--
Certificate of deposit	301,202	--	--	--
Total	<u>\$ 8,554,281</u>	<u>\$ 1,444,293</u>	<u>\$ 687,707</u>	<u>\$ 524,799</u>

Interest Rate Risk

The government does not have a policy for interest rate risk.

Credit Risk

State law limits investments as described in Note I.D.1. It's the government's policy to limit its investments. The government does not have a policy for credit risk in addition to state regulations. As of June 30, 2013, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

Concentration of Credit Risk

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure when the investment in any one issuer equals or exceeds 5% of the total amount of investments. At year end, the government had the following investments held with these issuers:

Issuer	Fair Value	Percent
Power Shares ETF TRII Build AMER ETF	\$ 609,449	5%

Custodial Credit Risk

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the primary government's and fiduciary funds' bank balances were \$7,310,029, which were collateralized with securities held by the pledging financial institution's trust department in the government's name.

For investments, the government could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk. At year end, the primary government's and fiduciary funds' investment balances were \$33,857,772, which was covered by securities held by the government's brokerage firm or the Municipal Bond Commission.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
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A reconciliation of cash and investments as shown on the Statement of Net Position of the primary government and Statement of Net Position of the Fiduciary Funds is as follows:

Cash and cash equivalents	\$ 7,310,029
Investments - collateralized and secured	33,857,772
Total	\$ 41,167,801
Cash and cash equivalents	\$ 7,310,029
Investments	33,857,772
Total	\$ 41,167,801

For deposits, the Municipal Development Authority could be exposed to risk in the event of a bank failure where the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority's bank balances were \$186,277, which were collateralized with F.D.I.C. insurance.

For deposits, the Municipal Parking Board could be exposed to risk in the event of a bank failure where the Board's deposits may not be returned. The Board does not have a deposit policy for custodial credit risk. At year end, the Board's bank balances were \$163,049, which were collateralized with F.D.I.C. insurance.

For deposits, the Sanitary Board could be exposed to risk in the event of a bank failure where the Board's deposits may not be returned. The Board does not have a deposit policy for custodial credit risk. At year end, the Board's bank balances were \$3,888,857 which were collateralized with securities held by the pledging financial institution's trust department held in the name of the entity.

For investments, the Municipal Development Authority could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk. At year end, the Authority's investment balances were \$1,549,614, which was fully collateralized by the State of West Virginia.

For investments, the Municipal Parking Board could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk. At year end, the Board's investment balances were \$266,552, which was fully collateralized by the State of West Virginia.

For investments, the Sanitary Board could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk. At year end, the Board's investment balances were \$1,694,967, which was fully collateralized by the State of West Virginia.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

A reconciliation of cash and investments as shown on the Statement of Net Position of the discretely presented component units are as follows:

	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Cash and cash equivalents	\$ 186,277	\$ 163,049	\$ 3,888,857
Investments - collateralized and secured	1,549,614	266,552	1,694,967
Total	<u>\$ 1,735,891</u>	<u>\$ 429,601</u>	<u>\$ 5,583,824</u>
Cash and cash equivalents	\$ 186,277	\$ 163,049	\$ 1,017,732
Cash and cash equivalents - restricted	--	--	2,871,125
Investments - restricted	1,549,614	266,552	1,694,967
Total	<u>\$ 1,735,891</u>	<u>\$ 429,601</u>	<u>\$ 5,583,824</u>

B. Receivables

Receivables at year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, are as follows:

	General	CDBG	Sanitation & Trash	Nonmajor & Fiduciary Funds	Total
Receivables:					
Accounts	\$ 6,518,230	\$ 1,233,378	\$ 5,124,628	\$ 890,765	\$ 13,767,001
Taxes	5,831,260	--	--	--	5,831,260
Loans	--	9,760,244	--	--	9,760,244
Gross Receivables	<u>12,349,490</u>	<u>10,993,622</u>	<u>5,124,628</u>	<u>890,765</u>	<u>29,358,505</u>
Less: Allowance for Uncollectible	<u>(6,014,542)</u>	<u>(1,748,008)</u>	<u>(4,659,568)</u>	<u>--</u>	<u>(12,422,118)</u>
Net Total Receivables	<u>\$ 6,334,948</u>	<u>\$ 9,245,614</u>	<u>\$ 465,060</u>	<u>\$ 890,765</u>	<u>\$ 16,936,387</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connections with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes receivable (general fund)	<u>Unavailable</u> <u>\$ 782,082</u>
--	---

Loans Receivable for the Municipal Development Authority are \$4,142,379.

Accounts Receivable for the Municipal Parking Board are \$3,892.

Accounts Receivable for the Sanitary Board are \$1,471,099.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 173,279	\$ --	\$ --	\$ 173,279
Capital assets being depreciated:				
Buildings and improvements	9,791,292	--	(20,810)	9,770,482
Machinery and equipment	2,220,939	782,758	--	3,003,697
Vehicles	7,924,965	584,226	(132,656)	8,376,535
Infrastructure	16,820,437	--	--	16,820,437
Total accumulated depreciation	<u>(25,630,360)</u>	<u>(1,811,411)</u>	<u>151,401</u>	<u>(27,290,370)</u>
Total capital assets being depreciated, net	<u>11,127,273</u>	<u>(444,427)</u>	<u>(2,065)</u>	<u>10,680,781</u>
Governmental activities capital assets, net	<u>\$ 11,300,552</u>	<u>\$ (444,427)</u>	<u>\$ (2,065)</u>	<u>\$ 10,854,060</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ --	\$ 35,000	\$ --	\$ 35,000
Vehicles	1,551,965	264,651	--	1,816,616
Less: accumulated depreciation	<u>(1,136,821)</u>	<u>(116,889)</u>	<u>--</u>	<u>(1,253,710)</u>
Business-type activities capital assets, net	<u>\$ 415,144</u>	<u>\$ 182,762</u>	<u>\$ --</u>	<u>\$ 597,906</u>

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

Governmental activities:		
General government		\$ 224,451
Public safety		627,432
Highways and streets, including depreciation of general infrastructure assets		757,436
Health and sanitation		26,160
Culture and recreation		174,804
Social services		1,128
Total depreciation expense-governmental activities		<u>\$ 1,811,411</u>
Business-type activities:		
Sanitation and Trash		<u>\$ 116,889</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

Discretely Presented Component Units

Activity related to capital assets for the Sanitary Board for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 216,155	\$ --	\$ --	\$ 216,155
Construction in progress	6,349,480	--	(2,983,203)	3,366,277
Total capital assets not being depreciated	<u>6,565,635</u>	<u>--</u>	<u>(2,983,203)</u>	<u>3,582,432</u>
Capital assets, being depreciated:				
Buildings and improvements	77,457,348	4,581,446	--	82,038,794
Vehicles	2,216,363	36,731	--	2,253,094
Machinery and equipment	1,679,287	109,693	--	1,788,980
Less: accumulated depreciation	(53,246,393)	(2,274,719)	--	(55,521,112)
Total capital assets being depreciated	<u>28,106,605</u>	<u>2,453,151</u>	<u>--</u>	<u>30,559,756</u>
Total capital assets, net	<u>\$ 34,672,240</u>	<u>\$ 2,453,151</u>	<u>(\$ 2,983,203)</u>	<u>\$ 34,142,188</u>

Construction in Progress

The Sanitary Board has active construction projects for the maintenance and expansion of the system. At year end, total spent-to-date was \$3,366,277. This project is funded through bonded debt.

Activity related to capital assets for the Municipal Development Authority for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,274,102	\$ --	\$ (1,264,545)	\$ 6,009,557
Total capital assets not being depreciated	<u>7,274,102</u>	<u>--</u>	<u>(1,264,545)</u>	<u>6,009,557</u>
Capital assets, being depreciated:				
Buildings and improvements	11,715,308	1,082,810	--	12,798,118
Structures and improvements	1,588,811	--	--	1,588,811
Furniture and fixtures	2,625,739	--	--	2,625,739
Machinery and equipment	200,000	--	--	200,000
Less: accumulated depreciation	(8,425,750)	(1,065,792)	--	(9,491,542)
Total capital assets being depreciated	<u>7,704,108</u>	<u>17,018</u>	<u>--</u>	<u>7,721,126</u>
Total capital assets, net	<u>\$ 14,978,210</u>	<u>\$ 17,018</u>	<u>\$ (1,264,545)</u>	<u>\$ 13,730,683</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
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Activity related to capital assets for the Municipal Parking Board for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,751,377	\$ --	\$ --	\$ 1,751,377
Total capital assets not being depreciated	<u>1,751,377</u>	<u>--</u>	<u>--</u>	<u>1,751,377</u>
Capital assets, being depreciated:				
Buildings	4,775,403	--	--	4,775,403
Lots and improvements	686,648	--	--	686,648
Machinery and equipment	660,315	19,049	(7,335)	672,029
Less: accumulated depreciation	<u>(4,623,661)</u>	<u>(167,076)</u>	<u>--</u>	<u>(4,790,737)</u>
Total capital assets being depreciated	<u>1,498,705</u>	<u>(148,027)</u>	<u>(7,335)</u>	<u>1,343,343</u>
Total capital assets, net	<u>\$ 3,250,082</u>	<u>\$ (148,027)</u>	<u>\$ (7,335)</u>	<u>\$ 3,094,720</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Interfund receivables/payables:

Receivable Fund	Payable Fund	Purpose	Amount
General	Sanitation and Trash	Reimbursement	\$ 512,076
Other Nonmajor Governmental	Sanitation and Trash	Reimbursement	14,874
General	Community Development Block Grant	Reimbursement	133,408
General	Other Nonmajor Enterprise	Reimbursement	409,190
Other Nonmajor Governmental	General	Reimbursement	30,561
General Fund	Other Nonmajor Governmental	Reimbursement	128,022
Other Nonmajor Enterprise	General	Reimbursement	111,110
Sanitation and Trash	General	Reimbursement	160,517
	Total		<u>\$ 1,499,758</u>

Interfund receivables/payables for the primary government and fiduciary funds:

Receivable Fund	Payable Fund	Purpose	Amount
General	Policemen's Pension and Relief	Reimbursement	\$ 800
General	Firemen's Pension and Relief	Reimbursement	1,292
General	Police Retirees' Insurance	Reimbursement	200
Policemen's Pension and Relief	General	Contributions	934,429
Firemen's Pension and Relief	General	Contributions	1,405,748
Police Retirees' Insurance	General	Contributions	79,136
Fire Retiree's Insurance	General	Contributions	32,116
	Total		<u>\$ 2,453,721</u>

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Interfund receivables/payables for the primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Municipal Development Authority	Reimbursement	\$ 11,037
General Fund	Municipal Parking Board	Reimbursement	26,885
Sanitary Board	General Fund	Reimbursement	2,300
	Total		<u>\$ 40,222</u>

Interfund transfers:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Municipal Development Authority</u>	<u>Civic Arena</u>	<u>Total Transfers In</u>
Transfers out:				
General fund	\$ --	\$ 624,518	\$ 454,999	\$ 1,079,517
Coal Severance	--	--	85,645	85,645
Municipal Development Authority	100,000	779,525	--	879,525
Community Development				
Block Grant	--	221,105	--	221,105
Sanitation and Trash	444,414	--	--	444,414
Capital				
Improvements	112,500	--	--	112,500
Jean Dean				
Public Safety	--	155,000	--	155,000
Total Transfers Out	<u>\$ 656,914</u>	<u>\$ 1,780,148</u>	<u>\$ 540,644</u>	<u>\$ 2,977,706</u>

Interfund transfers provide appropriations to subsidize the funds to support the programs and activities of the government.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
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For the Fiscal Year Ended June 30, 2013

E. Fund Balance Detail

At year-end, the detail of the government's fund balances is as follows:

	General Fund	Coal Severance	Community Development Block Grant	Nonmajor Funds	Total
Nonspendable:					
Prepays	\$ 163,827	\$ --	\$ --	\$ --	\$ 163,827
Assets held for resale	--	--	--	706,543	706,543
Restricted:					
Community development	--	--	11,111,031	--	11,111,031
Debt service	--	--	--	23,521	23,521
Committed:					
Landfill closures	714,790	--	--	--	714,790
Assigned:					
Public safety	1,156,065	--	--	91,593	1,247,658
Culture and recreation	--	70,492	--	5,772	76,264
Capital projects	--	--	--	785	785
Public safety building	--	--	--	154,181	154,181
Landfill closures	--	--	--	1,601,098	1,601,098
Floodwall emergency	--	--	--	155,678	155,678
Unassigned	3,929,406	--	(1,624,764)	(421,075)	1,883,567
Total fund balances	<u>\$ 5,964,088</u>	<u>\$ 70,492</u>	<u>\$ 9,486,267</u>	<u>\$ 2,318,096</u>	<u>\$ 17,838,943</u>

F. Leases

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of recreation, office equipment and public safety equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

The government has entered into lease agreements as lessee for financing the acquisition of machinery and equipment for an Enterprise Fund. These lease agreements qualify as capital assets for accounting purposes, and, therefore have been recorded at the present value of future minimum lease payments as of the inception date in the Sanitation and Trash enterprise fund.

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The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Sanitation and Trash
Machinery, equipment and vehicles	\$ 1,094,841	\$ 264,652
Less: accumulated depreciation	(61,260)	(14,702)
Total	<u>\$ 1,033,581</u>	<u>\$ 249,950</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	Governmental Activities	Business- type Activities
2014	\$ 971,140	\$ 107,432
2015	789,675	68,624
2016	718,955	55,688
2017	615,805	55,688
2018	404,084	27,844
2019 - 2023	1,070,324	--
2024 - 2028	591,600	--
Total minimum lease payments	<u>5,161,583</u>	<u>315,276</u>
Less: amount representing interest	(772,828)	(13,016)
Present value of minimum lease payments	<u>\$ 4,388,755</u>	<u>\$ 302,260</u>

G. Long-term Debt

Notes Payable

The Municipal Development Authority (MDA) entered into a loan agreement with the Housing and Urban Development to finance housing projects.

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2013
Component Unit:					
MDA - HUD 2000	8/1/14	2%	\$ 1,720,000	\$ 1,490,000	\$ 230,000
MDA - HUD 2002	8/1/22	2%	1,600,000	640,000	960,000
Total notes payable			<u>\$ 3,320,000</u>	<u>\$ 2,130,000</u>	<u>\$ 1,190,000</u>

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Debt service requirements to maturity are as follows:

Year Ended	Municipal Development Authority	
	Principal	Interest
2014	\$ 205,000	\$ 51,576
2015	205,000	45,379
2016	90,000	39,844
2017	90,000	35,226
2018	100,000	30,245
2019 - 2023	500,000	69,650
Totals	<u>\$ 1,190,000</u>	<u>\$ 271,920</u>

Tax Increment Financing Revenue Bonds

The Municipality issued bonds where the government pledges income derived from ad valorem property taxes from a specific district to pay debt service. On June 30, 2006, the Municipality issued \$2,450,000 of Tax Increment Financing Revenue Bonds, Series 2006 through United Bank bearing an interest rate of 5.75 percent. These bonds are payable solely from the ad valorem property tax collected from the specified tax district. These bonds do not constitute a general obligation of the Municipality and are payable only if the tax revenue is collected from the specified tax district. If the tax revenues are not collected, the Municipality is not required to pay off the debt.

Tax increment financing bonds outstanding at year end are as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2013
Primary Government:					
Series 2006	6/30/2034	6%	<u>\$ 2,450,000</u>	<u>\$ 932,000</u>	<u>\$ 1,518,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Governmental Activities	
	Principal	Interest
2014	\$ 65,592	\$ 7,274
2015	65,906	6,959
2016	66,223	6,644
2017	66,539	6,326
2018	66,858	6,008
2019 - 2023	339,128	25,201
2024 - 2028	347,331	16,998
2029 - 2033	355,732	8,596
2034	144,691	1,041
Totals	<u>\$ 1,518,000</u>	<u>\$ 85,047</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
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Tax Increment Financing Pledged Revenues

The Municipality has pledged future ad valorem tax revenues, to repay \$2,450,000 in tax increment financing revenue bonds issued in June 2006. Proceeds from the bonds provided financing for the development of the specific tax district. The bonds are payable solely from ad valorem property taxes collected from the district and are payable through June 2034. Annual principal and interest payments on the bonds are expected to require less than 105 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,603,047. Principal and interest paid for the current year and total customer net revenues were \$264,626 and \$251,550, respectively.

Revenue Bonds

The Sanitary Board, Municipal Development Authority and the Municipal Parking Board, discretely presented component units, issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service. During the fiscal year ended June 30, 2013, and specifically on March 28, 2013, the Sanitary Board issued \$1,059,500 of Revenue Bonds, Series 2013 through the Municipal Bond Commission bearing an interest rate of 1.99 percent. In addition, the Sanitary Board drawn-down \$710,940 for the series 2010 bonds.

Revenue Bonds outstanding at year end are as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2013
Component Units:					
Sanitary Board Series 1997	3/01/19	2%	\$ 3,039,895	\$ 2,077,311	\$ 962,584
Sanitary Board Series 1999	9/01/19	2%	2,083,550	1,258,151	825,399
Sanitary Board Series 2000	10/31/20	2%	1,559,119	693,019	866,100
Sanitary Board Series 2006	11/01/16	4.25% - 4.70%	3,150,000	3,150,000	--
Sanitary Board Series 2007	11/01/23	4%	5,500,000	1,385,000	4,115,000
Sanitary Board Series 2010-A	3/01/30	2%	4,022,945	549,583	3,473,362
Sanitary Board Series 2010-B	12/01/31	2%	2,622,055	291,482	2,330,573
Sanitary Board Series 2013	11/01/16	2%	1,059,500	47,370	1,012,130
Municipal Development Authority					
Series 2010-A	12/29/2010	4%	3,650,000	75,000	3,575,000
Municipal Development Authority					
Series 2010-B	12/29/2010	Varies	5,255,000	430,000	4,825,000
Municipal Parking Board	12/01/00	4%	2,500,000	1,140,748	1,359,252
Total component units			<u>\$ 34,442,064</u>	<u>\$ 11,097,664</u>	<u>\$ 23,344,400</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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The discretely presented component units revenue bond debt service requirements to maturity are as follows:

Year Ended	Sanitary Board		Municipal Development Authority		Municipal Parking Board	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,261,198	\$ 336,731	\$ 270,000	\$ 515,976	\$ 147,323	\$ 66,553
2015	1,295,501	305,567	280,000	506,326	168,526	45,350
2016	1,329,903	274,176	290,000	494,926	175,393	38,483
2017	1,184,850	242,557	305,000	483,026	182,538	31,338
2018	1,066,607	214,728	375,000	469,192	189,975	23,901
2019 - 2023	4,339,698	692,412	2,220,000	1,906,710	197,475	16,401
2024 - 2028	2,194,006	269,374	2,720,000	738,404	203,471	10,405
2029 - 2033	913,385	105,734	1,940,000	148,310	94,551	12,387
Totals	<u>\$ 13,585,148</u>	<u>\$ 2,441,279</u>	<u>\$ 8,400,000</u>	<u>\$ 5,262,870</u>	<u>\$ 1,359,252</u>	<u>\$ 244,818</u>

Utility Pledged Revenues

The Sanitary Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$3,039,895 in sewer system revenue bonds issued in November 1997. Proceeds from the bonds provided financing for maintenance and system upgrades to the treatment facility. The bonds are payable solely from sewer customer net revenues and are payable through March 2019. Annual principal and interest payments on the bonds are expected to require less than four percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,021,384. Principal and interest paid for the current year and total customer net revenues were \$177,364 and \$3,056,083, respectively.

The Sanitary Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,083,550 in sewer system revenue bonds issued in September 1999. Proceeds from the bonds provided financing for maintenance and system upgrades to the treatment facility. The bonds are payable solely from sewer customer net revenues and are payable through September 2019. Annual principal and interest payments on the bonds are expected to require less than four percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$886,585. Principal and interest paid for the current year and total customer net revenues were \$126,655 and \$3,056,083 respectively.

The Sanitary Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$1,559,119 in sewer system revenue bonds issued in October 2000. Proceeds from the bonds provided financing for maintenance and system upgrades to the treatment facility. The bonds are payable solely from sewer customer net revenues and are payable through October 2020. Annual principal and interest payments on the bonds are expected to require less than four percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$943,967. Principal and interest paid for the current year and total customer net revenues were \$111,056 and \$3,056,083, respectively.

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The Sanitary Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$5,500,000 in sewer system revenue bonds issued in December 2007. Proceeds from the bonds provided financing for maintenance and system upgrades to the treatment facility. The bonds are payable solely from sewer customer net revenues and are payable through November 2023. Annual principal and interest payments on the bonds are expected to require less than fifteen percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,048,044. Principal and interest paid for the current year and total customer net revenues were \$467,373 and \$3,056,083, respectively.

The Sanitary Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$4,022,945 in sewer system revenue bonds issued in January 2010. Proceeds from the bonds provided financing for maintenance and system upgrades to the treatment facility. The bonds are payable solely from sewer customer net revenues and are payable through March 2030. Annual principal and interest payments on the bonds are expected to require less than eight percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,249,022. Principal and interest paid for the current year and total customer net revenues were \$233,504 and \$3,056,083, respectively.

The Sanitary Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,622,055 in sewer system revenue bonds issued in November 2010. Proceeds from the bonds provided financing for maintenance and system upgrades to the treatment facility. The bonds are payable solely from sewer customer net revenues and are payable through December 2031. Annual principal and interest payments on the bonds are expected to require less than five percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,829,137. Principal and interest paid for the current year and total customer net revenues were \$156,416 and \$3,056,083, respectively.

The Sanitary Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$1,059,500 in sewer system revenue bonds issued in March 2013. Proceeds from the bonds provided financing for maintenance and system upgrades to the treatment facility. The bonds are payable solely from sewer customer net revenues and are payable through November 2016. Annual principal and interest payments on the bonds are expected to require less than two percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,048,288. Principal and interest paid for the current year and total customer net revenues were \$51,136 and \$3,056,083, respectively.

The Municipal Development Authority has pledged future lease revenues, net of specified operating expenses, to repay \$3,650,000 in lease revenue bonds issued in December 2010. Proceeds from the bonds provided financing for maintenance and upgrades to the Civic Arena. The bonds are payable solely from lease net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require less than 22 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,412,583. Principal and interest paid for the current year and total net revenues were \$225,625 and \$1,043,448, respectively.

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The Municipal Development Authority has pledged future lease revenues, net of specified operating expenses, to repay \$5,255,000 in lease revenue bonds issued in December 2010. Proceeds from the bonds provided financing for maintenance and upgrades to the Civic Arena. The bonds are payable solely from lease net revenues and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 53 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$9,244,287. Principal and interest paid for the current year and total customer net revenues were \$553,900 and \$1,043,448, respectively.

The Municipal Parking Board has pledged future parking customer revenues, net of specified operating expenses, to repay \$2,500,000 in parking system revenue bonds issued in December 2000. Proceeds from the bonds provided financing for maintenance and upgrades to the parking facilities. The bonds are payable solely from parking customer net revenues and are payable through December 2020. Annual principal and interest payments on the bonds are expected to require less than 143 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,604,070. Principal and interest paid for the current year and total customer net revenues were \$216,013 and \$152,913, respectively.

Changes in Long-term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 3,999,691	\$ 1,094,841	\$ (705,778)	\$ 4,388,754	\$ 971,140
Tax increment financing	1,658,000	--	(140,000)	1,518,000	65,592
Net pension obligation	50,122,160	--	(2,271,412)	47,850,748	--
Other postemployment benefits	28,101,136	7,626,495	--	35,727,631	--
Compensated absences	1,201,950	10,516	--	1,212,466	--
Governmental activities					
Long-term liabilities	<u>\$ 85,082,937</u>	<u>\$ 8,731,852</u>	<u>\$ (3,117,190)</u>	<u>\$ 90,697,599</u>	<u>\$ 1,036,732</u>
	Business-type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 135,754	\$ 264,652	\$ (98,146)	\$ 302,260	\$ 101,482
Other postemployment benefits	388,902	42,989	--	431,891	--
Compensated absences	81,385	18,751	--	100,136	--
Business-type activities					
Long-term liabilities	<u>\$ 606,041</u>	<u>\$ 326,392</u>	<u>\$ (98,146)</u>	<u>\$ 834,287</u>	<u>\$ 101,482</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
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	Component Units				Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Revenue bonds payable	\$ 24,732,261	\$ 1,770,440	\$ (3,158,301)	\$ 23,344,400	\$ 1,678,791
Notes payable	2,522,740	--	(1,332,740)	1,190,000	205,000
Total bonds payable	<u>27,255,001</u>	<u>1,770,440</u>	<u>(4,491,041)</u>	<u>24,534,400</u>	<u>1,883,791</u>
Other postemployment benefits	1,590,968	581,380	--	2,172,348	
Compensated absences	<u>232,773</u>	<u>19,916</u>	<u>--</u>	<u>252,689</u>	<u>--</u>
Business-type activities					
Capital leases	<u>\$ 29,078,742</u>	<u>\$ 2,371,736</u>	<u>\$ (4,491,041)</u>	<u>\$ 26,959,437</u>	<u>\$ 1,883,791</u>

Advance Refunding

On March 28, 2013, the Huntington Sanitary Board issued \$1,059,000 in Sewer Refunding Bonds with an average interest rate of 1.99 percent. The proceeds were used to advance refund \$1,465,573 of outstanding 2006 Series A Revenue Bonds which had interest rates ranging from 4.25 percent to 4.7 percent. The net proceeds of \$1,033,881 (after payment of \$25,619 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2006 Series A bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

Short-term Debt - Revolving Line of Credit

The Municipality uses a revolving line of credit to finance public projects related to housing projects. The HURA Fund participated in the borrowing. Short-term debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
Line of Credit	<u>\$ 543,899</u>	<u>\$ 368,504</u>	<u>\$ (234,547)</u>	<u>\$ 677,856</u>

H. Restricted Assets

The balances of the restricted asset accounts for the component units are as follows:

	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Revenue bond operations and maintenance account	\$ 1,549,614	\$ 266,552	\$ 1,694,967
Revenue bond construction account	--	--	2,084,765
Revenue bond renewal and replacement account	--	--	786,360
Total restricted assets	<u>\$ 1,549,614</u>	<u>\$ 266,552</u>	<u>\$ 4,566,092</u>

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I. Benefits Funded by the State of West Virginia

For the year ended June 30, 2013, the State of West Virginia contributed estimated payments on behalf of the governments public safety employees as follows:

Plan	Amount
Policemen's Pension and Relief Fund	\$ 1,026,327
Firemen's Pension and Relief Fund	1,108,964
Total	\$ 2,135,291

State contributions are funded by allocations of the State's insurance premium tax.

J. Prior Period Adjustment

The following fund balances/net position required restatement at the beginning of the year as follows:

	General Fund	Community Development Block Grant	Nonmajor Governmental Funds	Governmental Activities
Fund balances/net position, as previously stated	\$ 1,127,227	\$ 7,386,114	\$ 2,389,480	\$ (60,848,506)
Add:				
Debt Service fund	--	--	9,306	9,306
Remove prior year taxes receivable	2,927,919	--	--	2,927,919
Prior year account payable	--	--	12,894	12,894
Remove deferred revenues	--	1,885,072	--	1,885,072
Remove Civic Arena	--	--	156,715	156,715
Subtract:				
Prior year accounts payable	(66,106)	--	--	(66,106)
Prior year accounts receivable	(12,894)	--	(145,000)	(157,894)
Remove Civic Arena Surcharge	--	--	(69,738)	(69,738)
Tax increment financing	--	--	--	(1,658,000)
Fund balances/net position, restated	\$ 3,976,146	\$ 9,271,186	\$ 2,353,657	\$ (57,808,338)

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The following net position of the business-type activities and discretely presented component units required restatement at the beginning of the year as follows:

	Business-type Activities	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Net position, as previously stated	\$ 11,375,831	\$ --	\$ --	\$ 24,692,972
Add:				
Civic Arena Surcharge	69,738	--	--	--
Civic Arena	(156,715)	--	--	--
Due from in Civic Arena	42,315	--	--	--
Municipal Development Authority	--	9,500,804	--	--
Municipal Parking Board	--	--	1,970,822	--
Accruals	--	--	--	6,990
Subtract:				
Municipal Development Authority	(9,500,804)	--	--	--
Municipal Parking Board	(1,970,822)	--	--	--
Net position, restated	<u>\$ (140,457)</u>	<u>\$ 9,500,804</u>	<u>\$ 1,970,822</u>	<u>\$ 24,699,962</u>

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Nationwide and Travelers insurance for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): Private insurance companies could begin to offer workers compensation coverage to government employers beginning July 1, 2010. Workers compensation coverage is provided for this entity by Self Insurance Unit. The discretely presented component units have coverage through BrickStreet Insurance.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grant or cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
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The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material effect on the financial condition of the government.

C. Deferred Compensation Plan

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held for the exclusive benefit of the participants and their beneficiaries.

D. Postemployment Health Care Plan

In addition to the pension benefits described in Note V, the government provides post retirement health and vision benefits for certain retirees and their dependents. The benefits vary depending on the years of service and sick leave accumulated by the retiree.

IV:D.1. Plan Descriptions, Contribution Information, and Funding Policies

The Municipality of Huntington, West Virginia provides continuation of medical insurance to employees that retire under the WV Public Employees Retirement System and the Municipality of Huntington's Policemen's Pension & Relief Fund and the Firemen's Pension & Relief Fund. The Municipality maintains a single employer self-insured defined benefit health plan including vision administered by Highmark, a third-party administrator. The plan benefits, benefit levels, employee contributions and employer contributions were authorized by the Council and any amendments to the plan must be approved and authorized by the Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the General Fund, Sanitation and Trash fund, Community Development Block Grant Fund, Municipal Parking Board and the Municipal Development Authority.

Non-uniform employees are eligible to receive retiree health care coverage at the earlier of age 50 with 20 years of service; or age 60 with 10 years of service.

Police and fire uniform employees are eligible to receive retiree health care coverage at the earlier of age 50 with 20 years of service or age 65.

Upon the death of the retiree or active employee, the surviving spouse may continue coverage by paying the full COBRA rate.

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The Municipality does not have a practice of increasing the retiree contributions for employees hired prior to July 1, 2000. For GASB 45 purposes, it was assumed that these rates remain level in future years.

Retiree contributions for tobacco users are 115% of the non-tobacco rate.

There is no prescription drug coverage for post-medicare retirees.

Membership of the plan is as follows:

<u>Group</u>	<u>Health Care Plan</u>	<u>Health Care Plan</u>
Active Employees	301	50
Retirees and Beneficiaries Currently Receiving Benefits	371	14
Total	<u>672</u>	<u>64</u>

Employees who retire under the WV Public Employees Retirement System have the option of maintaining the Municipality's OPEB plan or electing P.E.I.A. insurance. To date only a few retirees have chosen the P.E.I.A. insurance coverage.

The Municipality's current funding policy for postemployment health care benefits is on a pay-as-you-go basis.

IV:D.2. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to

Valuation Date	7/1/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage Open
Amortization Period	30 Years (Level Percentage Open Group)
Actuarial Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00% per year
Projected Salary Increases	3.00% per year
Post Retirement Benefit Increases	None
Inflation	3.00% per year
Health Care Trends	0.25% decrease in fiscal year 2014, reduced by decrements of 0.25% until fiscal year 2023 in medical and continues Rx, and later

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
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For the Fiscal Year Ended June 30, 2013

IV.D.3 Annual Other Post Employment Benefit (OPEB) Cost

The Municipality's annual OPEB cost is calculated on the annual required contribution (ARC) of the Municipality, an amount actuarially determined in accordance with the parameters of GASB 45. ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities over the amortization period. As of the most recent actuarial valuation date, the Plan was not funded. The following tables illustrate the components of the Municipality's annual OPEB cost for the year, the amount actually contributed to the Plan, changes in the net OPEB obligation, funding progress, and the covered payroll and the ratio of the UAAL to the covered payroll.

The Municipality's annual other postemployment benefit cost is as follows:

	OPEB			
	Governmental Activities	Business-type Activities	Component Units	Total
Annual required contribution	\$ 10,264,001	\$ 124,075	\$ 624,082	\$ 11,012,158
Interest on net OPEB obligation	1,261,679	15,252	76,714	1,353,645
Adjustment to annual required contribution	(1,258,851)	(64,423)	41,024	(1,282,250)
Annual OPEB cost	10,266,829	74,904	741,820	11,083,553
Contributions made	(2,640,334)	(31,917)	(160,440)	(2,832,691)
Increase in net OPEB obligation	7,626,495	42,987	581,380	8,250,862
Net OPEB obligation at beginning of the year	28,101,136	388,902	1,590,968	30,081,006
Net OPEB obligation at the end of the year	\$ 35,727,631	\$ 431,889	\$ 2,172,348	\$ 38,331,868

IV.D.4. Trend Information

Other Postemployment Benefits (OPEB)

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 11,083,654	57%	\$ 38,331,868

IV.D.5. Funding Progress

SCHEDULE OF FUNDING PROGRESS

Other Postemployment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/12	\$ --	\$ 124,162,128	\$ 124,162,128	0.0%	\$ 16,035,484	774%

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend rate. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Municipality maintains no Plan assets, information relative to Plan assets required disclosures is not applicable. Additionally, since 2010 was the year of transition for GASB Statement No. 45, the requirements have been implemented prospectively.

V. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

V:A.1. Plan Descriptions, Contribution Information, and Funding Policies

The Municipality of Huntington, West Virginia participates in two single employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

The Policemen's Pension and Relief Fund (PPRF) provides retirement benefits for substantially all full-time police employees. Unless otherwise indicated, PPRF information in this Note is provided as of the latest actuarial valuation, July 1, 2012.

The Firemen's Pension and Relief Fund (FPRF) provides retirement benefits for substantially all full-time fire employees. Unless otherwise indicated, FPRF information in this Note is provided as of the latest actuarial valuation, July 1, 2012.

Actuarial valuations are required to be performed once every three years per state statute. However, the actuarial valuations can be performed in shorter intervals at the discretion of the PPRF and FPRF's board. For additional information relating to basis of accounting and reported investment values, see Notes I.C., I.D.1. and V.I.

Memberships of the plans are as follows:

<u>Group</u>	<u>PPRF</u>	<u>FPRF</u>	<u>Totals</u>
Active Employees	91	92	183
Vested Terminated Benefits	--	3	3
Retirees and Beneficiaries Currently			
Receiving Benefits	125	183	308
Total	<u>216</u>	<u>278</u>	<u>494</u>

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These plans are defined benefit plans. The following is a summary of funding policies, contribution methods and benefit provisions.

	<u>PPRF</u>	<u>FPRF</u>
Determination of contribution requirements	Actuarially determined	Actuarially determined
Employer	Contributes annually an amount which, together with contributions from the members and the allocable portion of the State premium tax fund, will be sufficient to meet the normal cost of the fund and amortize any actuarial deficiency over a period of not more than forty years in accordance with West Virginia State Code §8-22-10. However, municipalities may utilize an alternative contribution method which allows the City to contribute no less than 107% of the prior year contribution provided the actuary certifies in writing that the fund will be solvent over the next 15 years under this method as authorized by West Virginia State code §8-22-20c(1). In no event can the employer contribution be less than the normal cost as determined by the actuary. The Municipality contributes 107% of the prior year's contributions for both the police and fire pension plans.	
Plan Members	7% of covered payroll	7% of covered payroll
Period Required to Vest	No vesting occurs. If separation from employment occurs the member is entitled to a refund of his/her contributions only.	
Post-Retirement Benefit Increases	Cost of living adjustment after two years of retirement. Adjustment calculated on the first \$15,000 of the total annual benefit in the first year and then the cumulative index for the preceding year. The supplemental pension benefit shall not exceed four percent.	
Eligibility for Distribution	20 years of credited service or age 65; whichever comes first. Must be at least age 50.	
Provisions for:	<u>PPRF</u>	<u>FPRF</u>
Disability Benefits	Yes	Yes
Death Benefits	Yes	Yes

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Annual Required Contributions and Significant Actuarial Assumptions

The actuarial assumptions and other information used to determine the annual required contributions (ARC) are as follows:

	Policemen's Pension & Relief Fund	Firemen's Pension & Relief Fund
	<u>7/1/2012</u>	<u>7/1/2012</u>
Valuation Date	7/1/2012	7/1/2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage Closed	Level Percentage Closed
Amortization Period	28 Years (Level Percentage)	28 Years (Level Percentage)
Actuarial Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	5.0%	5.0%
Projected Salary Increases	5.0%	5.0%
Post Retirement Benefit Increases	None	None
Inflation	3.00%	3.00%
Cost of Living Adjustments	\$15,000 of annual pension is increased by the lesser of inflation and 3%, but 75% of purchasing power is maintained.	\$15,000 of annual pension is increased by the lesser of inflation and 3%, but 75% of purchasing power is maintained.

V.A.2. Annual Pension Cost, Net Pension Obligation and Reserves

Current year annual pension costs for the PPRF and FPRF are shown in the trend information provided in V.A.4. The annual required contributions were not made by both the PPRF or FPRF. The net pension obligation is listed in V.A.3.

Reserves

There are no assets legally reserved for purposes other than the payment of plan members benefits for either plan.

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V.A.3 Annual Pension Cost and Net Pension Obligation (NPO)

The Municipality's annual pension cost and net pension obligation for the Policemen's and Firemen's Pension and Relief funds are as follows:

	PPRF	FPRF
Annual required contribution	\$ 4,128,161	\$ 4,976,961
Interest on short-term	1,205,891	1,409,844
Adjustment to annual required contribution	(943,721)	(1,142,488)
Annual pension cost	4,390,331	5,244,317
Contributions made	(5,343,181)	(6,562,879)
Increase in net pension obligation	(952,850)	(1,318,562)
Net pension obligation at beginning of the year	21,925,289	28,196,872
Net pension obligation at the end of the year	\$ 20,972,439	\$ 26,878,310

V.A.4. Trend Information

Policemen's Pension and Relief Fund (PPRF)

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2013	\$ 4,390,331	122%	\$ 20,972,439
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

Firemen's Pension and Relief Fund (FPRF)

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2013	\$ 5,244,317	125%	\$ 26,878,310
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

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V.A.5. Funding Progress

Policemen's Pension and Relief Fund (PPRF)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/012	\$ 19,238,866	\$ 82,307,347	\$ 63,068,481	23%	\$ 5,273,972	1196%

Firemen's Pension and Relief Fund (FPRF)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/012	\$ 10,946,214	\$ 99,550,684	\$ 88,604,470	11%	\$ 4,246,216	2087%

The Schedule of Funding Progress included in the required supplementary information immediately following the notes indicates the actuarial value of the plan assets is increasing over time relative to the actuarial accrued liability for both pension plans is increasing for the PPRF and increasing for the FPRF over time relative to the actuarial accrued liability.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

Pension Trust Funds Financial Statements

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>
ASSETS		
Non-pooled cash	\$ 552,540	\$ 633,217
Total cash	<u>552,540</u>	<u>633,217</u>
Investments, at fair value:		
Money market funds	1,447,277	755,808
U.S Government agency notes	3,011,250	715,474
Municipal obligations	1,993,909	46,589
Mutual funds	8,913,984	1,778,950
Corporate bonds	3,359,519	2,272,651
Common stock	1,835,502	4,754,256
Preferred stock	--	520,810
Real estate investment trusts	--	65,340
Certificate of deposit	<u>149,826</u>	<u>301,202</u>
Total investments	<u>20,711,267</u>	<u>11,211,080</u>
Receivables:		
Accounts receivable	2,861	--
Due from primary government	934,429	1,405,749
Due from: other governments	<u>218,916</u>	<u>283,451</u>
Total receivables	<u>1,156,206</u>	<u>1,689,200</u>
Total assets	<u>22,420,013</u>	<u>13,533,497</u>
LIABILITIES		
Accounts payable	861	413
Refunds payable	3,377	--
Due to: primary government	800	1,292
Due to: other governments	<u>1,360</u>	<u>8,937</u>
Total liabilities	<u>6,398</u>	<u>10,642</u>
NET POSITION		
Net position held in trust for pension benefits	<u>\$ 22,413,615</u>	<u>\$ 13,522,855</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

	Policemen's Pension and Relief	Firemen's Pension and Relief
ADDITIONS		
Contributions:		
Employer	\$ 4,316,854	\$ 5,453,915
Plan members	394,311	299,323
Insurance premium surtax	1,026,327	1,108,964
Total contributions	5,737,492	6,862,202
Investment income:		
Net increase (decrease) in fair value of investments	650,540	367,808
Interest and dividends	645,531	542,861
Net investment income	1,296,071	910,669
Total additions	7,033,563	7,772,871
DEDUCTIONS		
Benefits	3,749,518	5,084,480
Administrative expenses	106,224	80,679
Refunds of contributions	--	28,804
Total deductions	3,855,742	5,193,963
Change in net position	3,177,821	2,578,908
Net position held in trust for pension benefits:		
Beginning of year	19,235,794	10,943,947
End of year	\$ 22,413,615	\$ 13,522,855

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

V.B.1 Plan Descriptions Contribution Information and Funding Policies

Public Employees Retirement System (PERS)

The Municipality of Huntington, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general Municipality employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

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

Public Employees Retirement System (PERS)

Eligibility to participate	All Municipality full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Municipality's contribution rate	14.00%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

V.B.2. Trend Information

Public Employees Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2013	\$ 696,644	100%
2012	\$ 711,400	100%
2011	\$ 670,380	100%
2010	\$ 585,574	100%
2009	\$ 576,610	100%

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 Ave S.E., Charleston, WV 25304.

V.C.1 Plan Descriptions, Contribution Information and Funding Policies

Municipal Police Officers & Firefighters Retirement System (MPFRS)

The Municipality of Huntington, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of hired Municipal public safety employees after January 1, 2010. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

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

**Municipal Police Officers and
Firefighters Retirement System (MPFRS)**

Eligibility to participate	Municipal public safety employees not covered under other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	8.50%
Municipality's contribution rate	8.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 70 and has earned 10 years or more of contributing service or age 60 if the sum of his/her age plus years of credited service is equal to or greater than 70. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

V.C.2. Trend Information

Municipal Police Officers & Firefighters Retirement System (MPFRS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2013	\$ 77,834	100%
2012	\$ 40,754	100%
2011	\$ 27,265	100%
2010	\$ 2,816	100%

MPFRS 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 Ave S.E., Charleston, WV 25304.

REQUIRED SUPPLEMENTARY INFORMATION

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013**

I. SCHEDULES OF FUNDING PROGRESS

Other Postemployment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/07	\$ --	\$ 85,445,330	\$ 85,445,330	0.00%	\$ 16,423,689	520%
7/1/08	--	88,506,374	88,506,374	0.00%	16,916,339	523%
7/1/09	--	109,692,330	109,692,330	0.00%	16,849,837	651%
7/1/10	--	108,988,787	108,988,787	0.00%	17,355,332	628%
7/1/11	--	118,891,508	118,891,508	0.00%	15,568,431	764%
7/1/12	--	124,162,128	124,162,128	0.00%	16,035,484	774%

Policemen's Pension and Relief Fund (PPRF)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/06	\$ 5,277,416	\$ 62,072,334	\$ 56,794,918	8.50%	\$ 4,336,563	1310%
7/1/07	7,338,963	34,079,126	26,740,163	21.54%	4,573,217	585%
7/1/09	10,301,778	38,238,403	27,936,625	26.94%	5,096,730	548%
7/1/10	12,731,238	83,776,208	71,044,970	15.20%	5,228,133	1359%
7/1/11	16,648,665	78,946,410	62,297,745	21.09%	5,170,926	1205%
7/1/12	19,238,866	82,307,347	63,068,481	23.37%	5,273,972	1196%

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013**

I. SCHEDULES OF FUNDING PROGRESS (continued)

Firemen's Pension and Relief Fund (FPRF)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % covered payroll (b-a)/c
7/1/06	\$ 1,818,597	\$ 70,535,912	\$ 68,717,315	2.58%	\$ 4,238,353	1621%
7/1/07	2,770,146	71,624,817	68,854,671	3.87%	4,562,553	1509%
7/1/09	4,368,513	77,022,857	72,654,344	5.67%	4,442,757	1635%
7/1/10	5,708,591	93,937,540	88,228,949	6.08%	4,575,882	1928%
7/1/11	8,896,199	95,485,206	86,589,007	9.32%	4,583,449	1889%
7/1/12	10,946,214	99,550,684	88,604,470	11.00%	4,246,216	2087%

II. SCHEDULES OF EMPLOYER CONTRIBUTIONS

Other Postemployment Benefits (OPEB)

Fiscal Year	Municipal Contributions	Percent Contributed
2013	\$ 2,832,792	26%
2012	2,635,155	26%
2011	2,717,289	30%
2010	2,527,711	27%
2009	2,426,494	34%
2008	2,282,041	33%

Policemen's Pension and Relief Fund (PPRF)

Fiscal Year	Municipal Contributions	Percent Contributed
2013	\$ 5,343,181	129%
2012	4,716,399	116%
2011	4,850,111	113%
2010	3,801,260	67%
2009	4,097,891	95%
2008	3,829,801	92%

Firemen's Pension and Relief Fund (FPRF)

Fiscal Year	Municipal Contributions	Percent Contributed
2013	\$ 6,562,879	132%
2012	5,387,924	109%
2011	5,676,054	117%
2010	4,454,676	66%
2009	4,137,567	97%
2008	3,866,885	100%

SUPPLEMENTARY INFORMATION

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF RATE COVENANT COMPLIANCE
For the Fiscal Year Ended June 30, 2013

I. The Municipal Parking Board (the Board) is subject to rate covenant compliance associated with the issuance of the Series 2000 Bonds. Specifically, the Board must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"...the Issuer, hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than the sum of 125% of the Maximum Annual Debt Service..."

The following schedule summarizes the provisions for the fiscal year ended June 30, 2013.

Rate Covenant

<u>Net Gross</u>	<u>Maximum</u>		
<u>Revenues</u>	<u>Amount Annual</u>	<u>Debt Service</u>	<u>Percentage</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 152,913	\$ 213,876	71%	125%

As of June 30, 2013, the Board was not in compliance with the provisions of the Series 2000 revenue bond covenant which require revenues to be 125% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the Series 2000 revenue bond covenant require that assets be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one-third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one-tenth of one-twelfth of the highest debt service payment in any given year.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF RATE COVENANT COMPLIANCE
For the Fiscal Year Ended June 30, 2013

I. The Sanitary Board (the Board) is subject to rate covenant compliance associated with the issuance of the Series 2013 Bonds. Specifically, the Board must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"...the issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than the sum of (i) 120% of the Maximum Annual Debt Service on the bonds in any Fiscal Year, so long as the 1993 Bonds are Outstanding, and thereafter 115% of such amount; provided that, in the event the series 1993 Bonds are no longer outstanding and an amount equal to or in excess of the 1999 Bonds Reserve Account Requirement is on deposit..."

The following schedule summarizes the provisions for the fiscal year ended June 30, 2013.

Rate Covenant

<u>Net Gross</u>	<u>Maximum</u>		
<u>Revenues</u>	<u>Amount Annual</u>	<u>Percentage</u>	<u>Required</u>
\$ 3,056,083	\$ 1,051,487	291%	120%

As of June 30, 2013, the Board was in compliance with the provisions of the Series 2013 revenue bond covenant which require revenues to be 120% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the 2013 revenue bond covenant require that assets be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one-third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one-tenth of one-twelfth of the highest debt service payment in any given year. The Board deposited \$1,694,167 in the revenue and reserve accounts to comply with the bond provisions.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service Tax Increment Financing</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS				
Assets:				
Current:				
Cash and cash equivalents	\$ 524,851	\$ 437,542	\$ 23,521	\$ 985,914
Investments	--	1,304,360	--	1,304,360
Receivables:				
Accounts	751,343	--	--	751,343
Due from:				
Other funds	30,561	14,874	--	45,435
Assets held for resale	706,543	--	--	706,543
	<u>2,013,298</u>	<u>1,756,776</u>	<u>23,521</u>	<u>3,793,595</u>
 Total assets	 <u>2,013,298</u>	 <u>1,756,776</u>	 <u>23,521</u>	 <u>3,793,595</u>
 Deferred Outflows:				
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Total deferred outflows of resources	 <u>--</u>	 <u>--</u>	 <u>--</u>	 <u>--</u>
 Total assets and deferred outflows of resources	 <u>\$ 2,013,298</u>	 <u>\$ 1,756,776</u>	 <u>\$ 23,521</u>	 <u>\$ 3,793,595</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	32,121	--	--	32,121
Reserve for health claims	677,856	--	--	677,856
Due to:				
Other funds	128,022	--	--	128,022
Deferred revenue:				
Other deferred revenue	637,500	--	--	637,500
	<u>1,475,499</u>	<u>--</u>	<u>--</u>	<u>1,475,499</u>
 Total liabilities	 <u>1,475,499</u>	 <u>--</u>	 <u>--</u>	 <u>1,475,499</u>
 Deferred Inflows:				
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Total deferred inflows of resources	 <u>--</u>	 <u>--</u>	 <u>--</u>	 <u>--</u>
 Total liabilities and deferred inflows of resources	 <u>1,475,499</u>	 <u>--</u>	 <u>--</u>	 <u>1,475,499</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service Tax Increment Financing</u>	<u>Total Nonmajor Governmental Funds</u>
Fund balances:				
Reserved for:				
Nonspendable	\$ 706,543	\$ --	\$ --	\$ 706,543
Restricted	--	--	23,521	23,521
Assigned	252,331	1,756,776	--	2,009,107
Unassigned	<u>(421,075)</u>	<u>--</u>	<u>--</u>	<u>(421,075)</u>
 Total fund balances	 <u>537,799</u>	 <u>1,756,776</u>	 <u>23,521</u>	 <u>2,318,096</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 2,013,298</u>	 <u>\$ 1,756,776</u>	 <u>\$ 23,521</u>	 <u>\$ 3,793,595</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service Tax Increment Financing</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes:				
Ad valorem property taxes	\$ --	\$ --	\$ 251,506	\$ 251,506
Charges for services	440,429	74,022	--	514,451
Fines and forfeits	36,987	--	--	36,987
Interest earnings	896	561	44	1,501
Tax redemption income	28,449	--	--	28,449
Contributions and donations	346,808	--	--	346,808
Miscellaneous	9,475	--	--	9,475
	<u>863,044</u>	<u>74,583</u>	<u>251,550</u>	<u>1,189,177</u>
EXPENDITURES				
Current:				
General government	30,173	--	2,000	32,173
Public safety	553,386	--	--	553,386
Health and sanitation	--	12,010	--	12,010
Capital projects	29,246	--	--	29,246
Debt service:				
Principal	--	--	140,000	140,000
Interest	29,291	--	95,335	124,626
	<u>642,096</u>	<u>12,010</u>	<u>237,335</u>	<u>891,441</u>
Excess (deficiency) of revenues over expenditures	<u>220,948</u>	<u>62,573</u>	<u>14,215</u>	<u>297,736</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(267,500)	--	--	(267,500)
Proceeds from the sale of assets	(65,797)	--	--	(65,797)
	<u>(333,297)</u>	<u>--</u>	<u>--</u>	<u>(333,297)</u>
Net change in fund balance	(112,349)	62,573	14,215	(35,561)
Fund balances - beginning	<u>650,148</u>	<u>1,694,203</u>	<u>9,306</u>	<u>2,353,657</u>
Fund balances - ending	<u>\$ 537,799</u>	<u>\$ 1,756,776</u>	<u>\$ 23,521</u>	<u>\$ 2,318,096</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	Capital Improvements	Safety Town	Federal Drug	Special Paving and Sewer Assessment	Westmoreland Fire Protection	Jean Dean Public Safety	Urban Renewal	Total Nonmajor Special Revenue Funds
ASSETS AND DEFERRED OUTFLOWS								
Assets:								
Current:								
Cash and cash equivalents	\$ 5,772	\$ 6,838	\$ 118,720	\$ 785	\$ 144,409	\$ 138,161	\$ 110,166	\$ 524,851
Receivables:								
Accounts	750,000	--	--	--	--	--	1,343	751,343
Other funds	--	--	--	--	--	30,561	--	30,561
Assets held for resale	--	--	--	--	--	--	706,543	706,543
Total assets	\$ 755,772	\$ 6,838	\$ 118,720	\$ 785	\$ 144,409	\$ 168,722	\$ 818,052	\$ 2,013,298
Deferred Outflows:								
	--	--	--	--	--	--	--	--
Total deferred outflows of resources	--	--	--	--	--	--	--	--
Total assets and deferred outflows of resources	\$ 755,772	\$ 6,838	\$ 118,720	\$ 785	\$ 144,409	\$ 168,722	\$ 818,052	\$ 2,013,298
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable	--	275	24,878	--	--	1,268	5,700	32,121
Reserve for health claims	--	--	--	--	--	--	677,856	677,856
Due to:								
Other funds	112,500	--	2,249	--	--	13,273	--	128,022
Deferred revenue:								
Other deferred revenue	637,500	--	--	--	--	--	--	637,500
Total liabilities	750,000	275	27,127	--	--	14,541	683,556	1,475,499
Deferred Inflows:								
	--	--	--	--	--	--	--	--
Total deferred inflows of resources	--	--	--	--	--	--	--	--
Total liabilities and deferred inflows of resources	750,000	275	27,127	--	--	14,541	683,556	1,475,499
Fund balances:								
Nonspendable	--	--	--	--	--	--	706,543	706,543
Assigned	5,772	--	91,593	785	--	154,181	--	252,331
Unassigned	--	6,563	--	--	144,409	--	(572,047)	(421,075)
Total fund balances	5,772	6,563	91,593	785	144,409	154,181	134,496	537,799
Total liabilities, deferred inflows and fund balances	\$ 755,772	\$ 6,838	\$ 118,720	\$ 785	\$ 144,409	\$ 168,722	\$ 818,052	\$ 2,013,298

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	Capital Improvements	Safety Town	Federal Drug	Special Paving and Sewer Assessment	Westmoreland Fire Protection	Jean Dean Public Safety	Urban Renewal	Total Nonmajor Special Revenue Funds
REVENUES								
Charges for services	\$ 145,000	\$ --	\$ --	\$ --	\$ --	\$ 295,429	\$ --	\$ 440,429
Fines and forfeits	--	--	--	--	--	36,987	--	36,987
Interest and investment earnings	5	11	288	1	212	301	78	896
Tax redemption income	--	--	--	--	--	--	28,449	28,449
Contributions and donations	--	20,500	326,308	--	--	--	--	346,808
Miscellaneous	--	--	9,475	--	--	--	--	9,475
Total revenues	145,005	20,511	336,071	1	212	332,717	28,527	863,044
EXPENDITURES								
Current:								
General government	--	--	--	--	--	--	30,173	30,173
Public safety	--	20,165	282,064	--	24,664	226,493	--	553,386
Capital projects	--	96	29,150	--	--	--	--	29,246
Interest	--	--	--	--	--	--	29,291	29,291
Total expenditures	--	20,261	311,214	--	24,664	226,493	59,464	642,096
Excess (deficiency) of revenues over expenditures	145,005	250	24,857	1	(24,452)	106,224	(30,937)	220,948
OTHER FINANCING SOURCES (USES)								
Transfers (out)	(112,500)	--	--	--	--	(155,000)	--	(267,500)
Proceeds from the sale of assets	--	--	--	--	--	--	(65,797)	(65,797)
Total other financing sources (uses)	(112,500)	--	--	--	--	(155,000)	(65,797)	(333,297)
Net change in fund balance	32,505	250	24,857	1	(24,452)	(48,776)	(96,734)	(112,349)
Fund balances - beginning	(26,733)	6,313	66,736	784	168,861	202,957	231,230	650,148
Fund balances - ending	\$ 5,772	\$ 6,563	\$ 91,593	\$ 785	\$ 144,409	\$ 154,181	\$ 134,496	\$ 537,799

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2013

	<u>Landfill Reserve</u>	<u>Floodwall</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS AND DEFERRED OUTFLOWS			
Assets:			
Current:			
Cash and cash equivalents	\$ 281,864	\$ 155,678	\$ 437,542
Investments	1,304,360	--	1,304,360
Receivables:	--	--	
Other funds	14,874	--	14,874
	<u>1,601,098</u>	<u>155,678</u>	<u>1,756,776</u>
Total assets			
	<u>1,601,098</u>	<u>155,678</u>	<u>1,756,776</u>
Deferred Outflows:			
	--	--	--
Total deferred outflows of resources	<u>--</u>	<u>--</u>	<u>--</u>
	--	--	--
Total assets and deferred outflows of resources	<u>\$ 1,601,098</u>	<u>\$ 155,678</u>	<u>\$ 1,756,776</u>
DEFERRED INFLOWS AND FUND BALANCES			
Deferred Inflows:			
	--	--	--
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>--</u>
	--	--	--
FUND BALANCES			
Assigned	<u>1,601,098</u>	<u>155,678</u>	<u>1,756,776</u>
Total fund balances	<u>1,601,098</u>	<u>155,678</u>	<u>1,756,776</u>
Total deferred inflows and fund balances	<u>\$ 1,601,098</u>	<u>\$ 155,678</u>	<u>\$ 1,756,776</u>

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES -
 NONMAJOR CAPITAL PROJECTS FUNDS
 For the Fiscal Year Ended June 30, 2013**

	<u>Landfill Reserve</u>	<u>Floodwall</u>	<u>Total Nonmajor Capital Projects Funds</u>
REVENUES			
Charges for services	\$ 74,022	\$ --	\$ 74,022
Interest and investment earnings	405	156	561
	<u>74,427</u>	<u>156</u>	<u>74,583</u>
Total revenues			
EXPENDITURES			
Current:			
Health and sanitation	<u>12,010</u>	<u>--</u>	<u>12,010</u>
Total expenditures	<u>12,010</u>	<u>--</u>	<u>12,010</u>
Net change in fund balance	62,417	156	62,573
Fund balances - beginning	<u>1,538,681</u>	<u>155,522</u>	<u>1,694,203</u>
Fund balances - ending	<u>\$ 1,601,098</u>	<u>\$ 155,678</u>	<u>\$ 1,756,776</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUND
June 30, 2013

	Business-type Activities Enterprise Fund <hr style="border-top: 1px solid black;"/> Civic Arena <hr style="border-top: 1px solid black;"/>
ASSETS	
Current:	
Cash and cash equivalents	\$ 260,784
Accounts	136,561
Due from:	
Other funds	111,110
Inventory, at cost	31,866
Prepaid expenses	<u>45,885</u>
 Total current assets	 <u>586,206</u>
 Total assets	 <u>586,206</u>
LIABILITIES	
Current liabilities payable from current assets:	
Accounts payable	96,554
Payroll payable	28,063
Customer deposits	29,524
Due to:	
Other funds	<u>409,190</u>
 Total current liabilities payable from current assets	 <u>563,331</u>
Deferred revenues:	
Charges for services	4,275
Ticket sales	54,145
Other deferred revenues	<u>2,083</u>
 Total deferred revenues	 <u>60,503</u>
 Total liabilities	 <u>623,834</u>
NET POSITION	
Unrestricted	<u>(37,628)</u>
Total net position	<u>\$ (37,628)</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities Enterprise Fund <u>Civic Arena</u>
Operating revenues:	
Sales and services to customers	\$ 969,967
Contributions	55,814
Rebates and reimbursements	571,742
Rental fees	301,162
Miscellaneous	9,283
	<u>1,907,968</u>
 Total revenues	 <u>1,907,968</u>
 Operating expenses:	
Personal services	665,249
Contractual services	241,616
Administrative and general	1,115,397
Miscellaneous	71,999
Liability insurance	125,721
Materials and supplies	9,771
Utilities	173,517
Maintenance	38,322
	<u>2,441,592</u>
 Total operating expenses	 <u>2,441,592</u>
 Operating income (loss)	 <u>(533,624)</u>
 Nonoperating revenues (expenses):	
Interest revenue	14
	<u>14</u>
 Total nonoperating revenues (expenses)	 <u>14</u>
 Income (loss) before operating transfers and contributions	 <u>(533,610)</u>
 Transfers in	540,644
 Change in net assets	7,034
 Net position at beginning of year	 <u>(44,662)</u>
 Net position at end of year	 <u>\$ (37,628)</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities Enterprise Fund <u>Civic Arena</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,900,388
Cash paid for goods and services	(1,686,176)
Cash paid to employees	<u>(666,583)</u>
Net cash provided (used) by operating activities	<u>(452,371)</u>
Cash flows from noncapital financing activities:	
Transfers in	<u>540,644</u>
Net cash provided (used) by noncapital financing activities	<u>540,644</u>
Cash flows from investing activities:	
Interest received	<u>14</u>
Net cash provided (used) by investing activities	<u>14</u>
Net increase (decrease) in cash and cash equivalents	<u>88,287</u>
Cash and cash equivalents, July 1,	<u>172,497</u>
Cash and cash equivalents, June 30,	<u><u>\$ 260,784</u></u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities Enterprise Fund <hr/> Civic Arena <hr/>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (533,624)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in accounts receivable	(15,716)
Decrease (increase) in due from other funds	42,217
Decrease (increase) in inventory	(1,187)
Decrease (increase) in prepaid expenses	(32,894)
Increase (decrease) in customer deposits	5,727
Increase (decrease) in accounts payable	57,636
Increase (decrease) in deferred revenues	(116,309)
Increase (decrease) in payroll payable	(1,334)
Increase (decrease) in due to other funds	143,113
	<hr/>
Net cash provided by operations	\$ <u><u>(452,371)</u></u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2013

	<u>Police Retiree's Insurance</u>	<u>Fire Retiree's Insurance</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 720,561	\$ 352,840	\$ 1,073,401
Due from primary government	<u>79,136</u>	<u>32,116</u>	<u>111,252</u>
Total assets	<u>799,697</u>	<u>384,956</u>	<u>1,184,653</u>
DEFERRED OUTFLOWS			
	<u>--</u>	<u>--</u>	<u>--</u>
Total deferred outflows of resources	<u>--</u>	<u>--</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 799,697</u>	<u>\$ 384,956</u>	<u>\$ 1,184,653</u>
LIABILITIES			
Due to primary government	<u>200</u>	<u>--</u>	<u>200</u>
Total liabilities	<u>200</u>	<u>--</u>	<u>200</u>
DEFERRED INFLOWS			
	<u>--</u>	<u>--</u>	<u>--</u>
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>--</u>
Net position			
Held in trust for pension benefits	<u>799,497</u>	<u>384,956</u>	<u>1,184,453</u>
Total net position	<u>\$ 799,497</u>	<u>\$ 384,956</u>	<u>\$ 1,184,453</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 799,697</u>	<u>\$ 384,956</u>	<u>\$ 1,184,653</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION - COMPONENT UNITS
June 30, 2013

	Business-type Activities		
	- Enterprise Funds		
	Municipal Development Authority	Municipal Parking Board	Sanitary Board
ASSETS			
Current:			
Cash and cash equivalents	\$ 186,277	\$ 163,049	\$ 1,017,732
Receivables:			
Accounts	--	3,892	1,471,099
Loans	4,142,379	--	--
Due from:			
Primary government	--	--	2,300
Inventory, at cost	--	--	26,568
Prepaid expenses	--	9,652	12,342
	4,328,656	176,593	2,530,041
 Total current assets			
Noncurrent assets:			
Restricted assets:			
Regular account	1,549,614	266,552	504,285
Reserve account	--	--	1,190,682
Renewal and replacement	--	--	786,360
Reserve for construction	--	--	2,084,765
	1,549,614	266,552	4,566,092
 Total restricted assets			
Capital assets:			
Nondepreciable:			
Land	6,009,557	1,751,377	216,155
Construction in progress	--	--	3,366,277
Depreciable:			
Buildings	12,798,118	4,775,403	82,038,794
Improvements	1,588,811	686,648	--
Vehicles	--	--	2,253,094
Machinery and equipment	200,000	672,029	1,788,980
Furniture and fixtures	2,625,739	--	--
Less: accumulated depreciation	(9,491,542)	(4,790,737)	(55,521,112)
	13,730,683	3,094,720	34,142,188
 Total capital assets (net of accumulated depreciation)			

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION - COMPONENT UNITS
June 30, 2013

	Business-type Activities		
	- Enterprise Funds		
	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Other debits:			
Other	\$ 93,899	\$ 10,838	\$ 341,708
Total other debits	93,899	10,838	341,708
 Total noncurrent assets	 15,374,196	 3,372,110	 39,049,988
Total assets	19,702,852	3,548,703	41,580,029
 DEFERRED OUTFLOWS			
	--	--	--
Total deferred outflows of resources	--	--	--
 LIABILITIES			
Current liabilities payable			
from current assets:			
Accounts payable	125,820	2,956	660,422
Payroll payable	--	--	23,631
Other accrued expenses	--	--	55,000
Health claims payable	5,114	18,616	--
Accrued revenue bond/note interest payable	--	--	17,161
Due to:			
Primary government	11,037	26,885	--
Bonds payable	270,000	147,323	1,261,468
Notes payable	205,000	--	--
Total current liabilities payable from current assets	616,971	195,780	2,017,682
 Deferred revenues:			
Charges for services	--	2,610	--
Total deferred revenues	--	2,610	--

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF NET POSITION - COMPONENT UNITS
June 30, 2013

	Business-type Activities		
	- Enterprise Funds		
	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Noncurrent liabilities			
Bonds payable	\$ 8,130,000	\$ 1,211,929	\$ 12,323,680
Notes payable	985,000	--	--
Other postemployment benefits payable	5,429	59,501	2,107,418
Compensated absences payable	--	179,291	73,398
	<u>9,120,429</u>	<u>1,450,721</u>	<u>14,504,496</u>
Total noncurrent liabilities			
	<u>9,120,429</u>	<u>1,450,721</u>	<u>14,504,496</u>
Total liabilities	<u>9,737,400</u>	<u>1,649,111</u>	<u>16,522,178</u>
DEFERRED INFLOWS			
	<u>--</u>	<u>--</u>	<u>--</u>
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION			
Net investment in capital assets	4,140,683	1,735,468	20,557,040
Restricted for debt service	1,549,614	266,552	1,694,967
Restricted for renewal and replacement	--	--	786,360
Restricted for construction	--	--	1,788,980
Unrestricted	4,275,155	(102,428)	230,504
	<u>4,275,155</u>	<u>(102,428)</u>	<u>230,504</u>
Total net position	<u>\$ 9,965,452</u>	<u>\$ 1,899,592</u>	<u>\$ 25,057,851</u>

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - COMPONENT UNITS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities		
	- Enterprise Funds		
	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Operating revenues:			
Sales and services to customers	\$ --	\$ 800,252	\$ 10,481,349
Fines and forfeits	--	--	107,928
Rental fees	--	81,581	--
Miscellaneous	2,794	7,792	15,480
	2,794	889,625	10,604,757
Operating expenses:			
Personal services	92,618	595,149	4,370,511
Contractual services	--	15,743	69,203
Administrative and general	11,249	63,367	762,610
Rents	--	--	27,453
Miscellaneous	--	--	5,470
Fuel and oil	--	--	24,558
Liability insurance	--	--	200,385
Materials and supplies	570	18,254	891,743
Utilities	2,428	23,557	848,861
Depreciation	845,593	167,076	2,274,719
Maintenance	9,026	20,947	347,880
Amortization	14,416	1,445	15,628
	975,900	905,538	9,839,021
Operating income (loss)	(973,106)	(15,913)	765,736
Nonoperating revenues (expenses):			
Tax increment revenue	75,171	--	--
Investment earnings	903	305	4,781
Gain (loss) on sale of capital assets	(103,320)	2,220	--
Interest and fiscal charges	(581,656)	(57,842)	(412,628)
Debt forgiveness	1,115,027	--	--
	506,125	(55,317)	(407,847)

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - COMPONENT UNITS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities		
	- Enterprise Funds		
	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Income (loss) before operating transfers and contributions	\$ (466,981)	\$ (71,230)	\$ 357,889
Capital contributions	31,005	--	--
Transfers in	1,780,149	--	--
Transfers(out)	(879,525)	--	--
Change in net position	464,648	(71,230)	357,889
Net position at beginning of year	9,500,804	1,970,822	24,699,962
Net position at end of year	\$ 9,965,452	\$ 1,899,592	\$ 25,057,851

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - COMPONENT UNITS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Cash flows from operating activities:			
Cash received from customers	\$ 2,794	\$ 903,418	\$ 10,216,261
Cash paid for goods and services	(128,397)	(163,775)	(2,756,313)
Cash paid to employees	(87,263)	(558,167)	(3,882,385)
Net cash provided (used) by operating activities	(212,866)	181,476	3,577,563
Cash flows from noncapital financing activities:			
Transfers in	1,780,149	--	--
Transfers (out)	(879,525)	--	--
Net cash provided (used) by noncapital financing activities	900,624	--	--
Cash flows from capital and related financing activities:			
Capital contributions	31,005	--	--
Purchases of capital assets	(1,082,810)	(19,049)	(1,744,667)
Debt forgiveness	1,115,027	--	--
Principal paid on capital debt	(1,575,027)	(156,405)	(989,169)
Proceeds from the sales of capital assets	1,161,225	9,555	--
Interest paid on capital debt	(581,656)	(57,842)	(427,359)
Net cash provided (used) by capital and related financing activities	(932,236)	(223,741)	(3,161,195)
Cash flows from investing activities:			
Tax increment	75,171	--	--
Interest received	903	305	4,781
Net cash provided (used) by investing activities	76,074	305	4,781
Net increase (decrease) in cash and cash equivalents	(168,404)	(41,960)	421,149
Cash and cash equivalents, July 1, (including \$5,718,192 in restricted accounts)	1,904,295	471,561	5,162,675
Cash and cash equivalents, June 30, (including \$6,382,258 in restricted accounts)	\$ 1,735,891	\$ 429,601	\$ 5,583,824

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - COMPONENT UNITS
For the Fiscal Year Ended June 30, 2013

	Business-type Activities		
	- Enterprise Funds		
	Municipal Development Authority	Municipal Parking Board	Sanitary Board
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (973,106)	\$ (15,913)	\$ 765,736
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	845,593	167,076	2,274,719
Amortization	14,416	1,480	15,628
Decrease (increase) in accounts receivable	--	13,793	(378,805)
Decrease (increase) in due from primary government	--	(29,720)	51,465
Decrease (increase) in inventory			(5,634)
Decrease (increase) in prepaid expenses	--	(586)	23,153
Increase (decrease) in other postemployment benefits	241	10,432	570,707
Increase (decrease) in accounts payable	(59,021)	(3,162)	290,875
Increase (decrease) in payroll payable	--	--	(84,131)
Increase (decrease) in due to primary government	(46,103)	1,094	--
Increase (decrease) in compensated absences	--	18,366	1,550
Increase (decrease) in other accrued expenses	--	--	55,000
Increase (decrease) in health care claims payable	5,114	18,616	--
Increase (decrease) in customers deposits payable	--	--	(2,700)
	<u>\$ (212,866)</u>	<u>\$ 181,476</u>	<u>\$ 3,577,563</u>
Net cash provided by operations	<u>\$ (212,866)</u>	<u>\$ 181,476</u>	<u>\$ 3,577,563</u>

ACCOMPANYING INFORMATION



State of West Virginia

Glen B. Gainer III

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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*

Independent Auditor's Report

Honorable Mayor and Council
Municipality of Huntington
Huntington, West Virginia 25717

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Huntington, West Virginia (the Municipality), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated February 13, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 through 2013-006 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-007 through 2013-013.

Entity's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor
Charleston, West Virginia

February 13, 2014



State of West Virginia

Glen B. Gainer III

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Chief Inspector**

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Honorable Mayor and Council
Municipality of Huntington
Huntington, West Virginia 25717

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Municipality of Huntington, West Virginia (the Municipality) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended June 30, 2013. The Municipality's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor
Charleston, West Virginia

February 13, 2014

MUNICIPALITY OF HUNTINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
U. S. Department of Agriculture			
Pass-through Programs from:			
State of West Virginia Department of Education			
Child and Adult Care Food Program	10.558	51105	<u>\$ 20,258</u>
Total U. S. Department of Agriculture			<u>20,258</u>
 U. S. Department of Housing and Urban Development			
Direct programs:			
<u>Program Title</u>			
Community Development Block Grants / Entitlement grants	14.218	N/A	2,355,072
Emergency Solutions Grant Program	14.231	N/A	124,345
HOME Investment Partnerships Program	14.239	N/A	1,018,061
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	N/A	37,486
Pass-through Programs From:			
West Virginia State Office of Economic Opportunity			
<u>Program Title</u>			
Emergency Solutions Grants Program	14.231	S-11-DC-54-0001	<u>46,035</u>
Total U. S. Department of Housing and Urban Development			<u>3,580,999</u>

MUNICIPALITY OF HUNTINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
U. S. Department of Justice			
Pass-through Programs From:			
West Virginia Department of Criminal Justice Services			
<u>Program Title</u>			
Community Capacity Development Office	16.595	2010-WS-WX-0005	\$ 4,269
Recovery Act - Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0915	208,168
 <i>JAG Program Cluster</i>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units of Local Government			
	16.804	2009-SB-B9-1646	112,370
<u>Program Title</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3104	20,747
 Pass-through Programs From:			
Division of Justice and Community Services			
Edward Byrne Memorial Formula Grant Program	16.579	2012-DJ-BX-0306	18,382
Total U. S. Department of Justice			363,936
 U.S. Department of Transportation			
Pass-through Programs From:			
West Virginia Department of Transportation			
<i>Highway Safety Cluster</i>			
<u>Program Title</u>			
State and Community Highway Safety	20.600	F12HS02-402	45,008
		F13HS02-402	129,751
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	F12HS02-410HV	3,614
		F13HS02-410HV	34,560
		F12HS02-410HF	13,334
		F13HS02-410HF	3,836
		F12HS02-410	18,376
		F13HS02-410	42,166
Safety Belt Performance Grants	20.609	F12HS02-406	114,199
		F13HS02-406	64,160

MUNICIPALITY OF HUNTINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
Pass-through Programs From: West Virginia Department of Transportation			
<i>Highway Safety Cluster (continued)</i>			
State Traffic Safety Information System Improvement Grants	20.610	F12HS02-408 F13HS02-408	\$ 4,987 55,000
Child Safety and Child Booster Seats Incentive Grants	20.613	F12HS02-2011 F13HS02-2012	5,819 8,448
Alcohol Open Container Requirements	20.607	F12HS02-154 F12HS02-154	17,974 <u>87,023</u>
Total U.S. Department of Transportation			<u>648,255</u>
U.S. Environmental Protection Agency			
Pass-through Programs From: West Virginia Department of Environmental Protection			
<u>Program Title</u> Capitalization Grants for Clean Water State Revolving Funds	66.458	C544461 C544341	33,281 677,659
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	209-SU-B9-0034	<u>7,072</u>
Total U.S. Environmental Protection Agency			<u>718,012</u>
U.S. Department of Military Affairs and Public Safety			
Pass-through Programs From: State of West Virginia Department of Military Affairs and Safety			
<u>Program Title</u> Homeland Security Grant Program	97.067	2010SS-TO-0074	<u>204,317</u>
Total U.S. Department of Military Affairs and Public Safety			<u>204,317</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 5,535,777</u>

The accompanying notes are an integral part of this schedule.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality 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 - LOANS OUTSTANDING

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 the uncollectable amounts at June 30, 2013 consists of:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grants / Entitlement Grants	14.218	\$ 4,675,498
Home Investment Partnerships Program	14.239	\$ 3,336,828

NOTE 3 - SUBRECIPIENT DISBURSEMENTS

Of the federal expenditures presented in the Schedule, the Municipality provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
Community Development Block Grants / Entitlement Grants	14.218	\$ 144,165
Emergency Solutions Grants Program	14.231	\$ 84,122

NOTE 4 - FEDERAL SUBSIDIES

Federal interest rate subsidies related to the Municipality's Build America Bonds totaling \$166,736 are included in revenues from the Federal government in the Municipal Development Authority, but are not subject to the Single Audit Act or reportable on the SEFA.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over Financial Reporting:	
Material weakness identified?	Yes
Significant deficiencies identified that is not considered to be a material weakness?	No
Noncompliance material to the financial statements noted?	Yes

Federal Awards

Internal Control over Major Programs:

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grants / Entitlement Grants
14.239	HOME Investment Partnership Program
20.600,20.601,20.609,20.610,20.613	Highway Safety Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Program:	\$ 300,000
Auditee qualify as a low-risk auditee?	No

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Section II - Financial Statement Findings

Check Signatures

2013-001

CONDITION:

It was determined during this examination that checks were issued from the Municipality of Huntington's checking accounts with only one signature.

CRITERIA:

In order to provide adequate internal controls over the disbursement of municipal funds; two signatures should be required on all checks.

CAUSE:

The Municipality failed to implement adequate internal controls regarding disbursements.

EFFECT:

A loss of control over cash occurred that created an environment conducive for the misuse of funds.

RECOMMENDATION:

All checks should contain two signatures indicating that more than one person has reviewed the disbursements.

AUDITED AGENCY'S RESPONSE:

Municipal officials stated that all checks shall contain two signatures.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Controls Over Cash Collections
2013-002**

CONDITION:

It was determined during this examination that the officials of the Municipality did not establish adequate controls over collections and the reconciliation of deposits. In some instances negative cash balances were present and bank fees were incurred.

CRITERIA:

Adequate internal controls mandate that the municipal officials establish controls which ensure that collections of revenues and deposits are reconciled in a timely fashion and accurate.

CAUSE:

Officials failed to properly adhere to policies and procedures related to cash collections and reconciliations.

EFFECT:

Cash balances were difficult to reconcile and confirm. Several bank fees were assessed for negative cash balances occurring within the fiscal year.

RECOMMENDATION:

The Municipal officials should implement controls to ensure each deposit is verified by an employee independent of preparing the deposits. Bank statements and cash balances should be closely monitored to ensure that negative cash balances do not occur.

AUDITED AGENCY'S RESPONSE:

The Municipal officials stated that all deposits will be reviewed by personnel that does not prepare the deposit. Also, bank accounts will be monitored to ensure no overdrafts or negative cash balances occur.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Segregation of Duties
2013-003**

CONDITION:

It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from the transactions were not assigned to different individuals.

CRITERIA:

Proper internal control dictates responsibility for approving, executing and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas.

CAUSE:

The entity has not implemented proper control procedures to sufficiently segregate duties.

EFFECT:

Internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner.

RECOMMENDATION:

The Municipality should distribute among the accounting staff the duties of approving, executing and recording transactions to the extent as being economically practicable.

AUDITED AGENCY'S RESPONSE:

The Municipal officials will evaluate the current processes and determine where further segregation of duties may be accomplished.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Accounts Receivable
2013-004**

CONDITION:

We determined during our examination that the Municipality did not properly accrue municipal fees and sanitation fees at June 30 as accounts receivable. The billing system produces a listing of all customer's bills which includes those that have been turned over to a collection agency. The municipal fees in the system totaled \$6,249,670 and the sanitation fees totaled \$5,124,628. The amounts reported as accounts receivable in the financial statements for municipal fees and sanitation fees were \$500,000 and \$465,060, respectively.

CRITERIA:

Proper internal control dictates that accounts receivable are accurately reflected and that a proper method is established for accounts deemed uncollectable.

CAUSE:

Officials failed to remove accounts deemed uncollectible from the accounting system.

EFFECT:

There is a lack of support for amounts recorded as accounts receivable in the financial statements. The billing system contains individual receivable amounts that are uncollectible.

RECOMMENDATION:

The allowance for doubtful accounts should be periodically analyzed and a systematic approach should be developed to reduce the allowance by directly writing off individual accounts for which collection procedures have ceased.

AUDITED AGENCY'S RESPONSE:

The Municipal officials stated that billed fees will be evaluated to determine the proper amount as collectible as of June 30. Accounts remitted to the collection agency will be removed from the billing system and from the allowance account.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Controls Over Financial Statement Preparation
2013-005**

CONDITION:

We noted during our audit of the Municipality of Huntington that employees or management did not prepare adequate financial statements as of fiscal year June 30, 2013. Specifically, significant audit adjustments and/or prior period adjustments had to be made during the audit to correct material misstatements and misclassifications discovered in the financial statements as prepared by management.

CRITERIA:

Paragraph 18 of Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, states in part:

"Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:

Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.

Controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements."

Furthermore, paragraph 19 states in part;

"Each of the following is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Controls Over Financial Statement Preparation
2013-005 (continued)**

CAUSE:

The Municipality has inadequate policies and procedures related to controls for preparing financial statements that does not minimize the risk of a material misstatement and/or misclassifications.

EFFECT:

A significant potential exists for misstatements to occur in the financial statements without being detected by employees or management in a timely manner.

RECOMMENDATION:

The Municipality should develop policies and procedures to ensure financial statements are prepared in accordance with generally accepted accounting principles.

AUDITED AGENCY'S RESPONSE:

The Municipal officials stated that the financial statements will be prepared and all accounts will be evaluated to determine the proper accruals prior to the audit to minimize significant audit adjustments in the future.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Pension Benefits
2013-006**

CONDITION:

It was noted during our examination that there were discrepancies in the calculation of pension benefits for the Police and Fire retirees. Specifically, the Municipality and Pension Boards did not utilize a uniform procedure for calculating these benefits and did not properly resolve the differences in the calculations.

CRITERIA:

Internal controls dictate that the calculation of the pension benefit payment be properly reviewed for correctness and completeness to ensure each qualifying retiree receives the proper pension payment as promulgated by State code.

CAUSE:

The Pension Boards provide a listing to the payroll department for payment of the retiree benefits. However, the calculations for these amounts are passed by the Pension Board without resolving any discrepancies that exist between the Pension Board and the Municipality's calculation.

EFFECT:

The Municipality could potentially overpay retirees by miscalculating the pension benefit payments in both the Policemen's and Firemen's Pension Funds than required.

RECOMMENDATION:

The Municipality should review statutes §8-22-7 concerning pension benefits and §8-22-26 concerning supplemental pension benefits and comply with the provisions set forth therein. Also, the Municipality and the Pension Board should review any discrepancies in calculation and determine an agreed upon method of calculation based within the aforementioned State code.

AUDITED AGENCY'S RESPONSE:

The Municipal officials stated that the pension calculation for the public safety retirees will be evaluated to determine a coordinated method between the Municipality and the Pension Boards that complies with state regulations.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Checks Made Payable to Cash
2013-007**

CONDITION:

It was determined during this examination that checks were made payable to cash in the Civic Arena fund to satisfy various promoters requests for possible contingencies that may occur during the performance.

CRITERIA:

West Virginia Code §12-3-19 states in part that:

"It shall be unlawful for any county commission, board of education or the governing body of a municipal corporation, or other body charged with the administration of the fiscal affairs of any county, school district, independent school district or municipality, to issue any general order for a payroll, or to any person to be disbursed or distributed by him to those who have performed the services or furnished the materials for which payment is to be made, but in all such cases the order shall be made payable to the persons lawfully entitled to such payment:..."

CAUSE:

The Municipality failed to establish adequate internal control with respect to disbursements related to settlements with promoters.

EFFECT:

Making checks payable to cash compromises control over this important asset and increases the risk of unauthorized use of these funds.

RECOMMENDATION:

The Municipality should discontinue the practice of issuing checks made payable to cash. Furthermore, the Municipality should maintain adequate internal controls over the disbursements.

AUDITED AGENCY'S RESPONSE:

The Municipal officials stated that checks will no longer be made payable to cash effective immediately.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Record of Traffic Cases
2013-008**

CONDITION:

It was determined during this examination of the municipal court of Huntington failed to maintain the court docket in the proper manner or adequately record the disposition of all traffic citations issued. Specifically, certain citations were dismissed and not properly adjudicated through the court system.

CRITERIA:

West Virginia Code §17c-19-7(b) states that:

"Upon the deposit of the original or a copy of such traffic citation with a court having jurisdiction over the alleged offense or with its traffic violations bureau as aforesaid, said original or copy of such traffic citation may be disposed of only by trial in said court or other official action by a judge of said court, including forfeiture of the bail or by the deposit of sufficient bail with or payment of a fine to said traffic violations bureau by the person to whom such traffic citation has been issued by the traffic-enforcement officer."

West Virginia Code §17c-19-8 further states that:

"Every justice or judge of a court shall keep or cause to be kept a record of every traffic complaint, or other legal form of traffic charge deposited with or presented to said court or its traffic violations bureau, and shall keep a record of every official action by said court or its traffic violations bureau in reference thereto, including but not limited to a record of every conviction, forfeiture of bail, judgment of acquittal, and the amount of fine or forfeiture resulting from every said traffic complaint deposited with or presented to said court or traffic violations bureau."

CAUSE:

The Municipality failed to implement policies and procedures which would insure that all citations issued would be properly adjudicated through the municipal court system.

EFFECT:

The potential for a loss of revenue exists for the city since certain cases are not properly adjudicated.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Record of Traffic Cases
2013-008 (continued)**

RECOMMENDATION:

The municipal officials of Huntington are directed to review these statutes and establish adequate procedures to ensure compliance with the provisions set forth therein. Copies of traffic citations issued should be filed in numeric order and retained for examination. Also, the municipal court docket should be maintained in such a manner as to ensure that every citation is properly adjudicated. Officials should record every conviction, forfeiture of bail, judgment of acquittal, and the amount of fine or forfeiture collected on each citation.

AUDITED AGENCY'S RESPONSE:

Officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Crime Victim's Compensation Fund
2013-009**

CONDITION:

It was determined during this examination that the municipal court of Huntington failed to remit the proper amount on a monthly basis to the State Treasurer's Office for the Crime Victim's Compensation Fund.

CRITERIA:

West Virginia Code §14-2a-4 states in part that:

"Every person within the state who is convicted of or pleads guilty to a misdemeanor offense, other than a traffic offense that is not a moving violation, in any magistrate court or circuit court, shall pay the sum of ten dollars as costs in the case, in addition to any other court costs that the court is required by law to impose upon the convicted person...."The clerk of the circuit court, magistrate court, or municipal court where the additional costs are imposed under the provisions of subsection (a) of this section shall, on or before the last day of each month, transmit all costs received under this article to the state treasurer for deposit in the state treasury to the credit of a special revenue fund to be known as the "Crime Victims Compensation Fund".

CAUSE:

The Municipality failed to implement internal controls to insure that all fines collected be remitted to the State Treasurer in a timely manner.

EFFECT:

The Municipality of Huntington did not remit fees collected in the proper time period to the State Treasurer for the Crime Victim's Compensation Fund.

RECOMMENDATION:

The officials of the Municipality of Huntington are directed to review this statute and comply with the provisions set forth therein.

AUDITED AGENCY'S RESPONSE:

Officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Remittance to State Treasurer - Law
Enforcement Training Fund
2013-010**

CONDITION:

It was determined during this examination that the court of the Municipality of Huntington failed to remit timely to the State Treasurer a portion of fees collected for the Law Enforcement Training Fund.

CRITERIA:

West Virginian Code §30-29-4 states in part that:

"(c) All fees collected pursuant to subsections (a) and (b) of this section shall be deposited in a separate account by the collecting agency. Within ten calendar days following the beginning of each calendar month, the collecting agency shall forward the amount deposited to the state treasurer..."

EFFECT:

Certain amounts for the Law Enforcement Training Fund were remitted to the State Treasurer significantly later than as required by State code.

RECOMMENDATION:

The municipal officials are directed to review this statute and comply with the provisions set forth therein.

AUDITED AGENCY'S RESPONSE:

Officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Remittance to the State Treasurer -
Regional Jail and Prison Development Fund
2013-011**

CONDITION:

It was determined during this audit that the court of Huntington failed to remit the fees collected for the Regional Jail and Prison Development Fund to the State Treasurer in a timely manner.

CRITERIA:

West Virginia Code §8-11-1a states I part that:

"The clerk of each municipal court or other person designated to receive fines and costs, shall at the end of each month pay into the regional jail and correctional facility authority fund in the state treasury an amount equal to forty dollars of the costs collected in each proceeding involving a traffic offense constituting a moving violation, regardless of whether the penalty for the violation provides for a period of incarceration, or any other offense for which the ordinance prescribing the offense provides for a period of incarceration."

CAUSE:

The municipal officials did not implement internal controls to ensure that all moneys collected for the Regional Jail and Prison Development Fund were remitted to the State Treasurer in a timely manner.

EFFECT:

Amounts were remitted to the State Treasurer for regional jail costs significantly later than stipulated by State code.

RECOMMENDATION:

The municipal officials of Huntington are directed to review this statute and comply with the provisions set forth therein.

AUDITED AGENCY'S RESPONSE:

Officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Municipal Parking Board Revenue Bond Ordinance - Rate Covenant
2013-012**

CONDITION:

It was determined during our examination that the Municipal Parking Board failed to assess sufficient rates or charges to comply with the 2000 series Rate Covenant Ordinance. The Board failed to meet this covenant by an amount of \$114,432 during the fiscal year ended June 30, 2013.

CRITERIA:

The Municipal Parking Board Revenue Bond Ordinance Rate Covenant states in part that:

"...the Issuer, hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than the sum of 125% of the Maximum Annual Debt Service..."

CAUSE:

The Board failed to implement safeguards which would ensure that rates were adequate to pay all operating expenses of the system and meet the bond rate covenant requirements.

EFFECT:

The Board incurred a net loss in the current fiscal year and therefore is in violation of the bond rate covenant. Further losses could inhibit the ability of the parking system from meeting financial obligations.

RECOMMENDATION:

The municipal officials are directed to review this ordinance and comply with the provisions set forth therein.

AUDITED AGENCY'S RESPONSE:

The Board officials stated that the rates are currently under review to determine if an increase is required.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Expenditure in Excess of Amounts Allocated
in the Levy Estimate - General Fund
2013-013**

CONDITION:

It was determined during this examination that municipal officials of Municipality of Huntington incurred expenditures and/or encumbrances for certain items in the General Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the following categories exceeded budgeted amounts:

<u>Category</u>	<u>Amount Budgeted</u>	<u>Amount Expended</u>	<u>Variance</u>
General Government	\$ 15,657,751	\$ 16,307,961	\$ (650,210)
Health and Sanitation	205,000	216,130	(11,130)
Capital projects	--	1,321,733	(1,321,733)

CRITERIA:

West Virginia Code §11-8-26 states in part that:

- "...a local fiscal body shall not expend money or incur obligations:
- (1) In an unauthorized manner;
 - (2) For an unauthorized purpose;
 - (3) In excess of the amount allocated to the fund in the levy order;
 - (4) In excess of the funds available for current expenses..."

CAUSE:

The Municipality failed to implement policies and procedures which should regulate expenditures and ensure that adequate revisions be made to the budget prior to actual disbursements being made.

EFFECT:

The Municipality compromises its budgetary control over revenues and disbursements.

RECOMMENDATION:

Officials should implement controls that will ensure compliance with budgetary requirements.

AUDITED AGENCY'S RESPONSE:

The municipal officials stated that better budgetary control will be exercised in the future to prevent overexpenditures.

MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2013

There were no findings at the federal program level, therefore no corrective action plan is necessary.

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2013**

Status of Prior Year Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2012-01	Reconciliation of Accounting Records - Civic Arena Fund	Unresolved
2012-02	Reconciliation of Accounting Records - CDBG Fund	Partially Resolved
2012-03	Purchase Orders	Resolved