



Audited Financial Statements

City of Charleston

Year Ended June 30, 2012

Audited Financial Statements

CITY OF CHARLESTON

Year Ended June 30, 2012

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Year Ended June 30, 2012

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CITY OF CHARLESTON

Year Ended June 30, 2012

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CITY OF CHARLESTON  
LIST OF CITY OFFICIALS

June 30, 2012

Elective

Mayor:	Danny Jones	06/21/11 - 06/21/15
Treasurer:	Victor Grigoraci	06/21/11 - 06/21/15
Municipal Judge:	Anne Charnock	06/21/11 - 06/21/15

Council Members

At Large	J. Thomas Lane	Ward 9	Cubert Smith
At Large	Andy Richardson	Ward 10	Robert Sheets
At Large	Jerry L. Ware	Ward 11	Marc Weintraub
At Large	Chris Dodrill	Ward 12	Shannon Snodgrass
At Large	Kasey Russell	Ward 13	Susie Salisbury
At Large	Mary Jean Davis	Ward 14	Jack E. Harrison
Ward 1	Bobby Haas	Ward 15	Courtney Persinger
Ward 2	William Kirk	Ward 16	Samuel Minardi
Ward 3	Joe Deneault	Ward 17	Bobby Reishman
Ward 4	Rev. James Ealy	Ward 18	John Miller, Jr.
Ward 5	Mike Nichols	Ward 19	Rick Burka
Ward 6	Edward Talkington	Ward 20	Brent Burton
Ward 7	Mike Stajduhar	Ward 21	Michael Clowser
Ward 8	Bob White		

Appointive

City Manager:	David Molgaard	Mayor Assistants:	Rod Blackstone Beverly Page
Finance Director:	Joseph Estep		
City Clerk:	James Reishman	City Collector:	Charles Thompson
Attorney:	Paul Ellis Gene Webb III	City Engineer:	Chris Knox
City Auditor:	Brenda J. Lemon, CPA	Economic & Community Development Manager:	Brian King

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council  
of the City of Charleston  
Charleston, West Virginia

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 City of Charleston, West Virginia, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Charleston Sanitary Board, the Charleston Urban Renewal Authority, and the Charleston Convention and Visitor's Bureau which represent 100 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Charleston Sanitary Board, the Charleston Urban Renewal Authority, and the Charleston Convention and Visitor's Bureau, is based on the reports of the other auditors.

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 Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously 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 City of Charleston, West Virginia, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and coal severance fund statements of revenues, expenditures, and changes in fund balance (budget and actual) for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and the schedules of funding progress and employer contributions on pages 68 through 69 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual non-major fund financial statements on pages 71 through 97 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Gibbons & Kawash, A.C.*

December 19, 2012

**CITY OF CHARLESTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2012**

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This section of the City of Charleston's Comprehensive Annual Financial Report presents Management's Discussion and Analysis of the City's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and the City's financial statements, which follow this section.

**Financial Highlights**

*Government-wide*

The City of Charleston reported net assets of \$38,080,828 in fiscal year 2012 and \$40,901,584 in fiscal year 2011.

Of the net assets in fiscal year 2012, a deficit balance of \$80,614,854 was reported as total unrestricted net assets, which includes a \$83,112,924 deficit balance in governmental activities and a \$2,498,070 balance in business-type activities.

The City's total net assets decreased by \$2,820,756 as a result of this year's operations. The net assets for governmental activities decreased by 14 percent. Net assets of business-type activities increased by six percent.

The City's governmental activities reported total expenses of \$92,200,862, total revenues of \$89,835,363, and transfers out of \$1,457,582 for a net decrease of \$3,823,081.

Business-type activities reported total expenses of \$7,527,780, program revenues of \$7,072,523, and transfers in of \$1,457,582 for a net increase of \$1,002,325.

Total Primary Government revenues were 96,907,886, while total costs for all programs were \$99,728,642.

*Fund Level*

Governmental funds reported a combined fund balance of \$43,017,584, an increase \$2,027,947 (4 percent) from the prior year.

The General Fund reported an unassigned fund balance of \$20,543,173, nonspendable fund balance of \$538,965, restricted fund balance of \$1,141,861, committed fund balance of \$8,614,201, and assigned fund balance of \$3,392,534, compared to \$19,729,491, \$599,087, \$981,788, \$8,061,268, and \$3,394,404, respectively, in the prior year.

Total governmental funds reported nonspendable fund balance of \$1,571,079, restricted of \$5,265,842, committed of \$12,244,956, and assigned fund balance of \$3,392,534, compared to \$1,715,598, \$4,676,228, \$11,473,916, and \$3,394,404, respectively, in the prior year. The total unassigned fund balance for the governmental funds was \$20,543,173, compared to unassigned fund balance of \$19,729,491 in prior year.

*Long-term Debt*

Total bonds and obligations under long-term leases at year end were \$23,936,112, a net decrease of \$1,929,221 (7 percent) over the prior year.

**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

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### **Overview of the Financial Statements**

This annual report consists of four parts-*Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, *Required Supplementary Information*, and *Combining Statements* for Nonmajor Governmental Funds. The basic financial statements include two kinds of statements that present different views of the City.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the City government reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Civic Center and Parking System.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong, such as the public safety employees retirement plan.

The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information concerning the City's progress in funding its obligations to the citizenry, as well as its employees.

**Government-wide financial statements.** The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, additional nonfinancial factors such as changes in the City's tax base and the condition of the City's roads must be considered.

The government-wide financial statements of the City are divided into three categories:

*Governmental activities* - Most of the City's basic services are included here, such as public safety, street maintenance, culture and recreation, and general administration. Business and occupation taxes, property taxes, and other taxes, charges for services, such as licenses, permits, inspection and refuse fees, and grants finance most of these activities.

**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

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*Business-type activities* - These are self-contained enterprise activities that are segregated from the general governmental activities. Revenues from fees derived from these services are not used to support other governmental activities, but remain entirely within the enterprise. The City's Civic Center and Parking System are included here.

*Component units* - The City includes four other entities in its report: The City of Charleston Sanitary Board, Charleston Urban Renewal Authority, Charleston Convention and Visitor's Bureau, and Charleston Building Commission. Although legally separate, these "component units" are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 17 through 20 of this report.

**Fund financial statements.** The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for a particular purpose (like the City Service Fee Project Fund) or to show it is properly using certain grants (like aid from the U.S. Department of Housing and Urban Development).

The City has three types of funds:

*Governmental funds* -most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view as to whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found on pages 22 through 29 of this report.

*Proprietary funds* -Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. The government's policy is to establish fees designed to recover the cost of providing the services. In addition, the Parking System is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Consequently, GAAP requires the Civic Center and Parking System be reported as Enterprise Funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

The basic Proprietary Fund financial statements can be found on pages 31 through 35 of this report.

*Fiduciary funds* -The City is the trustee, or fiduciary, for its employees' pension plans. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The basic Fiduciary Fund financial statements can be found on pages 37 and 38 of this report.

**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

**Government-Wide Financial Analysis**

The City's combined net assets (governmental and business-type activities) totaled \$38,080,828 at the end of 2012 and \$40,901,584 at the end of 2011. The largest portion of the City's net assets, \$94,222,775, reflects investment in capital assets such as land, buildings, equipment, and infrastructure, less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the City's net assets, \$24,472,907, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net assets, a deficit of \$80,614,854, reflects the City's deficit of remaining assets to remaining liabilities.

**CITY OF CHARLESTON'S NET ASSETS**

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 53,668,875	\$ 51,219,014	\$ 5,308,706	\$ 4,485,406	\$ 58,977,581	\$ 55,704,420
Capital assets	94,349,639	95,279,098	21,927,835	22,911,175	116,277,474	118,190,273
<b>Total assets</b>	<b>148,018,514</b>	<b>146,498,112</b>	<b>27,236,541</b>	<b>27,396,581</b>	<b>175,255,055</b>	<b>173,894,693</b>
Long-term liabilities outstanding	109,316,665	104,182,676	9,076,256	10,128,727	118,392,921	114,311,403
Other liabilities	16,904,236	16,694,742	1,877,070	1,986,964	18,781,306	18,681,706
<b>Total liabilities</b>	<b>126,220,901</b>	<b>120,877,418</b>	<b>10,953,326</b>	<b>12,115,691</b>	<b>137,174,227</b>	<b>132,993,109</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	82,436,126	82,874,654	11,786,649	11,453,846	94,222,775	94,328,500
Restricted	22,474,411	21,260,146	1,998,496	2,010,685	24,472,907	23,270,831
Unrestricted	(83,112,924)	(78,514,106)	2,498,070	1,816,359	(80,614,854)	(76,697,747)
<b>Total net assets</b>	<b>\$ 21,797,613</b>	<b>\$ 25,620,694</b>	<b>\$ 16,283,215</b>	<b>\$ 15,280,890</b>	<b>\$ 38,080,828</b>	<b>\$ 40,901,584</b>

**Governmental activities.** Governmental activities decreased the City of Charleston's net assets by \$3,823,081 thereby accounting for the total decrease in the net assets. This is primarily attributable to long-term obligations for public safety pensions and other post-employment benefits which increased \$4,969,823 (6 percent) and \$1,153,818 (15 percent), respectively. There were changes made to the OPEB substantive plan provisions since the last valuation. The Medicare retirees were moved to a Medicare Advantage plan that is fully-insured and experience-rated. This change caused a significant decrease in this liability. The actuarial accrued liability decreased 19 percent from prior year; however, the Net OPEB Obligation increased 15 percent over prior year since the OPEB is funded on a pay-as-you-go basis. Changes were made to the public safety pension plans at the latter part of fiscal year 2011 which had a significant impact on this liability since the funding method was changed to a pay-as-you-go and a lower discount rate of five percent versus seven percent in prior 2011 valuations. The actuarial accrued liability and the unfunded actuarial accrued liability increased one percent over prior year and the net pension obligation increased six percent over prior year.

**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

Revenues increased \$1,963,817 (2 percent) over prior year. This is primarily attributable to a \$2,324,028 (4 percent) increase in tax revenues. The City's principal tax revenue for business and occupation tax increased four percent over prior year. This tax revenue increase indicates that the economy is improving; however, analysis reflects that this growth actually brings this revenue back to pre-recession levels. Charleston does have a good nucleus of retail businesses, banks, hospitals, state government, and legal firms. During working hours the population increases approximately 150 percent which benefits the city's economy. Charges for services revenue was comparable to prior year and grants and contribution revenue declined five percent. Grant revenue remained comparable to prior year; however, a Pre-Disaster Mitigation grant received in 2011 in the amount of \$859,033 was not received in 2012 which accounts for the overall decline in grant revenue.

Government-wide governmental expenses increased less than one percent and are comparable to prior year. General government expense increased 20 percent from prior year. This can be attributed primarily to increases in medical expenses for active employees and retirees, projects for the government's Comprehensive Plan for downtown, Long Term Storm Water Comprehensive Plan, legal consulting fees and claims costs. Public Safety expense decreased two percent due to changes made in the pension funding method. Other expenses decreased or remained stable. Interest expense decreased eight percent due to the savings obtained as a result of revenue bond refundings.

**City of Charleston's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 19,879,095	\$ 19,699,952	\$ 6,908,404	\$ 6,206,441	\$ 26,787,499	\$ 25,906,393
Operating Grants and Contributions	8,803,239	9,199,315	1,000	-	8,804,239	9,199,315
Capital Grants and Contributions	1,391,735	1,561,603	151,000	439,181	1,542,735	2,000,784
General Revenues:						
Property Taxes	11,955,757	11,548,479	-	-	11,955,757	11,548,479
Business and Occupation Taxes	40,750,458	38,852,038	-	-	40,750,458	38,852,038
Other Taxes	6,839,219	6,820,889	-	-	6,839,219	6,820,889
Other	215,860	189,270	12,119	44,465	227,979	233,735
Total Revenues	89,835,363	87,871,546	7,072,523	6,690,087	96,907,886	94,561,633

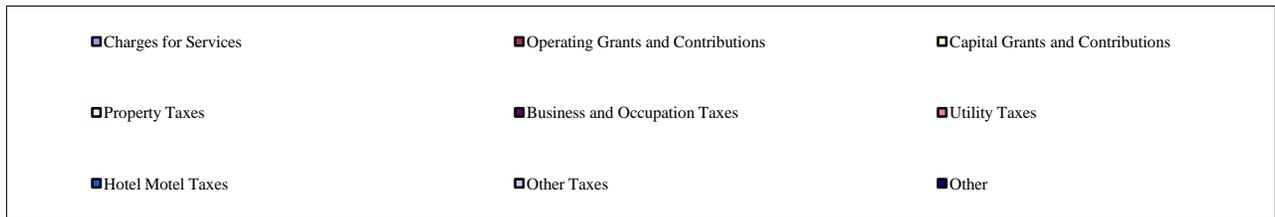
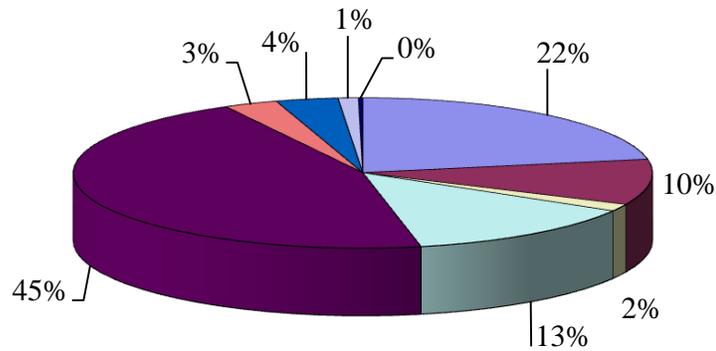
**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
General Government	\$ 17,731,874	\$ 14,678,134	\$ -	\$ -	\$ 17,731,874	\$ 14,678,134
Public Safety	47,682,757	48,939,715	-	-	47,682,757	48,939,715
Highways & Streets	10,566,066	11,247,814	-	-	10,566,066	11,247,814
Health & Sanitation	5,340,104	5,738,852	-	-	5,340,104	5,738,852
Economic Development	2,730,673	2,767,138	-	-	2,730,673	2,767,138
Culture & Recreation	7,156,105	7,296,468	-	-	7,156,105	7,296,468
Social Services	371,124	726,284	-	-	371,124	726,284
Interest on Long-Term Debt	622,159	680,588	-	-	622,159	680,588
Civic Center	-	-	4,665,091	4,553,220	4,665,091	4,553,220
Parking System	-	-	2,862,689	2,869,089	2,862,689	2,869,089
<b>Total Expenses</b>	<b>92,200,862</b>	<b>92,074,993</b>	<b>7,527,780</b>	<b>7,422,309</b>	<b>99,728,642</b>	<b>99,497,302</b>
Increase in Net Assets						
Before Transfers	(2,365,499)	(4,203,447)	(455,257)	(732,222)	(2,820,756)	(4,935,669)
Transfers	(1,457,582)	(1,534,293)	1,457,582	1,534,293	-	-
<b>Increase in Net Assets</b>	<b>(3,823,081)</b>	<b>(5,737,740)</b>	<b>1,002,325</b>	<b>802,071</b>	<b>(2,820,756)</b>	<b>(4,935,669)</b>
Net Assets- beginning	25,620,694	31,358,434	15,280,890	14,478,819	40,901,584	45,837,253
<b>Net Assets- ending</b>	<b>\$ 21,797,613</b>	<b>\$ 25,620,694</b>	<b>\$ 16,283,215</b>	<b>\$ 15,280,890</b>	<b>\$ 38,080,828</b>	<b>\$ 40,901,584</b>

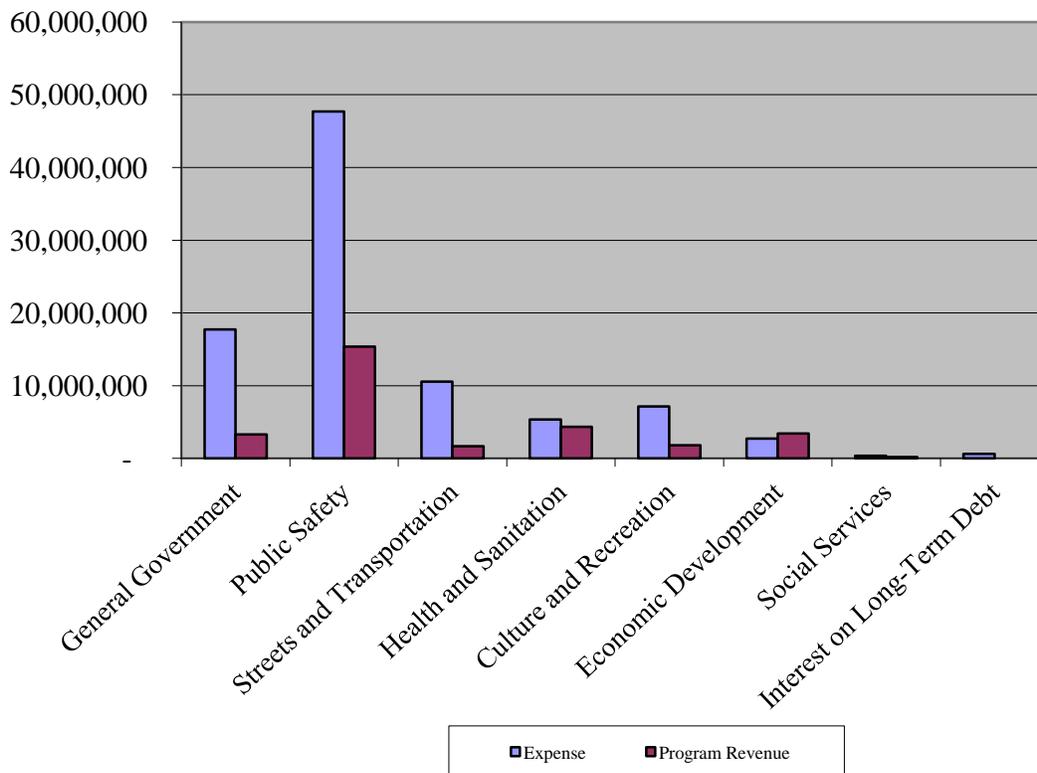
**Business-type activities.** Total net assets of the City's business-type activities increased \$1,002,325 (6 percent) over prior year. Total operating revenues increased 11 percent over prior year. The Civic Center experienced a significant 23 percent increase in charges to customers due to more concert events in the third and fourth quarters of the fiscal year. The catering portion of the operation experienced a great year with a 94 percent increase. This indicates that the tourism industry is improving after the downturn during the recession. The Parking System experienced a two percent increase in operating revenues over the prior year. Parking violation revenue increased 12 percent over prior year due to being at full meter enforcement staff. Parking building rentals have increased two percent because the buildings are at full rental capacity with waiting lists. Full capacity has been achieved with a new apartment building and two colleges downtown. The operating expenses for the Civic Center and Parking System increased two percent and one percent, respectively. The Civic Center expenses increased for contracted services and materials and supplies which is expected with more events held. The Parking System increase is primarily attributable to an eight percent increase in personnel costs especially medical expense and OPEB costs which increased 25 percent and 34 percent, respectively. The Civic Center total net assets decreased \$139,597 and Parking System net assets increased \$1,141,922. The Civic Center must be subsidized by the General Fund and that subsidy was decreased two percent in 2012. The Parking System has increasingly become financially stable over the past several years.

**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

**Revenue by Source-Governmental Activities**



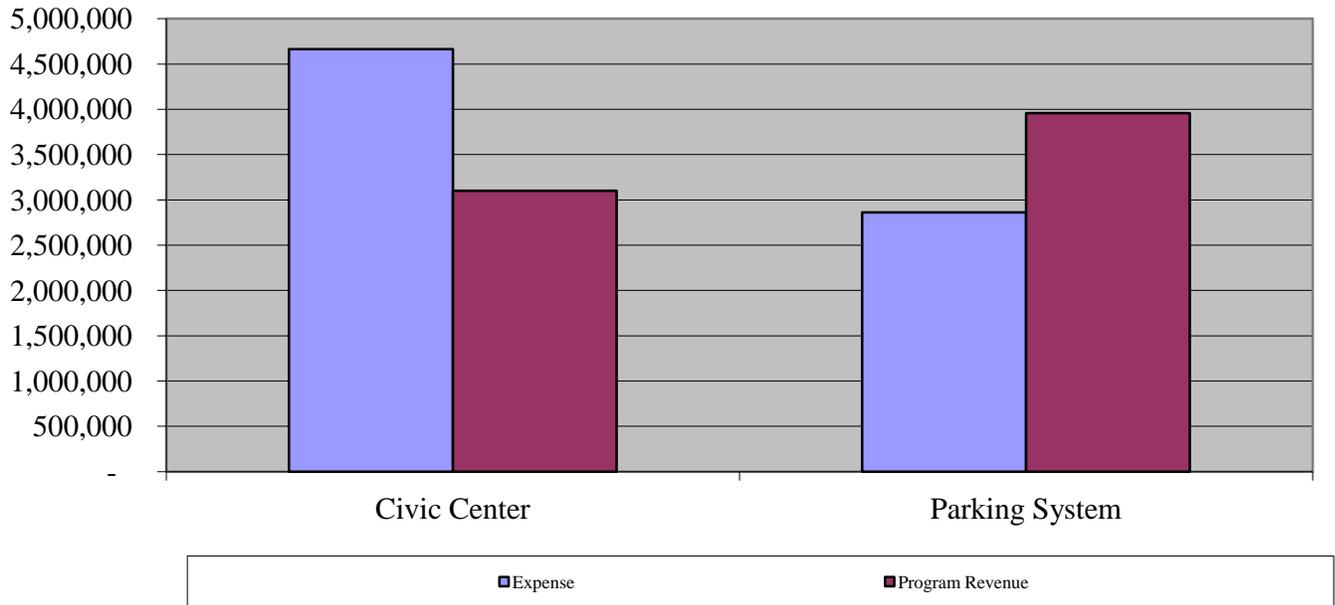
**Expenses and Program Revenues-Governmental Activities**



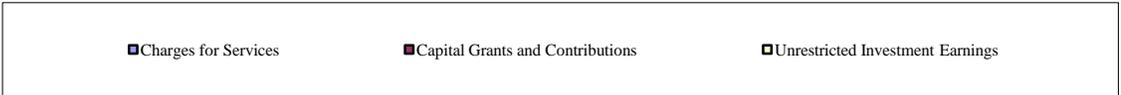
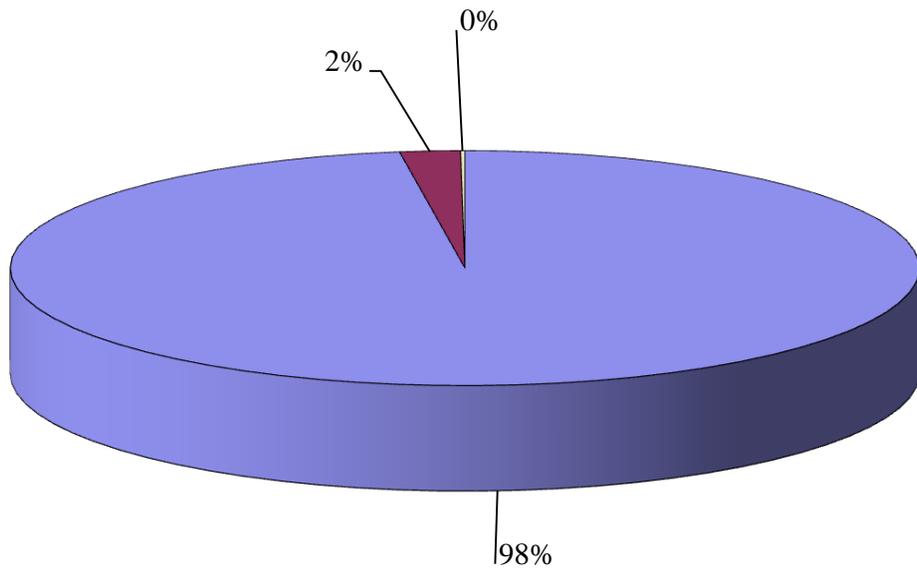
**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

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**Expenses and Program Revenues-Business-Type Activities**



**Revenues by Source-Business-Type Activities**



**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

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### **Financial Analysis of the Government's Funds**

The City of Charleston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Charleston's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Charleston's Governmental Funds reported combined ending fund balances of \$43,017,584, an increase of \$2,027,947 (4 percent) in comparison with the prior year. Most of this increase (72 percent) was the result of the General Fund operations. Approximately 47 percent of this amount \$20,543,173 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable for prepaid items and permanent fund corpus \$1,571,079; restricted by external grants, contributors, and laws \$5,265,842; committed by the government's council \$12,244,956; and assigned by the government's council or administrative officials \$3,392,534.

The General Fund is the chief operating fund of the City of Charleston. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$20,543,173, while total fund balance reached \$34,230,734. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25 percent of total General Fund expenditures, while total fund balance represents 42 percent of that same amount.

The fund balance of the City of Charleston's General Fund increased by \$1,464,696 during the current fiscal year. This is primarily attributable to tax revenue increase of \$2,444,067 (4 percent) with total revenue increase of \$2,493,258 (3 percent). Expenditures increased \$4,736,887 (6 percent); however, due to prudent management total expenditures exceeded revenues by only \$40,146.

Expenditures increased \$4,736,887 (6 percent) in comparison to prior year. Salaries and wages decreased \$745,864 (2 percent) due to reductions in public safety employees, changes in Fire Department overtime hours, and no across-the-board wage increases. Medical claims cost, which is unpredictable, increased significantly over the prior year in the amount of \$2,068,895 (30 percent). Court costs and damages liability claims cost increased \$223,891 (46 percent) due to legal cases and settlements. Professional services cost increased \$206,162 (47 percent) due to consulting services for the City Comprehensive Plan (Imagine Charleston), Pier to Pier Mural Project, Long Term Storm Water Comprehensive Plan, and legal consulting services.

The Coal Severance Tax Fund receives coal severance tax distributed from the State of West Virginia collections. These revenues are dedicated to the Civic Center bond debt service. Coal severance tax revenue increased \$2,743 (1 percent) over the prior year; however, with the decline in coal business these revenues are expected to decrease. The Community Development and HOME Funds are funded totally by HUD federal grants for community development. The grant revenues recognized were \$266,568 (11 percent) greater in comparison to prior year due to normal grant programs plus projects from prior years that were completed in the 2012 fiscal year.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2012**

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**Proprietary funds.** The City of Charleston's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these two funds have previously been addressed in the discussion of the City of Charleston's Business-type Activities.

**General Fund Budgetary Highlights**

The City periodically revises the budget throughout the year to recognize projects carried over from the previous year, grants, and contributions received for various projects, and to adjust budgets to reflect actual circumstances. Appropriations between the original budget and the final amended budget reflected an increase of \$6,066,834 (7 percent). The most significant can be briefly summarized as follows:

Legal expenses were increased \$1,216,161 to provide a reserve for court costs and damages for general liability claims. The City has adopted the policy of carrying forward any remaining budgeted funds at year-end to have the additional reserve in place to provide for any unforeseen circumstances.

Engineering remaining budgeted funds for storm water projects in the amount of \$715,437 were carried forward for continuance of the projects that were not completed by the 2011 fiscal year-end.

The Mayor's contributions to various entities were increased approximately \$284,200.

Revenues, contributions, and transfers from other funds were recognized in the amount of \$1,276,832 to provide funding for various events, expenses, and projects.

Capital projects costs were increased approximately \$796,619 to carry forward remaining lease funding for vehicle and equipment purchases.

City Manager professional services remaining budgeted funds in the amount of \$410,708 were carried forward for various contracted services that were not completed by the 2011 fiscal year-end.

Amendments were made to recognize savings from medical insurance and the transfer of the savings to the Health Reserve Fund \$329,731. Another amendment was made to decrease transfers to the Municipal Stabilization Fund in the amount of \$856,298 to increase funding for the Police and Fire pensions as a result of adopting the Conservation Method of funding effective June 1, 2011.

All amendments were budgeted from available fund balance and increases in various charges for services, grants, insurance proceeds, and contributions. For the fiscal year 2012 General Fund revenues were in line with budgetary estimates and expenditures were less than budgetary estimates by seven percent.

The City's General Fund balance of \$34,230,734 differs from the General Fund's budgetary fund balance of \$6,376,476 reported in the budgetary financial statement principally because budgetary fund balance excludes accrual of business and occupation taxes. The total business and occupation tax accrual in the amount of \$10,652,995 has not been re-appropriated for budgetary purposes, only actual cash collections are budgeted each fiscal year. In addition, a significant difference of \$17,201,263 is included in the General Fund due to GASB 54 implementation which dictates inclusion of several special revenue funds; however, these funds are not included for budgetary purposes.

**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

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**Capital Asset and Debt Administration**

**Capital Assets.** The City of Charleston's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$116,277,474 (net of accumulated depreciation). This investment in capital assets includes land, building and system, machinery and equipment, park and other recreational facilities, roads, bridges and other infrastructure.

Major capital asset events during the current fiscal year included the following:

Several projects were completed during the fiscal year, including several bridge, retaining walls, and curb and sidewalk projects in the amount \$1,457,305; the Morris Square office building in the amount of \$388,495; storm sewer projects in the amount of \$235,949; and various other smaller projects.

Projects for the Riverfront Haddad Park lighting, Long Term Storm Water Comprehensive Plan, Springhill Cemetery Office Building, Fire Station #1 remodel, renovations of parking garages, and others were remaining in construction in progress as of the end of the fiscal year in the amount of \$1,921,541.

**City of Charleston's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 8,872,359	\$ 8,872,359	\$ 4,366,447	\$ 4,366,447	\$ 13,238,806	\$ 13,238,806
Construction in Progress	1,214,325	1,117,064	707,216	356,869	1,921,541	1,473,933
Buildings & Improvements	28,570,579	28,952,164	16,064,923	17,333,035	44,635,502	46,285,199
Other Improvements	10,974,346	11,547,773	390,226	416,740	11,364,572	11,964,513
Machinery & Equipment	8,873,028	9,233,728	399,023	438,084	9,272,051	9,671,812
Infrastructure	35,845,002	35,556,010	-	-	35,845,002	35,556,010
Total	\$ 94,349,639	\$ 95,279,098	\$ 21,927,835	\$ 22,911,175	\$ 116,277,474	\$ 118,190,273

Additional information on the City of Charleston's capital assets can be found in Note IV.C. on pages 51 through 53 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Charleston had no general obligation bonded debt outstanding. The remainder of the City of Charleston's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**CITY OF CHARLESTON, WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012**

**City of Charleston's Outstanding Debt**

Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	\$ 3,008,554	\$ 3,339,478	\$ 10,141,186	\$ 11,457,329	\$ 13,149,740	\$ 14,796,807
Total	\$ 3,008,554	\$ 3,339,478	\$ 10,141,186	\$ 11,457,329	\$ 13,149,740	\$ 14,796,807

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total assessed valuation. The current debt limitation for the City of Charleston is \$146,598,381. The City currently has no general obligation bonds outstanding.

Additional information on the City of Charleston's long-term debt can be found in Note IV.G. on pages 55 through 57 of this report.

### **Economic Factors and Next Year's Budget**

Many factors are considered each year by the City Council in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop fees that are fair, reasonable, and adequately recover costs. Some of the major factors considered in this process are the local economy, labor force, unemployment rate, and inflation rates.

The unemployment rate was lower than the prior year during June at 6.9 percent. The average for the past twelve months was 6.9 percent. The last twelve months reflected increases in the labor market for construction and mining 2.0 percent; professional and business services 2.6 percent; education and health services 2.1 percent; and government 4.7 percent. Manufacturing, trade, transportation, and utilities, leisure and hospitality, and other services reflected a decrease of -1.9 percent, -1.5 percent, -4.7 percent and -1.8 percent, respectively. Information and financial activities remained the same.

The occupancy rate of the government's central business district has remained at 85 to 90 percent for the past several years. According to a recent real estate broker survey the city's five "Class A" office towers have a current occupancy rate of 94 percent. These office towers represent the best space available in Charleston.

Inflationary trends in the region compare favorably to national indices.

In March 2012, the City of Charleston approved a balanced budget for the fiscal year 2013, with General Fund appropriations of \$84,155,200. The budget was approved with no city employee raises for the third consecutive year and a full year's savings in the approximate amount of \$1,600,000 from reduction of 16 police officers and 27 firemen. This amount was applied to pension contributions to meet funding requirements for retiree benefits under the Conservation Method. In addition, liability insurance premiums were less due to a more positive claims history.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Charleston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Controller (City Auditor), 501 Virginia Street, East, P.O. Box 2749, Charleston, WV 25330.



## **CITY OF CHARLESTON, WEST VIRGINIA THE GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements are presented on pages 17 through 20. A brief description of the City's discretely presented component units follows since these component units are presented only on these government-wide statements.

**City of Charleston Sanitary Board** is composed of a board and is a discretely presented component unit of the City. The Sanitary Board is responsible for governing the activity associated with providing sanitary sewerage services.

**Charleston Urban Renewal Authority** is composed of a separate board and is a discretely presented component unit of the City. The Authority is responsible for developing commercial property within the City.

**City of Charleston Convention and Visitor's Bureau, Inc.** was established in 1979 as a nonprofit corporation, is composed of a board and is a discretely presented component unit of the City. The primary purpose of the bureau is to operate a convention and visitors bureau for the Charleston, West Virginia area and to advance, stimulate, and promote exhibits, conferences, and conventions.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Sanitary Board	Urban Renewal Authority	Convention & Visitor's Bureau
<b>ASSETS</b>						
Current assets:						
Cash & cash equivalents	\$ 24,170,007	\$ 2,878,211	\$ 27,048,218	\$ 9,898,576	\$ 6,120,513	\$ 1,017,780
Investments	2,713,212	--	2,713,212	--	--	--
Receivables:						
Accounts	4,965,681	135,903	5,101,584	1,904,466	--	236,690
Accrued interest	20,447	--	20,447	--	649	--
Taxes	12,635,871	--	12,635,871	--	--	--
Rents	--	--	--	--	5,148	--
Other	--	--	--	3,577	204,529	--
Loans	5,960,125	--	5,960,125	--	--	--
Grants	660,931	--	660,931	--	--	--
Internal balances	51,157	(51,157)	--	--	--	--
Due from:						
Component units	30,577	--	30,577	--	--	--
Fiduciary funds	214,081	--	214,081	--	--	--
Primary government	--	--	--	3,765	--	162,451
Inventory, at cost	--	--	--	--	--	--
Construction project deposit	--	--	--	--	26,239	--
Inventories	--	--	--	713,431	--	--
Prepaid insurance and lease	538,965	135,964	674,929	146,575	339	1,938
Deferred charges	--	6,245	6,245	9,690	--	--
Restricted assets:						
Regular account	--	302,667	302,667	1,760,778	--	--
Reserve account	--	--	--	6,567,612	--	--
Renewal and replacement	--	--	--	5,633,521	--	--
Reserve for bond retirement	--	559,201	559,201	--	--	--
Restricted cash	1,649,638	--	1,649,638	--	--	--
Reserve for health care	--	--	--	1,494,167	--	--
Customer deposits	--	133,647	133,647	--	--	--
<b>Total current assets</b>	<b>53,610,692</b>	<b>4,100,681</b>	<b>57,711,373</b>	<b>28,136,158</b>	<b>6,357,417</b>	<b>1,418,859</b>
Noncurrent assets						
Restricted:						
Revenue bond covenant accounts	--	1,136,628	1,136,628	--	--	--
Notes Receivable	--	--	--	--	2,532,198	--
Deferred charges	58,183	71,397	129,580	18,357	--	--
Capital assets not being depreciated:						
Land	8,872,359	4,366,447	13,238,806	1,619,166	6,864,857	--
Construction in progress	1,214,325	707,216	1,921,541	13,734,139	--	--
Capital assets being depreciated:						
Buildings and improvements	67,680,976	65,871,557	133,552,533	33,661,636	61,570	45,775
Vehicles	18,487,756	--	18,487,756	--	--	--
Infrastructure	89,818,108	--	89,818,108	--	--	--
Transmission and distribution	--	--	--	106,801,456	--	--

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS (CONTINUED)**

**June 30, 2012**

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Sanitary Board	Urban Renewal Authority	Convention & Visitor's Bureau
Machinery & equipment	\$ 16,414,627	\$ 2,209,538	\$ 18,624,165	\$ 6,760,669	\$ --	\$ 211,389
Leasehold improvements	--	--	--	--	--	146,545
Less: accumulated depreciation	(108,138,512)	(51,226,923)	(159,365,435)	(58,434,802)	(33,899)	(320,378)
Total capital assets	94,349,639	21,927,835	116,277,474	104,142,264	6,892,528	83,331
Total noncurrent assets	94,407,822	23,135,860	117,543,682	104,160,621	6,892,528	83,331
Total assets	\$ 148,018,514	\$ 27,236,541	\$ 175,255,055	\$ 132,296,779	\$ 15,782,143	\$ 1,502,190
<b>LIABILITIES</b>						
Current liabilities:						
Current liabilities payable from current assets:						
Accounts payable	1,619,611	204,808	1,824,419	2,552,448	41,835	29,731
Payroll payable	1,288,681	61,813	1,350,494	120,219	12	1,199
Other accrued expenses	45,396	12,094	57,490	54,451	4,762	--
Solicitation bonds payable	26,110	--	26,110	--	--	--
Compensated absences payable	--	--	--	161,625	--	1,515
Benefits payable	138,056	16,439	154,495	--	--	--
Reserve for future insurance claims	1,079,403	71,776	1,151,179	--	--	--
Due to:						
Component units	166,216	--	166,216	--	--	--
Fiduciary funds	6,360	5,520	11,880	--	--	--
Primary government	--	--	--	29,836	--	--
Current liabilities payable from restricted assets:						
Accrued bond interest payable	10,273	68,261	78,534	590,526	--	--
Accrued capital lease interest payable	81,704	--	81,704	--	--	--
Customer deposits	--	36,243	36,243	--	--	--
Deferred revenues:						
Unearned revenue	5,777,702	--	5,777,702	--	57,553	--
Due within one year	6,664,724	1,400,116	8,064,840	2,478,332	48,591	--
Total current liabilities	16,904,236	1,877,070	18,781,306	5,987,437	152,753	32,445
Noncurrent liabilities:						
Due in more than one year	109,316,665	9,076,256	118,392,921	68,446,562	--	--
Total noncurrent liabilities	109,316,665	9,076,256	118,392,921	68,446,562	--	--
Total liabilities	126,220,901	10,953,326	137,174,227	74,433,999	152,753	32,445

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS (CONTINUED)**  
**June 30, 2012**

	Primary Government			Component Units		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Sanitary Board</u>	<u>Urban Renewal Authority</u>	<u>Convention &amp; Visitor's Bureau</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 82,436,126	\$ 11,786,649	\$ 94,222,775	\$ 33,625,822	\$ 6,892,528	\$ 83,331
Restricted for:						
General government	12,535,377	--	12,535,377			
Debt service	295,630	1,998,496	2,294,126	13,961,911	--	--
Capital projects	3,824,297	--	3,824,297	--	--	--
Community development projects	699,785	--	699,785	--	--	--
Public safety and streets	319,464	--	319,464	--	--	--
Health and Sanitation	2,880,667	--	2,880,667			
Culture and recreation	1,897	--	1,897			
Perpetual care:						
Expendable	885,180	--	885,180	--	--	--
Nonexpendable	1,032,114	--	1,032,114	--	--	--
Unrestricted	( 83,112,924)	2,498,070	( 80,614,854)	10,275,047	8,736,862	1,386,414
Total net assets	\$ <u>21,797,613</u>	\$ <u>16,283,215</u>	\$ <u>38,080,828</u>	\$ <u>57,862,780</u>	\$ <u>15,629,390</u>	\$ <u>1,469,745</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

Net (Expense) Revenues and  
Changes in Net Assets

Functions / Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Sanitary Board	Urban Renewal Authority	Convention & Visitor's Bureau	
<b>Primary government:</b>											
Governmental activities:											
General government	\$ 17,731,874	\$ 2,742,318	\$ 541,403	\$ 23,306	\$ (14,424,847)	\$ --	\$ (14,424,847)	\$ --	\$ --	\$ --	\$ --
Public safety	47,682,757	10,088,885	4,826,074	450,656	(32,317,142)	--	(32,317,142)	--	--	--	--
Streets and transportation	10,566,066	1,650,000	5,000	1,000	(8,910,066)	--	(8,910,066)	--	--	--	--
Health and sanitation	5,340,104	4,244,195	82,695	--	(1,013,214)	--	(1,013,214)	--	--	--	--
Culture and recreation	7,156,105	1,038,368	324,150	440,066	(5,353,521)	--	(5,353,521)	--	--	--	--
Interest on long-term debt	622,159	--	--	--	(622,159)	--	(622,159)	--	--	--	--
Social services	371,124	115,329	58,151	--	(197,644)	--	(197,644)	--	--	--	--
Economic development	2,730,673	--	2,965,766	476,707	711,800	--	711,800	--	--	--	--
Total governmental activities	<u>92,200,862</u>	<u>19,879,095</u>	<u>8,803,239</u>	<u>1,391,735</u>	<u>(62,126,793)</u>	<u>--</u>	<u>(62,126,793)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Business-type activities:											
Civic Center	4,665,091	3,100,023	1,000	--	--	(1,564,068)	(1,564,068)	--	--	--	--
Parking System	2,862,689	3,808,381	--	151,000	--	1,096,692	1,096,692	--	--	--	--
Total business-type activities	<u>7,527,780</u>	<u>6,908,404</u>	<u>1,000</u>	<u>151,000</u>	<u>--</u>	<u>(467,376)</u>	<u>(467,376)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total primary government	<u>\$ 99,728,642</u>	<u>\$ 26,787,499</u>	<u>\$ 8,804,239</u>	<u>\$ 1,542,735</u>	<u>(62,126,793)</u>	<u>(467,376)</u>	<u>(62,594,169)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Component units:</b>											
Sanitary Board	16,360,111	19,689,693	--	27,430				3,357,012	--	--	--
Urban Renewal Authority	1,107,876	767,883	151,000	411,523				--	222,530	--	--
Convention & Visitor's Bureau	1,252,582	10,555	1,717,202	--				--	--	475,175	--
Total component units	<u>\$ 18,720,569</u>	<u>\$ 20,468,131</u>	<u>\$ 1,868,202</u>	<u>\$ 438,953</u>				<u>3,357,012</u>	<u>222,530</u>	<u>475,175</u>	<u>--</u>
General revenues:											
Ad valorem property taxes					11,955,757	--	11,955,757	--	--	--	--
Business & occupation tax					40,750,458	--	40,750,458	--	--	--	--
Alcoholic beverages tax					782,221	--	782,221	--	--	--	--
Utility services tax					2,701,790	--	2,701,790	--	--	--	--
Hotel occupancy tax					3,117,547	--	3,117,547	--	--	--	--
Amusement tax					179,470	--	179,470	--	--	--	--
Other taxes					58,191	--	58,191	--	--	--	--
Unrestricted investment earnings					77,866	10,685	88,551	27,299	127,055	40,391	--
Gain on sale of capital assets					137,994	1,434	139,428	--	--	--	--
Miscellaneous					--	--	--	206,515	--	--	--
Transfers					(1,457,582)	1,457,582	--	--	--	--	--
Total general revenues and transfers					<u>58,303,712</u>	<u>1,469,701</u>	<u>59,773,413</u>	<u>233,814</u>	<u>127,055</u>	<u>40,391</u>	<u>--</u>
Change in net assets					(3,823,081)	1,002,325	(2,820,756)	3,590,826	349,585	515,566	--
Net assets - beginning					25,620,694	15,280,890	40,901,584	54,271,954	15,279,805	954,179	--
Net assets - ending					<u>\$ 21,797,613</u>	<u>\$ 16,283,215</u>	<u>\$ 38,080,828</u>	<u>\$ 57,862,780</u>	<u>\$ 15,629,390</u>	<u>\$ 1,469,745</u>	<u>--</u>

The notes to the financial statements are an integral part of this statement.



# CITY OF CHARLESTON, WEST VIRGINIA GOVERNMENTAL FUND FINANCIAL STATEMENTS

## *Major Funds*

**General Fund** This fund is used as the City's operating fund. It accounts for the financial resources and transactions that are not accounted for in other funds. The revenues are from taxes and other general revenues.

**Coal Severance Tax Fund** This special revenue fund accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia counties. The State of West Virginia requires this fund to be presented separately for budgetary compliance requirements.

**Community Development Fund** This fund accounts for federal grants received from the U.S. Housing and Urban Development for the purpose of developing "viable urban communities," which are achieved by providing decent housing, a suitable living environment, and expanded economic opportunities principally for low-and moderate-income people.

**HOME Fund** This fund accounts for federal grants received from the U.S. Housing and Urban Development to provide forgivable, deferred mortgage loans to first-time homebuyers that meet income and credit guidelines.

Nonmajor governmental funds are presented in aggregate and then by fund type beginning on page 71.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2012**

	General	Coal Severance Tax	Community Development	HOME	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 20,075,449	\$ 69,789	\$ 4,318	\$ 3,215	\$ 4,017,236	\$ 24,170,007
Investments	--	--	--	--	2,713,212	2,713,212
Receivables:						
Taxes	12,635,871	--	--	--	--	12,635,871
Accounts	4,481,482	--	--	--	484,199	4,965,681
Grants	154,843	--	98,363	9,357	398,368	660,931
Loans	--	--	1,677,881	4,020,227	262,017	5,960,125
Accrued interest	7,429	--	9,862	19	3,137	20,447
Due from:						
Other funds	839,030	--	--	--	216,314	1,055,344
Component units	14,819	--	--	--	15,758	30,577
Prepaid insurance	538,965	--	--	--	--	538,965
Restricted cash	225,834	--	--	--	1,423,804	1,649,638
<b>Total assets</b>	<b>\$ 38,973,722</b>	<b>\$ 69,789</b>	<b>\$ 1,790,424</b>	<b>\$ 4,032,818</b>	<b>\$ 9,534,045</b>	<b>\$ 54,400,798</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	1,254,006	--	11,430	365	353,810	1,619,611
Payroll payable	1,288,681	--	--	--	--	1,288,681
Other accrued expenditures	45,396	--	--	--	--	45,396
Solicitation bonds payable	26,110	--	--	--	--	26,110
Benefits payable	138,056	--	--	--	--	138,056
Reserve for future insurance claims	1,079,403	--	--	--	--	1,079,403
Due to:						
Other funds	222,533	--	86,934	8,992	478,007	796,466
Component unit	166,216	--	--	--	--	166,216
Deferred revenue:						
Unearned revenue	77,014	--	1,513,819	4,023,461	163,408	5,777,702
Taxes	445,573	--	--	--	--	445,573
<b>Total liabilities</b>	<b>4,742,988</b>	<b>--</b>	<b>1,612,183</b>	<b>4,032,818</b>	<b>995,225</b>	<b>11,383,214</b>
<b>Fund balances:</b>						
Nonspendable	538,965	--	--	--	1,032,114	1,571,079
Restricted	1,141,861	69,789	178,241	--	3,875,951	5,265,842
Committed	8,614,201	--	--	--	3,630,755	12,244,956
Assigned	3,392,534	--	--	--	--	3,392,534
Unassigned	20,543,173	--	--	--	--	20,543,173
<b>Total fund balances</b>	<b>34,230,734</b>	<b>69,789</b>	<b>178,241</b>	<b>--</b>	<b>8,538,820</b>	<b>43,017,584</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,973,722</b>	<b>\$ 69,789</b>	<b>\$ 1,790,424</b>	<b>\$ 4,032,818</b>	<b>\$ 9,534,045</b>	<b>\$ 54,400,798</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

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Total fund balances on the governmental fund's balance sheet	\$	43,017,584
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. (Note IV.C.)		94,349,639
Deferral of bond issuance cost which is amortized over the life of the bonds is not reported in the funds.		58,183
Certain revenues are not available to fund current year expenditures and, therefore, are deferred in the funds. (Note IV.B.)		445,573
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note II.A).		<u>( 116,073,366)</u>
Net assets of governmental activities	\$	<u><u>21,797,613</u></u>

The notes to the financial statements are an integral part of this statement.



**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	General	Coal Severance Tax	Community Development	HOME	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Ad valorem						
property taxes	\$ 12,060,951	\$ --	\$ --	\$ --	\$ 3,039	\$ 12,063,990
Business & occupation tax	40,750,458	--	--	--	--	40,750,458
Alcoholic beverages tax	782,221	--	--	--	--	782,221
Utility services tax	2,701,790	--	--	--	--	2,701,790
Hotel occupancy tax	3,117,547	--	--	--	--	3,117,547
Animal tax	7,411	--	--	--	--	7,411
Gas and oil severance tax	50,780	--	--	--	--	50,780
Amusement tax	179,470	--	--	--	--	179,470
Licenses and permits	1,727,040	--	--	--	--	1,727,040
Intergovernmental:						
Federal	107,737	--	1,842,775	804,169	1,988,472	4,743,153
State	3,345,089	272,329	--	--	--	3,617,418
Charges for services	13,013,627	--	--	--	4,183,232	17,196,859
Fines and forfeits	--	--	--	--	889,523	889,523
Interest and investment earnings	83,973	53	109,831	--	80,555	274,412
Reimbursements	1,618,072	--	--	--	2,676	1,620,748
Payments in lieu of taxes	75,139	--	--	--	--	75,139
Contributions and donations	374,965	--	--	--	132,095	507,060
Miscellaneous	369,637	--	69,225	--	15,840	454,702
<b>Total revenues</b>	<b>80,365,907</b>	<b>272,382</b>	<b>2,021,831</b>	<b>804,169</b>	<b>7,295,432</b>	<b>90,759,721</b>
<b>EXPENDITURES</b>						
Current:						
General government	16,525,281	--	--	--	232,792	16,758,073
Public safety	41,708,335	--	--	--	1,561,882	43,270,217
Streets and transportation	9,338,229	--	--	--	6,642	9,344,871
Health and sanitation	4,823,346	--	--	--	1,087,286	5,910,632
Culture and recreation	6,417,310	--	--	--	77,983	6,495,293
Social services	708,450	--	--	--	26,191	734,641
Economic development	7,433	--	1,881,576	804,169	773,872	3,467,050
Debt service:						
Principal	532,364	--	--	--	195,000	727,364
Interest	345,305	--	--	--	128,035	473,340
Capital outlay:						
General government	--	--	--	--	741,274	741,274
Highways and streets	--	--	--	--	1,589,104	1,589,104
Culture and recreation	--	--	--	--	105,517	105,517
<b>Total expenditures</b>	<b>80,406,053</b>	<b>--</b>	<b>1,881,576</b>	<b>804,169</b>	<b>6,525,578</b>	<b>89,617,376</b>
Excess (deficiency) of revenues over (under) expenditures	( 40,146)	272,382	140,255	--	769,854	1,142,345
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ 3,457,617	--	--	--	3,467,595	6,925,212
Transfers (out)	( 4,236,324)	( 276,964)	--	--	( 3,835,641)	( 8,348,929)
Proceeds from the sale of assets	125,049	--	25,770	--	--	150,819
Capital leases	2,158,500	--	--	--	--	2,158,500
<b>Total other financing sources (uses)</b>	<b>1,504,842</b>	<b>( 276,964)</b>	<b>25,770</b>	<b>--</b>	<b>( 368,046)</b>	<b>885,602</b>
Net change in fund balances	1,464,696	( 4,582)	166,025	--	401,808	2,027,947
Fund balances - beginning	32,766,038	74,371	12,216	--	8,137,012	40,989,637
Fund balances - ending	\$ 34,230,734	\$ 69,789	\$ 178,241	\$ --	\$ 8,538,820	\$ 43,017,584

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, 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, 2012**

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

Net change in fund balances - total governmental funds	\$	2,027,947
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period (Note II.B).</p>		
		( 916,633)
<p>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 assets differs from the change in fund balance by the cost of the capital assets sold.</p>		
		( 12,826)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (Change in Deferred Taxes).</p>		
		( 108,233)
<p>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 assets. 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 II.B).</p>		
		625,413
<p>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 II.B).</p>		
		<u>( 5,438,749)</u>
Change in net assets of governmental activities	\$	<u><u>( 3,823,081)</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Taxes:						
Property	\$ 11,837,710	\$ 12,037,710	\$ 12,060,951	\$ ( 4,016)	\$ 12,056,935	\$ 19,225
Business & occupation	40,816,584	39,999,193	40,750,458	( 584,171)	40,166,287	167,094
Utility	3,133,956	3,133,956	2,701,790	--	2,701,790	( 432,166)
Hotel motel	3,050,100	3,050,100	3,117,547	--	3,117,547	67,447
Alcoholic beverages	771,858	771,858	782,221	--	782,221	10,363
Amusement	117,045	167,045	179,470	--	179,470	12,425
Animal	9,244	9,244	7,411	--	7,411	( 1,833)
Gas & oil severance	60,000	60,000	50,780	--	50,780	( 9,220)
Licenses and permits	1,619,975	1,739,975	1,727,040	--	1,727,040	( 12,935)
Charges for services	12,823,532	13,058,480	13,013,627	--	13,013,627	( 44,853)
Intergovernmental:						
Federal	80,000	95,513	107,737	--	107,737	12,224
State	30,831	30,831	3,345,089	( 3,325,089)	20,000	( 10,831)
Interest and						
investment earnings	27,024	27,024	83,973	( 58,268)	25,705	( 1,319)
Reimbursements	875,042	875,042	1,618,072	( 211,652)	1,406,420	531,378
Payments in lieu of taxes	10,000	10,000	75,139	--	75,139	65,139
Contributions						
and donations	335,475	457,820	374,965	--	374,965	( 82,855)
Miscellaneous	429,731	750,758	369,637	--	369,637	( 381,121)
Total revenues	<u>76,028,107</u>	<u>76,274,549</u>	<u>80,365,907</u>	<u>( 4,183,196)</u>	<u>76,182,711</u>	<u>( 91,838)</u>
<b>EXPENDITURES</b>						
General government:						
Mayor's office	513,744	797,944	500,594	( 32,311)	468,283	329,661
City council	231,264	231,264	223,516	( 16,156)	207,360	23,904
City manager	3,573,386	4,054,120	3,040,837	( 16,167)	3,024,670	1,029,450
City treasurer	152,532	152,532	190,464	( 32,311)	158,153	( 5,621)
City collector	971,342	971,342	1,009,690	( 64,623)	945,067	26,275
City clerk	163,462	163,962	163,248		163,248	714
Municipal court	438,731	438,731	433,510	( 32,311)	401,199	37,532
Legal	1,114,332	2,330,493	1,354,691		1,354,691	975,802
Accounting	531,594	494,117	486,838	( 16,156)	470,682	23,435
Engineering	1,374,871	2,104,551	955,618	( 32,311)	923,307	1,181,244
MOECD	565,025	565,025	588,691	( 16,156)	572,535	( 7,510)
Human resources	523,163	617,135	602,370		602,370	14,765
Contributions to Main Street						
Program	80,000	80,000	80,000	--	80,000	--
Regional Intergovernmental						
Council	20,000	20,000	19,691	--	19,691	--
Mail room	274,939	274,315	293,526	( 48,467)	245,059	29,256
Building commission	947,555	1,008,555	987,427	( 32,311)	955,116	53,439
Planning	577,171	807,371	698,256	( 39,744)	658,512	148,859

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final				
Information systems	\$ 1,162,811	\$ 1,210,781	\$ 944,901	\$ ( 16,155)	\$ 928,746	\$ 282,035
Building maintenance	2,286,454	2,294,640	716,962	1,615,602	2,332,564	( 37,924)
Internal audit	346,557	346,557	182,360	--	182,360	164,197
Morris Square	162,500	193,741	205,593	--	205,593	( 11,852)
Employee health clinic	513,535	486,281	493,010	--	493,010	( 6,729)
Public works	336,077	336,077	320,333	( 16,155)	304,178	31,899
Public grounds	1,466,385	1,482,971	1,510,795	( 64,622)	1,446,173	36,798
Contingency	107,500	12,086	--	--	--	12,086
Total general government	18,434,930	21,474,591	16,002,921	1,139,646	17,142,567	4,331,715
Public safety:						
Police	15,896,196	17,658,044	19,477,344	( 1,651,291)	17,826,053	( 168,009)
Fire	16,266,171	17,156,257	18,975,804	( 1,786,890)	17,188,914	( 32,657)
Traffic engineering	1,151,821	1,171,948	1,248,049	( 48,467)	1,199,582	( 27,634)
C-K emergency services	219,708	229,208	222,170	--	222,170	7,038
Total public safety	33,533,896	36,215,457	39,923,367	( 3,486,648)	36,436,719	( 221,262)
Streets and transportation:						
Streets and transportation	4,430,357	4,504,913	4,681,486	( 371,590)	4,309,896	195,017
Equipment maintenance	3,209,094	3,209,094	3,472,337	( 145,404)	3,326,933	( 117,839)
Total streets and transportation	7,639,451	7,714,007	8,153,823	( 516,994)	7,636,829	77,178
Health and sanitation:						
Refuse collection & recycling	3,509,598	3,509,598	3,792,837	( 226,185)	3,566,652	( 57,054)
Kanawha-Charleston health	100,000	100,000	100,000	--	100,000	--
CARES	48,000	48,000	48,000	--	48,000	--
Total health and sanitation	3,657,598	3,657,598	3,940,837	( 226,185)	3,714,652	( 57,054)
Culture and recreation:						
Parks and recreation	2,775,758	2,775,391	2,807,889	( 193,875)	2,614,014	161,377
Convention and visitor's bureau	1,525,050	1,525,050	1,565,068	--	1,565,068	( 40,018)
Cultural/fairs/festivals	259,500	346,855	295,458	--	295,458	51,397
Festival Fund for the Arts	104,500	104,500	87,000	--	87,000	17,500
Municipal auditorium	248,312	248,312	242,262	--	242,262	6,050
Charleston Area Alliance	75,000	75,000	75,000	--	75,000	--
Library	879,263	879,263	879,263	--	879,263	--
Appalachian Power Park	307,500	307,500	292,358	--	292,358	15,142
Total culture and recreation	6,174,883	6,261,871	6,244,298	( 193,875)	6,050,423	211,448
Social services:						
Spring hill cemetery	625,855	659,784	641,315	( 48,467)	592,848	66,936
Human rights	223,810	96,826	36,927	--	36,927	59,899
Total social services	849,665	756,610	678,242	( 48,467)	629,775	126,835

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final				
Capital projects:						
General government	\$ 522,344	\$ 543,413	\$ 529,793	\$ --	\$ 529,793	\$ 13,620
Public safety	2,562,408	2,745,117	1,784,969	--	1,784,969	960,148
Streets and transportation	1,484,943	1,548,456	1,184,406	--	1,184,406	364,050
Health and sanitation	844,647	956,647	882,508	--	882,508	74,139
Culture and recreation	249,333	274,955	173,012	--	173,012	101,943
Social services	56,787	448,493	30,208	--	30,208	418,285
Total capital projects	<u>5,720,462</u>	<u>6,517,081</u>	<u>4,584,896</u>	<u>--</u>	<u>4,584,896</u>	<u>1,932,185</u>
Debt service:						
Principal	532,490	532,364	532,364	--	532,364	--
Interest	343,978	344,104	344,105	--	344,105	( 1)
Bond Service Charges	1,200	1,200	1,200	--	1,200	--
Total debt service	<u>877,668</u>	<u>877,668</u>	<u>877,669</u>	<u>--</u>	<u>877,669</u>	<u>( 1)</u>
Total expenditures	<u>76,888,553</u>	<u>83,474,883</u>	<u>80,406,053</u>	<u>( 3,332,523)</u>	<u>77,073,530</u>	<u>6,401,044</u>
Excess of revenues over (under) expenditures	<u>( 860,446)</u>	<u>( 7,200,334)</u>	<u>( 40,146)</u>	<u>( 850,673)</u>	<u>( 890,819)</u>	<u>6,309,515</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	3,247,416	3,489,038	3,457,617	--	3,457,617	( 31,421)
Transfers out	( 5,062,305)	( 4,542,809)	( 4,236,324)	( 329,731)	( 4,566,055)	( 23,246)
Capital lease proceeds	2,611,500	2,098,086	2,158,500	--	2,158,500	60,414
Sale of capital assets	63,835	63,835	125,049	--	125,049	61,214
Total other financing sources (uses)	<u>860,446</u>	<u>1,108,150</u>	<u>1,504,842</u>	<u>( 329,731)</u>	<u>1,175,111</u>	<u>66,961</u>
Net change in fund balance	--	( 6,092,184)	1,464,696	( 1,180,404)	284,292	6,376,476
Fund balance-beginning	--	6,092,184	32,766,038	( 26,673,854)	6,092,184	--
Fund balance-ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 34,230,734</u>	<u>\$ ( 27,854,258)</u>	<u>\$ 6,376,476</u>	<u>\$ 6,376,476</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF CHARLESTON, 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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
State	\$ 225,000	\$ 225,000	\$ 272,329	\$ 47,329
Interest and investment earnings	<u>250</u>	<u>250</u>	<u>53</u>	<u>(197)</u>
Total revenues	<u>225,250</u>	<u>225,250</u>	<u>272,382</u>	<u>47,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>225,250</u>	<u>225,250</u>	<u>272,382</u>	<u>47,132</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	<u>(252,200)</u>	<u>(299,620)</u>	<u>(276,964)</u>	<u>22,656</u>
Total other financing sources (uses)	<u>(252,200)</u>	<u>(299,620)</u>	<u>(276,964)</u>	<u>22,656</u>
Net change in fund balance	(26,950)	(74,370)	(4,582)	69,788
Fund balance - beginning	<u>26,950</u>	<u>74,370</u>	<u>74,371</u>	<u>--</u>
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 69,789</u>	<u>\$ 69,788</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF CHARLESTON, WEST VIRGINIA PROPRIETARY FUND FINANCIAL STATEMENTS

## *Major Funds*

**Civic Center Fund** This Enterprise Fund accounts for the operations of the Civic Center multi-purpose meeting, convention, and entertainment facility.

**Parking System Fund** This Enterprise Fund accounts for the operations of the City parking buildings, parking lots, and metered spaces.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2012**

	Business-type Activities - Enterprise Funds		
	Civic Center	Parking System	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 231,451	\$ 2,646,760	\$ 2,878,211
Receivables:			
Accounts	9,608	126,295	135,903
Grants	--	--	--
Due from:			
Other funds	--	202	202
Prepaid insurance and lease	52,204	83,760	135,964
Deferred issuance costs	6,245	--	6,245
Restricted:			
Regular account	--	302,667	302,667
Revenue bond covenant accounts	293,423	265,778	559,201
Customer deposits	133,647	--	133,647
	726,578	3,425,462	4,152,040
Total current assets			
Noncurrent assets:			
Deferred issuance costs	71,397	--	71,397
Restricted:			
Revenue bond covenant accounts	--	1,136,628	1,136,628
Capital assets not being depreciated:			
Land	300,000	4,066,447	4,366,447
Construction in progress	--	707,216	707,216
Capital assets being depreciated:			
Buildings and improvements	36,595,641	29,275,916	65,871,557
Machinery and equipment	1,189,374	1,020,164	2,209,538
Less: accumulated depreciation	( 27,749,215)	( 23,477,708)	( 51,226,923)
Total capital assets (net of accumulated depreciation)	10,335,800	11,592,035	21,927,835
Total noncurrent assets	10,407,197	12,728,663	23,135,860
Total assets	\$ 11,133,775	\$ 16,154,125	\$ 27,287,900

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)**  
**June 30, 2012**

	<u>Civic</u> <u>Center</u>	<u>Parking</u> <u>System</u>	<u>Totals</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 53,823	\$ 150,985	\$ 204,808
Benefits payable	41,113	47,102	88,215
Payroll payable	31,427	30,386	61,813
Other accrued expenses	5,969	6,125	12,094
Compensated absences payable	50,424	34,692	85,116
Customer deposits payable	36,243	--	36,243
Due to:			
Governmental	22,661	28,698	51,359
Fiduciary-agency	5,520	--	5,520
Accrued interest payable	52,458	15,803	68,261
Revenue bonds payable-current	390,000	925,000	1,315,000
	<u>689,638</u>	<u>1,238,791</u>	<u>1,928,429</u>
Total current liabilities			
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discount)	5,644,603	3,181,583	8,826,186
Other postemployment benefits	170,002	80,068	250,070
	<u>5,814,605</u>	<u>3,261,651</u>	<u>9,076,256</u>
Total noncurrent liabilities			
	<u>6,504,243</u>	<u>4,500,442</u>	<u>11,004,685</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	4,301,197	7,485,452	11,786,649
Restricted:			
Debt service	293,423	1,705,073	1,998,496
Unrestricted	34,912	2,463,158	2,498,070
	<u>4,629,532</u>	<u>11,653,683</u>	<u>16,283,215</u>
Total net assets			

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-type Activities - Enterprise Funds		
	<u>Civic Center</u>	<u>Parking System</u>	<u>Totals</u>
Operating revenues:			
Sales and services to customers	\$ 2,027,172	\$ 3,800,855	\$ 5,828,027
Rental fees	1,072,851	--	1,072,851
Miscellaneous	--	7,526	7,526
	<u>3,100,023</u>	<u>3,808,381</u>	<u>6,908,404</u>
Operating expenses:			
Administrative and general	--	1,878,419	1,878,419
Recreational	3,367,332	--	3,367,332
Depreciation	968,476	650,764	1,619,240
	<u>4,335,808</u>	<u>2,529,183</u>	<u>6,864,991</u>
Total operating revenues	<u>3,100,023</u>	<u>3,808,381</u>	<u>6,908,404</u>
Total operating expenses	<u>4,335,808</u>	<u>2,529,183</u>	<u>6,864,991</u>
Operating income (loss)	<u>( 1,235,785)</u>	<u>1,279,198</u>	<u>43,413</u>
Nonoperating revenues (expenses):			
Investment earnings	754	9,931	10,685
Gain on sale of capital assets	--	1,434	1,434
Interest and fiscal charges	( 329,283)	( 333,506)	( 662,789)
	<u>( 328,529)</u>	<u>( 322,141)</u>	<u>( 650,670)</u>
Total nonoperating revenues (expenses)	<u>( 328,529)</u>	<u>( 322,141)</u>	<u>( 650,670)</u>
Income (loss) before contributions and transfers	<u>( 1,564,314)</u>	<u>957,057</u>	<u>( 607,257)</u>
Capital contributions	1,000	184,865	185,865
Transfers in	1,533,592	--	1,533,592
Transfers (out)	( 109,875)	--	( 109,875)
	<u>( 139,597)</u>	<u>1,141,922</u>	<u>1,002,325</u>
Change in net assets	<u>( 139,597)</u>	<u>1,141,922</u>	<u>1,002,325</u>
Total net assets - beginning	<u>4,769,129</u>	<u>10,511,761</u>	<u>15,280,890</u>
Total net assets - ending	<u>\$ 4,629,532</u>	<u>\$ 11,653,683</u>	<u>\$ 16,283,215</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-type Activities - Enterprise Funds		
	<u>Civic Center</u>	<u>Parking System</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 3,145,157	\$ 3,800,517	\$ 6,945,674
Payments to suppliers	( 2,161,546)	( 499,477)	( 2,661,023)
Payments to employees	( 1,246,958)	( 1,153,130)	( 2,400,088)
Net cash provided (used) by operating activities	<u>( 263,347)</u>	<u>2,147,910</u>	<u>1,884,563</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers in from other funds	<u>623,608</u>	<u>--</u>	<u>623,608</u>
<b>Cash flows from capital and related financing activities:</b>			
Transfers from other funds for capital debt	678,228	--	678,228
Transfers from other funds for capital projects	121,880	--	121,880
Capital contributions	1,000	150,999	151,999
Proceeds from sale of capital assets	--	1,434	1,434
Acquisition and construction of capital assets	( 280,994)	( 321,040)	( 602,034)
Principal paid on capital debt	( 385,000)	( 1,060,000)	( 1,445,000)
Interest and fees paid on capital debt	( 293,736)	( 240,649)	( 534,385)
Net cash provided (used) by capital and related financing activities	<u>( 158,622)</u>	<u>( 1,469,256)</u>	<u>( 1,627,878)</u>
<b>Cash flows from investing activities:</b>			
Interest and dividends received	<u>754</u>	<u>9,931</u>	<u>10,685</u>
Net increase (decrease) in cash and cash equivalents	202,393	688,585	890,978
Cash and cash equivalents, July 1, 2011 (including \$292,281 and \$1,718,404 in restricted)	<u>322,481</u>	<u>3,663,248</u>	<u>3,985,729</u>
Cash and cash equivalents, June 30, 2012 (including \$293,423 and \$1,705,073 in restricted )	<u>\$ 524,874</u>	<u>\$ 4,351,833</u>	<u>\$ 4,876,707</u>

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2012**

	Business-type Activities - Enterprise Funds		
	<u>Civic Center</u>	<u>Parking System</u>	<u>Totals</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (1,235,785)	\$ 1,279,198	\$ 43,413
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	968,476	650,764	1,619,240
Decrease (increase) in accounts receivable	--	(2,792)	(2,792)
Decrease (increase) in due from other funds	89,114	678	89,792
Decrease (increase) in restricted deposits	(42,461)	--	(42,461)
Decrease (increase) in prepaid insurance	9,516	10,910	20,426
Increase (decrease) in accounts payable	(133,654)	119,861	(13,793)
Increase (decrease) in payroll payable	9,777	8,115	17,892
Increase (decrease) in other accrued expenses	1,835	5,743	7,578
Increase (decrease) in due to other funds	6,124	5,472	11,596
Increase (decrease) in OPEB	63,711	69,961	133,672
	<u>63,711</u>	<u>69,961</u>	<u>133,672</u>
Net cash provided by operations	<u>\$ (263,347)</u>	<u>\$ 2,147,910</u>	<u>\$ 1,884,563</u>
Noncash investing, capital & financing activities:			
Contribution of capital asset from governmental fund	--	33,866	33,866
	<u>\$ --</u>	<u>\$ 33,866</u>	<u>\$ 33,866</u>

The notes to the financial statements are an integral part of this statement.

## **CITY OF CHARLESTON, WEST VIRGINIA FIDUCIARY FUND FINANCIAL STATEMENTS**

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

***Policemen's Pension and Relief Fund*** This fund provides retirement benefits for substantially all full-time police employees and designated beneficiaries. The Board of Directors oversees the financial activities of the Pension Plan. The City is required to make annual contributions to the fund in accordance with West Virginia State Code using the Conservation Method. This plan is closed to new employees effective June 1, 2011 and new employees are covered in a multiple employer statewide plan. The State will contract an actuary annually to obtain an actuarial valuation to determine solvency of this local plan.

***Firemen's Pension and Relief Fund*** This fund provides retirement benefits for substantially all full-time fire department employees and designated beneficiaries. The Board of Directors oversees the financial activities of the Pension Plan. The City is required to make annual contributions to the fund in accordance with West Virginia State Code using the Conservation Method. This plan is closed to new employees effective June 1, 2011 and new employees are covered in a multiple employer statewide plan. The State will contract an actuary annually to obtain an actuarial valuation to determine solvency of this local plan.

**Agency Funds** These funds are accounted for using the accrual basis of accounting and are used to account for assets that the City of Charleston, West Virginia holds for others in an agency capacity.

The individual Agency Fund descriptions and financial statements begin on page 96.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	<u>Pension Trust Funds</u>		<u>Total Pension Trust Funds</u>	<u>Agency Funds</u>
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>		
<b>ASSETS</b>				
Non-pooled cash	\$ 872,223	2,469,276	\$ 3,341,499	\$ 2,097,272
Total cash	<u>872,223</u>	<u>2,469,276</u>	<u>3,341,499</u>	<u>2,097,272</u>
Investments, at fair value:				
Federal government securities	2,651,643	1,269,007	3,920,650	--
Certificates of deposit	--	201,470		
Managed bond funds	2,598,882	--	2,598,882	--
Managed stock funds	<u>5,587,452</u>	<u>5,853,773</u>	<u>11,441,225</u>	<u>--</u>
Total investments	<u>10,837,977</u>	<u>7,324,250</u>	<u>18,162,227</u>	<u>--</u>
Receivables:				
Interest	40,119	398	40,517	--
Accounts receivable	<u>136,714</u>	<u>143,522</u>	<u>280,236</u>	<u>51,464</u>
Total receivables	<u>176,833</u>	<u>143,920</u>	<u>320,753</u>	<u>51,464</u>
Due from:				
Other funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,880</u>
Total due from other funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,880</u>
Total assets	<u>\$ 11,887,033</u>	<u>\$ 9,937,446</u>	<u>\$ 21,824,479</u>	<u>\$ 2,160,616</u>
<b>LIABILITIES</b>				
Accounts payable	--	--	--	2,156,776
Due to other funds	105,987	104,255	210,242	3,840
Benefits payable	<u>--</u>	<u>518,847</u>	<u>518,847</u>	<u>--</u>
Total liabilities	<u>105,987</u>	<u>623,102</u>	<u>729,089</u>	<u>2,160,616</u>
<b>NET ASSETS</b>				
Net assets held in trust for pension benefits	<u>\$ 11,781,046</u>	<u>\$ 9,314,344</u>	<u>\$ 21,095,390</u>	<u>\$ --</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Pension Trust Funds		Totals
	Policemen's Pension and Relief	Firemen's Pension and Relief	
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 4,321,014	\$ 4,505,745	\$ 8,826,759
Plan members	706,773	690,127	1,396,900
State of West Virginia insurance premium surtax allocations	1,602,822	1,722,267	3,325,089
Total contributions	<u>6,630,609</u>	<u>6,918,139</u>	<u>13,548,748</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	( 377,005)	53,021	( 323,984)
Interest and dividends	306,161	167,881	474,042
Less: investment expense	<u>( 114,814)</u>	<u>( 40,487)</u>	<u>( 155,301)</u>
Net investment income	<u>( 185,658)</u>	<u>180,415</u>	<u>( 5,243)</u>
Total additions	<u>6,444,951</u>	<u>7,098,554</u>	<u>13,543,505</u>
<b>DEDUCTIONS</b>			
Benefits	6,089,284	6,201,250	12,290,534
Administrative expenses	11,224	7,002	18,226
Refunds of contributions	<u>12,904</u>	<u>39,511</u>	<u>52,415</u>
Total deductions	<u>6,113,412</u>	<u>6,247,763</u>	<u>12,361,175</u>
Change in net assets	331,539	850,791	1,182,330
Net assets held in trust for pension benefits:			
Beginning of year	<u>11,449,507</u>	<u>8,463,553</u>	<u>19,913,060</u>
End of year	<u>\$ 11,781,046</u>	<u>\$ 9,314,344</u>	<u>\$ 21,095,390</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City of Charleston is a municipal corporation governed by an elected mayor and twenty-seven 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 City, 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 City of Charleston.

*Blended Component Unit*

The entity below is legally separate from the City and meets GAAP criteria for a component unit. This entity is blended with the primary government because it provides services entirely or almost entirely to the City.

The *City of Charleston Building Commission* (the Commission) serves the City of Charleston, West Virginia, and is governed by a board comprised of five members appointed by the City Council for a term of five years each. The Building Commission acquires property and debt on behalf of the City with the approval of the government's council and the legal liability for the general obligation portion of the Commission's debt remains with the government. The Commission does not issue separate financial statements.

*Discretely Presented Component Units*

Discretely presented component units are entities which are legally separate from the City, but are financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Because of the nature of services they provide and the City'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 generally accepted accounting principles. The discretely presented component units are presented on the government-wide statements.

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

The *City of Charleston Urban Renewal Authority* serves the City of Charleston, West Virginia, and is governed by a board comprised of members appointed by the City. The bond issuance authorizations are approved by the government's elected council. The City of Charleston Urban Renewal Authority derives its income from the leasing of developed properties.

The *City of Charleston Convention and Visitor's Bureau, Inc. (the Bureau)* was established in 1979, as a nonprofit corporation. The Bureau is governed by a board comprised of members stipulated to be no less than fifteen but no more than nineteen which consists of three permanent members (the City of Charleston Civic Center Manager, Director of Yeager Airport, and Mayor of the City of Charleston) and the remainder of the board members are appointed by the City Council. The primary purpose of the Bureau is to operate a convention and visitor's bureau for the Charleston, West Virginia area and to advance, stimulate, and promote exhibits, conferences and conventions. The Bureau derives most of its revenue from hotel room taxes. The City of Charleston contributes 50% of the Hotel Occupancy Taxes collected to the Bureau. If these taxes were discontinued, the Bureau's ability to continue in business would be threatened.

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

**CITY OF CHARLESTON, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets 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; however, if applicable, interfund services provided and used are not eliminated in the process of consolidation. 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.

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. Nonmajor governmental funds are combined into a single column.

In June 2011 and March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. These two standards will be effective for the City of Charleston's fiscal years 2013 and 2014. The effect of the implementation of these two standards cannot be determined at this time.

**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.

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, 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 or elected 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 counties.

The *Community Development Fund*, a special revenue fund, accounts for federal grants received from the U.S. Housing and Urban Development for the purpose of developing "viable urban communities", which are achieved by providing decent housing, a suitable living environment, and expanded economic opportunities principally for low- and moderate income people.

The *HOME Fund*, a special revenue fund, accounts for federal grants received from the U.S. Housing and Urban Development to provide forgivable, deferred mortgage loans to first-time homebuyers that meet income and credit guidelines.

**CITY OF CHARLESTON, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012**

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The government reports the following major proprietary funds:

The *Civic Center Fund* is a large multi-purpose meeting, convention and entertainment facility. The Civic Center/Auditorium Board was created in 1953, to supervise, operate and maintain the Civic Center and the Municipal Auditorium. The Board is appointed by the Mayor with approval of City Council. This fund accounts for the receipts and expenses of the operations of this facility.

The *Parking System Fund* consists of parking buildings, parking lots and metered spaces. The City has delegated a special committee of the Council, designated as the Parking Facilities Committee composed of the Mayor and members of the finance committee of council, to promulgate rules and regulations governing the usage of all the parking facilities. This fund accounts for all receipts and expenses of operating the parking system.

Additionally, the government reports the following fund types:

The *Pension Trust Funds* account for the activities of the Public Safety Employees Retirement Systems, 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 accrual basis of accounting.

The *Agency Funds* account for assets held by the City of Charleston, West Virginia for others in a custodial capacity. The two Civic Center Agency Funds account for revenues from event ticket sales, subsequently dispersed to promoters, and for revenues received for the Cooking Show, the Wedding Show and for a series of reunions the Civic Center is producing which are subsequently paid to the Civic Center once the events are over. The police agency funds account for forfeited funds and confiscated property subsequently dispersed upon court order to the appropriate party. Agency funds are accounted for using the accrual basis of accounting and do not present results of operations or have a measurement focus.

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

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 Civic Center and Parking System (enterprise funds) and the Sanitary Board, Urban Renewal Authority, and Convention and Visitor's Bureau (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.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The City of Charleston, 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 generally accepted accounting principles, the City 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 IV.A.

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

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

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

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 ten percent of the total pension fund assets; and (2) at no time can the equity portion of the portfolio exceed sixty percent of the total portfolio.

## 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*

The property tax receivable is equal to 75 percent of the property taxes outstanding at June 30, 2012.

All current taxes assessed on real and personal property have a levy date of the 3rd Tuesday in April of each year. The due date for the taxes is September 1st for the first half and March 1st for the second half of the year. The lien date in which the sheriff has a legal right to collect is between October 14th and November 23rd of each year. 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. The City receives from the County its portion of property taxes for current and excess levies each month for the preceding month collections.

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 City per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2012, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense	Excess Levy	Bond Purposes
Class I	\$ -	8.17 cents	5.03 cents	0.00 cents
Class II	\$ 1,207,052,018	16.34 cents	10.06 cents	0.00 cents
Class IV	\$ 1,724,915,602	32.68 cents	20.12 cents	0.00 cents

The City of Charleston, West Virginia held a special election on March 8, 2011. The City was authorized to lay an excess levy to provide approximately \$4,616,199 annually for four fiscal years which began fiscal year ended June 30, 2012, through June 30, 2015, for the purpose of subsidizing the payment of current governmental expenses.

**CITY OF CHARLESTON, WEST VIRGINIA**  
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**3. Prepaid Items**

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

**4. Restricted Assets**

Certain assets of the Civic Center and Parking System enterprise fund revenue bonds as well as certain proceeds set aside for their repayment are classified as restricted assets because their use is limited by applicable bond covenants. Certain assets of the Solid Waste Fund, a special revenue fund, are restricted for solid waste landfill closure expenditures. The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "restricted cash" account is used to report resources set aside to pay for potential solid waste capital expenditures. The "reserve for bond retirement" account is used to segregate resources accumulated for debt service payments. The "customer deposit" account is used to report the segregation of returnable cash deposits from customers of the utility upon initial receipt of the service.

**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 reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

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 and improvements	40
Structures and improvements	40
Infrastructure	40-50
Machinery and equipment	05-10
Vehicles	03-05
Furniture	05

**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. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

**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 assets. 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.

**CITY OF CHARLESTON, WEST VIRGINIA**  
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**8. Fund Balances**

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

Nonspendable fund balance	Inventories, prepaid amounts, and endowment corpus represent fund balance amounts that are not in spendable form. The government has \$1,571,079 in nonspendable fund balance at fiscal year end.
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. The government has \$5,265,842 of restricted fund balance at fiscal year end.
Committed	The committed category is the portion of fund balance which use is constrained by limitations that 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. By City code all corporate power of the city is vested in and exercised by council or under its authority. The approval does not automatically lapse at the end of the fiscal year. The government has \$12,244,956 of committed fund balance at fiscal year end.
Assigned	The assigned category is the portion of fund balance that has been designated by an authorized official such as a member of council, mayor, city manager, finance director or other department head to place constraints on amounts to reflect the government's intent to be used for specific purposes, but are neither restricted nor committed. This authority is allowed by City Code of Ordinances. The government has \$3,392,534 of assigned fund balance at fiscal year end.
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 government has \$20,543,173 of unassigned fund balance at fiscal year end.

The City Council is the government's highest level of decision-making authority. City of Charleston, WV Code of Ordinances provides that all the corporate power of the city shall be vested in and exercised by council or under its authority. The Council would take formal action by resolution approved by majority vote to establish, modify or rescind a fund balance commitment. 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.

The government does not have a formal minimum fund balance policy except for reference to anticipated fund balance or deficit in the annual budget as described in City Code VI. Division 2. Sec. 2-406 and setting aside stabilization amounts as provided in Resolution No. 875-01 on November 1, 2005.

**9. Stabilization Arrangements**

The government has created a stabilization arrangement in accordance with West Virginia Code § 7-21-3. The government may appropriate a sum to the arrangement from any surplus in the general fund at the end of each fiscal year or from other money available. The amount of money committed to the arrangement may not exceed thirty percent of the government's most recent general fund budget. The money may be used for the purpose covering a general fund shortfall or other purpose the municipality considers appropriate. The stabilization balance at fiscal year-end was \$4,526,990.

**CITY OF CHARLESTON, WEST VIRGINIA**  
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**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between fund balance total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$116,073,366 difference are as follows:

Bonds payable:	\$ (3,144,926)
Less: issuance cost (to be amortized as interest expense)	136,372
Accrued interest payable	( 91,977)
Capital leases payable	( 10,786,372)
Claims and judgments	( 4,839,088)
Compensated absences	( 1,365,593)
Net OPEB obligation	( 8,792,731)
Net pension obligation	<u>( 87,189,051)</u>
Net adjustment to decrease fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ (116,073,366)</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlays exceeded depreciation expense for the current period." The details of the \$916,633 difference are as follows:

Capital outlays	\$ 6,237,174
Depreciation expense	<u>( 7,153,807)</u>
Net adjustment to decrease net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (916,633)</u>

Another element of that reconciliation states that, "The issuance of long-term debt (i.e., bonds, leases) provide 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 assets. 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." The details of this \$625,413 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (2,158,500)
Principal repayments:	
Revenue bonds and capital leases	2,783,018
Amortization of issuance costs	( 18,740)
Decrease of accrued interest expense	<u>19,635</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 625,413</u>

**CITY OF CHARLESTON, WEST VIRGINIA**  
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Another element of that reconciliation states that, "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." The details of this \$5,438,749 difference are as follows:

Compensated absences	\$ 484,892
Claims and judgments	200,000
Net OPEB Obligation	( 1,153,818)
Net pension obligation	<u>( 4,969,823)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (5,438,749)</u>

Another element of reconciliation is the difference of \$33,866 in the amount of transfers between the fund level and the government-wide level. This difference is due to transfers that consisted of nonfinancial resources (capital assets) transferred from governmental funds to a proprietary fund. The governmental funds did not record the transfer because only financial resources are accounted for in a governmental fund; however, the proprietary fund recorded the transaction not as a transfer but as capital contribution revenue in the lower portion of its operating statement. Even though the transfers are not presented in the governmental funds it must be presented as transfers in the governmental activities column in the statement of activities. Consequently, the amount of transfers from the fund level to the government-wide level increased in the amount of \$33,866.

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**  
**A. Budgetary Information**

Except as noted, 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 City is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the City 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. The legal level of budgetary control is the 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:

<u>Amount</u>	<u>Description</u>
\$ 3,039,661	General Government Expenditure Increase
\$ 2,681,561	Public Safety Expenditure Increase
\$ 796,619	Capital Projects Expenditure Increase

Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The government's budget basis differs from generally accepted accounting principles in the general fund due to: (1) implementation of GASB 54 for GAAP, (2) the allocation of amounts received from the State of West Virginia for pension allocation (see note IV.J.) (3) the cost allocation of the pay as you go portion related to other post employment benefits (4) separate reporting of capital outlay for budgetary purposes and (5) the reflection of business and occupation taxes on the cash basis for budgetary purposes.

Of these differences, only GASB 54 implementation and the method of recording business and occupation taxes have an effect on the fund balance per GAAP basis and budgetary basis as follows:

	<u>Net Change in Fund Balance</u>	<u>Fund Balance</u>
Budgetary Basis	\$ 284,292	\$ 6,376,476
Basis of Accounting Difference	1,180,404	27,854,258
GAAP Basis	<u>\$ 1,464,696</u>	<u>\$ 34,230,734</u>

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Intergovernmental revenues - state and public safety expenditures both decreased by \$3,325,089 per budget basis for the pension allocation from the State of West Virginia.

The remaining differences in the functional categories per budget and GAAP are attributed to the method in which capital outlay and the pay as you go portion of other post-employment benefits are allocated in the budget.

**B. Encumbrances**

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances are listed below for major funds, and nonmajor funds in the aggregate.

<u>Encumbrance Description</u>	<u>General Fund</u>
Professional Services	\$ 1,999,472
Court Costs & Damages	1,008,430
Contributions To Other Entities	323,984
Capital Outlays	22,783
Training, Maintenance, and Fire Prevention	38,762
	<u>\$ 3,393,431</u>

**IV. 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 &amp; Poor's and Fitch</u>	<u>Moody's Investment Services</u>
<b>Primary Government</b>			
West Virginia Municipal Bond Commission	\$ 1,871,730	Not Rated	Not Rated
WVBTI Short Term Bond Pool	1,024,619	Not Rated	Not Rated
Repurchase Agreements-FNMA	1,250,155	AA+	Aaa
U.S. Government Agency Securities	-	AAA	Not Rated
Corporate Bonds-Bank America Corp	75,450	A-	Not Rated
Corporate Bonds-Barclays	49,158	A+	Not Rated
Corporate Bonds-Cisco Systems	29,010	A+	Not Rated
Corporate Bonds-General Electric	87,581	AA+	Not Rated
Corporate Bonds-General Electric Diversified	50,060	AA+	Not Rated
National Rural Utilities Bond	50,293	A	Not Rated
Total Rated Securities	1,591,707		
Total Unrated Securities	4,243,390		
Total Primary Government	<u>\$ 5,835,097</u>		

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**Policemen's Pension and Relief**

U.S. Government Securities	\$ 1,944,733	Not Rated	AAA
U.S. Government Agency Securities	706,909	AA+	AAA
Corporate Bonds-Oracle Corp	181,209	A+	A1
Corporate Bonds-Walt Disney	211,750	A	A2
Corporate Bonds-Goldman Sachs Group	184,951	A-	A3
Corporate Bonds-Bank of New York Melon	186,573	A+	AA3
Corporate Bonds-U.S. Bancorp	186,251	A	AA3
Corporate Bonds-Allstate Corp	192,495	A-	A3
Corporate Bonds-BP Capital Markets	97,547	A	A2
Corporate Bonds-American Express Credit	176,988	A-	A2
Corporate Bonds-General Electric Capital Corp	180,759	AA+	A1
Corporate Bonds-AT&T Inc.	175,224	A-	A2
Corporate Bonds-Abbott Laboratories	211,584	AA-	A1
Corporate Bonds-Wells Fargo Co.	204,353	A+	A2
Corporate Bonds-Walgreen Co.	199,073	A-	A3-
Corporate Bonds-McDonalds Corp	210,126	A	A2
	<u>5,250,525</u>		
Total Rated Securities	5,250,525		
Total Unrated Securities	<u>5,587,452</u>		
Total Policemen's Pension and Relief	<u>\$ 10,837,977</u>		

**Firemen's Pension and Relief**

U.S. Government Agency Securities	\$ 1,269,007	AA+	Aaa
Certificate of Deposit-City Bank Salt Lake City UT FDIC Insured	100,056	Not Rated	Not Rated
Certificate of Deposit-First State Bank & Trust Valdosta GA FDIC Insured	101,414	Not Rated	Not Rated
Total Rated Securities	<u>1,269,007</u>		
Total Unrated Securities	<u>6,055,243</u>		
Total Firemen's Pension and Relief	<u>\$ 7,324,250</u>		

The City's investment in the West Virginia Board of Treasury Investments includes funds held at the West Virginia Municipal Bond Commission (Commission) for the Parking System and Civic Center, Proprietary Funds, revenue bond issuances. The West Virginia Legislature created this Commission to act as the fiscal agent/trustee for the bond issuances of the State and its political subdivisions. The oversight of the Commission is the State Treasurer's Office, the State Auditor's Office, and other financial professionals not associated with government. For seventy-six years, the Legislature has made a blanket appropriation annually to cover possible deficiencies that could arise in State and general obligation sinking fund accounts. Standard & Poor has recognized this annual Legislative appropriation and the Commission's management as a Credit Enhancement Program, and has awarded all West Virginia general obligation administered by the Commission a minimum rating of AA-. The City's fair value position in the pool is the same as the value of the pool shares.

The City has invested in The West Virginia Short Term Bond Pool which was created to invest restricted moneys of the State which have a longer term investment horizon. The goal of the Pool is to earn an incremental return over the West Virginia Money Market Pool with an objective of Asset growth rather than current income. The Pool is structured as a mutual fund and is limited to monthly withdrawals and deposits by Participants. The risk factor on this Pool is higher than the West Virginia Money Market Pool.

Net investment income and realized gains and losses are declared as dividends on the last day of the month and distributed to the Participants in the Pool on the first day of the following month. Gains and losses (realized and unrealized) are reflected in the net asset value calculated each month. The City's equity in the West Virginia Short Term Bond Pool at June 30, 2012 was \$1,024,619.

*Credit Risk*

It's the government's policy to limit its investments as stated in the West Virginia State Code §8-13-22a and c and §8-22-22 and §8-22-22a. The specific investments allowed for municipal and pension investments are fully described with all applicable limitations in Note I.D.1. The government does not have a policy for credit risk in addition to governing statutes. As of June 30, 2012, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

**CITY OF CHARLESTON, WEST VIRGINIA**  
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*Interest Rate Risk*

The City of Charleston has adopted the provisions of West Virginia Code §8-13-22a and c and §8-22-22 and §8-22-22a (for policemen and firemen's pension plans) as its investment policy, the specific provisions of which are more fully described in Note I.D.1. The government does not have a policy for interest rate risk in addition to the governing West Virginia statutes.

Security Type	Fair Value	Less than 1 Year	1-5	6-10	More than 10 Years
<b>Primary Government:</b>					
West Virginia Municipal Bond Commission	\$ 1,871,730	\$ 1,871,730	\$ -	\$ -	\$ -
WVBTI Short Term Bond Pool	1,024,619	1,024,619	-	-	-
Repurchase Agreements	1,250,155	1,250,155	-	-	-
Corporate Bonds-Bank of America	75,450	75,450	-	-	-
Corporate Bonds-Barclays	49,159	-	49,159	-	-
Corporate Bonds-Cisco Systems	29,010	-	29,010	-	-
Corporate Bonds-General Electric	87,581	-	-	87,581	-
Corporate Bonds-General Electric Diversified	50,060	-	-	-	50,060
National Rural Utilities Bond	50,293	-	50,293	-	-
Security Type	Fair Value	Less than 1 Year	1-5	6-10	More than 10 Years
<b>Policemen's Pension and Relief:</b>					
US Government Securities	\$ 1,944,733	\$ 681,392	\$ 671,301	\$ 592,040	\$ -
US Government Agency Securities	706,909	225,412	481,497	-	-
Corporate Bonds-Oracle Corp	181,209	181,209	-	-	-
Corporate Bonds-Walt Disney	211,750	-	211,750	-	-
Corporate Bonds-Goldman Sachs Group	184,950	-	184,950	-	-
Corporate Bonds-Bank of New York Melon	186,573	-	186,573	-	-
Corporate Bonds-US Bancorp	186,251	-	186,251	-	-
Corporate Bonds-Allstate Corp	192,495	-	192,495	-	-
Corporate Bonds-BP Capitol Markets	97,547	-	97,547	-	-
Corporate Bonds-American Express Credits	176,988	-	176,988	-	-
Corporate Bonds-General Electric Capital Corp	180,759	-	180,759	-	-
Corporate Bonds-AT&T	175,224	-	175,224	-	-
Corporate Bonds-Abbott Laboratories	211,584	-	-	211,584	-
Corporate Bonds-Wells Fargo	204,353	-	-	204,353	-
Corporate Bonds-McDonalds Corp	210,126	-	-	210,126	-
Corporate Bonds-Walgreen Co.	199,073	-	-	199,073	-
<b>Firemen's Pension &amp; Relief:</b>					
U.S. Government Agency Securities	1,269,007	-	-	1,251,140	17,867
Certificate of Deposit-City Bank Salt Lake City UT	-	-	-	-	-
FDIC Insured	100,056	-	100,056	-	-
Certificate of Deposit-First State Bank & Trust Valdosta GA FDIC Insured	101,414	101,414	-	-	-
Totals	\$ 11,209,058	\$ 5,411,381	\$ 2,973,853	\$ 2,755,897	\$ 67,927

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*Concentration of Credit Risk*

The government has adopted the provisions contained in West Virginia Code §8-13-22a and c and §8-22-22 and §8-22-22a as its investment policy which does not allow for an investment in any one issuer that is in excess of nine percent of the government's total investment or ten percent of the pension fund total investment. Other limitations on investments are more fully described in Note I.D.I. The government does not have a policy for concentration of credit risk in addition to governing West Virginia statutes.

Any investment in one issuer of five percent or greater must be disclosed in accordance with GAAP. The Firemen's Pension Fund had two common stock investments in ISHARES RS 2000 Value Index Fund and ISHARES RUSSELL MIDCAP Value Index that were six percent and six percent, respectively, of the total portfolio; and Spring Hill Cemetery had three mutual fund investments in Double line Total Return Bond, Pimco Investment Grade Corp, and Federated Strategic Income Fund that were 7 percent, 11 percent, and 19 percent, respectively, of the total portfolio and two bond fund investments in General Electric (assumed one issuer) that were 7 percent of the total portfolio at June 30, 2012.

*Custodial Credit Risk*

The City of Charleston's deposits with financial institutions are fully insured or collateralized by securities held in the government's name at June 30, 2012.

**B. Receivables**

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

	General	Coal Severance	Community Development	HOME
Receivables:				
Accounts	\$ 5,080,680	\$ -	\$ -	\$ -
Accrued interest	7,429	-	9,862	19
Taxes	12,923,207	-	-	-
Loans	-	-	2,237,174	4,020,227
Grants	154,843	-	98,363	9,357
Gross receivables	18,166,159	-	2,345,399	4,029,603
Less: allowance for uncollectible	(886,534)	-	(559,293)	-
Net total receivables	\$ 17,279,625	\$ -	\$ 1,786,106	\$ 4,029,603

	Civic Center	Parking System	Nonmajor Funds and Fiduciary Funds	Total
Receivables:				
Accounts	\$ 9,608	\$ 147,795	\$ 3,685,493	\$ 8,923,576
Accrued interest	-	-	43,654	60,964
Taxes	-	-	-	12,923,207
Loans	-	-	262,017	6,519,418
Grants	-	-	398,368	660,931
Gross receivables	9,608	147,795	4,389,532	29,088,096
Less: allowance for uncollectible	-	(21,500)	(2,869,594)	(4,336,921)
Net total receivables	\$ 9,608	\$ 126,295	\$ 1,519,938	\$ 24,751,175

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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection 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:

	Unavailable	Unearned
Property Taxes	\$ 445,573	\$ -
Prepaid License Fees and Cemetery Fees (general fund)	-	77,014
Grant draw downs prior to meeting all eligibility requirements	-	5,700,688
Total deferred/unearned revenue for governmental funds	<u>\$ 445,573</u>	<u>\$ 5,777,702</u>

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,872,359	\$ -	\$ -	\$ 8,872,359
Construction in progress	1,117,064	2,762,565	(2,665,304)	1,214,325
Total capital assets not being depreciated	<u>9,989,423</u>	<u>2,762,565</u>	<u>(2,665,304)</u>	<u>10,086,684</u>
Capital assets being depreciated:				
Buildings and improvements	47,361,660	770,918	-	48,132,578
Structures and improvements	19,425,631	122,767	-	19,548,398
Machinery and equipment	15,574,353	1,075,856	(610,852)	16,039,357
Vehicles	18,375,538	1,775,804	(1,663,586)	18,487,756
Furniture	375,270	-	-	375,270
Infrastructure	87,423,539	2,394,569	-	89,818,108
Total capital assets being depreciated	<u>188,535,991</u>	<u>6,139,914</u>	<u>(2,274,438)</u>	<u>192,401,467</u>
Less accumulated depreciation:				
Buildings and improvements	(18,409,496)	(1,152,503)	-	(19,561,999)
Structures and improvements	(7,877,858)	(696,195)	-	(8,574,053)
Machinery and equipment	(11,833,629)	(1,323,320)	598,026	(12,558,923)
Vehicles	(12,948,113)	(1,851,624)	1,663,585	(13,136,152)
Furniture	(309,691)	(24,588)	-	(334,279)
Infrastructure	(51,867,529)	(2,105,577)	-	(53,973,106)
Total accumulated depreciation	<u>(103,246,316)</u>	<u>(7,153,807)</u>	<u>2,261,611</u>	<u>(108,138,512)</u>
Total capital assets being depreciated, net	<u>85,289,675</u>	<u>(1,013,893)</u>	<u>(12,827)</u>	<u>84,262,955</u>
Governmental activities capital assets, net	<u>\$ 95,279,098</u>	<u>\$ 1,748,672</u>	<u>\$ (2,678,131)</u>	<u>\$ 94,349,639</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,366,447	\$ -	\$ -	\$ 4,366,447
Construction in progress	356,869	458,850	(108,503)	707,216
Total capital assets, not being depreciated	4,723,316	458,850	(108,503)	5,073,663
Capital assets being depreciated:				
Buildings and improvements	64,938,123	149,857	-	65,087,980
Structures and improvement	783,577	-	-	783,577
Machinery and equipment	1,908,249	135,697	(4,471)	2,039,475
Vehicles	204,183	-	(34,120)	170,063
Total capital assets being depreciated	67,834,132	285,554	(38,591)	68,081,095
Less accumulated depreciation:				
Buildings and improvements	(47,605,088)	(1,417,968)	-	(49,023,056)
Structures and improvements	(366,837)	(26,513)	-	(393,350)
Machinery and equipment	(1,497,964)	(163,459)	4,470	(1,656,953)
Vehicles	(176,384)	(11,300)	34,120	(153,564)
Total accumulated depreciation	(49,646,273)	(1,619,240)	38,590	(51,226,923)
Total capital assets being depreciated, net	18,187,859	(1,333,686)	(1)	16,854,172
Business-type activities capital assets, net	\$ 22,911,175	\$ (874,836)	\$ (108,504)	\$ 21,927,835

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

Governmental activities:	
General government	\$ 2,769,294
Public safety	2,000,310
Highways and streets, including depreciation of general infrastructure assets	736,326
Health and sanitation	564,852
Culture and recreation	1,050,381
Social services	32,644
Total depreciation expense-governmental activities	\$ 7,153,807
Business-type activities:	
Civic Center	\$ 968,476
Parking System	650,764
Total depreciation expense-business-type activities	\$ 1,619,240

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*Construction in Progress*

The government has active construction projects as of June 30, 2012. The projects include street, retaining walls, and bridge repairs, City Hall renovations and additions, recreation facilities renovations and green space. At year end, the amounts for governmental activities spent-to-date are as follows:

Project	Spent-to-Date	Funded
Springhill Cemetery New Office Building	\$ 429,499	General Fund
Riverfront Project	282,100	General Fund , Federal Grants, & Contributions
Fire Department #1 Major Renovations	52,960	General Fund
City Hall Renovations & Additions	7,758	General Fund
Storm Water Project	353,650	General Fund
Police Department Flooring	2,170	CDBG-R Grants
Bridge & Retaining Walls Projects	84,688	General Fund and CDBG Grants
Construction John Deere 2WD ATV Rent to Own	1,500	General Fund
Total	<u>\$ 1,214,325</u>	

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2012, is as follows:

*Interfund receivables/payables:*

Receivable Fund	Payable Fund	Purpose	Amount
General	Civic Center	Reimbursements Insurance/Police Wages	\$ 22,661
	Parking System	Reimbursement Insurance/Fuel	28,698
	CDBG	Reimbursement Salary, Utilities & Demolition	86,934
	HOME	Reimbursement Salary & Utilities	8,992
	Nonmajor Governmental Fund	Reimbursements Salaries, loans, and transfer of fines	477,664
			-
Parking System	General Fund	Reimbursement	202
Nonmajor Governmental Funds	Nonmajor Governmental Fund	Transfers	343
Nonmajor Governmental Funds	General Fund	Commissions/Loans	215,970
	Total		<u>\$ 841,464</u>

*Interfund transfers:*

	Transfers In			Total Transfers Out
	General Fund	Nonmajor Governmental	Civic Center	
Transfers out:				
General fund	\$ -	\$ 3,211,452	\$ 1,024,872	\$ 4,236,324
Coal severance tax	-	-	276,964	276,964
Nonmajor governmental funds	3,457,617	146,268.00	231,756	3,835,641
Civic Center	-	109,875	-	109,875
Total Transfers In	<u>\$ 3,457,617</u>	<u>\$ 3,467,595</u>	<u>\$ 1,533,592</u>	<u>\$ 8,458,804</u>

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

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**E. 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.

On November 1, 2004, the City of Charleston entered into a Contract of Lease-Purchase with the West Virginia Economic Development Authority in the amount of \$8,000,000 with an average interest rate of 5.29 percent to be used to acquire, construct, renovate, equip and complete a baseball stadium complex, including renovations of an existing building for leasing to prospective tenants.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Civic Center	Parking System
Appalachian Power Park	\$ 21,438,651	\$ -	\$ -
Machinery, equipment and vehicles	34,527,114	28,677	196,998
Less: accumulated depreciation	(26,231,575)	(28,677)	(196,998)
Total	<u>\$ 29,734,190</u>	<u>\$ -</u>	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Activities
2013	\$ 2,728,110
2014	2,226,196
2015	1,724,989
2016	1,290,593
2017	896,498
2018 - 2022	2,870,423
2023 - 2027	1,435,240
Total minimum lease payments	13,172,049
Less: amount representing interest	(2,385,677)
Present value of minimum lease payments	<u>\$ 10,786,372</u>

**F. Long Term Operating Leases**

The City is the owner of a ball park stadium and has entered into a stadium license, lease, and service agreement with a class Single "A" baseball club. The lease is for a period of twenty years. This parcel of land known as the "Morris Square Block" also contains an office building which the City leases under operating leases with commercial tenants with various renewable terms. The ball park and Morris Square office building are recorded at a cost of \$21,438,651 plus land and renovations at a cost of \$6,809,521 for a total of \$28,248,172 with accumulated depreciation of \$3,836,341 at June 30, 2012. Rents totaled \$772,551 for the fiscal year 2012. The rents are generally based upon square footage and are payable in monthly, quarterly, or annual installments in accordance with the respective lease agreements.

Minimum future rentals to be received on non-cancelable leases have remaining terms in excess of one year as of June 30, 2012 for each of the next five years and thereafter and in the aggregate are as follows:

June 30,	Amount
2013	\$ 772,551
2014	732,813
2015	628,254
2016	398,598
2017	398,598
2018-2022	1,854,254
2023-2027	1,349,470
Total	<u>\$ 6,134,538</u>

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**G. Long-term Debt**

*General Obligation Bonds*

The government has issued general obligation bonds to provide for the acquisition and construction of major capital facilities in the prior years; however, the City as of June 30, 2012 has no general obligation bonds payable.

*Revenue Bonds*

The City has issued bonds in prior years where the government pledged designated revenues to pay debt service. The proceeds of these bonds were used to acquire or construct assets. The City has the following revenue bonds outstanding at June 30, 2012:

*Governmental Activities:*

The Charleston Building Commission, a blended component unit of the City, issued the Public Safety Center Refunding Lease-Revenue Bonds Series 2009 in the amount of \$1,180,000 to current refund the 1999 Series which was used to acquire, construct, and equip a new public safety center. The bonds are secured by a first lien on the rental payments to be paid to the Commission pursuant to the Contract of Lease - Purchase between the Commission and the City. The irrevocable pledge of lease payments are required to be in sufficient amount to pay principal in the amount of \$1,015,000 and interest in the amount of \$297,315 on the bonds when due until bond maturity in 2024. During the fiscal year 2012 lease payments in the principal amount of \$65,000 and interest in the amount of \$43,205 were used to pay the debt service on these bonds.

The Charleston Building Commission, a blended component unit of the City, issued the Charleston Building Commission Lease-Revenue Refunding Bonds (Center for Arts and Sciences of West Virginia Project), Series 2010 in the amount of \$2,280,000 to current refund the 1999 Series which was used to acquire and equip the Center. These bonds are a limited special obligation of the Commission payable solely from the revenues and receipts derived from leasing the equipment. The irrevocable pledge of lease payments are required to be in sufficient amount to pay principal in the amount of \$1,975,000 and interest in the amount of \$562,018 on the bonds when due until bond maturity in 2024. During the fiscal year 2012 lease payments in the principal amount of \$130,000 and interest in the amount of \$81,791 were used to pay the debt service on the bonds.

The Building Commission, a blended component unit of the City, issued \$1,300,000 of the City of Charleston Building Commission (West Virginia), Facilities Revenue Bonds, Series 2002 (City of Charleston Fire Station) to construct and equip a new fire station on certain real property adjoining the Orchard Manor housing complex. The bonds are secured by the fire station and an irrevocable pledge of lease payments which are required to be in sufficient amount to pay principal in the amount of \$154,927 and interest in the amount of \$724 on the bonds when due until bond maturity in 2013. During the fiscal year 2012 lease payments in the principal amount of \$147,364 and interest in the amount of \$10,190 were used to pay the debt service on these bonds.

*Revenue Bonds - Business-type Activities*

The City of Charleston Parking System issued \$11,365,000 in revenue bonds to current-refund \$11,950,000 of 1993, 1994 A&B, and 1995 A Series Bonds. The bonds were refunded, defeased, paid and discharged in accordance with the bond ordinance and the liability removed from the Parking System Statement of Net Assets. The 2005 A and B Refunding bonds are secured solely by the net revenues of the Parking System as described in the ordinance-gross revenues less operating expense. Remaining revenue pledged is equal to the outstanding principal amount of \$215,000 and interest in the amount of \$9,460 until bond maturity in 2013 and outstanding principal amount of \$4,185,000 and interest in the amount of \$487,260 until bond maturity in 2016. During the fiscal year 2012, Parking System net revenues in the principal amount of \$1,060,000 and interest in the amount of \$237,690 were used to pay the debt service which was 90% of net revenues.

The City of Charleston, WV Civic Center Improvement Bonds, Series 1998 in the amount of \$3,635,000 were issued for the purpose of acquiring, equipping and making improvements to the Charleston Civic Center secured by revenues pledged from hotel occupancy tax and coal severance tax. Remaining revenues pledged are equal to the outstanding debt in the principal amount of \$2,265,000 and interest in the amount of \$819,315 until bond maturity in 2023. During the fiscal year 2012 these pledged revenues in the principal amount of \$135,000 and interest amount of \$122,400 were used to pay the debt service on these bonds which is 7% of the specified revenues.

The Civic Center Refunding Improvement Bonds, Series 2009, in the amount of \$3,275,000 were issued to current refund the Series 1999 which were issued to construct additions, betterments, and improvements to the Civic Center secured by pledged revenues from hotel occupancy tax and coal severance tax. Remaining revenues pledged are equal to the principal amount of \$2,980,000 and interest amount of \$883,925 until bond maturity in 2024. During the fiscal year 2012 these pledged revenues were used to pay the principal amount of \$180,000 and interest amount of \$122,000 on these bonds which is 8% of the specified revenues.

The Charleston Building Commission Civic Center Refunding Lease Revenue Bonds, Series 2009 issued in the amount of \$1,325,000 to current refund the Series 1999 which were issued for the acquisition, construction, and new equipment installed at the Civic Center payable solely from revenues to be derived from lease payments to the Commission. These irrevocable pledge of lease payments which are required to be sufficient in amount to pay principal of \$1,185,000 and interest of \$350,570 until bond maturity in 2024. During the fiscal year 2012 lease payments in the principal amount of \$70,000 and interest amount of \$48,500 were used to pay the debt service on these bonds.

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Revenue bonds outstanding, net of unamortized issuance costs of \$825,187 (Public Safety Center \$42,786; Center for the Arts & Sciences \$93,587; Parking System \$293,418, and Civic Center of \$395,397) at year end are as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2012
<b>Governmental activities:</b>					
Public Safety Center Refunding Series 2009	2024	3.00-4.40%	\$ 1,180,000	\$ 207,786	\$ 972,214
Center for the Arts & Sciences Refunding Series 2010	2024	3.10-4.375%	2,280,000	398,587	1,881,413
Fire Station Series 2002B	2013	3.81%	1,300,000	1,145,073	154,927
Total governmental activities			<u>\$ 4,760,000</u>	<u>\$ 1,751,446</u>	<u>\$ 3,008,554</u>
<b>Business-type activities:</b>					
Parking System Refunding Series 2005A	2016	2.50-4.50%	\$ 8,710,000	\$ 4,801,219	\$ 3,908,781
Parking System Refunding Series 2005B	2013	3.00-4.40%	2,655,000	2,457,198	197,802
Civic Center Improvement Series 1998	2023	4.60-5.10%	3,635,000	1,431,789	2,203,211
Civic Center Improvement Refunding Series 2009	2024	3.00-4.40%	3,275,000	522,544	2,752,456
Civic Center Lease Revenue Series 1999 Series 2009	2024	3.00-4.40%	1,325,000	246,064	1,078,936
Total revenue bonds			<u>\$ 19,600,000</u>	<u>\$ 9,458,814</u>	<u>\$ 10,141,186</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
	2013	\$ 343,487	\$ 119,740	\$ 1,191,876
2014	198,560	112,536	1,479,074	415,885
2015	208,560	105,011	1,534,074	348,435
2016	213,560	97,130	1,442,488	277,445
2017	223,560	88,693	432,732	209,505
2018 - 2022	1,242,800	297,275	2,488,662	712,980
2023 - 2027	578,027	39,672	1,572,280	114,965
Totals	<u>\$ 3,008,554</u>	<u>\$ 860,057</u>	<u>\$ 10,141,186</u>	<u>\$ 2,550,530</u>

**Changes in Long-term Liabilities**

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 3,487,290	\$ -	\$ (342,364)	\$ 3,144,926	\$ 354,927
Less: deferred amounts:					
Issuance costs	(147,812)	-	11,440	(136,372)	(11,440)
Total bonds payable	3,339,478	-	(330,924)	3,008,554	343,487
Capital leases	11,068,526	2,158,500	(2,440,654)	10,786,372	2,306,127
Net OPEB obligation	7,638,913	5,213,702	(4,059,884)	8,792,731	-
Net pension obligation	82,219,228	4,969,823	-	87,189,051	-
Claims and judgments	5,039,087	1,941,891	(2,141,890)	4,839,088	2,638,077
Compensated absences	1,850,484	1,365,593	(1,850,484)	1,365,593	1,365,593
Governmental activities					
Long-term liabilities	<u>\$ 111,155,716</u>	<u>\$ 15,649,509</u>	<u>\$ (10,823,836)</u>	<u>\$ 115,981,389</u>	<u>\$ 6,653,284</u>

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	<b>Business-type Activities</b>				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 12,275,000	\$ -	\$ (1,445,000)	\$ 10,830,000	\$ 1,315,000
Less: deferred amounts:					
Issuance costs	(817,671)	-	128,857	(688,814)	(123,124)
Total bonds payable	11,457,329	-	(1,316,143)	10,141,186	1,191,876
Net OPEB obligation	116,398	178,638	(44,966)	250,070	-
Compensated absences	75,499	85,116	(75,499)	85,116	85,116
Business-type activities					
Long-term liabilities	\$ 11,649,226	\$ 263,754	\$ (1,436,608)	\$ 10,476,372	\$ 1,276,992

For the governmental activities, the General Fund has been used to liquidate other long-term liabilities.

### Conduit Debt

On June 17, 2009, the Charleston Building Commission, a blended component unit of the City, issued the Charleston Building Commission University Facilities Revenue Bonds (The University of Charleston, Inc.) Series 2009 in the principal amount of \$22,000,000 for the purpose of financing the costs of designing, acquiring, constructing and equipping an approximately 150-bed student housing facility upon the University of Charleston campus and designing, acquiring and constructing an approximately 525-space motor vehicle parking facility upon the University of Charleston campus. This debt was issued for the express purpose of providing financing to a specific third party that is not a part of the City of Charleston financial reporting entity. This obligation bears the name of the Charleston Building Commission, however, the Commission is not responsible for the payment of the original debt but rather the debt is secured by payments to be paid by the nongovernmental entity.

The City of Charleston, in accordance with Bill No. 7370 approved by Council on December 15, 2008, has issued its Multifamily Housing Revenue Bonds (Littlepage Terrace Apartment Project), Series 2008A, and Multi-Family Housing Revenue Bond (Washington Manor Apartment Project), Series 2008B in the aggregate amount of \$11,495,000, variable rate yield, final maturity April 1, 2048 for the express purpose of providing capital financing for a specific third party that is not a part of the City of Charleston financial reporting entity. This obligation bears the name of the City of Charleston, however, the City is not responsible for the payment of the original debt but rather the debt is secured only by the cash payments agreed to be paid by the nongovernmental entity under the terms of the mortgage.

These bonds are a portion of the Mixed-Finance Proposal submitted by Charleston Replacement Housing #3 (Project) on April 22, 2009 to the Department of Housing and Urban Development (HUD). The submission, together with supplemental document submissions, satisfied the requirements in 24 CFR 941, subpart F, and was approved by HUD. Charleston Replacement Housing #3 will construct 96 affordable housing units, including 51 public housing units and 45 project-based Section 8 units which shall be rented to income-eligible residents. One-hundred percent of the units will qualify for federal low-income housing tax credits as provided for in Section 42 of the IRS Code of 1986.

The development costs totaling approximately \$18,311,767 will be funded by several sources, one of which is the proceeds from the multifamily housing revenue bonds, of which a portion were purchased by Chase Bank (the "Series CB Bonds") and a portion were purchased by the Authority using the proceeds of a Fannie Mae Modernization Express Loan (the "Series FM Bonds") made available as a result of CFFP financing. The proceeds of the Series CB Bonds were used to make a construction loan of \$5,789,779, which, at conversion, will be reduced to a \$1,295,000 permanent loan (the "First Priority Loan"). Proceeds of the Series FM Bonds will be used by the Authority to make a loan in the amount of \$5,397,820 (the "Second Priority Loan") to the Partnership which will carry a 6.75% interest rate until conversion then a 1.25% interest rate during the forty year term.

At June 30, 2012 the outstanding balance on the Multifamily Housing Revenue Bonds Series 2008 FM was \$4,944,785 and the outstanding balance on the Multifamily Housing Revenue Bonds Series 2008 CB was \$2,986,846.

The City of Charleston, in accordance with Ordinance No. 7446 dated December 6, 2010, on June 30, 2011 issued \$8,000,000 in aggregate principal amount of its Multifamily Housing Revenue Bonds (Charleston Replacement #5 Project) 2011 Series A, to provide funds to acquire, construct and equip commercial projects in Kanawha County, WV, consisting of demolition of existing multifamily rental housing projects (Washington Manor Apartments), approving the loan of said bond proceeds, and other necessary actions in connection with the issuance and sale of such bonds. New buildings will be constructed consisting of forty-four one-bedroom units and thirty two-bedroom units on the former Washington Manor Apartments site. This obligation bears the name of the City of Charleston; however, the City is not responsible for the payment of the original debt but rather the debt is secured by payments to be paid by a nongovernmental entity.

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**H. Restricted Assets**

The balances of the restricted asset accounts for the primary government are as follows:

	Governmental Activities	Business-type Activities
Customer deposits	\$ -	\$ 133,647
Cash - contractual agreement	1,423,797	-
Capital lease debt service	225,834	-
WV Board of Treasury Short Term Bond Pool	1,024,619	-
Endowment Fund	1,688,593	
Revenue bond operations and maintenance account	-	302,667
Revenue bond debt service account	7	559,201
Revenue bond reserve account	-	1,136,628
Total restricted assets	<u>\$ 4,362,850</u>	<u>\$ 2,132,143</u>

**I. Fund Balance Detail**

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

	General Fund	Coal Severance	Community Development	HOME	Nonmajor Funds	Total
Nonspendable:						
Prepays	\$ 538,965	\$ -	\$ -	\$ -	\$ -	538,965
Perpetual Care	--	--	--	--	1,032,114	1,032,114
Restricted:						
General government	--	--	--	--	117,942	117,942
Public safety	--	--	--	--	199,491	199,491
Perpetual Care	--	--	--	--	885,180	885,180
Capital projects	916,027	--	--	--	10,814	926,841
Debt service	225,834	69,789	--	--	7	295,630
Community development	--	-	178,241	--	2,662,517	2,840,758
Committed:						
Public safety	20,128	--	--	--	49,198	69,326
Health and sanitation	--	--	--	--	421,358	421,358
Capital projects	--	--	--	--	2,897,456	2,897,456
OPEB	8,538,480	--	--	--	--	8,538,480
Community development	55,593	--	--	--	262,743	318,336
Assigned:						
General government	3,339,990	--	--	--	--	3,339,990
Public safety	50,647	--	--	--	--	50,647
Culture and recreation	1,897	--	--	--	--	1,897
Unassigned	<u>20,543,173</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>20,543,173</u>
Total fund balances	<u>\$ 34,230,734</u>	<u>\$ 69,789</u>	<u>\$ 178,241</u>	<u>\$ --</u>	<u>\$ 8,538,820</u>	<u>\$ 43,017,584</u>

**CITY OF CHARLESTON, WEST VIRGINIA**  
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**J. Benefits Funded by the State of West Virginia**

For the year ended June 30, 2012, the State of West Virginia contributed estimated payments on behalf of the government's public safety employees in accordance with West Virginia State Code §33-3-14d. These contributions are funded by State collections of insurance premium tax and are shown in the General Fund (Employer) Statement of Revenues, Expenditures, and Changes in Fund Balance as Intergovernmental-State revenues and as Public Safety Expenditures for the contribution to the Police and Fire Pension Funds in accordance with GAAP. The State contributions were deposited directly into the Policemen's and Firemen's Pension Funds as follows:

Plan	Amount
Policemen's Pension and Relief Fund	\$ 1,602,822
Firemen's Pension and Relief Fund	1,722,267
Total	\$ 3,325,089

**V. 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 Commercial Insurance Services for umbrella (general liability) insurance for these various risks.

The City carries workers' compensation coverage for all employees with a private insurance carrier to mitigate the risk for claims involving workers' compensation injuries. The risk pool managed by the insurance carrier retains the risk related to the compensation of injured employees under the program. The City annually renews a Letter of Credit which is held as collateral by the Offices of the Insurance Commissioner to secure the self-insured liabilities of the City for workers' compensation. The amount of the Letter of Credit was \$4,396,609 and no amounts have been drawn upon or are outstanding at June 30, 2012.

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

Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims and judgments include an amount for claims that have been incurred but not reported (IBNRs). An excess coverage insurance policy covers individual claims in excess of \$300,000 for liability retention and loss and \$500,000 for workers' comp retention-all employees. Settlements have not exceeded coverages for each of the past three fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 6/30/2012	Year Ended 6/30/2011
Unpaid claims, beginning of fiscal year	\$ 5,039,087	\$ 5,771,195
Incurred claims (including IBNRs)	1,941,891	2,769,047
Claims paid	(2,141,890)	(3,501,155)
Unpaid claims, end of fiscal year	\$ 4,839,088	\$ 5,039,087

The government is the owner and permit holder for the City of Charleston's landfill. In accordance with the provisions of an Operating Agreement between the government and contractor dated February 15, 1994, the government maintains a contingency fund for the closure/post closure costs for the landfill in the event of default by contractor. The City renews an annual Letter of Credit in favor of the Department of Environmental Protection for the landfill in the amount of \$328,000 and no amounts have been drawn upon or are outstanding at June 30, 2012.

**B. Contingent Liabilities**

Amounts received or receivable from grantor 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 grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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.

**CITY OF CHARLESTON, WEST VIRGINIA**  
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**D. Joint Venture**

The Kanawha-Charleston Board of Health is a multi-government arrangement which qualifies as a joint venture. An annual contract is signed between the Board, Kanawha County and the City of Charleston. The Kanawha-Charleston Board of Health is a separate and specific activity which is jointly controlled by the County and City due to their shared responsibility for appointment of the five-member Board. In addition, there is an ongoing financial responsibility for the participating governments pursuant to Article 2, Chapter 16, Paragraph 14 of the Code of West Virginia which states in part "the appointing authorities for local boards of health shall provide financial support for the operation of the local health department." It further authorizes the county or municipality to appropriate and spend money from the general funds for public health purposes and to pay the expenses of the operation of the local board of health services and facilities. There is no ongoing financial interest for the participating governments. Complete financial statements for the Kanawha-Charleston Board of Health can be obtained at the entity's administrative offices.

**E. Donor-Restricted Endowment**

The City of Charleston was a recipient of a donor-restricted endowment for the Spring Hill Cemetery. The corpus of the trust is non-expendable and only the income earned from the trust may be spent for the general care and maintenance of the cemetery. The government's council at its regular meeting held on November 16, 1970, adopted a resolution authorizing the creation of Spring Hill, Inc. and charged the corporation with the management of funds it might receive for the perpetual care of Spring Hill Cemetery. The corporation qualified as a tax-exempt organization under Section 501(c)(13) of the Internal Revenue Code of 1954. The unspent endowment earnings of \$885,180 since the inception may be spent for the general maintenance of the cemetery. This amount is reported in the government's net assets as restricted for perpetual care-expendable.

**F. Post-employment Healthcare Plan**

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

The City of Charleston, West Virginia provides continuation of medical insurance to employees that retire under the WV Public Employees Retirement System, the City of Charleston's Policemen's Pension & Relief Fund, and the Firemen's Pension & Relief Fund. The City maintains a single employer self-insured defined benefit health plan including dental and vision administered by HealthSmart Benefit Solutions, Inc., a third-party administrator. The plan benefits, benefit levels, employee contributions and employer contributions were authorized by the City 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, Civic Center Revenue Fund, and Parking System Revenue Fund.

There have been changes to the substantive plan provisions since the last valuation for fiscal year ended June 30, 2011. The City moved its Medicare retirees to a Medicare Advantage plan that is fully-insured and experience-rated. This change caused a significant decrease in the liabilities. Premium rates for medical for single decreased from \$304.39 at 1/1/2011 to \$97.09 at 1/1/2012. For retiree and spouse medical decreased from \$669.66 to \$194.18.

Due to State law WV 8-12-8, retirees must not pay more for health care coverage than active employees. As a result, all members who were hired after July 1, 1984 will all pay the same contributions at retirement. In the prior valuation, all employees hired after July 1, 2000 contribute a) the COBRA rate less b) a 2.0% credit for every year of service (limited to 50%).

Due to the substantive plan provision change, the health care coverage election rate assumption for retirees who were hired after July 1, 2000 has increased. Since these retirees will no longer pay the full cost of coverage, 90% are assumed to elect coverage at the end of the sick leave benefits free-period as compared to 70% in the prior valuation.

Non-uniform employees are eligible to receive retiree health care coverage at the earlier of age 55 with 25 years of service; or age 60 with 5 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.

**CITY OF CHARLESTON, WEST VIRGINIA**  
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The City subsidizes retiree health care coverage for lifetime. The City's subsidy depends on the hire date. Retirees receive free coverage if they are eligible for sick leave benefits at retirement. Once the sick leave benefits end, retirees are responsible for the portion of the premium rate not subsidized by the City. Effective as January 1, 2012 the monthly retiree contribution for non-tobacco users is as follows:

<u>Date of Hire</u>	<u>Under 65</u>		<u>Over 65</u>	
	<u>Single</u>	<u>Retiree &amp; Spouse</u>	<u>Single</u>	<u>Retiree &amp; Spouse</u>
Before July 1984				
Non-uniform	\$ 189	\$ 293	\$ 89	\$ 97
Uniform	\$ 162	\$ 239	\$ 89	\$ 97
July 1, 1984 to Present	\$ 189	\$ 293	\$ 89	\$ 97

The City does not have a practice of increasing the retiree contributions. For GASB 45 purposes it is assumed that these rates will increase by 4.0% annually.

Active employees can roll over unlimited number of unused sick leave annually which upon retirement can be converted to free health care coverage at two days of unused sick leave for one month of single coverage or three days for one month family coverage.

The same benefit options are available to retirees as active employees. The City's pre-Medicare health plan is self-insured. The post-Medicare health plan is fully-insured and experience-rated. There is no prescription drug coverage for post-Medicare retirees.

The monthly COBRA rates effective on January 1, 2012 are \$379.23 for medical and prescription drugs for single under 65 and \$834.31 for employee and spouse. Over 65 the single rate for medical only is \$97.09 and \$194.18 for employee and spouse.

The number of participants as of July 1, 2011, the effective date of the biennial OPEB valuation, was 570 active employees and 475 retired employees.

Employees who retire under the WV Public Employees Retirement System have the option of maintaining the City'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 City's current funding policy for post-employment health care benefits is on a pay-as-you-go basis.

The government does not provide post-retirement health benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the City. However, employees who elect COBRA are covered under the City's self-insured health plan as are all active employees and those retired employees who maintain City health plan coverage.

**V:F.2 Annual Other Post-Employment Benefit (OPEB) Cost**

The City's annual OPEB cost is calculated on the annual required contribution (ARC) of the City, 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 a period of 30 years. As of July 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The following tables illustrate the components of the City'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 City's annual other post-employment benefit cost is as follows:

	<u>OPEB</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Annual required contribution	\$ 5,137,863	\$ 177,482	\$ 5,315,345
Interest on net OPEB obligation	381,944	5,822	387,766
Adjustment to annual required contribution	(306,105)	(4,666)	(310,771)
Annual OPEB cost	5,213,702	178,638	5,392,340
Contributions made	(4,059,884)	(44,966)	(4,104,850)
Increase (decrease) in net OPEB obligation	1,153,818	133,672	1,287,490
Net OPEB obligation at beginning of the year	7,638,913	116,398	7,755,311
Net OPEB obligation at the end of the year	\$ 8,792,731	\$ 250,070	\$ 9,042,801

**CITY OF CHARLESTON, WEST VIRGINIA**  
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**V.F.3. Trend Information****Other Post-Employment Benefits (OPEB)**

Fiscal Year	Annual OPEB	Percentage	Net OPEB
	Cost	Contributed	Obligation
2012	\$ 5,392,340	76.1%	\$ 9,042,801
2011	\$ 5,377,388	52.8%	\$ 7,755,311
2010	\$ 5,850,812	48.7%	\$ 5,214,821
2009	\$ 5,263,104	58.1%	\$ 2,204,947

**V.F.4. Funding Progress****SCHEDULE OF FUNDING PROGRESS:****OPEB**

Actuarial Valuation Date	Actuarial		Unfunded	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL
	Value of Assets (a)	Accrued Liability (AAL) (b)	AAL (UAAL) (b)-(a)			as a % Covered Payroll (b-a)/c
7/1/11	--	\$ 60,679,215	\$ 60,679,215	0.0%	\$ 29,494,443	205.7%
7/1/10	--	\$ 75,615,299	\$ 75,615,299	0.0%	\$ 31,448,512	240.4%
7/1/09	--	\$ 79,643,383	\$ 79,643,383	0.0%	\$ 31,068,215	256.4%
7/1/08	--	\$ 70,539,275	\$ 70,539,275	0.0%	\$ 29,873,284	236.1%

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 and schedule of employer contributions, presented as RSI following the notes to the financial statements, presents 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 and employer contributions as a percentage of the ARC. However, because the City maintains no plan assets, information relative to plan assets required disclosures is not applicable.

**V.F.5. 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 that point. The unfunded actuarial accrued liability is being amortized over 30 years on a level percentage of pay based on an open group.

In the July 1, 2011 actuarial valuation, the assumptions used represent a reasonable long-term expectation of future OPEB outcomes. As national economic and employer experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

**Census Data** Census was collected as of July 2012 for the 2011/12 disclosures. Census data has been reviewed for accuracy and reasonableness. No material modifications were made to the census data provided.

**Measurement Date** June 30, 2012; the actuarial present values were rolled-back to July 1, 2011 on a no loss/gain basis.

**Discount Rate** 5.0% unfunded

**Payroll Growth** 4.0% per year

**Cost Method** Projected Unit Credit

**Amortization** Level percentage of pay over thirty years based on an open group

**Employer Funding Policy** Pay-as-you-go cash basis

**Mortality** RP-2000 Combined Mortality Table fully generational projected using Scale AA

**Disability** None

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**Sick Leave Benefits** Percentage of employees eligible for the sick leave benefits at retirement is assumed to be: 1) 90% for police officers 2) 60% for general employees and firefighters. All employees eligible for the sick leave benefits are assumed to have five years of free coverage.

**Health Care Trend Rates** FYE 2012 9.0%; FYE 2013 8.5%; FYE 2014 8.0%; FYE 2015 7.5%; FYE 2016 7.0%; FYE 2017 6.5%; FYE 2018 6.0%; FYE 2019 5.5%; FYE 2020+ 5.0%

**Retiree Contributions** Retiree contributions are assumed to increase 4% annually.

**VI. EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

**VI.A.1. Plan Descriptions, Contribution Information, and Funding Policies**

The City of Charleston, 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, 2011.

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, 2011.

Actuarial valuations are required to be performed once every three years per state Statute. The State will contract an actuary to perform annual valuations of the PPRF and FPRF's boards. For additional information relating to basis of accounting and reported investment values, see Notes I.C., I.D.1. and IV.A.

The Firemen's Pension and Relief Fund (FPRF) and the Policemen's Pension and Relief Fund (PPRF) recognizes benefits and refunds when due and payable in accordance with the terms of the plans.

Memberships of the plans are as follows:

Group	PPRF	FPRF	Totals
Active Employees	163	179	342
Vested Terminated Benefits	-	2	2
Retirees and Beneficiaries Currently Receiving Benefits	216	220	436
Total	379	401	780

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

As of June 1, 2011, the City of Charleston has elected to fund benefit obligations using the Conservation Method as defined in West Virginia Code §3-22-20 (f)(1), and effected by the passage of Senate Bill No. 544.

The key features of the Conservation Method, effective for plan years beginning after April 1, 2011, are summarized below:

The current local Plan is closed to new employees.

New employees are covered in the newly established multiple employer statewide plan-*Municipal Police Officers and Firefighters Retirement System ("MPFRS")*.

Benefits and expenses in the closed local Plan are financed by contributions made to two asset accounts:

The first asset account (Benefit Payment Account) is used to finance benefits and expenses for the fiscal year on a pay-as-you-go basis. Sources to pay current year benefits and expenses include minimum employee contributions of 6.5% of pay, a portion of the premium tax allocation not assigned to the accumulation account as defined below, and employer contributions.

The second account (Accumulation Account) cannot be used to pay benefits and expenses until assets exceed actuarial liabilities. Contributions to the accumulation account include employee contributions of 1.5% of pay and a percentage of premium tax allocation. The percentage of premium tax allocation is based on the amounts needed to produce 100% funding of liabilities in 35 years when considering assets from both the benefit payment account and the accumulation account. This account also includes the Fund's assets prior to the adoption of the Conservation Method.

The employer contributions will be made from the City's General Fund and will be used directly to pay benefits not covered by member contributions or the premium tax allocation. The Plan's assets will accumulate in the closed Pension and Relief Fund and no benefits or expenses will be paid from this trust until the funded ratio exceeds 100%.

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Under the funding methodology for the Conservation Method of financing, the fund's market value of assets is projected to be greater than zero for all plan years prior to the end of the 15-year projection period. Accordingly, this contribution methodology satisfies the minimum standard for actuarial soundness.

Employer contributions for the Policemen's Pension and Relief Fund are expected to increase from \$4,384,448 for the plan year ending June 30, 2013, to a high of \$10,056,064 for the plan year ending June 30, 2034. Employer contributions for the Firemen's Pension and Relief Fund are expected to increase from \$4,622,501 for the plan year ending June 30, 2013, to a high of \$10,743,676 for the plan year ending June 30, 2034.

For the Policemen's Pension Fund the funded ratio is projected to increase from 8.4% in 2011 to 26% in 2031, and ultimately to 100% in 2046. For the Firemen's Pension Fund the funded ratio is projected to increase from 5.8% in 2011 to 24% in 2031, and ultimately to 100% in 2046. This policy defers contributions and produces virtually no significant growth in the funded ratio until the last 10 years of the projection period. This policy is not consistent with generally accepted actuarial principles.

	<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 thirty years in accordance with West Virginia State Code §8-22-10. However, municipalities may elect to finance benefit obligations using the Conservation Method as defined in West Virginia State Code §8-22-20 (f)(1) and effected by the passage of Senate Bill No. 544.	
Plan Members	8% of covered payroll	8% 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	On July 1 following two years of retirement, benefit equal to the percentage increase in the Consumer Price Index, limited to 4% (2% for some disability retirees), multiplied by the sum of the allowable amount (first \$15,000 of initial benefits paid) and the accumulated supplemental pensions paid in prior years.	
Eligibility for Distribution	Members are eligible at the earlier of age 50 with 20 years of credited service or age 65.	
Provisions for:	<u>PPRF</u>	<u>FPRF</u>
Disability Benefits	Yes	Yes
Death Benefits	Yes	Yes

*Annual Required Contributions and Significant Actuarial Assumptions*

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

	<u>Policemen's Pension &amp; Relief Fund</u>	<u>Firemen's Pension &amp; Relief Fund</u>																				
Valuation Date	7/1/2011	7/1/2011																				
Actuarial Cost Method	Entry-Age Normal	Entry Age Normal																				
Amortization Method/Period	29- Year Closed Level-Percentage-of-Pay	29- Years Closed Level-Percentage-of- Pay																				
Actuarial Asset Valuation Method	Market Value	Market Value																				
Actuarial Assumptions:																						
Investment Rate of Return	5.00%	5.00%																				
Projected Salary Increases	Service Based Increase	Service Based Increase																				
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Years of Service</u></th> <th style="text-align: left;"><u>Increase</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">9.0%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">4.5%</td> </tr> <tr> <td style="text-align: center;">3-4</td> <td style="text-align: center;">2.0%</td> </tr> <tr> <td style="text-align: center;">after 4 years</td> <td style="text-align: center;">1.0%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Increase</u>	1	9.0%	2	4.5%	3-4	2.0%	after 4 years	1.0%	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Years of Service</u></th> <th style="text-align: left;"><u>Increase</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">9.0%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">4.5%</td> </tr> <tr> <td style="text-align: center;">3-4</td> <td style="text-align: center;">2.0%</td> </tr> <tr> <td style="text-align: center;">after 4 years</td> <td style="text-align: center;">1.0%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Increase</u>	1	9.0%	2	4.5%	3-4	2.0%	after 4 years	1.0%
<u>Years of Service</u>	<u>Increase</u>																					
1	9.0%																					
2	4.5%																					
3-4	2.0%																					
after 4 years	1.0%																					
<u>Years of Service</u>	<u>Increase</u>																					
1	9.0%																					
2	4.5%																					
3-4	2.0%																					
after 4 years	1.0%																					
Post-Retirement COLA	3.00% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years.	3.00% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years.																				
Wage Inflation	4.00%	4.00%																				

**CITY OF CHARLESTON, WEST VIRGINIA**  
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**VI.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 VI.A.4. The annual required contributions were not made by both the PPRF or FPRF. The net pension obligation is listed in VI.A.3.

*Benefits, Refund, and Administrative Costs*

Benefits and refunds of the defined benefit pension plans are recognized when due and payable in accordance with the terms of the plans. Administrative costs are financed with revenues from contributions and investment earnings.

*Reserves*

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

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

The City'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	\$ 7,773,369	\$ 8,468,569
Interest on short-term	2,203,598	1,907,364
Adjustment to annual required contribution	(1,732,035)	(1,499,194)
Annual pension cost	8,244,932	8,876,739
Contributions made	(5,923,836)	(6,228,012)
Increase in net pension obligation	2,321,096	2,648,727
Net pension obligation at beginning of the year	44,071,958	38,147,270
Net pension obligation at the end of the year	\$ 46,393,054	\$ 40,795,997

**VI.A.4. Trend Information**

**Policemen's Pension and Relief Fund (PPRF)**

Fiscal Year	Annual Pension	Percentage	Net Pension
	Cost	Contributed	Obligation
2012	\$ 8,244,932	71%	\$ 46,393,054
2011	\$ 7,958,095	49%	\$ 44,071,958
2010	\$ 7,962,320	26%	\$ 40,073,957
2009	\$ 7,856,875	25%	\$ 34,202,060
2008	\$ 7,414,233	24%	\$ 28,280,762
2007	\$ 4,438,134	37%	\$ 22,658,730
2006	\$ 3,830,559	40%	\$ 19,880,042
2005	\$ 4,046,054	36%	\$ 17,600,365
2004	\$ 3,995,277	34%	\$ 15,003,734
2003	\$ 3,490,259	36%	\$ 12,363,057

**Firemen's Pension and Relief Fund (FPRF)**

Fiscal Year	Annual Pension	Percentage	Net Pension
	Cost	Contributed	Obligation
2012	\$ 8,876,739	70%	\$ 40,795,997
2011	\$ 8,741,641	61%	\$ 38,147,270
2010	\$ 8,423,774	39%	\$ 34,825,073
2009	\$ 8,087,129	38%	\$ 29,699,365
2008	\$ 8,421,080	34%	\$ 24,666,001
2007	\$ 7,516,226	35%	\$ 19,072,481
2006	\$ 4,157,681	59%	\$ 14,174,365
2005	\$ 4,115,289	56%	\$ 12,463,517
2004	\$ 4,075,783	52%	\$ 10,634,988
2003	\$ 4,028,690	50%	\$ 8,696,363

**CITY OF CHARLESTON, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012**

**VI.A.5. Funding Progress**

**SCHEDULE OF FUNDING PROGRESS:**

**Policemen's Pension and Relief Fund (PPRF)**

	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL
	Value of	Accrued	AAL	Ratio	Payroll	as a %
Valuation	Assets	Liability (AAL)	(UAAL)			covered
Date	(a)	(b)	(b)-(a)	(a)/(b)	(c)	payroll
						(b-a)/c
7/1/11	\$ 11,449,507	\$ 136,082,840	\$ 124,633,333	8.00%	\$ 8,873,921	1404%

**Firemen's Pension and Relief Fund (FPRF)**

	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL
	Value of	Accrued	AAL	Ratio	Payroll	as a %
Valuation	Assets	Liability (AAL)	(UAAL)			covered
Date	(a)	(b)	(b)-(a)	(a)/(b)	(c)	payroll
						(b-a)/c
7/1/011	\$ 8,463,553	\$ 146,192,167	\$ 137,728,614	6.00%	\$ 9,214,083	1495%

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 1% for the PPRF and increasing 27% for the FPRF) over time relative to the actuarial accrued liability for both pension plans (is increasing 1.07% for the PPRF and increasing 1.04% for the FPRF) over time relative to the actuarial accrued liability.

Separate audited financial statements for the defined pension plans for public safety employees are not available.

In June 2012 the Governmental Accounting Standards Board (GASB), issued final standards on accounting and financial reporting for both pension plans and for employers that offer pension benefits to their employees.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, will replace GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, for pension trusts and equivalent arrangements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will replace GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50 for employers that offer pension benefits through a pension trust or equivalent arrangements.

These two statements will be effective for the City of Charleston's fiscal years 2014 and 2015. The effect of the implementation of these two standards on the City of Charleston Pension Fund and pension benefit reporting cannot be determined at this time.

**VI.B.1 Plan Descriptions, Contribution Information and Funding Policies**

**Public Employees Retirement System (PERS)**

The City of Charleston, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general City 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.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

<u>Public Employees'</u> <u>Retirement System (PERS)</u>	
Eligibility to participate:	All City 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%
City's contribution rate:	14.50%
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

**VI.B.2. Trend Information**

**Public Employees Retirement System (PERS)**

Fiscal Year	Annual Pension Cost	Percentage Contributed
2012	\$ 2,399,128	100%
2011	2,046,007	100%
2010	1,799,608	100%
2009	1,675,990	100%
2008	1,600,134	100%
2007	1,522,933	100%
2006	1,408,585	100%
2005	1,367,748	100%
2004	1,113,501	100%
2003	1,089,353	100%

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CHARLESTON, WEST VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2012**

**SOLE EMPLOYER DEFINED BENEFIT PLANS**

**I. SCHEDULES OF FUNDING PROGRESS**

**Policemen's Pension and Relief Fund (PPRF)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % Covered Payroll (b-a)/c
7/1/97	\$ 11,329,860	\$ 65,658,421	\$ 54,328,561	17.26%	\$ 6,430,212	845%
7/1/99	\$ 13,183,185	\$ 68,856,200	\$ 55,673,015	19.15%	\$ 6,545,780	851%
7/1/01	\$ 14,436,077	\$ 76,015,300	\$ 61,579,223	18.99%	\$ 6,606,800	932%
7/1/03	\$ 13,955,874	\$ 86,255,000	\$ 72,299,126	16.18%	\$ 6,916,700	1045%
7/1/05	\$ 14,028,062	\$ 90,598,400	\$ 76,570,338	15.00%	\$ 7,901,100	969%
7/1/07	\$ 15,582,123	\$ 95,751,500	\$ 80,169,377	16.27%	\$ 8,666,547	925%
7/1/09	\$ 10,887,968	\$ 94,965,409	\$ 84,077,441	11.47%	\$ 8,933,610	941%
7/1/10	\$ 10,911,700	\$ 131,022,282	\$ 120,110,582	8.00%	\$ 9,241,583	1300%
7/1/11	\$ 11,449,507	\$ 136,082,840	\$ 124,633,333	8.00%	\$ 8,873,921	1404%

**Firemen's Pension and Relief Fund (FPRF)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % Covered Payroll (b-a)/c
7/1/98	\$ 6,613,424	\$ 71,358,728	\$ 64,745,304	9.27%	\$ 7,063,357	917%
7/1/00	\$ 6,492,763	\$ 68,627,600	\$ 62,134,837	9.46%	\$ 7,140,380	870%
7/1/02	\$ 6,281,501	\$ 79,213,700	\$ 72,932,199	7.93%	\$ 7,674,090	950%
7/1/04	\$ 6,427,687	\$ 87,142,700	\$ 80,715,013	7.38%	\$ 7,818,820	1032%
7/1/06	\$ 7,121,731	\$ 97,573,128	\$ 90,451,397	7.30%	\$ 8,589,398	1053%
7/1/08	\$ 7,838,077	\$ 96,724,077	\$ 88,886,000	8.10%	\$ 8,959,494	992%
7/1/09	\$ 6,539,893	\$ 115,716,105	\$ 109,176,212	5.65%	\$ 9,047,021	1207%
7/1/10	\$ 7,247,179	\$ 145,743,999	\$ 138,496,820	4.97%	\$ 9,441,334	1467%
7/1/11	\$ 8,463,553	\$ 146,192,167	\$ 137,728,614	5.79%	\$ 9,214,083	1495%

**II. SCHEDULES OF EMPLOYER CONTRIBUTIONS**

**Policemen's Pension and Relief Fund (PPRF)**

Year Ended June 30	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2006	\$ 3,478,988	\$ 1,550,883	45%
2007	\$ 4,041,025	\$ 1,659,445	41%
2008	\$ 7,240,761	\$ 1,792,201	25%
2009	\$ 7,664,881	\$ 1,935,577	25%
2010	\$ 7,822,761	\$ 2,090,423	27%
2011	\$ 7,483,711	\$ 2,257,657	30%
2012	\$ 7,773,369	\$ 4,321,014	55%

**CITY OF CHARLESTON, WEST VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2012**

**Firemen's Pension and Relief Fund (FPRF)**

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Actual Employer <u>Contribution</u>	Percentage <u>Contributed</u>
2006	\$ 3,868,733	\$ 2,446,833	63%
2007	\$ 7,876,536	\$ 2,618,111	33%
2008	\$ 8,275,064	\$ 2,827,560	34%
2009	\$ 7,919,675	\$ 3,053,765	39%
2010	\$ 8,302,588	\$ 3,296,066	40%
2011	\$ 8,329,444	\$ 3,561,911	42%
2012	\$ 8,468,569	\$ 4,505,745	50%

**OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**I. SCHEDULE OF FUNDING PROGRESS**

UAAL

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b)-(a)</u>	Funded Ratio <u>(a)/(b)</u>	Covered Payroll <u>(c)</u>	as a % Covered Payroll <u>(b-a)/c</u>
7/1/11	\$	\$ 60,679,215	\$ 60,679,215	0.00%	\$ 29,494,443	205.7%
7/1/10	\$ --	\$ 75,615,299	\$ 75,615,299	0.00%	\$ 31,448,512	240.4%
7/1/09	\$ --	\$ 79,643,383	\$ 79,643,383	0.00%	\$ 31,068,215	256%
7/1/08	\$ --	\$ 70,539,275	\$ 70,539,275	0.00%	\$ 29,873,284	236%

**II. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Employer <u>Contributions</u>	Percentage <u>Contributed</u>
2012	\$ 5,315,345	\$ 4,104,850	77.2%
2011	\$ 5,325,615	\$ 2,836,898	53.3%
2010	\$ 5,828,921	\$ 2,840,938	48.7%
2009	\$ 5,263,104	\$ 3,058,157	58.1%

**Note to Required Supplementary Information-Other Post Employment Benefits:**

The Policemen's Pension and Firemen's Pension Actuarial Valuations are as of July 1, 2011. The City of Charleston elected to adopt the Conservation Method as defined in WV Code 8-22-20 (f)(1), and effected by the passage of Senate Bill No. 544. Prior to June 1, 2011 the city was funding the plans under the Alternative Method allowed by State Code. The notes to the financial statements more fully describe the changes to the pension funds' actuarial information.

The OPEB Actuarial Valuation is as of July 1, 2011.

See Independent Auditor's Report.

**SUPPLEMENTARY INFORMATION**

## **CITY OF CHARLESTON, WEST VIRGINIA GOVERNMENTAL FUND TYPES - NONMAJOR**

*Special Revenue Funds* are used to account for the receipt and use of specific revenues that are legally restricted by ordinance or grant agreements for specific purposes.

*Debt Service Funds* are used to account for the accumulation of resources and payment of general long-term debt principal and interest from governmental resources.

*Capital Projects Funds* are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

*Permanent Funds* are used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs, for the benefit of the City or its citizens.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent</u>	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 852,185	\$ 2,943,453	\$ --	\$ 221,598	\$ 4,017,236
Investments	1,024,619	--	--	1,688,593	2,713,212
Receivables:					
Taxes	--	--	--	--	--
Accounts	472,691	11,508	--	--	484,199
Grants	398,368	--	--	--	398,368
Loans	262,017	--	--	--	262,017
Accrued interest	58	--	--	3,079	3,137
Due from:					
Other funds	192,290	20,000	--	4,024	216,314
Component units	15,758	--	--	--	15,758
Restricted cash	<u>1,423,797</u>	<u>--</u>	<u>7</u>	<u>--</u>	<u>1,423,804</u>
 Total assets	 <u>\$ 4,641,783</u>	 <u>\$ 2,974,961</u>	 <u>\$ 7</u>	 <u>\$ 1,917,294</u>	 <u>\$ 9,534,045</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	287,462	66,348	--	--	353,810
Due to:					
Other funds	477,664	343	--	--	478,007
Deferred revenue:					
Unearned revenue	<u>163,408</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>163,408</u>
 Total liabilities	 <u>928,534</u>	 <u>66,691</u>	 <u>--</u>	 <u>--</u>	 <u>995,225</u>
<b>Fund balances:</b>					
Nonspendable	--	--	--	1,032,114	1,032,114
Restricted	2,979,950	10,814	7	885,180	3,875,951
Committed	733,299	2,897,456	--	--	3,630,755
Assigned	--	--	--	--	--
Unassigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Total fund balances	 <u>3,713,249</u>	 <u>2,908,270</u>	 <u>7</u>	 <u>1,917,294</u>	 <u>8,538,820</u>
 Total liabilities and fund balances	 <u>\$ 4,641,783</u>	 <u>\$ 2,974,961</u>	 <u>\$ 7</u>	 <u>\$ 1,917,294</u>	 <u>\$ 9,534,045</u>

See Independent Auditor's Report

**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Debt</u> <u>Service</u>	<u>Permanent</u>	Total Nonmajor Governmental <u>Funds</u>
<b>REVENUES</b>					
Taxes:					
Ad valorem property taxes	\$ --	\$ --	\$ 3,039	\$ --	\$ 3,039
Intergovernmental:					
Federal	1,988,472	--	--	--	1,988,472
State	--	--	--	--	--
Charges for services	4,156,234	26,998	--	--	4,183,232
Fines and forfeits	889,523	--	--	--	889,523
Interest and investment earnings	17,670	8,557	--	54,328	80,555
Reimbursements	--	2,676	--	--	2,676
Contributions and donations	4,126	127,869	--	100	132,095
Miscellaneous	15,840	--	--	--	15,840
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	7,071,865	166,100	3,039	54,428	7,295,432
<b>EXPENDITURES</b>					
Current:					
General government	232,792	--	--	--	232,792
Public safety	1,561,882	--	--	--	1,561,882
Streets and transportation	6,642	--	--	--	6,642
Health and sanitation	1,087,286	--	--	--	1,087,286
Culture and recreation	77,983	--	--	--	77,983
Social services	--	--	--	26,191	26,191
Economic development	773,872	--	--	--	773,872
Debt service:					
Principal	--	--	195,000	--	195,000
Interest	--	--	128,035	--	128,035
Capital outlay:					
Highways and streets	--	2,435,895	--	--	2,435,895
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,740,457	2,435,895	323,035	26,191	6,525,578
Excess (deficiency) of revenues over (under) expenditures					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,331,408	( 2,269,795)	( 319,996)	28,237	769,854

CONTINUED

**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent</u>	Total Nonmajor Governmental <u>Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 173,744	\$ 2,949,875	\$ 319,997	\$ 23,979	\$ 3,467,595
Transfers (out)	<u>( 3,451,995)</u>	<u>( 383,646)</u>	<u>    --</u>	<u>    --</u>	<u>( 3,835,641)</u>
Total other financing sources (uses)	<u>( 3,278,251)</u>	<u>2,566,229</u>	<u>319,997</u>	<u>23,979</u>	<u>( 368,046)</u>
Net change in fund balances	53,157	296,434	1	52,216	401,808
Fund balances beginning	<u>3,660,092</u>	<u>2,611,836</u>	<u>6</u>	<u>1,865,078</u>	<u>8,137,012</u>
Fund balances ending	<u>\$ 3,713,249</u>	<u>\$ 2,908,270</u>	<u>\$ 7</u>	<u>\$ 1,917,294</u>	<u>\$ 8,538,820</u>

See Independent Auditor's Report

## CITY OF CHARLESTON, WEST VIRGINIA SPECIAL REVENUE FUNDS

### *Nonmajor Funds*

***Arc Economic Development Fund*** This fund is used to account for grants received from HUD for the Appalachian Regional Commission.

***Asset Forfeiture and Reimbursement Fund*** This fund is used to account for monies seized by the Charleston Police department or Drug Unit and have been ordered released or forfeited by a court of law.

***Byrne Justice Assistance Grant Fund*** This fund was established to account for grants received from the U.S. Department of Justice passed through from the West Virginia Department of Criminal Justice Services to encourage arrest policies and enforcement of protection orders.

***Charleston Land Trust Commission Fund*** This fund was established to account for donations or other funding to acquire, maintain, improve, and preserve public trust lands.

***COPS Meth Grant Fund*** This fund was established to account for grants received from the Department of Justice for meth enforcement overtime, purchase meth lab investigation supplies (haz-mat suits, evidence collection tubes, etc.) and materials and supplies such as computers, first aid kits and travel training.

***DOT Federal Grant Fund*** This fund was established to account for federal grant revenues from the Department of Transportation for capital improvements.

***FEMA-WV Flood Mitigation Fund*** This fund was established to account for federal grants received from the U.S. Federal Emergency Management Agency passed through the WV Office of Emergency Services for City flood disaster relief improvements and repairs.

***Historic Preservation Fund*** This fund was established to account for federal grants received from the U.S. Department of the interior, National Park Service, to be granted by the State Historic Preservation Office to organizations participating in activities authorized in the National Historic Preservation Act of 1966.

***Homeless Prevention & Rapid Re-Housing Fund*** This fund was established to account for grant funds received from the American Recovery and Investment Act of 2009. The program intent is to focus on housing stabilization, provide temporary financial assistance and/or services to help persons gain housing stability, to serve persons who are homeless or would be homeless if not for this assistance and to serve persons who can remain stably housed after this temporary assistance ends. All of these funds, except for three percent administrative costs, have been allocated to the Kanawha Valley Collective (KVC) to carry out the activities described above.

***Human Rights Fund*** This fund is a cooperative agreement with HUD for the Fair Housing Assistance Program (FHAP) within the City.

***Metro Loan Fund*** This fund was established to account for funds received from the State for small business loans. Loans are no longer given, however, collection of payments on prior loans are accounted for.

## **CITY OF CHARLESTON, WEST VIRGINIA**

### **SPECIAL REVENUE FUNDS (Continued)**

***Municipal Beautification Fund*** This fund was established to account for revenues received from fee charges for clean up of properties within the City and for donations received to be used for beautification of the City.

***Municipal Court Fund*** This fund accounts for monies received for fines and forfeitures.

***Police & Fire Donations Fund*** This fund was established to receive private contributions to be utilized for police and fire operations.

***Police Grants Fund*** This fund was established to account for federal grants received from the U.S. Department of Justice to encourage arrest policies and enforcement of protection orders.

***Public Arts Grant Fund*** This fund was established to account for grant monies from the National Endowment for the Arts and private contributions to support a series of cultural planning activities to strengthen the role of public art in Charleston, WV.

***Rail Trail Project Fund*** This fund was established to account for federal grants to acquire a railroad bridge, railroad trestle, and additional railroad right of way and convert them to a rail trail referred to as the Charleston Kanawha Trestle Trail Project.

***Rental Rehabilitation Fund*** This fund was established to account for loan payments collected from housing rehabilitation clients to MOECD. The rehab program no longer exists, however, this fund still accounts for payments received from loans originating several years ago.

***Safe Routes to School Program Fund*** This fund was established to account for federal grants received from the Federal Highway Administration for the East End Kids Walk & Bike Safe Routes to Piedmont Project for infrastructure-related project and non-infrastructure-related activities.

***Solid Waste Fund*** This fund accounts for the revenues collected from refuse fees and royalties from the contracted landfill operations. This fund also reserves monies for contingency post fund closure landfill cost.

***Special Demolition Fund*** This fund accounts for monies to be used for demolition of buildings as necessary within the City.

***Supportive Housing Fund*** This fund accounts for Supporting Housing Grants received to pay salaries for supportive service coordinators and other direct expenses for five shelters.

***U.S. Small Business Administration Fund*** This fund accounts for federal grants received from the U.S. Small Business Administration under a grant/cooperative agreement for the City of Charleston, WV Riverfront Park.



**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2012**

	<u>ARC Economic Development</u>	<u>Asset Forfeiture and Reimbursement</u>	<u>Byrne Justice Assistance Grant</u>	<u>Charleston Land Trust Commission</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ --	158,813	\$ 1,970	\$ 51,460
Investments	--	--	--	-
Receivables:				
Accounts	--	5,137	--	--
Grants	--	--	20,235	--
Loans	--	--	--	--
Interest	--	--	--	--
Due from:				
Other funds	--	--	20,627	--
Component units	--	--	--	--
Restricted cash	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>          </u>	<u>          </u> 163,950	\$ <u>          </u> 42,832	\$ <u>          </u> 51,460
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	--	1,281	20,712	--
Due to:				
Other funds	--	--	20,151	--
Deferred revenue:	--			
Unearned revenue	--	--	1,969	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>          </u>	<u>          </u> 1,281	<u>          </u> 42,832	<u>          </u>
<b>Fund balances:</b>				
Nonspendable	--	--	--	--
Restricted	--	162,669	--	51,460
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>          </u>	<u>          </u> 162,669	<u>          </u>	<u>          </u> 51,460
Total liabilities and fund balances	\$ <u>          </u>	<u>          </u> 163,950	\$ <u>          </u> 42,832	\$ <u>          </u> 51,460

CONTINUED

<u>Cops Meth Grant</u>	<u>DOT Federal Grant</u>	<u>FEMA-WV Flood Mitigation</u>	<u>Historic Preservation</u>	<u>Homeless Prevention &amp; Rapid Re-Housing</u>	<u>Human Rights</u>	<u>Metro Loan</u>
\$ 1	\$ --	\$ --	\$ --	\$ --	\$ 177,411	\$ 6,546
--	--	--	--	--	--	--
--	--	--	--	--	--	--
8,220	11,034	--	--	6,376	--	--
--	--	--	--	--	--	111,874
--	--	--	--	--	--	58
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 8,221</u>	<u>\$ 11,034</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,376</u>	<u>\$ 177,411</u>	<u>\$ 118,478</u>
3,420	--	--	--	5,826	--	--
4,800	11,034	--	--	550	--	--
1	--	--	--	--	161,191	--
<u>8,221</u>	<u>11,034</u>	<u>--</u>	<u>--</u>	<u>6,376</u>	<u>161,191</u>	<u>--</u>
--	--	--	--	--	--	--
--	--	--	--	--	16,220	118,478
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<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>16,220</u>	<u>118,478</u>
<u>\$ 8,221</u>	<u>\$ 11,034</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,376</u>	<u>\$ 177,411</u>	<u>\$ 118,478</u>

CONTINUED

<u>Municipal Beautification</u>	<u>Municipal Court</u>	<u>Police &amp; Fire Donations</u>	<u>Police Grants</u>	<u>Public Arts Grant</u>	<u>Rail Trail Project</u>	<u>Rental Rehabilitation</u>
\$ 30,676	\$ 187,548	\$ 49,198	\$ 16,815	\$ --	\$ --	\$ 20,000
--	--	--	--	--	--	--
--	82,619	--	--	--	--	--
--	--	--	283,709	20,720	--	--
--	--	--	--	--	--	150,143
--	--	--	--	--	--	--
--	--	--	126,934	37,875	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>\$ 30,676</u>	<u>\$ 270,167</u>	<u>\$ 49,198</u>	<u>\$ 427,458</u>	<u>\$ 58,595</u>	<u>\$ --</u>	<u>\$ 170,143</u>
--	28,695	--	126,140	37,875	--	--
--	123,530	--	264,249	20,720	--	--
--	--	--	247	--	--	--
<u>--</u>	<u>152,225</u>	<u>--</u>	<u>390,636</u>	<u>58,595</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--	--
--	117,942	--	36,822	--	--	--
30,676	--	49,198	--	--	--	170,143
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>30,676</u>	<u>117,942</u>	<u>49,198</u>	<u>36,822</u>	<u>--</u>	<u>--</u>	<u>170,143</u>
<u>\$ 30,676</u>	<u>\$ 270,167</u>	<u>\$ 49,198</u>	<u>\$ 427,458</u>	<u>\$ 58,595</u>	<u>\$ --</u>	<u>\$ 170,143</u>

CONTINUED

	<u>Safe Routes To School Program</u>	<u>Solid Waste</u>	<u>Special Demolition</u>	<u>Supportive Housing</u>	<u>U.S. Small Business Administration</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$	--	\$ 89,814	\$ 61,924	\$ --	\$ 9	\$ 852,185
	--	1,024,619	--	--	--	1,024,619
	--	367,894	--	--	17,041	472,691
	31,850	--	--	16,224	--	398,368
	--	--	--	--	--	262,017
	--	--	--	--	--	58
	6,511	--	--	--	343	192,290
	--	15,758	--	--	--	15,758
	--	1,423,797	--	--	--	1,423,797
\$	<u>38,361</u>	<u>2,921,882</u>	<u>61,924</u>	<u>16,224</u>	<u>17,393</u>	<u>4,641,783</u>
	6,511	41,215	--	15,444	343	287,462
	31,850	--	--	780	--	477,664
	--	--	--	--	--	163,408
	<u>38,361</u>	<u>41,215</u>	<u>--</u>	<u>16,224</u>	<u>343</u>	<u>928,534</u>
	--	--	--	--	--	--
	--	2,459,309	--	--	17,050	2,979,950
	--	421,358	61,924	--	--	733,299
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	2,880,667	61,924	--	17,050	3,713,249
\$	<u>38,361</u>	<u>2,921,882</u>	<u>61,924</u>	<u>16,224</u>	<u>17,393</u>	<u>4,641,783</u>

See Independent Auditor's Report



**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	ARC Economic Development	Asset Forfeiture and Reimbursement	Byrne Justice Assistance Grant	Charleston Land Trust Commission
<b>REVENUES</b>				
Intergovernmental:				
Federal	\$ 222,210	--	\$ 409,996	\$ --
State	-	--	--	--
Charges for services	-	--	--	--
Fines and forfeits	-	176,973	--	--
Interest and investment earnings	-	547	--	176
Contributions and donations	-	--	--	3,576
Miscellaneous	-	--	--	--
	<u>222,210</u>	<u>177,520</u>	<u>409,996</u>	<u>3,752</u>
Total revenues	<u>222,210</u>	<u>177,520</u>	<u>409,996</u>	<u>3,752</u>
<b>EXPENDITURES</b>				
Current:				
General government	--	--	--	--
Public safety	--	211,928	409,996	--
Streets and transportation	--	--	--	--
Culture and recreation	--	--	--	--
Health and sanitation	--	--	--	--
Economic development	222,210	--	--	1,453
	<u>222,210</u>	<u>211,928</u>	<u>409,996</u>	<u>1,453</u>
Total expenditures	<u>222,210</u>	<u>211,928</u>	<u>409,996</u>	<u>1,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>( 34,408)</u>	<u>--</u>	<u>2,299</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	--	--	--	--
Transfers (out)	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	--	( 34,408)	--	2,299
Fund balances - beginning	<u>--</u>	<u>197,077</u>	<u>--</u>	<u>49,161</u>
Fund balances - ending	<u>\$ --</u>	<u>162,669</u>	<u>\$ --</u>	<u>\$ 51,460</u>

CONTINUED

<u>Cops Meth Grant</u>	<u>DOT Federal Grant</u>	<u>FEMA-WV Flood Mitigation</u>	<u>Historic Preservation</u>	<u>Homeless Prevention &amp; Rapid Re-Housing</u>	<u>Human Rights</u>	<u>Metro Loan</u>
\$ 46,594	\$ --	\$ 1,300	\$ --	\$ 234,709	\$ 3,724	\$ --
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	22
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>46,594</u>	<u>--</u>	<u>1,300</u>	<u>--</u>	<u>234,709</u>	<u>3,724</u>	<u>22</u>
--	--	--	--	--	--	--
46,594	--	1,300	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	2,476	234,709	3,724	--
<u>46,594</u>	<u>--</u>	<u>1,300</u>	<u>2,476</u>	<u>234,709</u>	<u>3,724</u>	<u>--</u>
--	--	--	(2,476)	--	--	22
--	--	--	2,476	--	--	--
--	--	--	--	--	--	--
--	--	--	2,476	--	--	--
--	--	--	--	--	--	22
--	--	--	--	--	16,220	118,456
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 16,220</u>	<u>\$ 118,478</u>

CONTINUED

<u>Municipal Beautification</u>	<u>Municipal Court</u>	<u>Police &amp; Fire Donations</u>	<u>Police Grants</u>	<u>Public Arts Grant</u>	<u>Rail Trail Project</u>	<u>Rental Rehabilitation</u>
\$ --	\$ --	\$ --	\$ 892,050	20,720	\$ 27,125	\$ --
--	--	--	--	--	--	--
4,046	--	--	--	--	--	--
--	712,550	--	--	--	--	--
111	--	171	--	--	--	--
550	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>4,707</u>	<u>712,550</u>	<u>171</u>	<u>892,050</u>	<u>20,720</u>	<u>27,125</u>	<u>--</u>
--	232,792	--	--	--	--	--
--	--	--	892,064	--	--	--
6,642	--	--	--	--	--	--
--	--	--	--	45,720	--	--
--	--	--	--	--	--	--
--	--	--	--	--	30,225	--
<u>6,642</u>	<u>232,792</u>	<u>--</u>	<u>892,064</u>	<u>45,720</u>	<u>30,225</u>	<u>--</u>
<u>( 1,935)</u>	<u>479,758</u>	<u>171</u>	<u>( 14)</u>	<u>( 25,000)</u>	<u>( 3,100)</u>	<u>--</u>
--	--	--	--	25,000	3,100	--
--	( 501,995)	--	--	--	--	--
<u>--</u>	<u>( 501,995)</u>	<u>--</u>	<u>--</u>	<u>25,000</u>	<u>3,100</u>	<u>--</u>
( 1,935)	( 22,237)	171	( 14)	--	--	--
<u>32,611</u>	<u>140,179</u>	<u>49,027</u>	<u>36,836</u>	<u>--</u>	<u>--</u>	<u>170,143</u>
\$ <u>30,676</u>	\$ <u>117,942</u>	\$ <u>49,198</u>	\$ <u>36,822</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>170,143</u>

CONTINUED

<u>Safe Routes To School Program</u>	<u>Solid Waste</u>	<u>Special Demolition</u>	<u>Supportive Housing</u>	<u>U.S. Small Business Administration</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 32,263	\$ --	\$ --	\$ 97,781	\$ --	\$ 1,988,472
--	--	--	--	--	--
--	4,152,188	--	--	--	4,156,234
--	--	--	--	--	889,523
--	--	--	--	--	--
--	16,293	200	--	150	17,670
--	--	--	--	--	4,126
--	--	15,840	--	--	15,840
<u>32,263</u>	<u>4,168,481</u>	<u>16,040</u>	<u>97,781</u>	<u>150</u>	<u>7,071,865</u>
--	--	--	--	--	232,792
--	--	--	--	--	1,561,882
--	--	--	--	--	6,642
32,263	--	--	--	--	77,983
--	1,087,286	--	--	--	1,087,286
--	--	--	97,781	181,294	773,872
<u>32,263</u>	<u>1,087,286</u>	<u>--</u>	<u>97,781</u>	<u>181,294</u>	<u>3,740,457</u>
<u>--</u>	<u>3,081,195</u>	<u>16,040</u>	<u>--</u>	<u>(181,144)</u>	<u>3,331,408</u>
--	--	--	--	143,168	173,744
--	(2,950,000)	--	--	--	(3,451,995)
<u>--</u>	<u>(2,950,000)</u>	<u>--</u>	<u>--</u>	<u>143,168</u>	<u>(3,278,251)</u>
--	131,195	16,040	--	(37,976)	53,157
<u>--</u>	<u>2,749,472</u>	<u>45,884</u>	<u>--</u>	<u>55,026</u>	<u>3,660,092</u>
<u>\$ --</u>	<u>\$ 2,880,667</u>	<u>\$ 61,924</u>	<u>\$ --</u>	<u>\$ 17,050</u>	<u>\$ 3,713,249</u>

See Independent Auditor's Report



## CITY OF CHARLESTON, WEST VIRGINIA CAPITAL PROJECTS FUNDS

### *Nonmajor Funds*

***Ball Park Maintenance Fund*** This fund is used to account for contributions by the General Fund of \$25,000 annually for maintenance and improvements of the ball park in accordance with a contract between the City and West Virginia Power Ball Team.

***Ball Park Stadium Fund*** This fund accounts for receipts of State funds, contributions, and lease proceeds that have been used for the construction of a new ball park within the City. All remaining funds were spent during the 2012 fiscal year and this fund will be closed.

***Bridge Fund*** This City Council established fund is maintained to account for revenue sources expended for the construction and maintenance of bridges.

***City Service Fee Project Fund*** This fund receives transfers from the General Fund of the city service fee revenues, that are dedicated for street maintenance and infrastructure throughout the City, in order to better provide public accountability for the monies.

***Civic Center Capital Improvements Fund*** This City Council established fund is operated to receive transfers of all capital improvement fees collected at the Civic Center events. These revenue sources are maintained for capital improvements to the Civic Center.

***Facilities Maintenance Fund*** This fund was established to account for various facility renovation projects separately and is funded by transfers from the General Fund.

***General Maintenance Fund*** This City Council established fund is operated to receive transfers from the General Fund to separately account for funds expended for capital improvements.

***Infrastructure Fund*** This City Council established fund is used to maintain revenue sources for capital improvements to infrastructure.

***Municipal Auditorium Capital Improvements Fund*** This City Council established fund is operated to receive capital improvement fees collected at the Municipal Auditorium events to account for funds expended for capital improvements to the Municipal Auditorium.

***Soccer Field Fund*** This City Council established fund is used to receive revenue resources dedicated to improvements of City soccer fields.

***South Side Recreation Fund*** This City Council established fund is used to receive revenue sources dedicated to improvements for recreation on the South Side of Charleston, WV.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS**  
**June 30, 2012**

	<u>Ball Park Maintenance</u>	<u>Ball Park Stadium</u>	<u>Bridge</u>	<u>City Service Fee Project</u>	<u>Civic Center Capital Improvements</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,857	\$ --	\$ 109	\$ 642,543	\$ 137,412
Receivables:					
Accounts	--	--	--	--	--
Due from:					
Other funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 10,857</u>	<u>\$ --</u>	<u>\$ 109</u>	<u>\$ 642,543</u>	<u>\$ 137,412</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	43	--	--	39,713	--
Due to:					
Other funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>43</u>	<u>--</u>	<u>--</u>	<u>39,713</u>	<u>--</u>
<b>FUND BALANCES</b>					
Nonspendable	--	--	--	--	--
Restricted	10,814	--	--	--	--
Committed	--	--	109	602,830	137,412
Assigned	--	--	--	--	--
Unassigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>10,814</u>	<u>--</u>	<u>109</u>	<u>602,830</u>	<u>137,412</u>
Total liabilities and fund balances	<u>\$ 10,857</u>	<u>\$ -</u>	<u>\$ 109</u>	<u>\$ 642,543</u>	<u>\$ 137,412</u>

CONTINUED

<u>Facilities Maintenance Fund</u>	<u>General Maintenance</u>	<u>Infrastructure</u>	<u>Municipal Auditorium Capital Improvements</u>	<u>Soccer Field</u>	<u>South Side Recreation</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 330,217	\$ 1,591,661	\$ 144,150	\$ 73,801	\$ 3,033	\$ 9,670	\$ 2,943,453
--	--	--	11,508	--	--	11,508
--	--	--	20,000	--	--	20,000
<u>\$ 330,217</u>	<u>\$ 1,591,661</u>	<u>\$ 144,150</u>	<u>\$ 105,309</u>	<u>\$ 3,033</u>	<u>\$ 9,670</u>	<u>\$ 2,974,961</u>
17,822	8,770	--	--	--	--	66,348
--	343	--	--	--	--	343
<u>17,822</u>	<u>9,113</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>66,691</u>
--	--	--	--	--	--	--
--	--	--	--	--	--	10,814
312,395	1,582,548	144,150	105,309	3,033	9,670	2,897,456
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>312,395</u>	<u>1,582,548</u>	<u>144,150</u>	<u>105,309</u>	<u>3,033</u>	<u>9,670</u>	<u>2,908,270</u>
<u>\$ 330,217</u>	<u>\$ 1,591,661</u>	<u>\$ 144,150</u>	<u>\$ 105,309</u>	<u>\$ 3,033</u>	<u>\$ 9,670</u>	<u>\$ 2,974,961</u>

See Independent Auditor's Report

**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Ball Park Maintenance</u>	<u>Ball Park Stadium</u>	<u>Bridge</u>	<u>City Service Fee Project</u>	<u>Civic Center Capital Improvements</u>
<b>REVENUES</b>					
Charges for services	\$ --	\$ --	\$ --	\$ --	\$ --
Interest and investment earnings	61	143	--	999	249
Contributions and donations	--	--	--	--	120,000
Reimbursements	--	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	61	143	--	999	120,249
<b>EXPENDITURES</b>					
Current:					
Capital projects	15,541	89,976	--	1,048,169	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	15,541	89,976	--	1,048,169	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	( 15,480)	( 89,833)	--	( 1,047,170)	120,249
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	25,000	--	--	1,650,000	109,875
Transfers (out)	--	--	--	--	( 231,756)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	25,000	--	--	1,650,000	( 121,881)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	9,520	( 89,833)	--	602,830	( 1,632)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - beginning	1,294	89,833	109	--	139,044
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 10,814	\$ --	\$ 109	\$ 602,830	\$ 137,412
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONTINUED

<u>Facilities Maintenance Fund</u>	<u>General Maintenance</u>	<u>Infrastructure</u>	<u>Municipal Auditorium Capital Improvements</u>	<u>Soccer Field</u>	<u>South Side Recreation</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ --	\$ --	\$ --	\$ 26,998	\$ --	\$ --	\$ 26,998
1,496	4,826	503	235	11	34	8,557
--	7,869	--	--	--	--	127,869
<u>2,676</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,676</u>
<u>4,172</u>	<u>12,695</u>	<u>503</u>	<u>27,233</u>	<u>11</u>	<u>34</u>	<u>166,100</u>
<u>741,274</u>	<u>540,935</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,435,895</u>
<u>741,274</u>	<u>540,935</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,435,895</u>
<u>( 737,102)</u>	<u>( 528,240)</u>	<u>503</u>	<u>27,233</u>	<u>11</u>	<u>34</u>	<u>( 2,269,795)</u>
450,000	715,000	--	--	--	--	2,949,875
<u>--</u>	<u>( 146,268)</u>	<u>--</u>	<u>( 5,622)</u>	<u>--</u>	<u>--</u>	<u>( 383,646)</u>
<u>450,000</u>	<u>568,732</u>	<u>--</u>	<u>( 5,622)</u>	<u>--</u>	<u>--</u>	<u>2,566,229</u>
( 287,102)	40,492	503	21,611	11	34	296,434
<u>599,497</u>	<u>1,542,056</u>	<u>143,647</u>	<u>83,698</u>	<u>3,022</u>	<u>9,636</u>	<u>2,611,836</u>
<u>\$ 312,395</u>	<u>\$ 1,582,548</u>	<u>\$ 144,150</u>	<u>\$ 105,309</u>	<u>\$ 3,033</u>	<u>\$ 9,670</u>	<u>\$ 2,908,270</u>

See Independent Auditor's Report

# CITY OF CHARLESTON, WEST VIRGINIA

## DEBT SERVICE FUND

### *Nonmajor Fund*

***Debt Service Sinking Fund*** This fund is used to account for the accumulation of resources and payment of general long-term debt principal and interest from governmental resources and for governmental revenue bonds debt principal and interest from specified revenues. The City currently has no general obligation bonds outstanding.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**BALANCE SHEET - NONMAJOR DEBT SERVICE FUND**  
**June 30, 2012**

	<u>Sinking Fund</u>
<b>ASSETS</b>	
Restricted cash	<u>7</u>
Total assets	\$ <u><u>7</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES AND FUND BALANCE</b>	<u>                    </u>
<b>FUND BALANCE</b>	
Restricted	<u>7</u>
Total fund balance	<u>7</u>
Total liabilities and fund balance	\$ <u><u>7</u></u>

See Independent Auditor's Report

**CITY OF CHARLESTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE -**  
**NONMAJOR DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Sinking Fund</u>
<b>REVENUES</b>	
Taxes:	
Ad valorem property taxes	\$ 3,039
Interest and investment earnings	--
	3,039
Total revenues	3,039
<b>EXPENDITURES</b>	
Current:	
Principal	195,000
Interest	128,035
	323,035
Total expenditures	323,035
Excess (deficiency) of revenues over (under) expenditures	( 319,996)
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	319,997
	319,997
Total other financing sources (uses)	319,997
Net change in fund balance	1
Fund balance - beginning	6
Fund balance - ending	\$ 7

See Independent Auditor's Report

## **CITY OF CHARLESTON, WEST VIRGINIA PERMANENT FUND**

### *Nonmajor Fund*

*Spring Hill Cemetery Fund* This fund was created in 1973 by City Council to manage funds received for the perpetual care of Spring Hill Cemetery. The corpus is maintained in trust and the earnings thereon are to be expended for the general care and maintenance of the cemetery.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**BALANCE SHEET - NONMAJOR PERMANENT FUND**  
**June 30, 2012**

	<u>Spring Hill Cemetery</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 221,598
Investments	1,688,593
Receivables:	
Accrued interest	3,079
Due from:	
Other funds	<u>4,024</u>
 Total assets	 \$ <u><u>1,917,294</u></u>
 <b>FUND BALANCE</b>	
Nonspendable	1,032,114
Restricted	885,180
Committed	--
Assigned	--
Unassigned	<u>--</u>
 Total fund balances	 <u>1,917,294</u>
 Total liabilities and fund balance	 \$ <u><u>1,917,294</u></u>

See Independent Auditor's Report

**CITY OF CHARLESTON, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
NONMAJOR PERMANENT FUND  
For the Fiscal Year Ended June 30, 2012**

	<u>Spring Hill Cemetery</u>
<b>REVENUES</b>	
Investment earnings	\$ 54,328
Contributions and donations	<u>100</u>
Total revenues	<u>54,428</u>
<b>EXPENDITURES</b>	
Current:	
Social services	<u>26,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,237</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	<u>23,979</u>
Net change in fund balance	52,216
Fund balance - beginning	<u>1,865,078</u>
Fund balance - ending	<u><u>\$ 1,917,294</u></u>

See Independent Auditor's Report

## **CITY OF CHARLESTON, WEST VIRGINIA AGENCY FUNDS**

***Civic Center Ticket Fund*** This fund is custodial in nature and accounts for revenues received from ticket sales for events held at the Civic Center and subsequently dispersed to promoters of the various events.

***Civic Center Promotions Fund*** This fund is custodial in nature and accounts for revenues received from customers for the Cooking Show, the Wedding Show, and a series of reunions that the Civic Center produces and are subsequently dispersed and deposited to the Civic Center Revenue Fund after the events are over.

***Metro Drug Enforcement Task Force Fund*** This fund is custodial in nature where revenues from forfeitures and donations are held until dispersed to various other City or State Agencies.

***Pending Forfeiture Fund*** This fund is custodial in nature and is operated to hold revenues from forfeitures until disbursed to appropriate federal or state entity or returned by court order.

***Police Asset & Liability Fund*** This fund is custodial in nature and is operated by the Charleston Police Department for confiscated property that will normally be refunded upon court order.

**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS -**  
**AGENCY FUNDS**  
**June 30, 2012**

	<u>Civic Center Ticket</u>	<u>Civic Center Promotions</u>	<u>Metro Drug Enforcement Task Force</u>	<u>Pending Forfeiture</u>	<u>Police Asset &amp; Liability</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents \$	479,270	\$ 11,972	\$ 295,705	\$ 1,304,013	\$ 6,312	\$ 2,097,272
Receivables:						
Accounts	--	--	51,464	--	--	51,464
Due from other funds	<u>5,520</u>	<u>--</u>	<u>6,360</u>	<u>--</u>	<u>--</u>	<u>11,880</u>
 Total assets	 <u>\$ 484,790</u>	 <u>\$ 11,972</u>	 <u>\$ 353,529</u>	 <u>\$ 1,304,013</u>	 <u>\$ 6,312</u>	 <u>\$ 2,160,616</u>
<b>LIABILITIES</b>						
Refunds payable and others	480,950	11,972	353,529	1,304,013	6,312	2,156,776
Due to other funds	<u>3,840</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,840</u>
 Total liabilities	 <u>\$ 484,790</u>	 <u>\$ 11,972</u>	 <u>\$ 353,529</u>	 <u>\$ 1,304,013</u>	 <u>\$ 6,312</u>	 <u>\$ 2,160,616</u>

See Independent Auditor's Report

**CITY OF CHARLESTON, WEST VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Civic Center Ticket</u>	<u>Civic Center Promotions</u>	<u>Metro Drug Enforcement Task Force</u>	<u>Pending Forfeiture</u>	<u>Police Asset &amp; Liability</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents						
July 1, 2011	\$ 580,152	\$ 5,728	\$ 289,130	\$ 1,348,827	\$ 6,290	\$ 2,230,127
Receivables, July 1, 2011	--	--	4,433	--	--	4,433
Additions-cash	8,342,858	41,313	799,463	369,672	22	9,553,328
Deductions-cash	( 8,443,740)	( 35,069)	( 792,888)	( 414,486)	--	( 9,686,183)
Additions-receivable	--	--	47,031	--	--	47,031
Deductions-receivable	--	--	--	--	--	--
Additions-due from other funds	5,520	--	6,360	--	--	11,880
Deductions-due from other funds	--	--	--	--	--	--
Cash and cash equivalents						
June 30, 2012	479,270	11,972	295,705	1,304,013	6,312	2,097,272
Receivables, June 30, 2012	--	--	51,464	--	--	51,464
Due from other funds,						
June 30, 2012	5,520	--	6,360	--	--	11,880
Total assets, June 30, 2012	<u>\$ 484,790</u>	<u>\$ 11,972</u>	<u>\$ 353,529</u>	<u>\$ 1,304,013</u>	<u>\$ 6,312</u>	<u>\$ 2,160,616</u>
<b>LIABILITIES</b>						
Refunds payable and others						
July 1, 2011	580,152	5,728	293,563	1,348,827	6,290	2,234,560
Additions	8,344,538	41,313	713,736	560,156	22	9,659,765
Deductions	( 8,443,740)	( 35,069)	( 653,770)	( 604,970)	--	( 9,737,549)
Due to other funds						
Additions	3,840	--	--	--	--	3,840
Deductions	--	--	--	--	--	--
Refunds payable and others						
June 30, 2012	480,950	11,972	353,529	1,304,013	6,312	2,156,776
Due to other funds						
June 30, 2012	3,840	--	--	--	--	3,840
Total liabilities, June 30, 2012	<u>\$ 484,790</u>	<u>\$ 11,972</u>	<u>\$ 353,529</u>	<u>\$ 1,304,013</u>	<u>\$ 6,312</u>	<u>\$ 2,160,616</u>

See Independent Auditor's Report

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

To the Honorable Mayor and Council  
of the City of Charleston  
Charleston, West Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Charleston, West Virginia, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2012-1 through 2012-4 to be material weaknesses.

Compliance and Other Matters

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



results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-5 and 2012-6.

We noted certain matters that we reported to management of the City in a separate letter dated December 19, 2012.

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

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

*Gibbons & Kawash, A.C.*

December 19, 2012

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

To the Honorable Mayor and Council  
of the City of Charleston  
Charleston, West Virginia

Compliance

We have audited the City of Charleston, West Virginia's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of non compliance with these requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-5 and 2012-6.

Internal Control Over Compliance

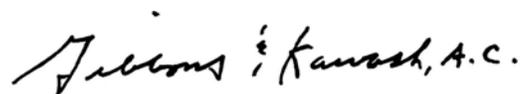
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-5 and 2012-6 to be material weaknesses.

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

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



December 19, 2012

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

Program Title	Federal CFDA Number	Pass Thru Agency Reference	Total Current Year Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct programs:			
CDGG-Entitlement Grants Cluster:			
Community Development Block Grants/ Entitlement Grants	14.218	-	\$ 1,762,452
Emergency Shelter Grants Program	14.231	-	80,322
Supportive Housing Program	14.235	-	97,781
HOME Investment Partnerships Program	14.239	-	804,169
Homeless Prevention and Rapid Re-Housing Program-ARRA	14.257	-	234,709
Appalachian Regional Commission	23.001	WV-16739-214-0	222,210
Pass-Through Programs From:			
State of West Virginia Governor's Office of Economic Opportunity:			
Emergency Shelter Grants Program	14.231	S-10-DC-54-001	1,712
Emergency Shelter Grants Program	14.231	S-11-DC-54-001	151,688
<b>Total U.S. Department of Housing and Urban Development</b>			<b>3,355,043</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Pass-through Programs From:			
West Virginia Department of Military Affairs and Public Safety			
Homeland Security Grant Program	97.067	09-SHS-21	6,013
Homeland Security Grant Program	97.067	09-SHS-22	9,500
West Virginia Division of Homeland Security and Emergency Management			
Emergency Management Performance Grants	97.042	WV Emergency	92,225
Pre-Disaster Mitigation	97.039	WV Emergency	1,300
<b>Total U.S. Department of Homeland Security</b>			<b>109,038</b>
<b>U.S. DEPARTMENT OF ENERGY</b>			
Pass-through Programs From:			
West Virginia Development Office			
Energy Efficient & Conservation Block Grant Program-ARRA	81.128	-	150,999
<b>FEDERAL HIGHWAY ADMINISTRATION</b>			
Pass-through Programs From:			
State of West Virginia Department of Transportation			
Safe Routes to School	20.205	WV Highways Division	27,125
Congressional Appropriation Section 117	20.205	TEA-OH22 (001)D	31,851
<b>Total Federal Highway Administration</b>			<b>58,976</b>

(Continued)

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

Program Title	Federal CFDA Number	Pass Thru Agency Reference	Total Current Year Expenditures
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>			
Grant No. 11-4292-7020	45.024	-	<u>20,720</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>JAG Program Cluster:</b>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-OJ-BX-0669	185,177
Edward Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-BX-0670	19,000
Edward Byrne Memorial Justice Assistance Grant (JAG) program/Grants To Units of Local Government-ARRA	16.804	2009-SBB91444	<u>205,819</u>
<b>Total JAG Program Cluster</b>			409,996
Pass-Through Programs From:			
West Virginia Department of Criminal Justice Services			
Crime Victims Assistance-ARRA	16.575	09-VAWR-05	26,357
Crime Victims Assistance	16.575	09-VA-045	31,495
Crime Victims Assistance	16.575	10-EUD-002	19,600
Edward Byrne Memorial Formula Grant Program	16.579	11-JAG-03	50,000
Edward Byrne Memorial Formula Grant Program	16.579	10-JAG-35	50,000
Violence Against Women Formula Grants	16.588	10--VAW-015	5,454
Violence Against Women Formula Grants	16.588	09-VAW-019	2,277
Public Safet Partnership and Community Policing Grants	16.710	2007-CK-WX-0236	40,444
Public Safet Partnership and Community Policing Grants	16.710	2006-CK-WX-0495	6,150
Youth Holding Compliance	16.540	09-JJP-272	58,007
Equitable Sharing	16.922	-	<u>211,928</u>
<b>Total U. S. Department of Justice</b>			<u>911,708</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
State and Community Highway Safety	20.600	F11HS-08	128,184
State and Community Highway Safety	20.600	F12HS-08	<u>520,690</u>
<b>Total U.S. Department of Transportation</b>			<u>648,874</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u>\$ 5,255,358</u>

## CITY OF CHARLESTON, WEST VIRGINIA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

**1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**2 - LOANS OUTSTANDING**

The City's loan balances outstanding at June 30, 2012, include program loans disbursed that are also included as federal expenditures presented in this schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,762,452
HOME Investment Partnerships Program	14.239	\$ 804,169

**3 - SUBRECIPIENT DISBURSEMENTS**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
Crime Victim Assistance - ARRA	16.575	\$ 24,857
Edward Byrne Memorial Formula Grant Program	16.579	\$ 39,583
Public Safety Partnership and Community Policing Grants	16.710	\$ 11,849
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 19,001
State and Community Highway Safety	20.600	\$ 67,840

CITY OF CHARLESTON, WEST VIRGINIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2012

Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
• Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
• Significant deficienc(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>  X  </u> yes	<u>      </u> no

*Federal Awards*

Internal control over major programs:		
• Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
• Significant deficienc(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>  X  </u> yes	<u>      </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	Home Investment Partnership Program
16.378 & 16.804	Edward Byrne Memorial Justice Assistance Grant
20.600	State and Community Highway Safety

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  X  </u> no

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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**Section II - Financial Statement Findings**

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**2012-1 FILE MAINTENANCE AND DOCUMENTATION OF PENSION RECORDS – FIREMEN'S PENSION AND RELIEF FUND (FPRF)**Criteria:

The records supporting the underlying pension benefits for all retirees should be maintained in a manner and fashion that provides the appropriate documentation to support benefit calculations and payments.

Condition:

During our audit procedures over the FPRF, we noted that certain underlying pension documents could not be located or contained discrepancies.

Context:

From a sample of thirteen retirees and current active participants, we noted the following:

- Nine instances in which the date of hire, date of birth, and date of retirement per the actuarial census did not agree or could not be verified by personnel or pension records.
- Six instances in which salary or wage amounts used in the calculation of pension benefits and employee deferrals could not be supported by sufficient documentation contained in either the pension or personnel files.
- One instance in which documentation supporting a temporary disability election could not be located or substantiated.
- One instance in which an employee's overtime pay was not paid in the appropriate period, which resulted in the employee's pension deferral not being submitted to the pension trustee in a timely manner.

Effect:

Without the appropriate supporting documentation, the FPRF would not be able to provide evidence of compliance with plan provisions.

Cause:

The City has not established procedures to ensure that pension files are maintained in an accurate manner.

Recommendations:

The City should establish procedures to ensure all pension and personnel documentation is current, accurate, and maintained by the City.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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Section II - Financial Statement Findings (Continued)  

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**2012-1 FILE MAINTENANCE AND DOCUMENTATION OF PENSION RECORDS – FIREMEN'S PENSION AND RELIEF FUND (FPRF) (Continued)**Views of Responsible Officials:

The City will develop and implement a procedure whereby the pension calculated by the Pension Board secretary will be reviewed by appropriate City personnel to ascertain that the underlying pertinent data from personnel files have been used and that the calculation is in accordance with the prescribed pension benefit plans. This review will be conducted prior to the disbursement of any new pension benefits.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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

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**2012-2 FILE MAINTENANCE AND DOCUMENTATION OF PENSION RECORDS – POLICEMEN'S PENSION AND RELIEF FUND (PPRF)**Criteria:

The records supporting the underlying pension benefits for all retirees should be maintained in a manner and fashion that provides the appropriate documentation to support benefit calculations and payments.

Condition:

During our audit procedures over the PPRF, we noted that certain underlying pension documents could not be located or contained discrepancies.

Context:

From a sample of twelve retirees and current active participants, we noted the following:

- One instance in which the date of birth per the actuarial census did not agree with the personnel files.
- Two instances in which documentation supporting disability elections could not be located.
- Five instances in which salary or wage amounts used in the calculation of benefit payments could not be supported by sufficient documentation in either the pension or personnel files.
- One instance in which an employee's pension withholding was not properly calculated based on the documentation provided.

Effect:

Without the appropriate supporting documentation, the PPRF would not be able to provide evidence of compliance with plan provisions.

Cause:

The City has not established procedures to ensure that pension files are maintained in an accurate manner.

Recommendations:

The City should establish procedures to ensure all pension and personnel documentation is current, accurate, and maintained by the City.

Views of Responsible Officials:

The City will develop and implement a procedure whereby the pension calculated by the Pension Board secretary will be reviewed by appropriate City personnel to ascertain that the underlying pertinent data from personnel files have been used and that the calculation is in accordance with the prescribed pension benefit plans. This review will be conducted prior to the disbursement of any new pension benefits.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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

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**2012-3 SUPERVISORY REVIEW AND APPROVAL**Criteria:

A key component of an effective system of internal control is the timely and documented supervisory review and approval of all significant transactions.

Condition:

We noted that while management has implemented procedures to reconcile and review the disbursement of pensioner benefit payments, the disbursement reconciliation is not currently reviewed by someone independent of the preparer.

Context:

During our review of current year journal entries we noted that excess disbursements from the PPRF were made in the previous fiscal period, although management of the City was able to detect the error, they were unable to recoup the excess disbursement from the pensioner.

Effect:

Without timely and effective supervisory review, errors involving the City's accounting for fiduciary activities may not be detected and corrected in a timely manner by employees in the normal course of performing their assigned functions.

Cause:

Current policies and procedures must be timely and independently monitored to be determined effective.

Recommendation:

Management of the City should ensure that current policies over the supervisory review and approval process regarding the distribution of pensioner monthly benefit payments are monitored to determine they are operating as designed to safeguard fiduciary assets.

Views of Responsible Officials:

The City will implement a timely and independent supervisory review and approval process of fire and police pension spreadsheets designed to maintain a listing of all eligible pensioners and respective approved benefit payments. This listing is to reconcile to pensioner records and the Eden System. In addition, this spreadsheet is designed to ensure pension contribution payouts are inactivated once the payout has been made to safeguard fiduciary assets. In order to be effective, the City will make certain these pension spreadsheets are maintained, completed, reconciled to pension processing, and independently reviewed monthly before pension benefit payments are distributed.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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

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**2012-4 PAYROLL CALCULATIONS**Criteria:

Payroll adjustments should be performed accurately and then independently reviewed and approved by supervisory personnel prior to the processing of payroll.

Condition:

The City employs various hourly employees who are maintained in their payroll system (Kronos) at an established classification rate. At times, employees will perform duties outside of their current Kronos classification and will be paid a differential resulting in a blended rate. Before payroll can be processed, department managers are required to manually calculate the differential pay rate. This calculation is not independently reviewed.

Context:

We noted one instance from a sample of forty in which an employee classified at one pay rate, performed the duties of another pay rate classification and the calculation to determine the employees pay for the period was overstated by approximately \$40 in one pay period for one employee during the year under audit.

Effect:

Without an independent review for accuracy of differential calculations, material errors or irregularities across employees qualified for differentials in the payroll reporting system could occur and go undetected.

Cause:

The City has not developed policies to ensure the accuracy of the calculation of differential payroll adjustments.

Recommendation:

We recommend that the City implement formal procedures to evaluate the accuracy of differential calculations. In addition, these calculations should be independently reviewed and approved prior to the disbursement of payroll.

Views of Responsible Officials:

The City will develop and implement procedures to define a process to standardize and automate manual calculations for differential calculations in wages and duties among classifications within the City of Charleston. Independent reviews for accuracy will be performed in Human Resources and timekeepers and managers will be trained on choosing correct differential codes in Kronos that will be automated calculations and approved prior to the disbursement of payroll.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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 Section III - Federal Award Findings and Questioned Costs
 

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**2012-5 FEDERAL REPORTING REQUIREMENTS**Federal Program:

CFDA Numbers	14.239 and 14.218
Title	HOME Investment Partnership Program ( <b>HOME</b> ) Community Development Block Grant ( <b>CDBG</b> )
Agency	U.S. Department of Housing and Urban Development

Criteria:

Office of Management and Budget Circular A-133 section .300(c) states that the auditee shall “comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs” that could have a direct and material effect on each of its federal programs.

Condition:

Management did not comply with federal reporting requirements related to federal grant programs that could have a direct and material effect on a federal program.

Context:

**HOME:** We noted the following:

- Housing and Urban Development (HUD) form 60002, *Section 3 Summary Report, Economic Opportunities for Low – and Very Low - income persons (OMB No. 2529-0043)*, requires that certain program information be submitted to HUD regarding grant expenditures. We noted that the City has not submitted this information during the year under audit.
- Prime grant recipients that make first tier subawards using non-American Recovery and Reinvestment Act (ARRA) funds are required to comply with The Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), that relate to subaward reporting. The FFATA requirements state that certain information related to subawards are to be reported to the Federal government, no later than the month following the month in which subaward disbursements exceed \$25,000. We noted that the City did not submit the required HOME program information during the year under audit.

**CDBG:** We noted the following:

- The CDBG program is required to file the Federal Financial Report (FFR) SF-425. Recipients use the FFR as a standardized format to report the financial status of their federal awards and cash status. We noted that the City did not submit the required CDBG program information during the year under audit.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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**Section III - Federal Award Findings and Questioned Costs (Continued)**

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**2012-5 FEDERAL REPORTING REQUIREMENTS (Continued)**Questioned Costs:

None noted.

Effect:

When a recipient fails to submit required financial management reports, the federal granting agency may suspend funding until reporting requirements are met.

Cause:

Control activities to ensure compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs over these federal reporting activities have not been established.

Recommendation:

We recommend that the management of the City implement formal procedures to ensure that the City is in compliance with federal reporting requirements. Once prepared, these reports should also be reviewed by someone other than the preparer, this review should be documented with the initials of the person performing the review and the date on which the review occurred.

Views of Responsible Officials:**HOME:**

- **Section 3:** As a corrective measure, the Mayor's Office of Economic and Community Development (MOECD) has added Section 3 requirements instruction pages and a Section 3 Business Identification Form to all contractor documentation. Each contractor will receive these forms regardless of the amount of contract.
- **FFATA:** FFATA reporting for Federal Year 11-12 was corrected on December 17, 2012.

**CDBG:**

- **FFATA:** All FFATA issues have been addressed, data entered and reviewed. There is one outstanding issue that remains in draft status. The problem stems from a mismatch of Zip Code+4 with the DUNS number reported by Charleston Kanawha Housing. The Housing Authority has been contacted and instructed to make the necessary changes in CCR (SAMS). A review system has been established. Mindy Young continues to be the initial preparer. Brian King is now reviewing and initialing FFATA reporting.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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 Section III - Federal Award Findings and Questioned Costs (Continued)
 

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**2012-6 FEDERAL MATCHING REQUIREMENTS**Federal Program:

CFDA Numbers	14.239
Title	HOME Investment Partnership Program ( <b>HOME</b> )
Agency	U.S. Department of Housing and Urban Development

Criteria:

Office of Management and Budget Circular A-133 section .300(c) states that the auditee shall "comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs" that could have a direct and material effect on each of its federal programs.

The HOME program includes a 25% matching requirement.

Condition:

The City's matching requirements were incorrectly reported or reported late.

Context:

Out of a sample of nine projects, we noted that six projects were matched using incorrect noncash contributions and three projects which were not matched during the year under audit.

Questioned Costs:

None noted.

Effect:

The Federal grantor agency could reduce or suspend funding until proper matching requirements have been achieved and reported.

Cause:

Control activities to ensure compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to reporting of federal program matching requirements have not been properly established.

## CITY OF CHARLESTON, WEST VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Year Ended June 30, 2012

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**Section III - Federal Award Findings and Questioned Costs (Continued)**

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**2012-6 FEDERAL MATCHING REQUIREMENTS (Continued)**Recommendation:

We recommend that the management of the City implement formal procedures to ensure that the City is in compliance with federal program matching requirements. In addition, we also recommend the City communicate with its grantor agency to initiate procedures to correct any previous errors in reporting matching requirements.

Views of Responsible Officials:

Contact made with the HUD representative regarding match on October 29, 2012. The issue was one of timing. Prior to the audit, the match was reported at close. After consultation with our HUD representative, match is reported on the front side of each project. It was noted that the match had been missed during our HUD audit. A verbal agreement between the HOME program supervisor and the HUD representative added match to future audit checklists.

## CITY OF CHARLESTON, WEST VIRGINIA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2012

**Prior Year Audit Findings:**

Audit finding 2011-1 has been corrected.

**Corrective Action Plan Provided by Management:**

See the view of responsible officials identified at findings 2012-1 - 2012-6 for planned corrective action.