

RFP #12-059



Audited Financial Statements

City of Charleston

Year Ended June 30, 2014

Audited Financial Statements

CITY OF CHARLESTON

Year Ended June 30, 2014

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CITY OF CHARLESTON
LIST OF CITY OFFICIALS

June 30, 2014

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 | Mary Beth Hoover |
| 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 Collector: | Tonya Cotton |
| City Clerk: | James Reishman | City Engineer: | Chris Knox |
| Attorney: | Paul Ellis | | |
| 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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the general fund and the coal severance fund, of the City of Charleston, West Virginia, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 position, 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 solely 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charleston, West Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and



coal severance fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 employer defined benefit plans information and schedules of other post-employment benefit information on pages 86 through 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements on pages 92 through 120 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 125 through 126 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, and the procedures performed above, the combining and individual non major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, 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* in considering the City's internal control over financial reporting and compliance.

Charleston, West Virginia
January 27, 2015

CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

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, 2014. Please read it in conjunction with the City's financial statements.

Financial Highlights

Government-wide

The City of Charleston reported total net position of \$39,067,021 in fiscal year 2014 and \$34,514,628 (restated) in fiscal year 2013. The details of the 2013 restatement of net position for a total decrease of \$213,332 in governmental activities are described in the notes to the financial statements.

The City of Charleston implemented GASB Statement No. 67 *Financial Reporting for Pension Plans* which amends GASB Statement No. 25, and GASB Statement No. 50, *Pension Disclosures for pension trusts and equivalent arrangements*.

Of the net position in fiscal year 2014, a deficit balance of \$69,020,577 was reported as total unrestricted net position, which includes \$71,367,528 deficit balance in governmental activities and a \$2,346,951 balance in business-type activities.

Total net position increased by \$4,552,393 as a result of this year's operations. Net position for governmental activities and business-type activities increased 21 percent and four percent, respectively.

The City's governmental activities reported total expenses of \$95,964,671, total revenues of \$101,318,750, and transfers out of \$1,546,411 for a net increase of \$3,807,668.

Business-type activities reported total expenses of \$7,797,766, program revenues of \$6,784,129, general revenues of \$211,951, and transfers in of \$1,546,411 for a net increase of \$744,725.

Total Primary Government revenues were \$108,314,830, while total costs for all programs were \$103,762,437.

Fund Level

Governmental funds reported a combined fund balance of \$52,333,887, an increase of \$8,291,604 (18 percent) from the prior year.

The General Fund reported an unassigned fund balance of \$21,590,940, non-spendable fund balance of \$590,403, restricted fund balance of \$629,308, committed fund balance of \$13,354,731, and assigned fund balance of \$4,529,596, compared to \$20,028,109, \$534,963, \$1,281,370, \$9,136,830, and \$3,833,402, respectively, in the prior year.

Total governmental funds reported non-spendable fund balance of \$1,876,754, restricted of \$4,863,106, committed of \$19,519,807, and assigned fund balance of \$4,529,596, compared to \$1,729,978, \$5,275,869, \$13,174,925, and \$3,833,402, respectively, in the prior year. The total unassigned fund balance for the governmental funds was \$21,544,624, compared to unassigned fund balance of \$20,028,109 in prior year.

CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

Long-term Debt

Total bonds and obligations under long-term leases at year end were \$19,346,650, a net decrease of \$2,845,990 (12 percent) over the prior year.

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 Non-major 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 position 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 position and how it has changed. Net position, the difference between the City's assets and deferred outflows and liabilities and deferred inflows, is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position is 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 property 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, 2014

Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. 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. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. The City's Enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

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 position and a statement of changes in fiduciary net position. 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.

Government-Wide Financial Analysis

The City's combined net position (governmental and business-type activities) totaled \$39,067,021 at the end of 2014 and \$34,514,628 (restated) at the end of 2013. The largest portion of the City's net position, \$100,009,647, reflects investment in capital assets such as land, buildings, equipment, and infrastructure, less any related debt to acquire those assets that is

CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

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 and deferred outflows, 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 position, \$8,077,951, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net position, a deficit of \$69,020,577, reflects the City's deficit of remaining assets to remaining liabilities.

CITY OF CHARLESTON'S NET POSITION

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 64,880,998 | \$ 54,883,875 | \$ 5,466,319 | \$ 4,974,880 | \$ 70,347,317 | \$ 59,858,755 |
| Capital assets | 96,982,175 | 94,980,253 | 20,424,131 | 21,395,862 | 117,406,306 | 116,376,115 |
| Total assets | 161,863,173 | 149,864,128 | 25,890,450 | 26,370,742 | 187,753,623 | 176,234,870 |
| Deferred Outflows of Resources | \$ 45,625 | \$ 50,223 | \$ 277,250 | \$ 340,698 | \$ 322,875 | \$ 390,921 |
| Long-term liabilities outstanding | 121,528,080 | 114,923,556 | 6,752,211 | 8,149,780 | 128,280,291 | 123,073,336 |
| Other liabilities | 18,511,437 | 16,929,181 | 2,217,749 | 2,108,645 | 20,729,186 | 19,037,826 |
| Total liabilities | 140,039,517 | 131,852,737 | 8,969,960 | 10,258,425 | 149,009,477 | 142,111,162 |
| Net Position: | | | | | | |
| Net Investment in capital assets | 87,087,352 | 83,960,629 | 12,922,295 | 12,406,337 | 100,009,647 | 96,366,966 |
| Restricted | 6,149,457 | 6,470,884 | 1,928,494 | 2,017,873 | 8,077,951 | 8,488,757 |
| Unrestricted | (71,367,528) | (72,369,899) | 2,346,951 | 2,028,805 | (69,020,577) | (70,341,094) |
| Total net position-restated | \$ 21,869,281 | \$ 18,061,614 | \$ 17,197,740 | \$ 16,453,015 | \$ 39,067,021 | \$ 34,514,629 |

Governmental Activities. Governmental activities increased the City of Charleston's net position by \$3,807,668 which is primarily attributable to three revenue increases which offset long-term obligation increases. The City implemented a city sales & use tax during the 2014 fiscal which increased revenues by \$4.5 million, Business & Occupation Tax increased approximately \$5 million and property taxes increased \$447,304. However, \$3.8 million of the Business & Occupation Tax increase was due to a one-time settlement for several years of taxes collected as a result of two tax audits. This additional revenue offset increases to long-term obligations for public safety pensions and other post-employment benefits which increased \$3,889,621 (4 percent) and \$3,502,141 (33 percent), respectively.

Revenues increased \$8,794,241 (9 percent) over prior year. This is primarily attributable to a \$9,629,032 (15 percent) increase in tax revenues. The City's principal tax revenue for business and occupation tax (without the tax audit settlement) increased \$1,215,950 (2 percent) over prior year. Property tax revenue received from the County increased \$447,304 (3 percent) over prior year since assessed property values increased approximately five percent last fiscal year. The city sales & use tax implemented October 1, 2013 increased tax revenues \$4.5 million. However, utility taxes and hotel/motel taxes decreased \$58,757 (2 percent) and \$252,092 (8 percent), respectively. Charges for services revenue remained in line with prior year and grants and contribution revenue decreased \$622,325 (5 percent) over prior year. However, HUD grant revenue increased \$180,393 (5 percent) during fiscal 2014. Even though allocations have decreased in recent years more rehabilitation projects were completed with prior year and current year allocations. Department of

CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

Justice grants decreased \$47,358 (11 percent). Changes began with these grants in the Congressional allocations during 2007-2008 and allocations have changed from law enforcement and drug task forces to drug treatment, rehabilitation, and job training. The City has not applied for grants in the new allocation areas yet except for the Drug Marketing Intervention Program in a joint initiative with the United States Attorney's Office. The U.S. Department of Transportation grants decreased \$159,655 (26%) over prior year because the City did not request as much in grant funds.

Government-wide governmental expenses increased one percent in the amount of \$1,126,834 over prior year. General government expense increased \$759,850 (4 percent) from prior year. Liability claims cost increased \$280,804 (6 percent) even with risk management programs in place by the government. A large part of these claims are for workers' compensation which increased \$193,237 (17 percent) primarily due to several surgeries and an increase in associated physical therapy costs. Medical claims expense decreased \$830,483 (8 percent) overall which accounts for a part of each function's decrease. Public Safety expense decreased \$1,437,771 (2 percent) from prior year for the most part due to retiree claims cost and OPEB decrease of \$552,408 (13 percent) and pension expense decrease of \$146,251 (.8 percent). Street and Transportation expense increased \$1,006,062 (9 percent) partially due to increases in retiree cost in the amount of \$601,012 (79 percent) and operational cost increase of \$209,742 (2 percent). The city experienced a harsh winter which increased snow removal cost in the amount of \$143,397 (77 percent); however, gas, oil, & tire cost decreased \$36,177 (2 percent). Fuel purchase cost was lower in 2014 than 2013; however tire cost was up 1.61 percent. Health and Sanitation and Culture and Recreation expense were comparable to the prior year. Interest expense decreased \$67,790 (14 percent) due to lower interest rates for capital leases and a reduction in capital lease borrowing for the 2014 fiscal year in the amount of \$782,500 (34 percent).

Business-type Activities. Total net position of the City's business-type activities increased \$744,725 (4 percent) over prior year. Total operating revenues increased \$226,231 (3 percent) over prior year. The Civic Center experienced an increase in charges to customers in the amount of \$333,928 (11 percent) primarily due to an increase in ticketed events and overall rentals. Any time ticketed events increase then ancillary items related to the event also increase such as commissions, patron services, security, and electricity. The facility experienced increased room rental in the amount of \$89,426 (8 percent) and the catering portion of the operation experienced an increase of \$123,294 (22 percent) due to building activity and ticketed events. The Parking System experienced a \$107,697 (2 percent) decrease in operating revenues from the prior year. Parking violation revenue actually increased \$22,030 (5 percent) from prior year due to resolution of challenges in obtaining violator names and addresses to send out notice letters. Building rentals decreased minimally; however, the buildings are at full rental capacity with waiting lists. The operating expenses for the Civic Center and Parking System remained comparable to prior year. Installation of energy efficient light fixtures in the Civic Center and the Parking buildings has contributed to a reduction in utility cost of 11 percent and 15 percent, respectively. The Civic Center operations unit has concentrated on performing more activities in house thereby reducing contracted services in addition to renegotiating contracts for better prices. The Civic Center total net position increased \$29,490 (.7 percent) and Parking System net position increased \$750,235 (5 percent).

A Tax Incremental Financing District was established for the Civic Center's future expansion and renovation. Collections during the 2014 fiscal year for the district amounted to \$222,801 which is restricted for future bond payments.

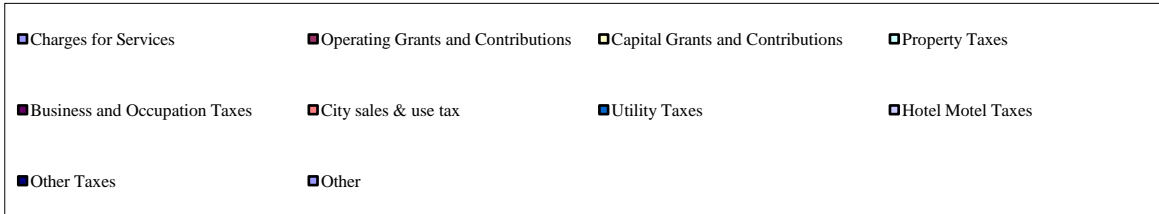
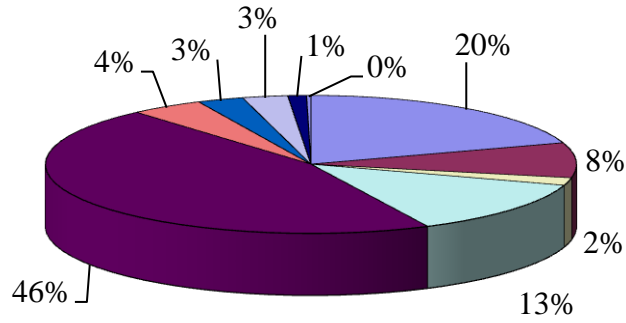
CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

City of Charleston's Changes in Net Position

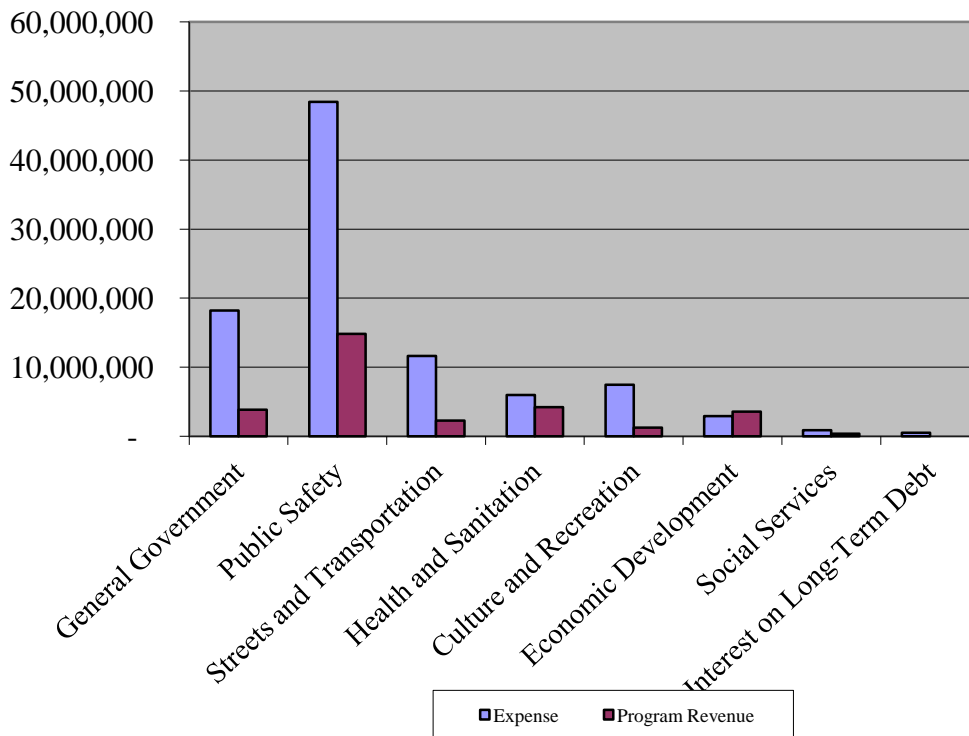
| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|----------------------------|-------------------|-----------------------------|------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 20,234,327 | \$ 20,126,662 | \$ 6,765,857 | \$ 6,539,626 | \$ 27,000,184 | \$ 26,666,288 |
| Operating Grants and Contributions | 8,298,558 | 8,704,482 | - | - | 8,298,558 | 8,704,482 |
| Capital Grants and Contributions | 1,807,358 | 2,296,876 | 18,272 | 42,470 | 1,825,630 | 2,339,346 |
| General Revenues: | | | | | | |
| Property Taxes | 13,011,895 | 12,564,591 | 222,379 | - | 13,234,274 | 12,564,591 |
| Business and Occupation Taxes | 46,402,641 | 41,355,598 | - | - | 46,402,641 | 41,355,598 |
| City sales & use tax | 4,507,057 | - | - | - | 4,507,057 | - |
| Other Taxes | 6,784,413 | 7,156,785 | - | - | 6,784,413 | 7,156,785 |
| Other | 272,501 | 319,515 | (10,428) | 11,568 | 262,073 | 331,083 |
| Total Revenues | 101,318,750 | 92,524,509 | 6,996,080 | 6,593,664 | 108,314,830 | 99,118,173 |
| General Government | \$ 18,195,010 | \$ 17,435,160 | \$ - | \$ - | \$ 18,195,010 | \$ 17,435,160 |
| Public Safety | 48,445,018 | 49,882,789 | - | - | 48,445,018 | 49,882,789 |
| Highways & Streets | 11,628,169 | 10,622,107 | - | - | 11,628,169 | 10,622,107 |
| Health & Sanitation | 5,978,855 | 5,583,625 | - | - | 5,978,855 | 5,583,625 |
| Economic Development | 2,909,258 | 2,726,994 | - | - | 2,909,258 | 2,726,994 |
| Culture & Recreation | 7,456,492 | 7,516,254 | - | - | 7,456,492 | 7,516,254 |
| Social Services | 860,187 | 511,436 | - | - | 860,187 | 511,436 |
| Interest on Long- Term Debt | 491,682 | 559,472 | - | - | 491,682 | 559,472 |
| Civic Center | - | - | 4,885,275 | 4,921,903 | 4,885,275 | 4,921,903 |
| Parking System | - | - | 2,912,491 | 2,860,448 | 2,912,491 | 2,860,448 |
| Total Expenses | 95,964,671 | 94,837,837 | 7,797,766 | 7,782,351 | 103,762,437 | 102,620,188 |
| Increase in Net Position | | | | | | |
| Before Transfers | 5,354,079 | (2,313,328) | (801,686) | (1,188,687) | 4,552,393 | (3,502,015) |
| Transfers | (1,546,411) | (1,364,488) | 1,546,411 | 1,364,488 | - | - |
| Increase in Net Position | 3,807,668 | (3,677,816) | 744,725 | 175,801 | 4,552,393 | (3,502,015) |
| Net Position- beginning-restated | 18,061,613 | 21,739,430 | 16,453,015 | 16,277,214 | 34,514,628 | 38,016,644 |
| Net Position- ending | \$ 21,869,281 | \$ 18,061,614 | \$ 17,197,740 | \$ 16,453,015 | \$ 39,067,021 | \$ 34,514,629 |

CITY OF CHARLESTON, WEST VIRGINIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended June 30, 2014

Revenue by Source-Governmental Activities

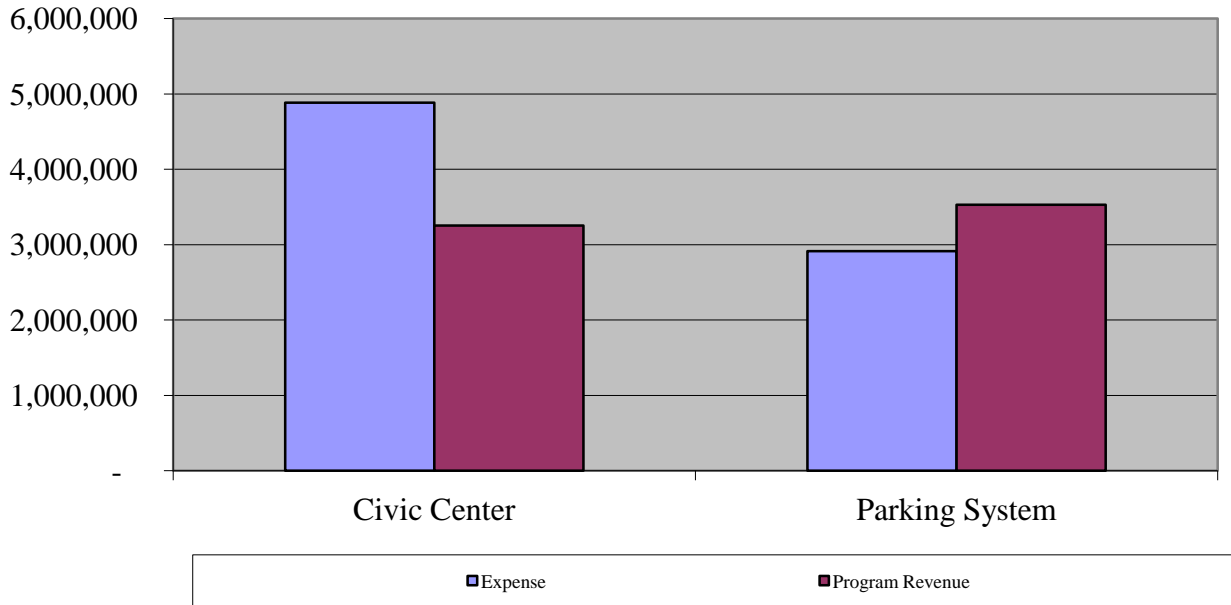


Expenses and Program Revenues-Governmental Activities

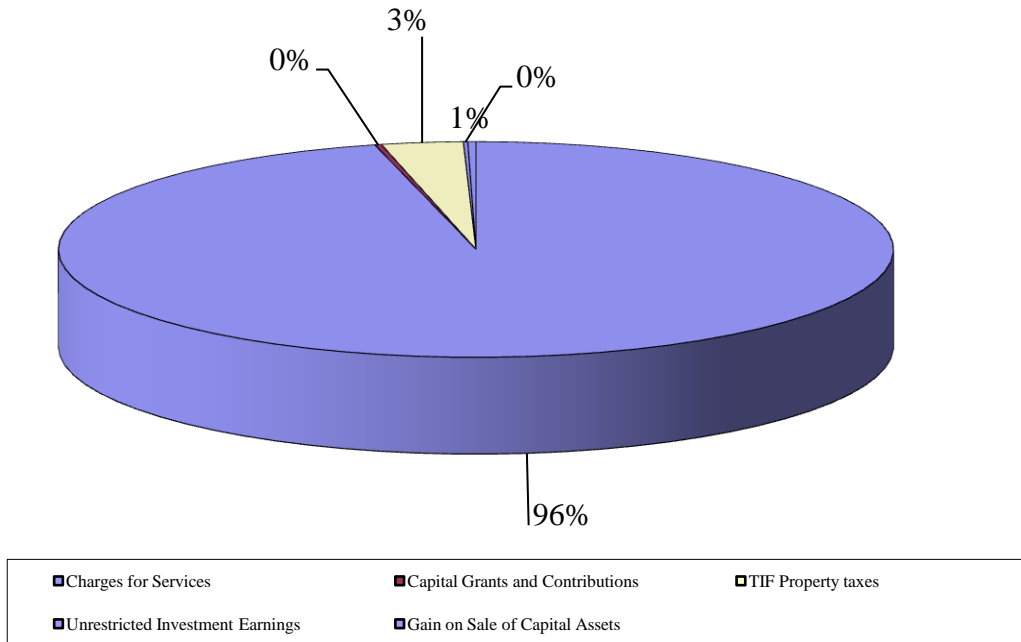


CITY OF CHARLESTON, WEST VIRGINIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended June 30, 2014

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, 2014

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 \$52,333,887, an increase of \$8,291,604 (18 percent) in comparison with the prior year. Most of this increase occurred in three funds: General Fund (16 percent), Facilities Maintenance (21.73 percent), and Springhill Cemetery Trust (9 percent). The General Fund increased primarily due to implementation of a city sales & use tax and a business & occupation tax audit collection. This one-time audit collection was transferred to the Facilities Maintenance Fund for several capital projects such as the Appalachian Park field re-sod and the EDGE project for downtown affordable housing for young professionals. The Springhill Trust increase is for earnings on investments. Approximately 41 percent of the combined ending fund balances in the amount of \$21,544,624 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable for prepaid items and permanent fund corpus \$1,876,754; restricted by external grants, contributors, and laws \$4,863,106; committed by the government's council \$19,519,807; and assigned by the government's council or administrative officials \$4,529,596.

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 \$21,590,940, while total fund balance reached \$40,694,978. 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 26 percent of total General Fund expenditures, while total fund balance represents 49 percent of that same amount.

The fund balance of the City of Charleston's General Fund increased \$5,880,304 during the current fiscal year. This is primarily attributable to tax revenue increase of \$9,871,579 (16 percent) with total revenue increase of \$9,560,046 (11 percent). Expenditures decreased \$1,639,722 (1 percent) due to prudent management. Capital outlays decreased 23 percent with a decrease in lease transactions for 2014 in conjunction with the government's fleet management. Medical cost decreased eight percent partially due to the City's wellness programs and salary and wages remained constant with no across-the-board raises. However, police and fire pension contributions increased six percent due to the Conservation Method adopted in 2011 and workers' compensation claims cost increased 17 percent due to more surgeries and related physical therapy. Professional services increased eight percent for projects in progress such as the Charleston EDGE complex, storm-water project, Lee Street Triangle Park Design, and others.

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 decreased \$28,535 (12 percent) over the prior year due to the decrease in production and coal sales. Community Development and HOME Funds are funded totally by HUD federal grants for community development. The grant revenues recognized were \$104,440 (3 percent) greater in comparison to prior year due to rehabilitation projects completed with current and prior year grant revenues.

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.

CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

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. Revenues and transfers in and expenditures and transfers out between the original budget and the final amended budget reflected an increase of \$3,131,804 (3 percent) and \$9,335,700 (10 percent), respectively. The most significant can be briefly summarized as follows:

Legal expenses were increased \$944,734 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 \$1,229,977 were carried forward for continuance of the projects that were not completed by the 2013 fiscal year-end.

The Mayor's contributions to various entities were increased approximately \$363,868.

Professional services for the GIS mapping project in the amount of \$94,786 were carried forward since the project was not completed by the 2013 fiscal year-end.

Capital equipment costs were increased approximately \$1,068,579 to carry forward remaining lease funding for vehicle and equipment purchases.

City Manager professional services remaining budgeted funds in the amount of \$1,027,750 were carried forward for various contracted services that were not completed by the 2013 fiscal year-end.

Transfers to other funds were increased for a \$540,813 transfer to the Municipal Stabilization Fund reserve and a \$3,831,094 to the Facilities Maintenance Fund to provide funding for the sodding of the Ball Park field, the Edge Project, and others. Simultaneously, the amendment recognized the Business and Occupation Tax revenue from the one-time collection from two audits for prior year taxes.

Other amendments were made to recognize contributions for Live on the Levee in the amount of \$62,000 and \$15,000 for the Peer to Pier Murals.

All amendments were budgeted from available fund balance and increases in various charges for services, grants, insurance proceeds, and contributions. For the fiscal year 2014 General Fund revenues were below budgetary estimates by two percent and expenditures were less than budgetary estimates by ten percent.

The City's General Fund balance of \$40,694,978 differs from the General Fund's budgetary fund balance of \$7,189,016 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 \$10,838,578 has not been re-appropriated for budgetary purposes, only actual cash collections are budgeted each fiscal year. In addition, a significant difference of \$18,652,986 is included in the General Fund due to compliance with GASB 54 for financial reporting which dictates the inclusion of several special revenue funds; however, these funds are not included for budgetary purposes.

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, 2014, amounted to \$117,406,306 (net of accumulated depreciation). This investment in capital assets includes

CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

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 the Morris Building Wellness Center remodel for \$9,409, East End Community Park Project in the amount of \$200,000, Court Street Pump Station in the amount of \$159,247, and Pierce Pumper mounted truck in the amount of \$496,916.

Projects for the Long Term Storm Water Comprehensive Plan, Rails to Trails bike/pedestrian trail, Farnsworth Drive bridge rehabilitation, Civic Center expansion and renovation, and Parking System parking building number one engineering office major remodel were remaining in construction in progress as of the end of the fiscal year in the amount of \$2,825,777.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 8,959,964 | \$ 8,938,359 | \$ 4,366,447 | \$ 4,366,447 | \$ 13,326,411 | \$ 13,304,806 |
| Construction in Progress | 2,414,067 | 1,429,345 | 411,710 | - | 2,825,777 | 1,429,345 |
| Buildings & Improvements | 28,152,618 | 29,002,418 | 15,070,000 | 16,371,014 | 43,222,618 | 45,373,432 |
| Other Improvements | 11,254,190 | 11,065,594 | 337,201 | 363,714 | 11,591,391 | 11,429,308 |
| Machinery & Equipment | 8,603,180 | 8,901,240 | 238,773 | 294,687 | 8,841,953 | 9,195,927 |
| Infrastructure | 37,598,156 | 35,643,297 | - | - | 37,598,156 | 35,643,297 |
| Total | \$ 96,982,175 | \$ 94,980,253 | \$ 20,424,131 | \$ 21,395,862 | \$117,406,306 | \$116,376,115 |

Additional information on the City of Charleston's capital assets can be found in Note IV.C. on pages 58 through 60 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's Outstanding Debt
Revenue Bonds**

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue Bonds | \$ 2,512,131 | \$ 2,715,290 | \$ 7,779,085 | \$ 9,330,223 | \$ 10,291,216 | \$ 12,045,513 |
| Total | \$ 2,512,131 | \$ 2,715,290 | \$ 7,779,085 | \$ 9,330,223 | \$ 10,291,216 | \$ 12,045,513 |

CITY OF CHARLESTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

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 \$159,574,769.

Additional information on the City of Charleston's long-term debt can be found in Note IV.G. on pages 63 through 66 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 5.4 percent. The average for the past twelve months was 5.8 percent. The last twelve months reflected increases in the labor market for construction and mining .8 percent; financial activities 1.2 percent; professional services 3.1 percent; and government .7 percent. Manufacturing, trade, transportation, and utilities, education and health services, leisure and hospitality, and other services reflected a decrease of -1.8 percent, -1.5 percent, -1.3 percent, -0.8 percent, and -1.7 percent, respectively. Information services experienced no change.

The occupancy rate of the government's central business district has remained at 85 to 90 percent for the past several years. However, according to a recent real estate broker survey in November 2014 the city's five "Class A" office towers have experienced an overall vacancy rate spike of 16.2 percent. These office towers represent the best space available in Charleston.

Inflationary trends in the region compare favorably to national indices.

In March 2014, the City of Charleston approved a balanced budget for the fiscal year 2015, with General Fund appropriations of \$88,390,467. The budget includes a four percent increased property tax levy in the amount of \$1,310,000 and a two percent decrease in Business & Occupation Taxes for a total of \$42,800,000. The budget includes extraordinary expenses for \$400,000 for municipal elections, \$500,000 for its uniform pension plans, and \$400,000 for its employee health clinic. There will be no employee raises and cuts were made to the Storm Water Management Department for \$300,000 and Manager's office for \$200,000. A transfer from the City's stabilization fund for \$1.1 million was used to balance the budget.

Request 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 POSITION
June 30, 2014

| | Primary Government | | | Component Units | | |
|---------------------------------------|-----------------------------------|------------------------------------|-------------------|--------------------------|--------------------------------------|--|
| | Governmental <u>Activities</u> | Business-type <u>Activities</u> | <u>Total</u> | Sanitary <u>Board</u> | Urban Renewal <u>Authority</u> | Convention & Visitor's <u>Bureau</u> |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash & cash equivalents | \$ 33,180,676 | \$ 3,001,965 | \$ 36,182,641 | \$ 15,422,215 | \$ 6,557,372 | \$ 695,063 |
| Investments | 3,118,654 | -- | 3,118,654 | -- | -- | -- |
| Receivables: | | | | | | |
| Accounts | 4,325,617 | 320,523 | 4,646,140 | 1,652,035 | -- | 168,305 |
| Accrued interest | 4,310 | -- | 4,310 | -- | -- | -- |
| Taxes | 14,624,227 | -- | 14,624,227 | -- | -- | -- |
| Rents | -- | -- | -- | -- | -- | -- |
| Other | -- | -- | -- | 2,678 | -- | -- |
| Loans | 5,858,820 | -- | 5,858,820 | -- | 125,833 | -- |
| Grants | 1,114,962 | -- | 1,114,962 | -- | -- | -- |
| Internal balances | 57,274 | (57,274) | -- | -- | -- | -- |
| Due from: | | | | | | |
| Component units | 54,981 | -- | 54,981 | -- | -- | -- |
| Fiduciary funds | 21,864 | -- | 21,864 | -- | -- | -- |
| Primary government | -- | -- | -- | 54,406 | -- | 150,742 |
| Inventory, at cost | -- | -- | -- | 838,010 | -- | -- |
| Construction project deposit | -- | -- | -- | -- | 152,398 | -- |
| Prepaid insurance and lease | 590,403 | 119,898 | 710,301 | 190,725 | 709 | 42,747 |
| Other assets | -- | -- | -- | 10,553 | -- | -- |
| Restricted assets: | | | | | | |
| TIF District Taxes Receivable | -- | 2,404 | 2,404 | -- | -- | -- |
| Regular account | -- | 525,185 | 525,185 | 1,987,609 | -- | -- |
| Reserve account | -- | -- | -- | 7,069,494 | -- | -- |
| Renewal and replacement | -- | -- | -- | 9,306,216 | -- | -- |
| Reserve for bond retirement | -- | 529,616 | 529,616 | -- | -- | -- |
| Restricted cash | 1,929,210 | -- | 1,929,210 | -- | -- | -- |
| Reserve for health care | -- | -- | -- | 1,633,867 | -- | -- |
| Customer deposits | -- | 152,713 | 152,713 | -- | -- | -- |
| Total current assets | 64,880,998 | 4,595,030 | 69,476,028 | 38,167,808 | 6,836,312 | 1,056,857 |
| Noncurrent assets | | | | | | |
| Restricted: | | | | | | |
| Revenue bond covenant accounts | -- | 871,289 | 871,289 | -- | -- | -- |
| Note receivable | -- | -- | -- | -- | 2,331,260 | -- |
| Capital assets not being depreciated: | | | | | | |
| Land | 8,959,964 | 4,366,447 | 13,326,411 | 2,342,835 | 7,161,224 | -- |
| Construction in progress | 2,414,067 | 411,710 | 2,825,777 | 11,375,355 | -- | -- |
| Capital assets being depreciated: | | | | | | |
| Buildings and improvements | 71,324,152 | 67,791,669 | 139,115,821 | 37,206,975 | 51,622 | 45,775 |
| Vehicles | 19,081,300 | -- | 19,081,300 | -- | -- | -- |
| Infrastructure | 95,538,232 | -- | 95,538,232 | -- | -- | -- |
| Transmission and distribution | -- | -- | -- | 128,567,707 | -- | -- |

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

June 30, 2014

| | Primary Government | | | Component Units | | |
|-----------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|-------------------------------|-------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Sanitary Board | Urban Renewal Authority | Convention & Visitor's Bureau |
| Machinery & equipment | \$ 18,304,095 | \$ 2,281,486 | \$ 20,585,581 | \$ 9,727,916 | \$ 28,796 | \$ 211,389 |
| Less: accumulated depreciation | (118,639,635) | (54,427,181) | (173,066,816) | (63,539,017) | (41,940) | (244,565) |
| Total capital assets | <u>96,982,175</u> | <u>20,424,131</u> | <u>117,406,306</u> | <u>125,681,771</u> | <u>7,199,702</u> | <u>12,599</u> |
| Total noncurrent assets | <u>96,982,175</u> | <u>21,295,420</u> | <u>118,277,595</u> | <u>125,681,771</u> | <u>9,530,962</u> | <u>12,599</u> |
| Total assets | <u>\$ 161,863,173</u> | <u>\$ 25,890,450</u> | <u>\$ 187,753,623</u> | <u>\$ 163,849,579</u> | <u>\$ 16,367,274</u> | <u>\$ 1,069,456</u> |

**DEFERRED OUTFLOWS
OF RESOURCES:**

Loss on refunding
of debt

| | | | | | |
|------------------|-------------------|-------------------|--------------|--------------|--------------|
| \$ 45,625 | \$ 277,250 | \$ 322,875 | \$ -- | \$ -- | \$ -- |
| <u>\$ 45,625</u> | <u>\$ 277,250</u> | <u>\$ 322,875</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

LIABILITIES

Current liabilities:

Current liabilities payable
from current assets:

| | | | | | | |
|--|-----------------------|---------------------|-----------------------|----------------------|-------------------|-------------------|
| Accounts payable | \$ 2,993,582 | \$ 181,425 | \$ 3,175,007 | \$ 1,189,362 | \$ 22,085 | \$ 124,986 |
| Payroll payable | 1,422,479 | 74,160 | 1,496,639 | 166,377 | -- | -- |
| Other accrued expenses | 48,314 | 26,704 | 75,018 | -- | 3,376 | 728 |
| Solicitation bonds payable | 26,310 | -- | 26,310 | -- | -- | -- |
| Compensated absences payable | 1,354,124 | 89,085 | 1,443,209 | 173,400 | -- | 13,499 |
| Benefits payable | 193,113 | 18,218 | 211,331 | 64,189 | -- | -- |
| Reserve for future insurance claims | 1,149,775 | 77,306 | 1,227,081 | -- | -- | -- |
| Due to: | | | | | | |
| Component units | 178,745 | 26,403 | 205,148 | -- | -- | -- |
| Fiduciary funds | 1,200 | -- | 1,200 | -- | -- | -- |
| Primary government | -- | -- | -- | 54,981 | -- | -- |
| Current liabilities payable from restricted assets: | | | | | | |
| Accrued bond interest payable | 8,607 | 54,648 | 63,255 | 595,703 | -- | -- |
| Accrued capital lease interest payable | 55,750 | -- | 55,750 | -- | -- | -- |
| Customer deposits | -- | 29,800 | 29,800 | -- | -- | -- |
| Other current liabilities: | | | | | | |
| Grant advances | 5,954,623 | -- | 5,954,623 | -- | -- | -- |
| Customer prepaid fees | 124,840 | -- | 124,840 | -- | 53,132 | -- |
| Due within one year | <u>4,993,134</u> | <u>1,640,000</u> | <u>6,633,134</u> | <u>4,119,366</u> | <u>42,950</u> | <u>--</u> |
| Total current liabilities | <u>18,504,596</u> | <u>2,217,749</u> | <u>20,722,345</u> | <u>6,363,378</u> | <u>121,543</u> | <u>139,213</u> |
| Noncurrent liabilities: | | | | | | |
| Due in more than one year | <u>121,534,921</u> | <u>6,752,211</u> | <u>128,287,132</u> | <u>87,142,448</u> | <u>--</u> | <u>--</u> |
| Total noncurrent liabilities | <u>121,534,921</u> | <u>6,752,211</u> | <u>128,287,132</u> | <u>87,142,448</u> | <u>--</u> | <u>--</u> |
| Total liabilities | <u>\$ 140,039,517</u> | <u>\$ 8,969,960</u> | <u>\$ 149,009,477</u> | <u>\$ 93,505,826</u> | <u>\$ 121,543</u> | <u>\$ 139,213</u> |

CITY OF CHARLESTON, WEST VIRGINIA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

| | Primary Government | | | Component Units | | |
|---|----------------------------|-----------------------------|----------------------|----------------------|-------------------------------|-------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Sanitary Board | Urban Renewal Authority | Convention & Visitor's Bureau |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | |
| Unused Contributions | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 40,716 |
| Total Deferred Inflows of resources | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 40,716</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | \$ 87,087,352 | \$ 12,922,295 | \$ 100,009,647 | \$ 35,073,753 | \$ 7,199,702 | \$ 12,599 |
| Restricted for: | | | | | | |
| General government | 116,934 | -- | 116,934 | -- | -- | -- |
| Debt service | 309,593 | 1,705,693 | 2,015,286 | 18,363,319 | -- | -- |
| Capital projects | 431,935 | -- | 431,935 | -- | -- | -- |
| Community development projects | 77,090 | 222,801 | 299,891 | -- | -- | -- |
| Public safety and streets | 196,227 | -- | 196,227 | -- | -- | -- |
| Health and Sanitation | 2,737,943 | -- | 2,737,943 | -- | -- | -- |
| Culture and recreation | 48,160 | -- | 48,160 | -- | -- | -- |
| Perpetual care: | | | | | | |
| Expendable | 945,224 | -- | 945,224 | -- | -- | -- |
| Nonexpendable | 1,286,351 | -- | 1,286,351 | -- | -- | -- |
| Unrestricted (deficit) | <u>(71,367,528)</u> | <u>2,346,951</u> | <u>(69,020,577)</u> | <u>16,906,681</u> | <u>9,046,029</u> | <u>876,928</u> |
| Total net position | <u>\$ 21,869,281</u> | <u>\$ 17,197,740</u> | <u>\$ 39,067,021</u> | <u>\$ 70,343,753</u> | <u>\$ 16,245,731</u> | <u>\$ 889,527</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, 2014

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 | | |
| Primary government: | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | |
| General government | \$ 18,195,010 | \$ 3,545,715 | \$ 274,330 | \$ 37,082 | \$ (14,337,883) | \$ -- | \$ (14,337,883) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Public safety | 48,445,018 | 9,704,654 | 4,897,355 | 222,525 | (33,620,484) | -- | (33,620,484) | -- | -- | -- | -- | -- |
| Streets and transportation | 11,628,169 | 2,206,804 | 40,000 | 31,218 | (9,350,147) | -- | (9,350,147) | -- | -- | -- | -- | -- |
| Health and sanitation | 5,978,855 | 4,089,254 | 109,319 | 19,322 | (1,760,960) | -- | (1,760,960) | -- | -- | -- | -- | -- |
| Culture and recreation | 7,456,492 | 530,410 | 323,378 | 376,115 | (6,226,589) | -- | (6,226,589) | -- | -- | -- | -- | -- |
| Interest on long-term debt | 491,682 | -- | -- | -- | (491,682) | -- | (491,682) | -- | -- | -- | -- | -- |
| Social services | 860,187 | 157,490 | 202,094 | -- | (500,603) | -- | (500,603) | -- | -- | -- | -- | -- |
| Economic development | 2,909,258 | -- | 2,452,082 | 1,121,096 | 663,920 | -- | 663,920 | -- | -- | -- | -- | -- |
| Total governmental activities | \$ 95,964,671 | \$ 20,234,327 | \$ 8,298,558 | \$ 1,807,358 | \$ (65,624,428) | \$ -- | \$ (65,624,428) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Business-type activities: | | | | | | | | | | | | |
| Civic Center | \$ 4,885,275 | \$ 3,239,371 | \$ -- | \$ 13,685 | \$ -- | \$ (1,632,219) | \$ (1,632,219) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Parking System | 2,912,491 | 3,526,486 | -- | 4,587 | -- | 618,582 | 618,582 | -- | -- | -- | -- | -- |
| Total business-type activities | 7,797,766 | 6,765,857 | -- | 18,272 | -- | (1,013,637) | (1,013,637) | -- | -- | -- | -- | -- |
| Total primary government | \$ 103,762,437 | \$ 27,000,184 | \$ 8,298,558 | \$ 1,825,630 | \$ (65,624,428) | \$ (1,013,637) | \$ (66,638,065) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Component units: | | | | | | | | | | | | |
| Sanitary Board | \$ 18,330,024 | \$ 21,686,813 | \$ -- | \$ 75,963 | | | \$ 3,432,752 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Urban Renewal Authority | 442,937 | 511,136 | 37,230 | -- | | | -- | 105,429 | -- | -- | -- | -- |
| Convention & Visitor's Bureau | 1,862,228 | 136,115 | 1,553,366 | -- | | | -- | -- | -- | (172,747) | -- | -- |
| Total component units | \$ 20,635,189 | \$ 22,334,064 | \$ 1,590,596 | \$ 75,963 | | | \$ 3,432,752 | \$ 105,429 | \$ (172,747) | \$ -- | \$ -- | \$ -- |
| General revenues: | | | | | | | | | | | | |
| Ad valorem property taxes | | | | | \$ 13,011,895 | \$ 222,379 | \$ 13,234,274 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Business & occupation tax | | | | | 46,402,641 | -- | 46,402,641 | -- | -- | -- | -- | -- |
| City sales & use tax | | | | | 4,507,057 | -- | 4,507,057 | -- | -- | -- | -- | -- |
| Alcoholic beverages tax | | | | | 855,825 | -- | 855,825 | -- | -- | -- | -- | -- |
| Utility services tax | | | | | 2,848,995 | -- | 2,848,995 | -- | -- | -- | -- | -- |
| Hotel occupancy tax | | | | | 2,787,461 | -- | 2,787,461 | -- | -- | -- | -- | -- |
| Amusement tax | | | | | 191,837 | -- | 191,837 | -- | -- | -- | -- | -- |
| Other taxes | | | | | 100,295 | -- | 100,295 | -- | -- | -- | -- | -- |
| Unrestricted investment earnings | | | | | 94,984 | 11,809 | 106,793 | 17,805 | 131,989 | -- | 112 | -- |
| Gain on sale of capital assets | | | | | 177,517 | (22,237) | 155,280 | -- | -- | -- | (32,745) | -- |
| Miscellaneous | | | | | -- | -- | -- | 131,455 | -- | -- | -- | -- |
| Transfers | | | | | (1,546,411) | 1,546,411 | -- | -- | -- | -- | -- | -- |
| Total general revenues and transfers | | | | | 69,432,096 | 1,758,362 | 71,190,458 | 149,260 | 131,989 | -- | (32,633) | -- |
| Change in net assets | | | | | 3,807,668 | 744,725 | 4,552,393 | 3,582,012 | 237,418 | -- | (205,380) | -- |
| Net position - beginning-Restated | | | | | 18,061,613 | 16,453,015 | 34,514,628 | 66,761,741 | 16,008,313 | -- | 1,094,907 | -- |
| Net position - ending | | | | | \$ 21,869,281 | \$ 17,197,740 | \$ 39,067,021 | \$ 70,343,753 | \$ 16,245,731 | \$ -- | \$ 889,527 | \$ -- |

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 92.

CITY OF CHARLESTON, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

| | General | Coal Severance Tax | Community Development | HOME | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------|--------------------------|---------------------|---|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 26,359,401 | \$ 21 | \$ 4,829 | \$ 332 | \$ 6,816,093 | \$ 33,180,676 |
| Investments | -- | -- | -- | -- | 3,118,654 | 3,118,654 |
| Receivables: | | | | | | |
| Taxes | 14,560,506 | 63,721 | -- | -- | -- | 14,624,227 |
| Accounts | 3,919,409 | -- | -- | -- | 406,208 | 4,325,617 |
| Grants | 287,767 | -- | 308,821 | 16,184 | 502,190 | 1,114,962 |
| Loans | -- | -- | 1,937,697 | 3,770,980 | 150,143 | 5,858,820 |
| Accrued interest | 882 | -- | -- | -- | 3,428 | 4,310 |
| Due from: | | | | | | |
| Other funds | 1,041,162 | -- | -- | -- | 1,256,997 | 2,298,159 |
| Component units | 23,583 | -- | -- | -- | 31,398 | 54,981 |
| Prepaid insurance and lockbox | 590,403 | -- | -- | -- | -- | 590,403 |
| Restricted cash | 245,844 | -- | -- | -- | 1,683,366 | 1,929,210 |
| Total assets | \$ 47,028,957 | \$ 63,742 | \$ 2,251,347 | \$ 3,787,496 | \$ 13,968,477 | \$ 67,100,019 |
| LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 1,665,256 | \$ -- | \$ 187,768 | \$ 134 | \$ 1,140,424 | \$ 2,993,582 |
| Payroll payable | 1,422,479 | -- | -- | -- | -- | 1,422,479 |
| Other accrued expenditures | 48,314 | -- | -- | -- | -- | 48,314 |
| Solicitation bonds payable | 26,310 | -- | -- | -- | -- | 26,310 |
| Benefits payable | 193,113 | -- | -- | -- | -- | 193,113 |
| Reserve for future insurance claims | 1,149,775 | -- | -- | -- | -- | 1,149,775 |
| Due to: | | | | | | |
| Other funds | 1,073,238 | -- | 121,053 | 16,050 | 1,009,879 | 2,220,220 |
| Component unit | 176,523 | -- | -- | -- | 2,222 | 178,745 |
| Other liabilities: | | | | | | |
| Customer prepaid fees | 124,840 | -- | -- | -- | -- | 124,840 |
| Grant advances | -- | -- | 1,988,842 | 3,771,312 | 194,469 | 5,954,623 |
| Total liabilities | \$ 5,879,848 | \$ -- | \$ 2,297,663 | \$ 3,787,496 | \$ 2,346,994 | \$ 14,312,001 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue-taxes | \$ 454,131 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 454,131 |
| Fund balances: | | | | | | |
| Nonspendable | \$ 590,403 | \$ -- | \$ -- | \$ -- | \$ 1,286,351 | \$ 1,876,754 |
| Restricted | 629,308 | 63,742 | -- | -- | 4,170,056 | 4,863,106 |
| Committed | 13,354,731 | -- | -- | -- | 6,165,076 | 19,519,807 |
| Assigned | 4,529,596 | -- | -- | -- | -- | 4,529,596 |
| Unassigned | 21,590,940 | -- | (46,316) | -- | -- | 21,544,624 |
| Total fund balances | 40,694,978 | 63,742 | (46,316) | -- | 11,621,483 | 52,333,887 |
| Total liabilities, deferred inflows, and fund balances | \$ 47,028,957 | \$ 63,742 | \$ 2,251,347 | \$ 3,787,496 | \$ 13,968,477 | \$ 67,100,019 |

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 POSITION
June 30, 2014

| | |
|--|-----------------------|
| Total fund balances on the governmental fund's balance sheet | \$ 52,333,887 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. (Note IV.C.) | 96,982,175 |
| Deferred outflows of loss on refunding bonds which is amortized over the life of the bonds is not reported in the funds. | 45,625 |
| Certain revenues are not available to fund current year expenditures and, therefore, are deferred inflows in the funds. (Note IV.B.) | 454,131 |
| 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>(127,946,537)</u> |
| Net position of governmental activities | <u>\$ 21,869,281</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, 2014

| | General | Coal Severance Tax | Community Development | HOME | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------|--------------------------|-------------------|---|--------------------------------|
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| Ad valorem | | | | | | |
| property taxes | \$ 13,128,890 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 13,128,890 |
| Business & occupation tax | 46,402,641 | -- | -- | -- | -- | 46,402,641 |
| Alcoholic beverages tax | 855,825 | -- | -- | -- | -- | 855,825 |
| Utility services tax | 2,848,995 | -- | -- | -- | -- | 2,848,995 |
| Hotel occupancy tax | 2,787,461 | -- | -- | -- | -- | 2,787,461 |
| City sales tax | 4,507,057 | -- | -- | -- | -- | 4,507,057 |
| Animal tax | 6,875 | -- | -- | -- | -- | 6,875 |
| Gas and oil severance tax | 93,420 | -- | -- | -- | -- | 93,420 |
| Amusement tax | 191,837 | -- | -- | -- | -- | 191,837 |
| Licenses and permits | 2,314,548 | -- | -- | -- | -- | 2,314,548 |
| Intergovernmental: | | | | | | |
| Federal | 146,962 | -- | 2,303,568 | 782,695 | 1,368,382 | 4,601,607 |
| State | 3,609,589 | 196,819 | -- | -- | 30,000 | 3,836,408 |
| Charges for services | 13,067,854 | -- | -- | -- | 4,015,493 | 17,083,347 |
| Fines and forfeits | -- | -- | -- | -- | 607,189 | 607,189 |
| Interest and investment | | | | | | |
| earnings | 97,946 | 24 | 3,007 | -- | 232,842 | 333,819 |
| Reimbursements | 1,118,440 | -- | -- | -- | 28,899 | 1,147,339 |
| Payments in lieu of taxes | 85,786 | -- | -- | -- | -- | 85,786 |
| Contributions and donations | 343,157 | -- | -- | -- | 35,453 | 378,610 |
| Miscellaneous | 362,470 | -- | 380,420 | -- | 25,620 | 768,510 |
| Total revenues | \$ 91,969,753 | \$ 196,843 | \$ 2,686,995 | \$ 782,695 | \$ 6,343,878 | \$ 101,980,164 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | \$ 17,771,721 | \$ -- | \$ -- | \$ -- | \$ 123,283 | \$ 17,895,004 |
| Public safety | 41,915,921 | -- | -- | -- | 1,261,723 | 43,177,644 |
| Streets and transportation | 9,694,455 | -- | -- | -- | 802 | 9,695,257 |
| Health and sanitation | 4,824,287 | -- | -- | -- | 1,111,505 | 5,935,792 |
| Culture and recreation | 6,371,573 | -- | -- | -- | -- | 6,371,573 |
| Social services | 747,217 | -- | -- | -- | 24,423 | 771,640 |
| Economic development | 5,765 | -- | 2,803,304 | 782,695 | 312,908 | 3,904,672 |
| Debt service: | | | | | | |
| Principal | 420,000 | -- | -- | -- | 210,000 | 630,000 |
| Interest | 293,385 | -- | -- | -- | 115,536 | 408,921 |
| Capital outlay: | | | | | | |
| General government | -- | -- | -- | -- | -- | -- |
| Highways and streets | -- | -- | -- | -- | 5,468,283 | 5,468,283 |
| Culture and recreation | -- | -- | -- | -- | -- | -- |
| Total expenditures | \$ 82,044,324 | \$ -- | \$ 2,803,304 | \$ 782,695 | \$ 8,628,463 | \$ 94,258,786 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 9,925,429 | \$ 196,843 | \$ (116,309) | \$ -- | \$ (2,284,585) | \$ 7,721,378 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | \$ 3,166,275 | \$ -- | \$ 20,000 | \$ -- | \$ 8,013,702 | \$ 11,199,977 |
| Transfers (out) | (8,902,009) | (192,826) | -- | -- | (3,225,525) | (12,320,360) |
| Proceeds from the sale of assets | 208,609 | -- | -- | -- | -- | 208,609 |
| Insurance proceeds | -- | -- | -- | -- | -- | -- |
| Capital leases | 1,482,000 | -- | -- | -- | -- | 1,482,000 |
| Total other financing sources (uses) | (4,045,125) | (192,826) | 20,000 | -- | 4,788,177 | 570,226 |
| Net change in fund balances | 5,880,304 | 4,017 | (96,309) | -- | 2,503,592 | 8,291,604 |
| Fund balances - beginning-restated | 34,814,674 | 59,725 | 49,993 | -- | 9,117,891 | 44,042,283 |
| Fund balances - ending | \$ 40,694,978 | \$ 63,742 | \$ (46,316) | \$ -- | \$ 11,621,483 | \$ 52,333,887 |

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, 2014

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

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 8,291,604 |
|--|----|-----------|

| | | |
|---|--|-----------|
| 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 capital outlays exceeded depreciation expense in the current period (Note II.B). | | 2,033,014 |
|---|--|-----------|

| | | |
|--|--|-----------|
| 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. | | (31,092) |
|--|--|-----------|

| | | |
|---|--|------------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (Change in Deferred Inflows-Taxes). | | (116,995) |
|---|--|------------|

| | | |
|--|--|-----------|
| The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and deferred outflows/inflows 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). | | 1,305,598 |
|--|--|-----------|

| | | |
|---|--|---------------------|
| 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). | | <u>(7,674,461)</u> |
|---|--|---------------------|

| | | |
|---|----|-------------------------|
| Change in net position of governmental activities | \$ | <u><u>3,807,668</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, 2014

| | Budgeted Amounts | | Actual Modified Accrual Basis | Adjustments Budget Basis | Actual Amounts | Variance With Final Budget Positive (Negative) |
|------------------------------|------------------|---------------|-------------------------------------|--------------------------------|-------------------|---|
| | Original | Final | | | | |
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| Property | \$ 13,053,000 | \$ 13,053,000 | \$ 13,128,890 | \$ (2,761) | \$ 13,126,129 | \$ 73,129 |
| Business & occupation | 43,930,000 | 46,990,295 | 46,402,641 | (96,928) | 46,305,713 | (684,582) |
| Utility | 3,160,000 | 3,160,000 | 2,848,995 | -- | 2,848,995 | (311,005) |
| Hotel motel | 3,650,000 | 3,650,000 | 2,787,461 | -- | 2,787,461 | (862,539) |
| City sales tax | -- | -- | 4,507,057 | (4,507,057) | -- | -- |
| Alcoholic beverages | 780,000 | 780,000 | 855,825 | -- | 855,825 | 75,825 |
| Amusement | 150,000 | 150,000 | 191,837 | -- | 191,837 | 41,837 |
| Animal | 10,000 | 10,000 | 6,875 | -- | 6,875 | (3,125) |
| Gas & oil severance | 60,000 | 60,000 | 93,420 | -- | 93,420 | 33,420 |
| Licenses and permits | 2,098,000 | 2,098,000 | 2,314,548 | -- | 2,314,548 | 216,548 |
| Charges for services | 13,298,000 | 13,298,000 | 13,067,854 | -- | 13,067,854 | (230,146) |
| Intergovernmental: | | | | | | |
| Federal | 100,000 | 130,000 | 146,962 | -- | 146,962 | 16,962 |
| State | -- | 19,322 | 3,609,589 | (3,590,267) | 19,322 | -- |
| Interest and | | | | | | |
| investment earnings | 15,000 | 15,000 | 97,946 | (66,062) | 31,884 | 16,884 |
| Reimbursements | 1,327,000 | 1,327,000 | 1,118,440 | -- | 1,118,440 | (208,560) |
| Payments in lieu of taxes | 50,000 | 50,000 | 85,786 | -- | 85,786 | 35,786 |
| Contributions | | | | | | |
| and donations | 300,000 | 377,000 | 343,157 | -- | 343,157 | (33,843) |
| Miscellaneous | 365,000 | 365,000 | 362,470 | -- | 362,470 | (2,530) |
| Total revenues | \$ 82,346,000 | \$ 85,532,617 | \$ 91,969,753 | \$ (8,263,075) | \$ 83,706,678 | \$ (1,825,939) |
| EXPENDITURES | | | | | | |
| General government: | | | | | | |
| Mayor's office | \$ 526,518 | \$ 890,385 | \$ 631,470 | \$ (15,118) | \$ 616,352 | \$ 274,033 |
| City council | 207,999 | 207,999 | 220,767 | -- | 220,767 | (12,768) |
| City manager | 3,447,012 | 4,513,502 | 3,062,367 | (30,235) | 3,032,132 | 1,481,370 |
| City treasurer | 165,584 | 165,584 | 195,094 | (30,235) | 164,859 | 725 |
| City collector | 1,038,557 | 1,038,557 | 1,020,558 | (90,705) | 929,853 | 108,704 |
| City clerk | 178,625 | 185,803 | 177,913 | -- | 177,913 | 7,890 |
| Municipal court | 469,265 | 486,366 | 483,638 | (30,235) | 453,403 | 32,963 |
| Legal | 1,041,434 | 1,986,168 | 1,091,469 | -- | 1,091,469 | 894,699 |
| Accounting | 499,819 | 502,429 | 494,177 | (15,118) | 479,059 | 23,370 |
| Engineering | 1,461,394 | 2,666,205 | 1,128,252 | (30,235) | 1,098,017 | 1,568,188 |
| MOECD | 604,060 | 604,060 | 592,423 | (15,118) | 577,305 | 26,755 |
| Human resources | 754,204 | 758,704 | 690,706 | -- | 690,706 | 67,998 |
| Contributions to Main Street | | | | | | |
| Program | 80,000 | 80,000 | 80,000 | -- | 80,000 | -- |
| Regional Intergovernmental | | | | | | |
| Council | 20,000 | 20,000 | 19,819 | -- | 19,819 | 181 |
| Mail room | 275,858 | 275,858 | 291,570 | (45,352) | 246,218 | 29,640 |
| Building commission | 1,028,837 | 1,073,837 | 1,003,917 | (15,118) | 988,799 | 85,038 |
| Planning | 613,745 | 636,616 | 610,044 | (30,235) | 579,809 | 56,807 |

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, 2014

| | Budgeted Amounts | | Actual Modified Accrual Basis | Adjustments Budget Basis | Actual Amounts | Variance With Final Budget Positive (Negative) |
|-------------------------------------|------------------|--------------|-------------------------------------|--------------------------------|-------------------|---|
| | Original | Final | | | | |
| Information systems | \$ 1,228,733 | \$ 1,323,519 | \$ 1,141,392 | \$ (30,235) | \$ 1,111,157 | \$ 212,362 |
| Building maintenance | 2,619,583 | 2,847,500 | 741,989 | 2,116,453 | 2,858,442 | (10,942) |
| Internal audit | 366,741 | 362,241 | 207,612 | -- | 207,612 | 154,629 |
| Morris Square | 281,643 | 281,643 | 278,466 | -- | 278,466 | 3,177 |
| Employee health clinic | 465,000 | 890,000 | 783,599 | -- | 783,599 | 106,401 |
| Public works | 348,560 | 348,560 | 365,534 | (15,118) | 350,416 | (1,856) |
| Public grounds | 1,585,437 | 1,583,439 | 1,696,298 | (120,940) | 1,575,358 | 8,081 |
| Contingency | 77,460 | 135,888 | -- | -- | -- | 135,888 |
| Total general government | 19,386,068 | 23,864,863 | 17,009,074 | 1,602,456 | 18,611,530 | 5,253,333 |
| Public safety: | | | | | | |
| Police | 18,713,705 | 18,417,127 | 20,080,785 | (1,925,950) | 18,154,835 | 262,292 |
| Fire | 17,667,666 | 17,199,526 | 18,266,092 | (1,830,609) | 16,435,483 | 764,043 |
| Traffic engineering | 1,188,324 | 1,275,169 | 1,331,718 | (60,470) | 1,271,248 | 3,921 |
| C-K emergency services | 228,321 | 228,321 | 230,171 | (15,118) | 215,053 | 13,268 |
| Total public safety | 37,798,016 | 37,120,143 | 39,908,766 | (3,832,147) | 36,076,619 | 1,043,524 |
| Streets and transportation: | | | | | | |
| Streets and transportation | 4,736,728 | 4,593,883 | 4,837,245 | (504,643) | 4,332,602 | 261,281 |
| Equipment maintenance | 3,826,217 | 3,823,242 | 3,800,193 | (211,645) | 3,588,548 | 234,694 |
| Total streets and transportation | 8,562,945 | 8,417,125 | 8,637,438 | (716,288) | 7,921,150 | 495,975 |
| Health and sanitation: | | | | | | |
| Refuse collection & recycling | 3,845,449 | 3,798,402 | 3,882,492 | (317,468) | 3,565,024 | 233,378 |
| Kanawha-Charleston health | 125,000 | 125,000 | 125,000 | -- | 125,000 | -- |
| CARES | 48,000 | 48,000 | 48,000 | -- | 48,000 | -- |
| Total health and sanitation | 4,018,449 | 3,971,402 | 4,055,492 | (317,468) | 3,738,024 | 233,378 |
| Culture and recreation: | | | | | | |
| Parks and recreation | 2,913,175 | 2,878,371 | 2,954,669 | (256,997) | 2,697,672 | 180,699 |
| Convention and visitor's bureau | 1,825,000 | 1,825,000 | 1,394,707 | -- | 1,394,707 | 430,293 |
| Cultural/fairs/festivals | 265,000 | 327,000 | 294,558 | -- | 294,558 | 32,442 |
| Festival Fund for the Arts | 181,176 | 181,176 | 87,000 | -- | 87,000 | 94,176 |
| Municipal auditorium | 262,764 | 262,764 | 235,928 | -- | 235,928 | 26,836 |
| Charleston Area Alliance | 100,000 | 100,000 | 100,000 | -- | 100,000 | -- |
| Library | 925,626 | 925,626 | 925,626 | -- | 925,626 | -- |
| Appalachian Power Park | 360,000 | 360,000 | 278,919 | -- | 278,919 | 81,081 |
| Total culture and recreation | 6,832,741 | 6,859,937 | 6,271,407 | (256,997) | 6,014,410 | 845,527 |
| Social services: | | | | | | |
| Spring hill cemetery | 734,031 | 730,168 | 699,721 | (75,588) | 624,133 | 106,035 |
| Human rights | -- | -- | -- | -- | -- | -- |
| Total social services | 734,031 | 730,168 | 699,721 | (75,588) | 624,133 | 106,035 |

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, 2014

| | Budgeted Amounts | | Actual Modified Accrual Basis | Adjustments Budget Basis | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|----------------------|----------------------|-------------------------------------|--------------------------------|----------------------|---|
| | Original | Final | | | | |
| Capital projects: | | | | | | |
| General government | \$ 1,195,931 | \$ 1,356,892 | \$ 762,648 | \$ -- | \$ 762,648 | \$ 594,244 |
| Public safety | 2,054,813 | 2,948,559 | 2,007,154 | -- | 2,007,154 | 941,405 |
| Streets and transportation | 800,540 | 1,048,788 | 1,062,782 | -- | 1,062,782 | (13,994) |
| Health and sanitation | 635,643 | 738,001 | 768,795 | -- | 768,795 | (30,794) |
| Culture and recreation | 57,754 | 100,258 | 100,166 | -- | 100,166 | 92 |
| Social services | 121,809 | 48,400 | 47,496 | -- | 47,496 | 904 |
| Total capital projects | <u>4,866,490</u> | <u>6,240,898</u> | <u>4,749,041</u> | <u>--</u> | <u>4,749,041</u> | <u>1,491,857</u> |
| Debt service: | | | | | | |
| Principal | 420,000 | 420,000 | 420,000 | -- | 420,000 | -- |
| Interest | 292,185 | 292,185 | 292,185 | -- | 292,185 | -- |
| Bond Service Charges | 1,200 | 1,200 | 1,200 | -- | 1,200 | -- |
| Total debt service | <u>713,385</u> | <u>713,385</u> | <u>713,385</u> | <u>--</u> | <u>713,385</u> | <u>--</u> |
| Total expenditures | \$ <u>82,912,125</u> | \$ <u>87,917,921</u> | \$ <u>82,044,324</u> | \$ <u>(3,596,032)</u> | \$ <u>78,448,292</u> | \$ <u>9,469,629</u> |
| Excess of revenues over (under) expenditures | <u>(566,125)</u> | <u>(2,385,304)</u> | <u>9,925,429</u> | <u>(4,667,043)</u> | <u>5,258,386</u> | <u>7,643,690</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | \$ 3,400,000 | \$ 3,452,700 | \$ 3,166,275 | \$ -- | \$ 3,166,275 | \$ (286,425) |
| Transfers out | (4,387,875) | (8,717,779) | (8,902,009) | (228,141) | (9,130,150) | (412,371) |
| Capital lease proceeds | 1,379,000 | 1,271,487 | 1,482,000 | -- | 1,482,000 | 210,513 |
| Sale of capital assets | 175,000 | 175,000 | 208,609 | -- | 208,609 | 33,609 |
| Total other financing sources (uses) | <u>566,125</u> | <u>(3,818,592)</u> | <u>(4,045,125)</u> | <u>(228,141)</u> | <u>(4,273,266)</u> | <u>(454,674)</u> |
| Net change in fund balance | -- | (6,203,896) | 5,880,304 | (4,895,184) | 985,120 | 7,189,016 |
| Fund balance-beginning | -- | 6,203,896 | 34,814,674 | (28,610,778) | 6,203,896 | -- |
| Fund balance-ending | \$ <u>--</u> | \$ <u>--</u> | \$ <u>40,694,978</u> | \$ <u>(33,505,962)</u> | \$ <u>7,189,016</u> | \$ <u>7,189,016</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, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | Variance with Final Budget Positive <u>(Negative)</u> |
|--|-------------------------|-------------------|---------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| State | \$ 240,000 | \$ 240,000 | \$ 196,819 | \$ (43,181) |
| Interest and investment earnings | <u>100</u> | <u>100</u> | <u>24</u> | <u>(76)</u> |
| Total revenues | <u>240,100</u> | <u>240,100</u> | <u>196,843</u> | <u>(43,257)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>240,100</u> | <u>240,100</u> | <u>196,843</u> | <u>(43,257)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(240,100)</u> | <u>(299,825)</u> | <u>(192,826)</u> | <u>106,999</u> |
| Total other financing sources (uses) | <u>(240,100)</u> | <u>(299,825)</u> | <u>(192,826)</u> | <u>106,999</u> |
| Net change in fund balance | -- | (59,725) | 4,017 | 63,742 |
| Fund balance - beginning | <u>--</u> | <u>59,725</u> | <u>59,725</u> | <u>--</u> |
| Fund balance - ending | <u>\$ --</u> | <u>\$ -</u> | <u>\$ 63,742</u> | <u>\$ 63,742</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 POSITION - PROPRIETARY FUNDS
June 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|--|--|----------------------|----------------------|
| | Civic Center | Parking System | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 158,502 | \$ 2,843,463 | \$ 3,001,965 |
| Receivables: | | | |
| Accounts | 192,456 | 128,067 | 320,523 |
| Due from: | | | |
| Other funds | 3,216 | 3,824 | 7,040 |
| Prepaid insurance and lockbox | 51,915 | 67,983 | 119,898 |
| Restricted: | | | |
| TIF district taxes receivable | 2,404 | -- | 2,404 |
| Regular account | 220,397 | 304,788 | 525,185 |
| Revenue bond covenant accounts | 311,485 | 218,131 | 529,616 |
| Customer deposits | 152,713 | -- | 152,713 |
| | <u>1,093,088</u> | <u>3,566,256</u> | <u>4,659,344</u> |
| Total current assets | | | |
| Noncurrent assets: | | | |
| Restricted: | | | |
| Revenue bond covenant accounts | -- | 871,289 | 871,289 |
| Capital assets not being depreciated: | | | |
| Land | 300,000 | 4,066,447 | 4,366,447 |
| Construction in progress | 327,321 | 84,389 | 411,710 |
| Capital assets being depreciated: | | | |
| Buildings and improvements | 36,759,356 | 31,032,313 | 67,791,669 |
| Machinery and equipment | 1,223,181 | 1,058,305 | 2,281,486 |
| Less: accumulated depreciation | (29,609,235) | (24,817,946) | (54,427,181) |
| Total capital assets (net of accumulated depreciation) | <u>9,000,623</u> | <u>11,423,508</u> | <u>20,424,131</u> |
| | <u>9,000,623</u> | <u>12,294,797</u> | <u>21,295,420</u> |
| Total noncurrent assets | | | |
| | <u>9,000,623</u> | <u>12,294,797</u> | <u>21,295,420</u> |
| Total assets | <u>\$ 10,093,711</u> | <u>\$ 15,861,053</u> | <u>\$ 25,954,764</u> |
| Deferred outflows of resources: | | | |
| Loss on refunding of debt | \$ 199,779 | \$ 77,471 | \$ 277,250 |
| Total deferred outflows of resources | <u>\$ 199,779</u> | <u>\$ 77,471</u> | <u>\$ 277,250</u> |

CITY OF CHARLESTON, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)
June 30, 2014

| | <u>Civic</u> <u>Center</u> | <u>Parking</u> <u>System</u> | <u>Totals</u> |
|---|-------------------------------|---------------------------------|--------------------------|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 137,885 | \$ 43,540 | \$ 181,425 |
| Benefits payable | 48,697 | 46,827 | 95,524 |
| Payroll payable | 39,590 | 34,570 | 74,160 |
| Other accrued expenses | 10,682 | 16,022 | 26,704 |
| Compensated absences payable | 51,600 | 37,485 | 89,085 |
| Customer deposits payable | 29,800 | -- | 29,800 |
| Due to: | | | |
| Governmental | 31,436 | 32,878 | 64,314 |
| Component unit | 26,403 | -- | 26,403 |
| Accrued interest payable | 46,264 | 8,384 | 54,648 |
| Revenue bonds payable-current | <u>425,000</u> | <u>1,215,000</u> | <u>1,640,000</u> |
| Total current liabilities | <u>847,357</u> | <u>1,434,706</u> | <u>2,282,063</u> |
| Noncurrent liabilities: | | | |
| Revenue bonds payable (net of unamortized discount) | 5,094,217 | 1,044,868 | 6,139,085 |
| Other postemployment benefits | <u>343,361</u> | <u>269,765</u> | <u>613,126</u> |
| Total noncurrent liabilities | <u>5,437,578</u> | <u>1,314,633</u> | <u>6,752,211</u> |
| Total liabilities | <u>\$ 6,284,935</u> | <u>\$ 2,749,339</u> | <u>\$ 9,034,274</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 3,681,185 | \$ 9,241,110 | \$ 12,922,295 |
| Restricted for debt service | | | |
| Debt service | 311,485 | 1,394,208 | 1,705,693 |
| TIF district | 222,801 | -- | 222,801 |
| Unrestricted | <u>(206,916)</u> | <u>2,553,867</u> | <u>2,346,951</u> |
| Total net position | <u>\$ 4,008,555</u> | <u>\$ 13,189,185</u> | <u>\$ 17,197,740</u> |

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 POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|---|--|---------------------------|---------------|
| | <u>Civic Center</u> | <u>Parking System</u> | <u>Totals</u> |
| Operating revenues: | | | |
| Sales and services to customers | \$ 2,078,414 | \$ 3,522,681 | \$ 5,601,095 |
| Rental fees | 1,160,957 | -- | 1,160,957 |
| Miscellaneous | -- | 3,805 | 3,805 |
| | 3,239,371 | 3,526,486 | 6,765,857 |
| Total operating revenues | | | |
| Operating expenses: | | | |
| Administrative and general | -- | 1,988,645 | 1,988,645 |
| Recreational | 3,671,062 | -- | 3,671,062 |
| Depreciation | 922,164 | 705,926 | 1,628,090 |
| | 4,593,226 | 2,694,571 | 7,287,797 |
| Total operating expenses | | | |
| Operating income (loss) | (1,353,855) | 831,915 | (521,940) |
| Nonoperating revenues (expenses): | | | |
| Investment earnings | 979 | 10,830 | 11,809 |
| TIF property taxes | 222,379 | -- | 222,379 |
| Gain on sale of capital assets | 295 | (22,532) | (22,237) |
| Interest and fiscal charges | (292,049) | (217,920) | (509,969) |
| | (68,396) | (229,622) | (298,018) |
| Total nonoperating revenues (expenses) | | | |
| Income (loss) before contributions and transfers | (1,422,251) | 602,293 | (819,958) |
| Capital contributions | 331,358 | 112,942 | 444,300 |
| Transfers in | 1,212,264 | -- | 1,212,264 |
| Transfers (out) | (91,881) | -- | (91,881) |
| | 29,490 | 715,235 | 744,725 |
| Change in net position | | | |
| Total net position- beginning | 3,979,065 | 12,473,950 | 16,453,015 |
| Total net position - ending | \$ 4,008,555 | \$ 13,189,185 | \$ 17,197,740 |

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, 2014

| | Business-type Activities - Enterprise Funds | | |
|---|--|---------------------------|---------------|
| | <u>Civic Center</u> | <u>Parking System</u> | <u>Totals</u> |
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$ 3,206,720 | \$ 3,586,369 | \$ 6,793,089 |
| Payments to suppliers | (2,141,996) | (647,931) | (2,789,927) |
| Payments to employees | (1,419,667) | (1,181,487) | (2,601,154) |
| Internal activity receipts/payments to other funds | 6,508 | 4,427 | 10,935 |
| Net cash provided (used) by operating activities | (348,435) | 1,761,378 | 1,412,943 |
| Cash flows from noncapital financing activities: | | | |
| Transfers in from other funds | 524,939 | -- | 524,939 |
| Cash flows from capital and related financing activities: | | | |
| Transfers from other funds for capital debt | 678,765 | -- | 678,765 |
| Transfers from other funds for capital projects | 8,560 | -- | 8,560 |
| Transfers to other funds for capital project reserve | (91,881) | -- | (91,881) |
| TIF District property taxes | 219,975 | -- | 219,975 |
| Capital contributions | 13,685 | -- | 13,685 |
| Proceeds from sale of capital assets | 295 | 8 | 303 |
| Acquisition and construction of capital assets | (62,329) | (185,956) | (248,285) |
| Principal paid on capital debt | (410,000) | (1,175,000) | (1,585,000) |
| Interest and fees paid on capital debt | (265,233) | (154,860) | (420,093) |
| Net cash provided (used) by capital and related financing activities | 91,837 | (1,515,808) | (1,423,971) |
| Cash flows from investing activities: | | | |
| Interest and dividends received | 979 | 10,830 | 11,809 |
| Net increase (decrease) in cash and cash equivalents | 269,320 | 256,400 | 525,720 |
| Cash and cash equivalents, July 1, 2013 (including \$304,875 and \$1,712,998 in restricted) | 421,064 | 3,981,271 | 4,402,335 |
| Cash and cash equivalents, June 30, 2014 (including \$531,882 and \$1,394,208 in restricted) | \$ 690,384 | \$ 4,237,671 | \$ 4,928,055 |

CITY OF CHARLESTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|--|--|---------------------------|---------------------|
| | <u>Civic Center</u> | <u>Parking System</u> | <u>Totals</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (1,353,855) | \$ 831,915 | \$ (521,940) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 922,164 | 705,926 | 1,628,090 |
| Decrease (increase) in accounts receivable | (24,773) | 51,126 | 26,353 |
| Decrease (increase) in due from other funds | (3,216) | (3,437) | (6,653) |
| Decrease (increase) in restricted deposits | (2,256) | -- | (2,256) |
| Decrease (increase) in prepaid insurance | 308 | 1,343 | 1,651 |
| Increase (decrease) in accounts payable | (11,617) | 39,524 | 27,907 |
| Increase (decrease) in payroll payable | 16,317 | 2,542 | 18,859 |
| Increase (decrease) in other accrued expenses | (8,603) | 23,378 | 14,775 |
| Increase (decrease) in due to other funds | 9,724 | 7,864 | 17,588 |
| Increase (decrease) in OPEB | 107,372 | 101,197 | 208,569 |
| | <u>107,372</u> | <u>101,197</u> | <u>208,569</u> |
| Net cash provided by operations | <u>\$ (348,435)</u> | <u>\$ 1,761,378</u> | <u>\$ 1,412,943</u> |
| Noncash investing, capital & financing activities: | | | |
| Contribution of capital asset from governmental fund | \$ 317,672 | \$ 112,943 | \$ 430,615 |
| Donation of capital asset to general government | -- | 22,540 | 22,540 |
| Total noncash investing, capital, and financing activities | <u>\$ 317,672</u> | <u>\$ 135,483</u> | <u>\$ 453,155</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.

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 Fiduciary and Agency Fund descriptions and financial statements begin on page 116.

CITY OF CHARLESTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2014

| | <u>Total Pension Trust Funds</u> | <u>Agency Funds</u> |
|---|--|-------------------------|
| ASSETS | | |
| Non-pooled cash | \$ <u>6,326,429</u> | \$ <u>2,224,117</u> |
| Total cash | <u>6,326,429</u> | <u>2,224,117</u> |
| Investments, at fair value: | | |
| Federal government securities | 5,406,927 | -- |
| Certificates of deposit | 200,677 | -- |
| Managed bond funds | 3,222,246 | -- |
| Managed stock funds | <u>13,582,101</u> | <u>--</u> |
| Total investments | <u>22,411,951</u> | <u>--</u> |
| Receivables: | | |
| Interest | 50,164 | -- |
| Accounts receivable | <u>--</u> | <u>6,389</u> |
| Total receivables | <u>50,164</u> | <u>6,389</u> |
| Due from other funds | <u>--</u> | <u>10,023</u> |
| Total assets | <u>\$ 28,788,544</u> | <u>\$ 2,240,529</u> |
| LIABILITIES | | |
| Accounts payable | -- | 2,209,842 |
| Due to other funds | -- | 30,687 |
| Benefits payable | <u>568,929</u> | <u>--</u> |
| Total liabilities | <u>568,929</u> | <u>2,240,529</u> |
| NET POSITION | | |
| Net position restricted for pensions | <u>\$ 28,219,615</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 POSITION -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

| | <u>Total Pension Trust Funds</u> |
|--|--|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 10,111,068 |
| Plan members | 1,252,257 |
| State of West Virginia insurance premium surtax allocations | <u>3,590,267</u> |
| Total contributions | <u>14,953,592</u> |
| Investment earnings: | |
| Net increase (decrease) in fair value of investments | 2,447,193 |
| Interest and dividends | 474,340 |
| Less: investment expense | <u>(187,674)</u> |
| Net investment income | <u>2,733,859</u> |
| Total additions | <u>17,687,451</u> |
| DEDUCTIONS | |
| Benefits | 13,430,590 |
| Administrative expenses | 30,396 |
| Refunds of contributions | <u>201,301</u> |
| Total deductions | <u>13,662,287</u> |
| Net increase in net position | 4,025,164 |
| Net position restricted for pensions | |
| Beginning of year | <u>24,194,451</u> |
| End of year | <u>\$ 28,219,615</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, 2014

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 a twenty-seven member council. The accompanying financial statements present the government and its component units as required by generally accepted accounting principles (GAAP).

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 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. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Other factors to consider in this evaluation are whether an entity is fiscally dependent on the City of Charleston and there is a financial benefit or burden relationship present regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. In addition, an organization should be evaluated if it is closely related to or financially integrated with the primary government.

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 or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it.

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

The three entities described as follows are legally separate from the City and meet GAAP criteria for a discretely presented component unit of the government. The government either appoints the board or members of the

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

government serve on the board of all three entities and a financial benefit/burden relationship exists or the component unit is fiscally dependent upon the government.

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 Board is fiscally dependent upon the City since the government's council must approve rates for user charges and authorize bond issuances.

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 Council. A financial benefit/burden relationship exists since the government is legally entitled or can otherwise access the Authority's resources. In addition, the Authority is fiscally dependent upon the government since all bond issuance authorizations must be 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. A financial benefit/burden relationship exists between the government and the Bureau since the government is legally obligated or otherwise assumed the obligation to provide financial support to the Bureau. 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements; however, if applicable, inter-fund 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

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and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major governmental funds are combined into a single column.

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 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 when earned and 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. However, when an asset is recorded in governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of 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.

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

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. Department of 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.

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

The government reports the following major proprietary funds:

The Civic Center 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 these facilities.

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.

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 non-operating 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 non-operating revenues and expenses.

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D. Assets, Liabilities, and Net Position 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, is 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 national mortgage association; indebtedness secured by first lien deeds of trust for property situated within this State if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded in the top three ratings, at the time of acquisition; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

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

As for the investments of the City's two Municipal Pension Trust Funds (Pension Funds), those investments are governed as to type 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.

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2. Receivables and Payables

Inter-fund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "inter-fund receivables or payables" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund 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 net realizable value, which includes reductions for estimated portions that are expected to be uncollectible.

Property Tax Receivable

The property tax receivable is equal to 75 percent of the property taxes outstanding at June 30, 2014.

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 county 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 the 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, 2014, were as follows:

| <u>Class of Property</u> | <u>Assessed Valuation for Tax Purposes</u> | <u>Current Expense</u> | <u>Excess Levy</u> | <u>Tax Increment Financing</u> |
|--------------------------|--|------------------------|--------------------|--------------------------------|
| Class I | \$ - | 8.11 cents | 5.03 cents | 8.11 cents |
| Class II | \$ 1,255,139,776 | 16.22 cents | 10.06 cents | 16.22 cents |
| Class IV | \$ 1,936,355,604 | 32.44 cents | 20.12 cents | 32.44 cents |

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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.

3. 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 and amounts collected from the Tax Incremental Financing District for the Civic Center and Convention Renovation Project. 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.

4. Capital Assets and Depreciation

Capital assets, including 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:

| Assets | Years |
|-----------------------------|-------|
| Buildings and improvements | 40 |
| Structures and improvements | 40 |
| Infrastructure | 40-50 |
| Machinery and equipment | 5-10 |
| Vehicles | 3-5 |
| Furniture | 5 |

5. 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. All compensated absences are classified as current in the financial statements at June 30, 2014 since all accruals will

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be paid for employee vacation usage within the subsequent fiscal year. Vacation is accrued on a calendar year basis on January 1 and earned as the employee provides services throughout the year. At calendar year-end only ten days of remaining vacation can be carried forward to the next calendar year in accordance with the government's policy as approved by the government's council. Vacation is used on a first accrued basis (FIFO). Consequently, at June 30th of any fiscal year any accrued compensated absences will be used within the subsequent fiscal year. 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.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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. Gain or loss upon refunding of debt is reported as deferred inflows or deferred outflows and amortized over the term of the related debt. Bond issuance costs, except prepaid insurance, are expensed as incurred.

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.

7. Fund Balances

In the governmental fund financial statements, fund balance is reported in the following classifications:

- | | |
|----------------------------|---|
| Non-spendable fund balance | Inventories, prepaid amounts, and endowment corpus represent fund balance amounts that are not in spendable form. The government has \$1,876,754 in non-spendable fund balance at fiscal yearend. |
| 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 \$4,863,106 of restricted fund balance at fiscal yearend. |
| 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 \$19,519,807 of committed fund balance at fiscal yearend. |

CITY OF CHARLESTON, WEST VIRGINIA
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| | |
|------------|---|
| 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 \$4,529,596 of assigned fund balance at fiscal yearend. |
| 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 \$21,544,624 of unassigned fund balance at fiscal yearend. |

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.

8. 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 \$5,209,502.

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 Position

The governmental fund balance sheet includes a reconciliation of fund balance total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. 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 \$127,946,537 difference are as follows:

CITY OF CHARLESTON, WEST VIRGINIA
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| | | |
|---|----|----------------------|
| Bonds payable: | \$ | (2,580,000) |
| Less: bond discount (to be amortized as interest expense) | | 67,868 |
| Accrued interest payable | | (64,357) |
| Capital leases payable | | (9,055,434) |
| Claims and judgments | | (4,563,028) |
| Compensated absences | | (1,354,124) |
| Net OPEB obligation | | (14,100,286) |
| Net pension obligation | | <u>(96,297,176)</u> |
| | | |
| Net adjustment to decrease fund balance- total governmental funds to arrive at net position-governmental activities | \$ | <u>(127,946,537)</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 reconciliation between net changes in fund balances-total governmental funds and changes in net position 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 \$2,033,014 difference are as follows:

| | | |
|---|----|---------------------|
| Capital outlays | \$ | 9,201,388 |
| Depreciation expense | | <u>(7,168,374)</u> |
| | | |
| Net adjustment to increase net change in fund balance-total governmental funds to arrive at changes in net position of governmental activities | \$ | <u>2,033,014</u> |

Another element of that reconciliation states that, "The issuance of any long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts, other than issuance costs, are deferred and amortized in the statement of activities." The details of this \$1,305,598 difference are as follows:

CITY OF CHARLESTON, WEST VIRGINIA
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| | |
|--|---------------------|
| Debt issued or incurred: | |
| Capital lease financing | \$ (1,482,000) |
| Principal repayments: | |
| Revenue bonds and capital leases | 2,783,694 |
| Amortization of deferred outflows | (11,440) |
| Decrease of accrued interest expense | <u>15,344</u> |
| Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 1,305,598</u> |

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 \$7,674,461 difference are as follows:

| | |
|--|-----------------------|
| Compensated absences | \$ (1,895) |
| Claims and judgments | (280,804) |
| Net OPEB Obligation | (3,502,141) |
| Net pension obligation | <u>(3,889,621)</u> |
| Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (7,674,461)</u> |

Another element of reconciliation is the difference of \$426,028 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 proprietary funds. Capital assets were transferred to the Parking System in the amount of \$108,356 and Civic Center in the amount of \$317,672. The governmental funds did not record the transfers because only financial resources are accounted for in a governmental fund; however, the proprietary funds recorded the transaction not as transfers but as capital contributions revenue in the lower portion of their 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 \$426,028.

CITY OF CHARLESTON, WEST VIRGINIA
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The government is required to legally adopt an annual budget for its General Fund and Coal Severance Tax Fund, a major special revenue fund. However, there is no such requirement for the Community Development Block Grant and HOME funds, major special revenue funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Fund, except as noted. All annual appropriations lapse at fiscal yearend.

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:

| Amount | Description |
|--------------|---|
| \$ 4,478,795 | General Government Expenditure Increase |
| \$ 677,873 | Public Safety Expenditure Decrease |
| \$ 1,374,408 | 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 re-appropriated 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 purposes, (2) the allocation of amounts received from the State of West Virginia for pension allocation (see note IV.J.) (3) 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:

| | Net Change in Fund Balance | Fund Balance |
|--------------------------------|-------------------------------|-----------------|
| Budgetary Basis | \$ 985,120 | \$ 7,189,016 |
| Basis of Accounting Difference | 4,895,184 | 33,505,962 |
| GAAP Basis | \$ 5,880,304 | \$ 40,694,978 |

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Intergovernmental revenues - state and public safety expenditures both decreased by \$3,590,267 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 the General Fund, a major fund. There were no other major or non-major funds with encumbrances at June 30, 2014.

| | | |
|---------------------------------|----|------------------|
| Professional Services | \$ | 1,237,044 |
| Court Costs & Damages | | 978,352 |
| Contributions To Other Entities | | 262,309 |
| Storm Water Project | | 1,430,028 |
| Comprehensive Plan | | 21,121 |
| Live on Levee | | 37,170 |
| Police fine supported training | | 1,968 |
| Fire Department | | 8,628 |
| Capital Outlays | | 543,761 |
| | \$ | <u>4,520,381</u> |

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government had the following investments:

| Primary Government | Fair Value | Credit Risk Rating | |
|---|---------------------|-----------------------------|-----------------------------|
| | | Standard & Poor's and Fitch | Moody's Investment Services |
| West Virginia Municipal Bond Commission | \$ 1,577,011 | Not Rated | Not Rated |
| WVBTI Short Term Bond Pool | 1,043,724 | Not Rated | Not Rated |
| Repurchase Agreements-FNMA | 1,537,942 | Not Rated | Not Rated |
| U.S. Treasury Note | 97,094 | Not Rated | Not Rated |
| | <u>4,255,771</u> | | |
| FFCB Sovereign Agency 4.1% | 50,011 | AA+ | Not Rated |
| Corporate Bonds-National Rural Utilities Bond | 50,114 | A | Not Rated |
| Corporate Bonds-Barclays | 51,791 | A | Not Rated |
| Corporate Bonds-Cisco Systems | 27,019 | AA- | Not Rated |
| Corporate Bonds-General Electric | 84,618 | AA+ | Not Rated |
| Total Rated Securities | 263,553 | | |
| Total Unrated Securities | 1,714,283 | | |
| Total Primary Government | <u>\$ 6,233,607</u> | | |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

| Policemen's Pension and Relief | Fair Value | Credit Risk Rating | |
|---|--------------|-----------------------------------|-----------------------------------|
| | | Standard & Poor's and Fitch | Moody's Investment Services |
| U.S. Government Agency Securities | \$ 1,749,141 | Not Rated | AAA |
| Federal National Mortgage Association | 97,226 | AA+ | AAA |
| Federal Home Loan Mortgage Corporation | 140,483 | AA+ | AAA |
| Federal National Mortgage Association Pool MA 1920 | 81,690 | Not Rated | Not Rated |
| Federal National Mortgage Association Pool AW2508 | 83,509 | Not Rated | Not Rated |
| Corporate Bonds-Duke Realty LP | 26,027 | BBB | BAA2 |
| Corporate Bonds-Hewlett-Packard Co. | 101,762 | BBB+ | BAA1 |
| Corporate Bonds-Fifth Third Bankcorp | 46,979 | BBB+ | BAA1 |
| Corporate Bonds-Directv Holdings LLC/Directv Financing Co. Inc. | 104,629 | BBB+ | BAA2+ |
| Corporate Bonds-Boston Scientific Corp | 27,569 | BBB- | BAA3 |
| Corporate Bonds-Capital One Financial Co. | 115,648 | BBB | BAA1 |
| Corporate Bonds-CNA Financial Corp | 61,260 | BBB | BAA2 |
| Corporate Bonds-Federated Retail Holding | 22,288 | BBB+ | BAA2 |
| Corporate Bonds-Plains All American Pipeline | 56,033 | BBB | BAA2 |
| Corporate Bonds-Vale Overseas Limited | 61,479 | A- | BAA2 |
| Corporate Bonds-Health Care Property | 55,972 | BBB+ | BAA1 |
| Corporate Bonds-Kinder Morgan Energy Partners | 61,353 | BBB | BAA2 |
| Corporate Bonds-Highwoods Realty Limited Partnership | 61,130 | BBB | BAA2 |
| Corporate Bonds-American International Group Inc | 55,781 | A- | BAA1 |
| Corporate Bonds-CVS Caremark Corp | 116,610 | BBB+ | BAA1 |
| Corporate Bonds-Merrill Lynch & Co. | 62,825 | A- | BAA2 |
| Corporate Bonds-Suntrust Banks | 62,288 | BBB | BAA1 |
| Corporate Bonds-Oneok Partners LP | 115,461 | BBB | BAA2 |
| Corporate Bonds-Prudential Financial Inc. | 57,253 | A | BAA1 |
| Corporate Bonds-Bear Stearns Co. Inc. | 59,504 | A | A3 |
| Corporate Bonds-Healthcare Reit Inc. | 60,920 | BBB | BAA2 |
| Corporate Bonds-Goldman Sachs Group Inc. | 111,165 | A- | BAA1 |
| Corporate Bonds-Simon Property Group Inc. | 52,355 | A | A2 |
| Corporate Bonds-Sempra Energy | 63,838 | BBB+ | BAA1 |
| Corporate Bonds-Kraft Foods Group Inc. | 63,837 | BBB | BAA2 |
| Corporate Bonds-Time Warner Cable Inc. | 57,711 | BBB+ | BAA2+ |
| Corporate Bonds-Verizon Communications | 119,879 | BBB+ | BAA1 |
| Corporate Bonds-CBS Corp. | 64,820 | BBB | BAA2 |
| Corporate Bonds-Exelon Generation Co LLC | 61,856 | BBB | BAA2 |
| Corporate Bonds-Bellsouth Corp | 52,508 | A- | Not Rated |
| Corporate Bonds-PNC Funding Corp | 54,017 | A- | A3 |
| Corporate Bonds-Walgreen Co | 54,206 | BBB | BAA1 |
| Corporate Bonds-Conagra Foods Inc. | 55,406 | BBB- | BAA2 |
| Corporate Bonds-Southern Company | 61,406 | A- | BAA1 |
| Corporate Bonds-Royal Bank of Canada | 57,312 | AA- | AA3 |
| Corporate Bonds-Citigroup Inc. | 52,773 | A- | BAA2 |
| Corporate Bonds-Rio Tinto Finance USA PLC | 48,564 | A- | A3 |
| Corporate Bonds-Bank of America Corp. | 58,237 | A- | BAA2 |
| Corporate Bonds-Wells Fargo & Company | 53,908 | A+ | A2 |
| Corporate Bonds-Apple Inc. | 54,002 | AA+ | AA1 |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

| | Fair Value | Credit Risk Rating | |
|--|---------------|-----------------------------|-----------------------------|
| | | Standard & Poor's and Fitch | Moody's Investment Services |
| Policemen's Pension and Relief | | | |
| Corporate Bonds-BP Capital Markets, Plc | 59,038 | A | A2 |
| Corporate Bonds-Oracle Corp | 57,959 | A+ | A1 |
| Corporate Bonds-Anheseur-Busch Inbev Fin | 54,329 | A | A2 |
| Corporate Bonds-Metlife Inc. | 64,690 | A- | A3 |
| Corporate Bonds-Prudential Financial Inc. | 53,889 | A | BAA1 |
| Corporate Bonds-General Electric Cap Corp. | 56,791 | AA+ | A1 |
| Corporate Bonds-HCP Inc. | 65,972 | BBB+ | BAA1 |
| Corporate Bonds-Ebay Inc. | 55,567 | A | A2 |
| Corporate Bonds-JP Morgan Chase & Co. | 54,608 | A | A3 |
| Corporate Bonds-Freeport-Mcmoran Copper & Gold | 55,830 | BBB | BAA3 |
| Corporate Bonds-BACCT 2014-A1 A | 53,002 | AAA | AAA |
| Total Rated Securities | 5,374,295 | | |
| Total Unrated Securities | 7,312,406 | | |
| Total Policemen's Pension and Relief | \$ 12,686,701 | | |

| | | | |
|---|--------------|-----------|-----------|
| Firemen's Pension and Relief | | | |
| U.S. Government Agency Securities-Goldman Sachs Grp Inc Mtn Be | \$ 298,619 | A- | BAA1 |
| U.S. Government Agency Securities-Bank America Corp Fr | 100,750 | A- | BAA2 |
| U.S. Government Agency Securities-Allergan Inc SR NT | 96,527 | A+ | A3 |
| U.S. Government Agency Securities-Federal National Mortgage Assn Note | 87,877 | AA- | Not Rated |
| U.S. Government Agency Securities-Federal Home Loan Banks | 2,198,388 | AA+ | Aaa |
| U.S. Government Agency Securities-Pepsico Inc SR NT | 101,996 | A- | A1 |
| U.S. Government Agency Securities-AT&T Inc Bond | 100,956 | A- | A3 |
| U.S. Government Agency Securities-Barclays Bank Plc Mtn | 91,062 | A | A2 |
| U.S. Government Agency Securities-JP Morgan Chase | 178,704 | A | A3 |
| Certificate of Deposit-Goldman Sachs Bank USA NY | 100,055 | Not Rated | Not Rated |
| Certificate of Deposit-Wells Fargo Bank N A CA | 100,622 | Not Rated | Not Rated |
| Total Rated Securities | 3,455,556 | | |
| Total Unrated Securities | 6,269,694 | | |
| Total Firemen's Pension and Relief | \$ 9,725,250 | | |

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 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. Since 1932, 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 obligations 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.

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2014 was \$1,043,724.

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, 2014, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

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 |
|--|---------------------|---------------------|-------------------|------------------|-----------------------|
| Primary Government: | | | | | |
| West Virginia Municipal Bond Commission | \$ 1,577,011 | \$ 1,577,011 | \$ - | \$ - | \$ - |
| WVBTI Short Term Bond Pool | 1,043,724 | 1,043,724 | - | - | - |
| Repurchase Agreements | 1,537,942 | 1,537,942 | - | - | - |
| U.S. Treasury N/B 2% | 97,094 | - | - | 97,094 | - |
| FFCP Sovereign Agency 4.1% | 50,011 | - | - | - | 50,011 |
| Corporate Bonds-National Rural Utilities | 50,114 | 50,114 | - | - | - |
| Corporate Bonds-Barclays | 51,791 | - | 51,791 | - | - |
| Corporate Bonds-Cisco Systems | 27,019 | - | 27,019 | - | - |
| Corporate Bonds-General Electric | 84,618 | - | 84,618 | - | - |
| | <u>\$ 4,519,324</u> | <u>\$ 4,208,791</u> | <u>\$ 163,428</u> | <u>\$ 97,094</u> | <u>\$ 50,011</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

| Security Type | Fair Value | Less than 1 Year | 1-5 | 6-10 | More than 10 Years |
|--|--------------|---------------------|------------|------------|-----------------------|
| Policemen's Pension and Relief: | | | | | |
| US Government Agency Securities | \$ 1,749,141 | \$ 198,248 | \$ 906,497 | \$ 644,396 | \$ - |
| Federal National Mortgage Association | 97,226 | - | 97,226 | - | - |
| Federal Home Loan Mortgage Corporation | 140,483 | - | 140,483 | - | - |
| Federal National Mortgage Association Pool MA1929 | 81,690 | - | - | - | 81,690 |
| Federal National Mortgage Association Pool AW2508 | 83,509 | - | - | - | 83,509 |
| Corporate Bonds-Duke Realty LP | 26,027 | 26,027 | - | - | - |
| Corporate Bonds-Hewlett-Packard Co. | 101,762 | - | 101,762 | - | - |
| Corporate Bonds-Fifth Third Bankcorp | 46,979 | - | 46,979 | - | - |
| Corporate Bonds-Directv Hldg./Fin Inc. | 104,629 | - | 104,629 | - | - |
| Corporate Bonds-Boston Scientific Corp | 27,569 | - | 27,569 | - | - |
| Corporate Bonds-Capital One Financial Co. | 115,648 | 53,036 | 62,612 | - | - |
| Corporate Bonds-CNA Financial Corp | 61,260 | - | 61,260 | - | - |
| Corporate Bonds-Federated Retail Holding | 22,288 | - | 22,288 | - | - |
| Corporate Bonds-Plains All American Pipeline | 56,033 | - | 56,033 | - | - |
| Corporate Bonds-Vale Overseas Limited | 61,479 | - | 61,479 | - | - |
| Corporate Bonds-Health Care Property | 55,972 | - | 55,972 | - | - |
| Corporate Bonds-Kinder Morgan Energy Partners | 61,353 | - | 61,353 | - | - |
| Corporate Bonds-Highwoods Realty Limited Partnership | 61,130 | - | 61,130 | - | - |
| Corporate Bonds-American International Group | 55,781 | - | 55,781 | - | - |
| Corporate Bonds-CVS Caremark | 116,610 | - | 116,610 | - | - |
| Corporate Bonds-Merrill Lynch & Co. | 62,825 | - | 62,825 | - | - |
| Corporate Bonds-Suntrust Banks | 62,288 | - | 62,288 | - | - |
| Corporate Bonds-Oneok Partners LP | 115,461 | - | 60,819 | 54,642 | - |
| Corporate Bonds-Prudential Financial Inc. | 57,253 | - | 57,253 | - | - |
| Corporate Bonds-Bear Stearns Co. Inc. | 59,504 | - | 59,504 | - | - |
| Corporate Bonds-Healthcare Reit Inc. | 60,920 | - | 60,920 | - | - |
| Corporate Bonds-Goldman Sachs Group Inc. | 111,165 | - | 111,165 | - | - |
| Corporate Bonds-Simon Property Group Inc. | 52,355 | - | 52,355 | - | - |
| Corporate Bonds-Sempra Energy | 63,838 | - | 63,838 | - | - |
| Corporate Bonds-Kraft Foods Group Inc | 63,837 | - | 63,837 | - | - |
| Corporate Bonds-Time Warner Cable Inc. | 57,711 | - | 57,711 | - | - |
| Corporate Bonds-Verizon Communications | 119,879 | - | 65,044 | 54,835 | - |
| Corporate Bonds-CBS Corp | 64,820 | - | 64,820 | - | - |
| Corporate Bonds-Exelon Generation Co LLC | 61,856 | - | - | 61,856 | - |
| Corporate Bonds-Bellwouth Corp | 52,508 | 52,508 | - | - | - |
| Corporate Bonds-PNC FundingCorp | 54,017 | 54,017 | - | - | - |
| Corporate Bonds-Walgreen Co. | 54,206 | 54,206 | - | - | - |
| Corporate Bonds-Conagra Foods Inc. | 55,406 | - | 55,406 | - | - |
| Corporate Bonds-Southern Company | 61,406 | - | 61,406 | - | - |
| Corporate Bonds-Royal Bank of Canada | 57,312 | - | 57,312 | - | - |
| Corporate Bonds-Citigroup Inc. | 52,773 | - | 52,773 | - | - |
| Corporate Bonds-Rio Tinto Fin USA Plc | 48,564 | - | 48,564 | - | - |
| Corporate Bonds-Bank of America Corp | 58,237 | - | 4,026 | 54,211 | - |
| Corporate Bonds-Wells Fargo & Company | 53,908 | - | 53,908 | - | - |
| Corporate Bonds-Apple Inc. | 54,002 | - | 54,002 | - | - |
| Corporate Bonds-BP Capital Markets Plc | 59,038 | - | 59,038 | - | - |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

| Security Type | Fair Value | Less than 1 Year | 1-5 | 6-10 | More than 10 Years |
|---|----------------------|---------------------|---------------------|---------------------|-----------------------|
| Policemen's Pension and Relief: | | | | | |
| Corporate Bonds-Oracle Corp | 57,959 | - | 57,959 | - | - |
| Corporate Bonds-Anheuser-Busch Inbev Fin | 54,329 | - | 54,329 | - | - |
| Corporate Bonds-Metlife Inc. | 64,690 | - | 64,690 | - | - |
| Corporate Bonds-Prudential Financial Inc. | 53,889 | - | - | 53,889 | - |
| Corporate Bonds-General Electric Cap Corp | 56,791 | - | - | 56,791 | - |
| Corporate Bonds-HCP Inc. | 65,972 | - | - | 65,972 | - |
| Corporate Bonds-Ebay Inc. | 55,567 | - | - | 55,567 | - |
| Corporate Bonds-JP Morgan Chase & Co. | 54,608 | - | - | 54,608 | - |
| Corporate Bonds-Freeport-Mcmoran Copper & Gold | 55,830 | - | - | 55,830 | - |
| Corporate Bonds-BACCT 2014-A1 A | 53,002 | - | - | 53,002 | - |
| Totals | \$ <u>5,374,295</u> | \$ <u>438,042</u> | \$ <u>3,505,455</u> | \$ <u>1,265,599</u> | \$ <u>165,199</u> |
| Firemen's Pension & Relief: | | | | | |
| U.S. Government Agency Securities-Goldman Sachs | \$ 298,619 | \$ - | \$ 103,745 | \$ 194,874 | \$ - |
| U.S. Government Agency Securities-Bank Amerca Corp | 100,750 | - | 100,750 | - | - |
| U.S. Government Agency Securities-Allergan Inc SR NT | 96,527 | - | 96,527 | - | - |
| U.S. Government Agency Securities-Federal National Mort | 87,877 | - | - | 87,877 | - |
| U.S. Government Agency Securities-Federal Home Loan | 2,198,388 | - | 497,965 | 1,700,423 | - |
| U.S. Government Agency Securities-Pepsico Inc SR NT | 101,996 | - | 101,996 | - | - |
| U.S. Government Agency Securities-AT&T Inc Bond | 100,956 | - | 100,956 | - | - |
| U.S. Government Agency Securities-Barclays Bank | 91,062 | - | - | - | 91,062 |
| U.S. Government Agency Securities-JP Morgan Chase | 178,704 | - | - | - | 178,704 |
| Certificate of Deposit-Goldman Sachs Bk USA NY | 100,055 | - | 100,055 | - | - |
| Certificate of Deposit-Wells Fargo Bk N A CA | 100,622 | - | - | - | 100,622 |
| Totals | \$ <u>3,455,556</u> | \$ <u>-</u> | \$ <u>1,101,994</u> | \$ <u>1,983,174</u> | \$ <u>370,388</u> |
| Totals for interest rate risk | \$ <u>13,349,175</u> | \$ <u>4,646,833</u> | \$ <u>4,770,877</u> | \$ <u>3,345,867</u> | \$ <u>585,598</u> |

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 mutual fund investments in ISHARES TR Russell 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 seven mutual fund investments in Riverpark/Wedgewood Large Cap, Vanguard High Yield Dividend, Doubleline Total Return Bond, Federated International Leaders, Goldman Sachs Trust Strategic, Winslow Osterweis Strategic and Templeton Global Bond Fund that were 5 percent, 5 percent, 17 percent, 5 percent, 8 percent, 8 percent, and 9 percent, respectively, of the total portfolio at June 30, 2014.

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2014.

B. Receivables

| | <u>General</u> | <u>Coal Severance</u> | <u>Community Development</u> | <u>HOME</u> |
|--------------------------------------|----------------------|---------------------------|----------------------------------|---------------------|
| Receivables: | | | | |
| Accounts | \$ 4,639,698 | \$ - | \$ - | \$ - |
| Accrued interest | 882 | - | - | - |
| Taxes | 14,817,921 | 63,721 | - | - |
| Loans | - | - | 2,583,596 | 3,770,980 |
| Grants | <u>287,767</u> | <u>-</u> | <u>308,821</u> | <u>16,184</u> |
| Gross receivables | 19,746,268 | 63,721 | 2,892,417 | 3,787,164 |
| Less: allowance for uncollectible | <u>(977,704)</u> | <u>-</u> | <u>(645,899)</u> | <u>-</u> |
| Net total receivables | <u>\$ 18,768,564</u> | <u>\$ 63,721</u> | <u>\$ 2,246,518</u> | <u>\$ 3,787,164</u> |

| | <u>Civic Center</u> | <u>Parking System</u> | <u>Nonmajor Funds and Fiduciary Funds</u> | <u>Total</u> |
|--------------------------------------|-------------------------|---------------------------|---|----------------------|
| Receivables: | | | | |
| Accounts | \$ 192,456 | \$ 144,067 | \$ 3,855,789 | \$ 8,832,010 |
| Accrued interest | - | - | 53,592 | 54,474 |
| Taxes | 3,206 | - | - | 14,884,848 |
| Loans | - | - | 200,191 | 6,554,767 |
| Grants | <u>-</u> | <u>-</u> | <u>502,190</u> | <u>1,114,962</u> |
| Gross receivables | 195,662 | 144,067 | 4,611,762 | 31,441,061 |
| Less: allowance for uncollectible | <u>(801)</u> | <u>(16,000)</u> | <u>(3,493,240)</u> | <u>(5,133,644)</u> |
| Net total receivables | <u>\$ 194,861</u> | <u>\$ 128,067</u> | <u>\$ 1,118,522</u> | <u>\$ 26,307,417</u> |

Governmental funds report unavailable revenue as deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report advance payments 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 inflows and unearned revenue reported in the governmental funds were as follows:

| | <u>Deferred Inflows</u> | <u>Unearned</u> |
|---|-------------------------|---------------------|
| Property Taxes | \$ 454,131 | \$ - |
| Prepaid License Fees, Advance Office Rental, and Prepaid Cemetery Burial Fees (general fund) | - | 124,840 |
| Grant draw downs prior to meeting all eligibility requirements | <u>-</u> | <u>5,954,623</u> |
| Total | <u>\$ 454,131</u> | <u>\$ 6,079,463</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

| | Primary Government | | | Ending Balance |
|---|---------------------------|---------------------|-----------------------|----------------------|
| | Beginning Balance | Increases | Decreases | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,938,359 | \$ 21,605 | \$ - | \$ 8,959,964 |
| Construction in progress | 1,429,345 | 3,019,013 | (2,034,291) | 2,414,067 |
| Total capital assets not being depreciated | <u>10,367,704</u> | <u>3,040,618</u> | <u>(2,034,291)</u> | <u>11,374,031</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 49,738,866 | 357,500 | (32,760) | 50,063,606 |
| Structures and improvements | 20,337,483 | 923,063 | - | 21,260,546 |
| Machinery and equipment | 16,679,096 | 1,685,807 | (427,560) | 17,937,343 |
| Vehicles | 18,953,413 | 1,332,503 | (1,204,616) | 19,081,300 |
| Furniture | 369,575 | - | (2,823) | 366,752 |
| Infrastructure | 91,642,045 | 3,896,187 | - | 95,538,232 |
| Total capital assets being depreciated | <u>197,720,478</u> | <u>8,195,060</u> | <u>(1,667,759)</u> | <u>204,247,779</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (20,736,448) | (1,196,132) | 21,592 | (21,910,988) |
| Structures and improvements | (9,271,889) | (734,467) | - | (10,006,356) |
| Machinery and equipment | (12,937,874) | (1,370,606) | 416,032 | (13,892,448) |
| Vehicles | (13,816,154) | (1,910,032) | 1,196,221 | (14,529,965) |
| Furniture | (346,817) | (15,808) | 2,823 | (359,802) |
| Infrastructure | (55,998,747) | (1,941,329) | - | (57,940,076) |
| Total accumulated depreciation | <u>(113,107,929)</u> | <u>(7,168,374)</u> | <u>1,636,668</u> | <u>(118,639,635)</u> |
| Total capital assets being depreciated, net | <u>84,612,549</u> | <u>1,026,686</u> | <u>(31,091)</u> | <u>85,608,144</u> |
| Governmental activities capital assets, net | <u>\$ 94,980,253</u> | <u>\$ 4,067,304</u> | <u>\$ (2,065,382)</u> | <u>\$ 96,982,175</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|--------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 4,366,447 | \$ - | \$ - | \$ 4,366,447 |
| Construction in progress | <u>-</u> | <u>415,798</u> | <u>(4,088)</u> | <u>411,710</u> |
| Total capital assets, not being depreciated | <u>4,366,447</u> | <u>415,798</u> | <u>(4,088)</u> | <u>4,778,157</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 66,823,061 | 195,076 | (10,045) | 67,008,092 |
| Structures and improvement | 783,577 | - | - | 783,577 |
| Machinery and equipment | 2,067,754 | 57,526 | (33,518) | 2,091,762 |
| Vehicles | <u>186,411</u> | <u>29,661</u> | <u>(26,348)</u> | <u>189,724</u> |
| Total capital assets being depreciated | <u>69,860,803</u> | <u>282,263</u> | <u>(69,911)</u> | <u>70,073,155</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (50,452,047) | (1,496,090) | 10,045 | (51,938,092) |
| Structures and improvements | (419,863) | (26,513) | - | (446,376) |
| Machinery and equipment | (1,795,115) | (90,891) | 33,518 | (1,852,488) |
| Vehicles | <u>(164,363)</u> | <u>(14,596)</u> | <u>(11,266)</u> | <u>(190,225)</u> |
| Total accumulated depreciation | <u>(52,831,388)</u> | <u>(1,628,090)</u> | <u>32,297</u> | <u>(54,427,181)</u> |
| Total capital assets being depreciated, net | <u>17,029,415</u> | <u>(1,345,827)</u> | <u>(37,614)</u> | <u>15,645,974</u> |
| Business-type activities capital assets, net | <u>\$ 21,395,862</u> | <u>\$ (930,029)</u> | <u>\$ (41,702)</u> | <u>\$ 20,424,131</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 2,541,704 |
| Public safety | 2,102,145 |
| Highways and streets, including depreciation of general infrastructure assets | 821,879 |
| Health and sanitation | 590,844 |
| Culture and recreation | 1,035,918 |
| Social services | <u>75,884</u> |
| Total depreciation expense-governmental activities | <u>\$ 7,168,374</u> |
| Business-type activities: | |
| Civic Center | \$ 922,164 |
| Parking System | <u>705,926</u> |
| Total depreciation expense-business-type activities | <u>\$ 1,628,090</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Construction in Progress

The government has active construction projects as of June 30, 2014. The projects include street, retaining walls, and bridge repairs, Bike/ Pedestrian trail, City Hall renovations and additions, Slack Plaza master plan, Civic Center expansion and renovation, and Parking building renovations. At year end, the amounts for governmental and business-type activities spent-to-date are as follows:

| Project | Spent-to-Date | Funded |
|--|---------------------|-----------------|
| Refuse, Street, & Police Trucks & Vehicles | \$ 756,791 | General Fund |
| Storm Water Project | 690,045 | General Fund |
| Rails to Trails Bike/Pedestrian | 191,003 | General Fund |
| Farnsworth Drive Bridge Rehabilitation | 687,334 | General Fund |
| City Hall Renovations & Additions | 16,152 | General Fund |
| Grandview Drive Landslide | 11,917 | General Fund |
| Slack Plaza Master Plan | 35,925 | General Fund |
| Elk River Sidewalk Project | 24,900 | General Fund |
| Civic Center Expansion & Renovation | 327,321 | Sales & Use Tax |
| Parking Building Renovations | 84,389 | Parking System |
| Total | <u>\$ 2,825,777</u> | |

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

Interfund receivables/payables:

| Receivable Fund | Payable Fund | Purpose | Amount |
|-----------------------------|----------------------------|---|---------------------|
| General | Civic Center | Reimbursements Insurance/Fuel | \$ 31,436 |
| | Parking System | Reimbursement Insurance/Fuel | 32,878 |
| | CDBG | Reimbursement Salary & Utilities | 121,053 |
| | HOME | Reimbursement Salary & Utilities | 16,050 |
| | | | - |
| | Nonmajor Governmental Fund | Reimbursements Salaries, loans, and transfer of fines | 1,088,466 |
| Civic Center | General Fund | Reimbursement | 3,216 |
| Parking System | General Fund | Reimbursement | 3,824 |
| Nonmajor Governmental Funds | Nonmajor Governmental Fund | Transfers | 170,133 |
| Nonmajor Governmental Funds | General Fund | Loans | 816,277 |
| | Total | | <u>\$ 2,283,333</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Interfund transfers:

| | Transfers In | | | | | Total Transfers Out |
|----------------------------------|---------------------|------------------|--------------------------|---------------------|----------------|------------------------|
| | General Fund | CDBG Fund | Nonmajor Governmental | Civic Center | Parking System | |
| Transfers out: | | | | | | |
| General fund | \$ - | \$ - | \$ 7,891,131 | \$ 1,010,878 | \$ - | \$ 8,902,009 |
| Coal severance tax | - | - | - | 192,826 | - | 192,826 |
| Nonmajor govern- mental funds | 3,166,275 | 20,000 | 30,690 | 8,560 | - | 3,225,525 |
| Civic Center | - | - | 91,881 | - | - | 91,881 |
| Total Transfers In | <u>\$ 3,166,275</u> | <u>\$ 20,000</u> | <u>\$ 8,013,702</u> | <u>\$ 1,212,264</u> | <u>\$ -</u> | <u>\$ 12,412,241</u> |

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

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 | 12,737,032 | 28,677 | 196,998 |
| Less: accumulated depreciation | <u>(16,930,148)</u> | <u>(28,677)</u> | <u>(196,998)</u> |
| Total | <u>\$ 17,245,535</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

| Year Ending June 30 | Governmental Activities |
|---|----------------------------|
| 2015 | \$ 2,524,722 |
| 2016 | 1,945,673 |
| 2017 | 1,538,842 |
| 2018 | 1,049,268 |
| 2019 | 654,317 |
| 2020-2024 | 2,539,252 |
| 2025-2026 | 479,415 |
| Total minimum lease payments | 10,731,489 |
| Less: amount representing interest | (1,676,055) |
| Present value of minimum lease payments | \$ 9,055,434 |

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 \$7,459,982 for a total of \$28,898,633 with accumulated depreciation of \$5,221,437 at June 30, 2014. Rents totaled \$714,660 for the fiscal year 2014. 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, 2014 for each of the next five years and thereafter and in the aggregate are as follows:

| June 30, | Amount |
|-----------|---------------|
| 2015 | \$ 1,172,623 |
| 2016 | 1,020,914 |
| 2017 | 1,020,914 |
| 2018 | 983,714 |
| 2019 | 983,714 |
| 2020-2025 | 4,767,370 |
| 2026-2028 | 179,841 |
| Total | \$ 10,129,090 |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 prior years; however, the City as of June 30, 2014 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, 2014:

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 \$875,000 and interest in the amount of \$217,255 on the bonds when due until bond maturity in 2024. During the fiscal year 2014 lease payments in the principal amount of \$70,000 and interest in the amount of \$38,805 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 \$1,705,000 and interest in the amount of \$410,525 on the bonds when due until bond maturity in 2024. During the fiscal year 2014 lease payments in the principal amount of \$140,000 and interest in the amount of \$73,731 were used to pay the debt service on the 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 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 \$2,300,000 and interest in the amount of \$151,110 until bond maturity in 2016. During the fiscal year 2014, Parking System net revenues in the principal amount of \$1,175,000 and interest in the amount of \$152,810 were used to pay the debt service which was 1.57% 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 \$1,975,000 and interest in the amount of \$595,425 until bond maturity in 2023.

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

During the fiscal year 2014 these pledged revenues in the principal amount of \$150,000 and interest amount of \$104,550 were used to pay the debt service on these bonds which is 8% 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 \$2,615,000 and interest amount of \$656,663 until bond maturity in 2024. During the fiscal year 2014 these pledged revenues were used to pay the principal amount of \$185,000 and interest amount of \$110,663 on these bonds which is 9% 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. This irrevocable pledge of lease payments is required to be sufficient in amount to pay principal of \$1,040,000 and interest of \$260,132 until bond maturity in 2024. During the fiscal year 2014 lease payments in the principal amount of \$75,000 and interest amount of \$44,037 were used to pay the debt service on these bonds.

Revenue bonds outstanding, net of unamortized discounts of \$218,784 (Public Safety Center \$20,241; Center for the Arts & Sciences \$47,628; Parking System \$40,132 and Civic Center of \$110,783) at year end are as follows:

| Purpose | Maturity Dates | Interest Rates | Issued | Retired | Balance June 30, 2014 |
|--|----------------|----------------|----------------------|---------------------|--------------------------|
| Governmental activities: | | | | | |
| Public Safety Center Refunding Series 2009 | 2024 | 3.00-4.40% | \$ 1,180,000 | \$ 325,241 | \$ 854,759 |
| Center for the Arts & Sciences Refunding Series 2010 | 2024 | 3.10-4.375% | <u>2,280,000</u> | <u>622,628</u> | <u>1,657,372</u> |
| Total governmental activities | | | <u>\$ 3,460,000</u> | <u>\$ 947,869</u> | <u>\$ 2,512,131</u> |
| Business-type activities: | | | | | |
| Parking System Refunding Series 2005A | 2016 | 2.50-4.50% | \$ 8,710,000 | \$ 6,450,132 | \$ 2,259,868 |
| Civic Center Improvement Series 1998 | 2023 | 4.60-5.10% | 3,635,000 | 1,690,689 | 1,944,311 |
| Civic Center Improvement Refunding Series 2009 | 2024 | 3.00-4.40% | 3,275,000 | 717,020 | 2,557,980 |
| Civic Center Lease Revenue Series 1999 Series 2009 | 2024 | 3.00-4.40% | <u>1,325,000</u> | <u>308,074</u> | <u>1,016,926</u> |
| Total revenue bonds | | | <u>\$ 16,945,000</u> | <u>\$ 9,165,915</u> | <u>\$ 7,779,085</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Revenue bond debt service requirements to maturity are as follows:

| Year Ended | Governmental Activities | | Business-type Activities | |
|------------|-------------------------|-------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 213,159 | \$ 105,011 | \$ 1,606,138 | \$ 348,435 |
| 2016 | 218,158 | 97,130 | 1,501,872 | 277,445 |
| 2017 | 228,158 | 88,693 | 454,071 | 209,505 |
| 2018 | 233,158 | 79,874 | 479,071 | 188,580 |
| 2019 | 248,158 | 70,274 | 499,071 | 166,800 |
| 2020-2024 | 1,371,340 | 186,799 | 2,842,068 | 463,765 |
| 2025 | - | - | 396,794 | 8,800 |
| Totals | <u>\$ 2,512,131</u> | <u>\$ 627,781</u> | <u>\$ 7,779,085</u> | <u>\$ 1,663,330</u> |

Changes in Long-term Liabilities

| | Governmental Activities | | | | |
|--------------------------|--------------------------|----------------------|------------------------|-----------------------|---------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Revenue Bonds | \$ 2,790,000 | \$ - | \$ (210,000) | \$ 2,580,000 | \$ 220,000 |
| Less deferred amounts: | | | | | |
| Bond discount | (74,710) | - | 6,841 | (67,869) | (6,841) |
| Total bonds payable | <u>2,715,290</u> | <u>-</u> | <u>(203,159)</u> | <u>2,512,131</u> | <u>213,159</u> |
| Capital leases | 10,147,127 | 1,482,000 | (2,573,693) | 9,055,434 | 2,198,495 |
| Net OPEB obligation | 10,598,145 | 7,346,229 | (3,844,088) | 14,100,286 | - |
| Net pension obligation | 92,407,555 | 3,889,621 | - | 96,297,176 | - |
| Claims and judgments | 4,282,224 | 2,308,737 | (2,027,933) | 4,563,028 | 2,581,480 |
| Compensated absences | <u>1,352,229</u> | <u>1,354,124</u> | <u>(1,352,229)</u> | <u>1,354,124</u> | <u>1,354,124</u> |
| Governmental activities | | | | | |
| Long-term liabilities | <u>\$ 121,502,570</u> | <u>\$ 16,380,711</u> | <u>\$ (10,001,102)</u> | <u>\$ 127,882,179</u> | <u>\$ 6,347,258</u> |
| | | | | | |
| | Business-type Activities | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Revenue bonds payable | \$ 9,515,000 | \$ - | \$ (1,585,000) | \$ 7,930,000 | \$ 1,640,000 |
| Less: deferred amounts: | | | | | |
| Bond discount | (184,777) | - | 33,862 | (150,915) | (33,862) |
| Total bonds payable | <u>9,330,223</u> | <u>-</u> | <u>(1,551,138)</u> | <u>7,779,085</u> | <u>1,606,138</u> |
| Net OPEB obligation | 404,557 | 262,569 | (54,000) | 613,126 | - |
| Compensated absences | <u>90,161</u> | <u>89,085</u> | <u>(90,161)</u> | <u>89,085</u> | <u>89,085</u> |
| Business-type activities | | | | | |
| Long-term liabilities | <u>\$ 9,824,941</u> | <u>\$ 351,654</u> | <u>\$ (1,695,299)</u> | <u>\$ 8,481,296</u> | <u>\$ 1,695,223</u> |

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

CITY OF CHARLESTON, WEST VIRGINIA
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For the Fiscal Year Ended June 30, 2014

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 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. As of June 30, 2014 these bonds have been paid in full.

H. Restricted Assets And Investments

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

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Customer deposits | \$ - | \$ 152,713 |
| Cash - contractual agreement | 1,683,359 | - |
| Capital lease debt service | 245,844 | - |
| WV Board of Treasury Short Term Bond Pool-Investment | 1,043,724 | - |
| Endowment Fund-Investments | 2,074,930 | |
| TIF District account | | 220,397 |
| Revenue bond operations and maintenance account | - | 304,788 |
| Revenue bond debt service account | 7 | 529,616 |
| Revenue bond reserve account | - | 871,289 |
| Total restricted assets and investments | \$ <u>5,047,864</u> | \$ <u>2,078,803</u> |

I. Fund Balance Detail

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

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

| | General Fund | Coal Severance | Community Development | HOME | Nonmajor Funds | Total |
|---|----------------------|-------------------|--------------------------|--------------|----------------------|----------------------|
| Nonspendable: | | | | | | |
| Prepays-Insurance | \$ 590,403 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 590,403 |
| Perpetual Care Cemetery | -- | -- | -- | -- | 1,286,351 | 1,286,351 |
| Restricted: | | | | | | |
| Police protection | -- | -- | -- | -- | 196,227 | 196,227 |
| Public trusts lands | -- | -- | -- | -- | 44,383 | 44,383 |
| Human Rights | -- | -- | -- | -- | 15,657 | 15,657 |
| Ball Park | -- | -- | -- | -- | 48,471 | 48,471 |
| Perpetual Care Cemetery | -- | -- | -- | -- | 945,224 | 945,224 |
| Equipment lease purchases | 383,464 | -- | -- | -- | -- | 383,464 |
| Debt service | 245,844 | 63,742 | -- | -- | 7 | 309,593 |
| Low-Income Housing Projects | -- | -- | -- | -- | -- | -- |
| Municipal Court | -- | -- | -- | -- | 116,934 | 116,934 |
| Public Arts | -- | -- | -- | -- | 48,160 | 48,160 |
| Recreational Trails & Facilities | -- | -- | -- | -- | 17,050 | 17,050 |
| Landfill Closure | -- | -- | -- | -- | 2,737,943 | 2,737,943 |
| Committed: | | | | | | |
| Highway beautification | -- | -- | -- | -- | 31,266 | 31,266 |
| Police fines training | 11,029 | -- | -- | -- | -- | 11,029 |
| Civic Center & economic development | 4,192,223 | -- | -- | -- | -- | 4,192,223 |
| Police Protection | -- | -- | -- | -- | 22,887 | 22,887 |
| Low-Income Housing Projects | -- | -- | -- | -- | 150,143 | 150,143 |
| Sanitation | -- | -- | -- | -- | 351,089 | 351,089 |
| Bridges, highways & infrastructure | -- | -- | -- | -- | 963,729 | 963,729 |
| Civic Center capital improvements | -- | -- | -- | -- | 290,614 | 290,614 |
| Municipal Auditorium capital improvements | -- | -- | -- | -- | 130,095 | 130,095 |
| City facilities capital improvements | -- | -- | -- | -- | 4,162,078 | 4,162,078 |
| Structure demolition | -- | -- | -- | -- | 50,383 | 50,383 |
| Recreational soccer fields | -- | -- | -- | -- | 12,792 | 12,792 |
| OPEB | 9,101,263 | -- | -- | -- | -- | 9,101,263 |
| Community development-signage | 50,216 | -- | -- | -- | -- | 50,216 |
| Assigned: | | | | | | |
| Professional government services | 1,237,044 | -- | -- | -- | -- | 1,237,044 |
| Mayor's contributions to other entities | 262,309 | -- | -- | -- | -- | 262,309 |
| Legal liability claims | 978,352 | -- | -- | -- | -- | 978,352 |
| Storm Water Project | 1,430,028 | -- | -- | -- | -- | 1,430,028 |
| Comprehensive Plan for the City | 21,121 | -- | -- | -- | -- | 21,121 |
| Bike/Pedestrian Trail | 478,761 | -- | -- | -- | -- | 478,761 |
| Fire equipment & investigation | 66,248 | -- | -- | -- | -- | 66,248 |
| Never Again Campaign | 7,380 | -- | -- | -- | -- | 7,380 |
| Live on Levee & 150 Power Walk | 48,353 | -- | -- | -- | -- | 48,353 |
| Unassigned | 21,590,940 | -- | (46,316) | -- | -- | 21,544,624 |
| Total fund balances | <u>\$ 40,694,978</u> | <u>\$ 63,742</u> | <u>\$ (46,316)</u> | <u>\$ --</u> | <u>\$ 11,621,483</u> | <u>\$ 52,333,887</u> |

CITY OF CHARLESTON, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014

J. Benefits Funded by the State of West Virginia

For the year ended June 30, 2014, 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 | \$ 1,820,127 |
| Firemen's Pension and Relief Fund | <u>1,770,140</u> |
| Total | <u>\$ 3,590,267</u> |

K. Restatement of Beginning Fund Balance and Net Position

Beginning fund balance for the Community Development Special Revenue Fund, a major fund, was restated at July 1, 2013 due to an error in the calculation of the grant advances liability account. Fund balance was restated from the previously reported \$151,392 to \$49,993. The net effect of the restatement was a decrease in the Community Development Fund balance in the amount of \$101,399.

Beginning fund balance for Metro/Kanawha County Micro Loan Special Revenue Fund, a non-major fund, was restated at July 1, 2013 due to uncollectible loan receivables since the loan documentation and remaining cash has been returned to the State of WV and the debtors provided with the loans were no longer in business. Fund balance was restated from the previously reported \$118,500 to \$6,568. The net effect of the restatement was a decrease in the Metro Loan Fund balance in the amount of \$111,932.

Beginning net position for governmental activities was restated at July 1, 2013 due to the Community Development error correction and Micro Loan uncollectible loan receivables from the previously reported \$18,274,945 to \$18,061,613. The net effect of the restatement was a decrease in governmental activities net position in the amount of \$213,332.

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.

CITY OF CHARLESTON, WEST VIRGINIA
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For the Fiscal Year Ended June 30, 2014

The City covers its workers' compensation liability by retaining and self-insuring the first \$300,000 of each claim and maintaining layers of excess insurance that indemnifies the City for claims costs exceeding its self-insured retention limits. A Letter of Credit for \$750,000 is held as collateral by the Offices of the Insurance Commissioner as security for the City's self-insured retention. No amounts have been drawn upon or are outstanding on the Letter of Credit at June 30, 2014. Claims are adjusted through a third-party administrator contracted by the City.

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' compensation retention-all employees. Settlements have not exceeded coverage 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 6/30/2014 | Year Ended 6/30/2013 |
|---|-------------------------|-------------------------|
| Unpaid claims, beginning of fiscal year | \$ 4,282,224 | \$ 4,839,088 |
| Incurred claims (including IBNRs) | 2,308,737 | 1,478,899 |
| Claims paid | <u>(2,027,933)</u> | <u>(2,035,763)</u> |
| Unpaid claims, end of fiscal year | <u>\$ 4,563,028</u> | <u>\$ 4,282,224</u> |

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, 2014.

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.

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held for the exclusive benefit of the participants and their beneficiaries.

D. 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, and 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 \$945,224 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 health plan levels of benefits, employee contributions, and employer contributions were authorized by the City Council and any amendments to the health plan must be approved and authorized by the Council. The health plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the health plan. The health plan does not issue a separate report. The activity of the health plan is reported in the General Fund, Civic Center Revenue Fund, and Parking System Revenue Fund.

Under the substantive plan provisions all Medicare retirees are covered under a Medicare Advantage plan that is fully-insured and experience-rated. At January 1, 2014 premium rates for medical for single are \$188.52 and for retiree and spouse \$292.50.

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

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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.

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.

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, 2014 the monthly retiree contribution for non-tobacco users is as follows:

| Date of Hire | Under 65 | | Over 65 | |
|--|----------|------------------|---------|------------------|
| | Single | Retiree & Spouse | Single | Retiree & Spouse |
| Before July 1, 1984 | | | | |
| 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. | \$ 189 | \$ 293 | \$ 92 | \$ 96 |
| Uniform | \$ 162 | \$ 239 | \$ 92 | \$ 96 |
| July 1, 1984 to present | \$ 189 | \$ 293 | \$ 92 | \$ 96 |

The City does not have a practice of increasing the retiree contributions.

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, 2014 are \$489.50 for medical and prescription drugs for single under 65 and \$1,076.90 for employee and spouse. Over 65 the single rate for medical only is \$100.97 and \$201.95 for employee and spouse.

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

The number of participants as of July 1, 2014, the effective date of the biennial OPEB valuation, was 614 active employees and 466 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.

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, 2013, 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:

| | OPEB | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Annual required contribution | \$ 7,241,009 | \$ 258,554 | \$ 7,499,563 |
| Interest on net OPEB obligation | 529,914 | 20,221 | 550,135 |
| Adjustment to annual required contribution | (424,694) | (16,206) | (440,900) |
| Annual OPEB cost | 7,346,229 | 262,569 | 7,608,798 |
| Contributions made | (3,844,088) | (54,000) | (3,898,088) |
| Increase (decrease) in net OPEB obligation | 3,502,141 | 208,569 | 3,710,710 |
| Net OPEB obligation at beginning of the year | 10,598,145 | 404,557 | 11,002,702 |
| Net OPEB obligation at the end of the year | <u>\$ 14,100,286</u> | <u>\$ 613,126</u> | <u>\$ 14,713,412</u> |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

V.F.3. Trend Information

| Other Post-Employment Benefits (OPEB) | | | | |
|--|-------------------------|-------------------------------|----------------------------|------------|
| <u>Fiscal Year</u> | <u>Annual OPEB Cost</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> | |
| 2014 | \$ 7,608,798 | 51.2% | \$ | 14,713,412 |
| 2013 | \$ 6,547,149 | 70.1% | \$ | 11,002,702 |
| 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

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b)-(a)</u> | <u>Funded Ratio (a)/(b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a % Covered Payroll (b-a)/c</u> |
|---------------------------------|--------------------------------------|--|------------------------------------|-----------------------------|----------------------------|--|
| 7/1/13 | -- | \$ 85,737,794 | \$ 85,737,794 | 0.0% | \$ 30,511,701 | 281.0% |
| 7/1/12 | -- | \$ 73,958,600 | \$ 73,958,600 | 0.0% | \$ 30,674,221 | 241.1% |
| 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.

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 include 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, 2013 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 2013 for the 2013/14 disclosures. Census data has been reviewed for accuracy and reasonableness. No material modifications were made to the census data provided.

Measurement Date June 30, 2014; the actuarial present values were rolled-back to July 1, 2013 on a no loss/gain basis.

Discount Rate 5.0% unfunded.

Payroll Growth 4.0% per year.

Cost Method Projected Unit Credit with linear proration to decrement.

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.

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. Previously active employees could roll over an unlimited amount of unused sick leave annually and convert the balance to free health care at retirement. In current year's valuation, Firefighters can convert the greater of (a) any remaining unused sick leave accrued prior to January 1, 2012 or (b) up to 144 hours of unused sick leave accrued on/after January 1, 2012 to free health care at retirement.

Based on the current remaining sick leave balances, we have assumed three years of coverage for Firefighters. This is a reduction from the five years of free coverage at retirement for Firefighters assumed in prior year's valuation. No changes were made to the assumed number of years of free coverage for the other groups, which remain at five years.

Conversion to free health care at retirement is based on two days sick leave (24 hours) for one month of single coverage or three days sick leave (36 hours) for one month family coverage.

Health Care Trend Rates: FYE 2015 9.0%; FYE 2016 8.50%; FYE 2017 8.00%; FYE 2018 7.50%; FYE 2019 7.00%; FYE 2020 6.50%; FYE 2021 6.00%; FYE 2022 5.50%; FYE 2023+ 5.00%.

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

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

VI. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

On July 1, 2013, the government implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, and GASB Statement No. 50, *Pension Disclosures, for pension trusts and equivalent arrangements*.

VI:A.1. Plan Descriptions, Contribution Information, Funding Policies, and Net Pension Liability

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 full-time police employees hired prior to June 1, 2011. Unless otherwise indicated, PPRF information in this Note is provided as of the latest actuarial valuation, July 1, 2013 and GASB Statement No. 67 Plan Reporting and Accounting Schedules at measurement date of June 30, 2014.

The Firemen's Pension and Relief Fund (FPRF) provides retirement benefits for full-time fire employees hired prior to June 1, 2011. Unless otherwise indicated, FPRF information in this Note is provided as of the latest actuarial valuation, July 1, 2013 and GASB Statement No. 67 Plan Reporting and Accounting Schedules at measurement date of June 30, 2014.

The State contracts an actuary to perform actuarial valuations annually per West Virginia State Code §8-22-20. 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.

Management of the pension plans is vested in the boards for the Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund, which consists of the mayor of the City of Charleston and four members of the paid police department and paid fire department, respectively. The members serve on staggered four year terms. There is an annual election to elect a member to succeed, for a term of four years, the retiring member for each fund. The presiding officer of the board of trustees for each fund is the mayor of the City of Charleston and the secretary is appointed by the board.

In accordance with WV Code Chapter §8-22-18a, the West Virginia Municipal Pensions Oversight Board assists municipal board of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing the premium tax revenues to the funds and taking other actions reasonably necessary to provide for the security and fiscal integrity of the pension funds.

The oversight board has established minimum requirements for training to be completed by each member of the board of trustees of a Municipal Policemen's or Firemen's Pension and Relief fund. The requirements include, but not limited to, training in ethics, fiduciary duty and investment responsibilities.

CITY OF CHARLESTON, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014

As of July 1, 2013 memberships of the plans are as follows:

| Group | PPRF | FPRF | Totals |
|--|------------|------------|------------|
| Active Employees | 144 | 156 | 300 |
| Vested Terminated Benefits | 1 | 1 | 2 |
| Retirees and Beneficiaries Currently Receiving Benefits | <u>225</u> | <u>226</u> | <u>451</u> |
| Total | <u>370</u> | <u>383</u> | <u>753</u> |

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 as of the adoption of the Conservation funding policy.

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%.

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 \$5,168,385 for the plan year ending June 30, 2015, to a high of \$10,402,717 for the plan year ending June 30, 2036. Employer

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

contributions for the Firemen's Pension and Relief Fund are expected to increase from \$5,365,446 for the plan year ending June 30, 2015, to a high of \$10,104,842 for the plan year ending June 30, 2034.

For the Policemen's Pension Fund the funded ratio is projected to increase from 9.1% in 2013 to 30% in 2033, and ultimately to 100% in 2046. For the Firemen's Pension Fund the funded ratio is projected to increase from 7.3% in 2013 to 28% in 2033, an 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.

GASB 67 establishes standards of financial reporting for defined benefit plans and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability).

Actuarial Methods and Assumptions

| | PPRF | FPRF |
|---|---|------------------------|
| Determination of contribution requirement | 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. | |
| Benefit Terms | In accordance with WV State Code the annual benefit equals 60% of average annual compensation, not less than \$6,000, plus an additional percentage of average annual compensation for service over 20 years equal to 2% for each year of service between 20 and 25 and 1% for each year of service between 25 and 30 years. Employees serving in the military are eligible for an additional 1% of average annual compensation for each year of military service up to four years. The maximum benefit is limited to 75% of average annual compensation. Benefits continue for life. | |
| 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 |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

| Valuation Date | 7/1/2013 and projected to the measurement date of June 30, 2014. | 7/1/2013 and projected to the measurement date of June 30, 2014 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|-----------------|-------|------|-------|------|-----|------|---------------|------|---|-------------------------|-----------------|------|--|-----|-------|-------|------|---------------|------|----|-----|----|-----|----|-----|----|------|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amortization Method/Period | 30-Year Closed Level-Percentage-of-Pay 27 years remaining as of July 1, 2013 | 30-Year Closed Level-Percentage-of-Pay 27 years remaining as of July 1, 2013 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | The sponsor finances benefits using the Conservation policy as defined by State statute. This policy does not directly amortize the unfunded actuarial liability. The policy is projected to fully finance the closed group actuarial liability by 2046 for both plans. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Actuarial Asset Valuation Method | Market Value | Market Value | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment Rate of Return | 4.789% | 4.760% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Projected Salary Increases | Service Based Increase <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;"><u>Years of Service</u></th> <th style="text-align: center;"><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% | Service Based Increase <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;"><u>Years of Service</u></th> <th style="text-align: center;"><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% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Increase in State Insurance Premium Tax Allocation | 2% for year 1 3% on and after year 2 | 2% for year 1 3% on and after year 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Retirement | <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Age</th> <th style="text-align: left;">Rates</th> </tr> </thead> <tbody> <tr> <td>50-51</td> <td>45%</td> </tr> <tr> <td>52-54</td> <td>30%</td> </tr> <tr> <td>55</td> <td>45%</td> </tr> <tr> <td>56</td> <td>35%</td> </tr> <tr> <td>57</td> <td>55%</td> </tr> <tr> <td>58</td> <td>100%</td> </tr> </tbody> </table> | Age | Rates | 50-51 | 45% | 52-54 | 30% | 55 | 45% | 56 | 35% | 57 | 55% | 58 | 100% | <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Age</th> <th style="text-align: left;">Rates</th> </tr> </thead> <tbody> <tr> <td>50-51</td> <td>45%</td> </tr> <tr> <td>52-54</td> <td>30%</td> </tr> <tr> <td>55</td> <td>45%</td> </tr> <tr> <td>56</td> <td>35%</td> </tr> <tr> <td>57</td> <td>55%</td> </tr> <tr> <td>58</td> <td>100%</td> </tr> </tbody> </table> | Age | Rates | 50-51 | 45% | 52-54 | 30% | 55 | 45% | 56 | 35% | 57 | 55% | 58 | 100% |
| Age | Rates | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50-51 | 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 52-54 | 30% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55 | 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 56 | 35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 57 | 55% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 58 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age | Rates | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50-51 | 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 52-54 | 30% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55 | 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 56 | 35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 57 | 55% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 58 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Percent Married | 90% | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Spouse Age | Females 3 years younger than males | Females 3 years younger than males | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Mortality rates for both plans were based on for members that are active 85 percent of 1994 Group Annuity Mortality; post-retirement 1994 Group Annuity Mortality; and disabled 1994 Group Annuity Mortality set forward 4 years.

The City of Charleston's Policemen's Pension and Relief Fund Board of Trustees has established an Investment Policy Statement for the purpose of providing general guidelines for the prudent investment management of its fund's assets. The Board has elected to delegate the investment management duties for the fund to one or more professional investment manager(s) who shall be guided by and adhere to the overall investment policy guidelines as permitted by

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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the West Virginia Code Section §8-22-22(a), as amended by H.B. 2832, H.B. 2638, and S.B. 4007. The pension has elected to be administered by the Conservation Method, as outlined in Senate Bill 544.

Unless more frequently necessitated by unusual changes in the economic and investment cycles or by material changes in the fund's basic underlying investment objectives, the board will annually review their investment policy and obtain an independent performance evaluation of the fund as required by WV State Code.

The Pension Board has set a general asset allocation guideline for the investment of the fund's total combined assets as follows: Equities 25%- 75%; Fixed Income 25%-70%; and Cash and Cash Equivalents 2%-25%.

The City of Charleston's Firemen's Pension and Relief Fund Board of Trustees has established an investment policy of diversification of investments in accordance with West Virginia Code §8-22-22. The board has elected to delegate the investment management duties for the fund to one professional investment manager who shall be guided by and adhere to the overall investment requirements in West Virginia Code §8-22-22 and §8-22-22a.

In accordance with the Code the maximum equity allocation shall be 60%. The cash allocation should not exceed estimated payments for a period of ninety days. The asset allocation guideline for the investment of the fund's total combined assets shall be as follows: Cash 0%-10%; Bonds 35%-70%; Stocks 25%-60%. The cash allocation shall include balances held in the bank checking account. In regard to the equity allocation, the manager is required to inform the Trustees of any upward changes in the allocation that result from additional purchases rather than changes in the market value.

Concentrations. Investments in any one organization that represent 5 percent or more of the pension plan's fiduciary net position must be disclosed in accordance with GAAP. The Firemen's Pension & Relief Fund had two investments in Ishares TR Russell Midcap Value Index and Ishares TR Russell 2000 Value index that were 7 percent and 6 percent, respectively, of the fiduciary net position at June 30, 2014.

Rate of Return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 10.65 percent for the Policemen's Pension and Relief Fund and 11.17 percent for the Firemen's Pension and Relief Fund. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability:

The components of net pension liability for the Policemen's and Firemen's Pension and Relief Fund at June 30, 2014, were as follows:

| | <u>PPRF</u> | <u>FPRF</u> |
|--|-----------------------|-----------------------|
| Total pension liability | \$ 156,881,744 | \$ 162,974,249 |
| Plan fiduciary net position | <u>(15,242,762)</u> | <u>(12,976,853)</u> |
| Plan net pension liability | <u>\$ 141,638,982</u> | <u>\$ 149,997,396</u> |
| Plan fiduciary net position as a percentage of total pension liability | 9.72% | 7.96% |
| Discount Rate | 4.789% | 4.760% |

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In accordance with GASB No. 67 a single discount rate of 4.789% for the Policemen’s Pension and 4.760% for the Firemen’s Pension was used to measure the total pension liability as of June 30, 2014. These single discount rates were based on the expected rate of return on pension plan investments of 5.000% before 2046 and 6.500% after 2046, and the municipal bond rate of 4.290%. The projection of cash flows used to determine these single discount rates assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members, after plan year 2046. Therefore, the single discount rate of 4.789% for the Policemen’s Pension and 4.760% for the Firemen’s Pension was applied to all periods of projected benefit payments to determine the total pension liability.

For purposes of developing the single equivalent discount rate, it was assumed benefits are discounted at the municipal bond rate if paid from the pay-as-you go Benefit Account, or at the long-term expected rate of return if paid from the Accumulation Account. A long-term expected rate of return was assumed after 2046 of 6.5%. The long-term rate of return assumes assets in the Accumulation Account are invested in a well-diversified portfolio with 40% to 50% allocated to equities.

The present values of benefits to be provided through the pension plans to current active and inactive plan members for the Policemen’s Pension and Relief Fund and the Firemen’s Pension and Relief Fund are \$186,930,400 and \$188,872,200, respectively.

Sensitivity of the net pension liability to the Single Discount Rate Assumption

Policemen’s Pension and Relief Fund:

| 1% Decrease | Discount Rate Assumption | 1% Increase |
|----------------|-----------------------------|----------------|
| <u>3.79%</u> | <u>4.79%</u> | <u>5.79%</u> |
| \$ 165,663,817 | \$ 141,638,982 | \$ 122,279,793 |

Firemen’s Pension and Relief Fund:

| 1% Decrease | Discount Rate Assumption | 1% Increase |
|----------------|-----------------------------|----------------|
| <u>3.76%</u> | <u>4.76%</u> | <u>5.76%</u> |
| \$ 174,753,893 | \$ 149,997,396 | \$ 130,025,140 |

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 the PPRF or FPRF. The net pension obligation is listed in VI.A.3.

CITY OF CHARLESTON, WEST VIRGINIA
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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.

Reserves

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

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

GASB 27 establishes standards of accounting and financial reporting for pension expense, Net Pension Obligation (NPO), and actuarially determined contributions.

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 | \$ 8,290,897 | \$ 8,544,824 |
| Interest on short-term | 2,452,390 | 2,167,988 |
| Adjustment to annual required contribution | (2,051,528) | (1,813,614) |
| Annual pension cost | 8,691,759 | 8,899,198 |
| Contributions made | (6,739,856) | (6,961,480) |
| Increase in net pension obligation | 1,951,903 | 1,937,718 |
| Net pension obligation at beginning of the year | 49,047,793 | 43,359,762 |
| Net pension obligation at the end of the year | \$ 50,999,696 | \$ 45,297,480 |

VI.A.4. Trend Information

Policemen's Pension and Relief Fund (PPRF)

| Fiscal Year | Annual Pension Cost | Percentage Contributed | Net Pension Obligation |
|-------------|------------------------|---------------------------|---------------------------|
| 2014 | \$ 8,691,759 | 78% | \$ 50,999,696 |
| 2013 | \$ 8,705,856 | 69% | \$ 49,047,793 |
| 2012 | \$ 8,244,932 | 71% | \$ 46,393,054 |

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Firemen's Pension and Relief Fund (FPRF)

| <u>Fiscal Year</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------|-------------------------------|-------------------------------|
| 2014 | \$ 8,899,198 | 78% | \$ 45,297,480 |
| 2013 | \$ 9,031,352 | 70% | \$ 43,359,762 |
| 2012 | \$ 8,876,739 | 70% | \$ 40,795,997 |

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

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.

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

Public Employees' Retirement System (PERS)

| | |
|---|--|
| 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 contributions 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 |

CITY OF CHARLESTON, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014

VI.B.2. Trend Information

Public Employees Retirement System (PERS)

| <u>Fiscal Year</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> |
|--------------------|--------------------------------|-----------------------------------|
| 2014 | \$ 2,533,419 | 100% |
| 2013 | 2,383,536 | 100% |
| 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% |

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.

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

Municipal Police Officers and Firefighters Retirement System (MPFRS)

The City of Charleston, West Virginia, participates in a cost-sharing multiple-employer statewide defined benefit pension plan on behalf of police and firefighters employed by the City after June 1, 2011. The system is administered by the State of West Virginia and funded by contributions from participants and employers as necessary.

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

Municipal Police and Firefighters Retirement System (MPFRS)

| | |
|-------------------------------------|---|
| Eligibility to participate: | All full-time police and firefighters employed by the City after June 1, 2011 |
| Authority establishing contribution | |
| Obligations and benefit provisions: | State Statute |
| Plan member's contribution rate: | 8.5% |
| City's contribution rate: | 8.5% |
| Period required to vest: | No vesting occurs. If separation from employment occurs the member is entitled to a refund of his/her contributions only. |

CITY OF CHARLESTON, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
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Benefits and eligibility for distribution: A member who has attained age 50 when age and contributory service Equals 70 (excluding military service) or has attained age 60 and completion of 10 years contributory service (excluding military service). The final average salary is the average of the highest annual compensation received by the member during covered employment for any 5 consecutive plan years (Jan. 1-Dec. 31) within the last 10 years of service. The accrued benefit on behalf of any member is calculated as follows:

Final Average Salary x Years of Credited Service x Benefit Percentage

2.6% x FAS x Years of Service for years 1-20
 2.0 % x FAS x Years of Service for years 21-25
 1.0% x FAS x Years of Service for years 26-30

| | |
|-----------------|-----|
| Provisions for: | |
| Cost of Living | Yes |
| Death Benefits | Yes |

VI.C.2. Trend Information

Municipal Police and Firefighters Retirement System (MPFRS)

Police

| Fiscal Year | Annual Pension Cost | Percentage Contributed |
|-------------|------------------------|---------------------------|
| 2014 | \$ 59,623 | 100% |
| 2013 | \$ 28,547 | 100% |
| 2012 | \$ 17,434 | 100% |
| 2011 | \$ - | 0% |

Firefighters

| Fiscal Year | Annual Pension Cost | Percentage Contributed |
|-------------|------------------------|---------------------------|
| 2014 | \$ 46,744 | 100% |
| 2013 | \$ 8,544 | 100% |
| 2012 | \$ - | 0% |
| 2011 | \$ - | 0% |

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

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

VI.D.1 New Accounting Pronouncements

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50 *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)* for employers that offer pension benefits through a pension trust or equivalent arrangement. GASB Statement No. 68 will require the City to record their actuarially determined net pension liability for the PPRF and FPRF in addition to their proportionate share of the actuarially determined net pension liability (asset) of its cost sharing participation in PERS and MPFRS. GASB Statement No. 68 is effective for the year ended June 30, 2015 financial statements of the City.

GASB has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*. GASB Statement No.71 addresses issues regarding the application of the transition provisions of GASB Statement No. 68. The requirements of GASB Statement No. 71 are effective simultaneously with GASB Statement No. 68.

Management of the City is currently evaluating the impact of these significant new accounting pronouncements. The City has implemented GASB Statement No. 67 during the current fiscal year, the effects of which are described previously in this footnote. As a result, the impact of GASB Statement No. 68 and No. 71 as it relates to the actuarially determined net pension liability of the PPRF and FPRF are material to the total liabilities and total net position of the City's Government-wide financial statements. Management expects the impact of GASB Statement No. 68 and No. 71 to increase the total beginning liabilities of the City's Government-wide financial statements by approximately \$195,000,000 based on current actuarial data for PPRF and FPRF in the year of implementation. Management is unable to evaluate the impact of GASB Statements No. 68 and No. 71 for its participation in PERS and MPFRS cost sharing pension plans at this time.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHARLESTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014**

EMPLOYER DEFINED BENEFIT PLANS

I. SCHEDULES OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Policemen's Pension & Relief Fund

| | <u>2,014</u> |
|---|------------------------------|
| Total pension liability | |
| Service cost | \$ 3,209,021 |
| Interest on the total pension liability | 7,461,048 |
| Benefit changes | - |
| Differences between expected and actual experience | - |
| Assumption changes | 6,439,110 |
| Benefit payments, including refunds of member contributions | <u>(6,688,132)</u> |
| Net change in pension liability | 10,421,048 |
| Total pension liability-beginning | <u>146,460,696</u> |
| Total pension liability-ending | <u><u>\$ 156,881,744</u></u> |
| | |
| Plan fiduciary net position | |
| Employer contributions | \$ 6,448,555 |
| Employee contributions | 648,924 |
| Pension plan net investment income | 1,415,864 |
| Benefit payments, including refunds of member contributions | (6,688,132) |
| Pension plan administrative expense | (22,264) |
| Other | - |
| Net change in plan fiduciary net position | <u>1,802,947</u> |
| | |
| Plan fiduciary net position-beginning | <u>13,439,815</u> |
| Plan fiduciary net position-ending | <u><u>\$ 15,242,762</u></u> |
| | |
| Net pension liability-ending | <u><u>\$ 141,638,982</u></u> |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 9.72% |
| | |
| Covered employee payroll | \$ 8,257,284 |
| | |
| Net pension liability as a percentage of covered employee payroll | 1715.32% |

Firemen's Pension & Relief Fund

| | <u>2014</u> |
|---|--------------|
| Total pension liability | |
| Service cost | \$ 3,139,576 |
| Interest on the total pension liability | 7,715,345 |
| Benefit changes | - |
| Differences between expected and actual experience | - |
| Assumption changes | 6,693,190 |

CITY OF CHARLESTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Fiscal Year Ended June 30, 2014

| | |
|---|----------------|
| Benefit payments, including refunds of member contributions | (6,943,758) |
| Net change in total pension liability | 10,604,352 |
| Total pension liability-beginning | 152,369,897 |
| Total pension liability-ending | \$ 162,974,249 |
| | |
| Plan fiduciary net position | |
| Employer contributions | \$ 6,735,846 |
| Employee contributions | 603,333 |
| Pension plan net investment income | 1,317,995 |
| Benefit payments, including refunds of member contributions | (6,943,758) |
| Pension plan administrative expenses | (8,132) |
| Other | - |
| Net change in fiduciary net position | 1,705,284 |
| | |
| Plan fiduciary net position-beginning | 11,271,569 |
| Plan fiduciary net position-ending | \$ 12,976,853 |
| | |
| Net pension liability-ending | \$ 149,997,396 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 7.96% |
| | |
| Covered employee payroll | \$ 7,872,875 |
| | |
| Net pension liability as a percentage of covered employee payroll | 1905.24% |

II. SCHEDULES OF THE NET PENSION LIABILITY

Policemen's Pension and Relief Fund:

| FY Ending June 30 | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position As a % of Total Pension Liability | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|----------------------|-------------------------------|----------------------|--------------------------|---|--------------------|---|
| 2014 | \$ 156,881,744 | \$ 15,242,762 | \$ 141,638,982 | 9.72% | \$ 8,257,284 | 1715.32% |

Firemen's Pension and Relief Fund:

| FY Ending June 30 | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position As a % of Total Pension Liability | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|----------------------|-------------------------------|----------------------|--------------------------|---|--------------------|---|
| 2014 | \$ 162,974,249 | \$ 12,976,853 | \$ 149,997,396 | 7.96% | \$ 7,872,875 | 1905.24% |

**CITY OF CHARLESTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Fiscal Year Ended June 30, 2014**

III. SCHEDULES OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS

Policemen's Pension and Relief Fund (PPRF)

| Year Ended June 30 | Annual Required Contribution | Actual Employer Contribution | Actual State Contribution | Percentage Contributed | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------|------------------------------------|------------------------------------|---------------------------------|---------------------------|--------------------|---|
| 2005 | \$ 6,834,144 | \$ 1,529,923 | \$ 1,382,407 | 43% | \$ 6,968,332 | 42% |
| 2006 | \$ 7,421,663 | \$ 1,550,883 | \$ 1,700,753 | 44% | \$ 7,503,036 | 43% |
| 2007 | \$ 7,995,597 | \$ 1,659,445 | \$ 1,827,207 | 44% | \$ 8,479,893 | 41% |
| 2008 | \$ 8,167,079 | \$ 1,792,201 | \$ 1,849,497 | 45% | \$ 8,750,153 | 42% |
| 2009 | \$ 7,664,881 | \$ 1,935,577 | \$ 1,700,936 | 47% | \$ 8,666,547 | 42% |
| 2010 | \$ 7,822,761 | \$ 2,090,423 | \$ 1,675,858 | 48% | \$ 8,933,610 | 42% |
| 2011 | \$ 7,483,711 | \$ 2,257,657 | \$ 1,702,437 | 53% | \$ 9,241,583 | 43% |
| 2012 | \$ 7,773,369 | \$ 4,321,014 | \$ 1,602,822 | 76% | \$ 8,873,921 | 67% |
| 2013 | \$ 8,265,968 | \$ 4,597,313 | \$ 1,945,867 | 79% | \$ 9,149,170 | 72% |
| 2014 | \$ 8,290,897 | \$ 4,919,728 | \$ 1,528,827 | 78% | \$ 8,257,284 | 78% |

Firemen's Pension and Relief Fund (FPRF)

| Year Ended June 30 | Annual Required Contribution | Actual Employer Contribution | Actual State Contribution | Percentage Contributed | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------|------------------------------------|------------------------------------|---------------------------------|---------------------------|--------------------|---|
| 2005 | \$ 8,033,832 | \$ 2,286,759 | \$ 1,548,228 | 48% | \$ 7,481,747 | 51% |
| 2006 | \$ 8,658,323 | \$ 2,446,833 | \$ 1,916,860 | 50% | \$ 8,009,629 | 54% |
| 2007 | \$ 9,318,836 | \$ 2,618,111 | \$ 2,003,240 | 50% | \$ 8,654,597 | 53% |
| 2008 | \$ 8,275,064 | \$ 2,827,560 | \$ 2,036,834 | 59% | \$ 8,589,398 | 57% |
| 2009 | \$ 7,919,675 | \$ 3,053,765 | \$ 1,805,070 | 61% | \$ 8,959,494 | 54% |
| 2010 | \$ 8,302,588 | \$ 3,296,066 | \$ 1,751,284 | 61% | \$ 9,047,021 | 56% |
| 2011 | \$ 8,329,444 | \$ 3,561,911 | \$ 1,857,533 | 65% | \$ 9,441,334 | 57% |
| 2012 | \$ 8,468,569 | \$ 4,505,745 | \$ 1,722,267 | 74% | \$ 9,214,083 | 68% |
| 2013 | \$ 8,644,534 | \$ 4,935,630 | \$ 1,958,353 | 80% | \$ 8,867,736 | 78% |
| 2014 | \$ 8,544,824 | \$ 5,191,340 | \$ 1,544,506 | 79% | \$ 7,872,875 | 86% |

IV. SCHEDULES OF INVESTMENT RETURNS

Police Pension & Relief Fund

| | |
|--|---------------|
| | <u>2014</u> |
| Annual money-weighted rate of return, net of investment expense | <u>10.65%</u> |

Firemen's Pension & Relief fund

| | |
|--|---------------|
| | <u>2014</u> |
| Annual money-weighted rate of return, net of investment expense | <u>11.17%</u> |

CITY OF CHARLESTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Fiscal Year Ended June 30, 2014

Notes to Required Supplementary Information-Police and Fire Pension Funds:

I. Actuarial Methods and Assumptions for the Schedules of Employer and Non-Employer Contributions

| Actuarial Valuation Date: | July 1, 2013 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|------|-------------------|--|-----------------|------------------------------|----------|--|------------------|-----|----|----------|----|-----|----|------|--|------|--|--|---|--|--|------|--|--|-----|--|--|------|--|--|--------------------------|--|--|------|--|--|
| Actuarial cost method: | Entry Age Normal, Level-Percentage-of-Pay | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Actuarial Value of Assets: | Market Value | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution policy and Amortization Method: | <p>The sponsor finances benefits using the Conservation funding policy as defined in WV State statutes. The sponsor makes contributions to two separate accounts--the Benefit Payment Account and the Accumulation Account. The Benefit Payment Account is used to finance benefits and expenses on a pay-as-you-go basis. Sources to pay current year benefits and expenses include minimum employee contributions of 6.5% of pay, any remaining state premium tax allocation as described below, and employer contributions. The Accumulation Account cannot be used to pay benefits and expenses until assets exceed actuarial liabilities.</p> <p>Contributions to the Accumulation Account include employee contributions of 1.5% of pay and the percentage of premium tax allocation which is projected to fully finance the projected liability in 35 years, since the adoption of the Conservation funding policy in 2011. Any remaining state premium tax allocation can be used to finance benefits and expenses during the year. The plan is closed to new members as of the adoption of the Conservation funding policy.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amortization method: | 30-Year Closed Level-Percentage-of-Pay | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Remaining amortization period: | 27 Years remaining as of July 1, 2013 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary increases: | <table border="0" style="margin-left: 40px;"> <tr> <td>General Inflation</td> <td>3.00%</td> <td>plus</td> <td>Wage Inflation</td> <td>1.00%</td> <td>plus</td> </tr> <tr> <td>Years of Service</td> <td></td> <td></td> <td>Increase</td> <td></td> <td></td> </tr> <tr> <td>1</td> <td></td> <td></td> <td>9.0%</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td>4.5%</td> <td></td> <td></td> </tr> <tr> <td>3-4</td> <td></td> <td></td> <td>2.0%</td> <td></td> <td></td> </tr> <tr> <td>After 4 years of service</td> <td></td> <td></td> <td>1.0%</td> <td></td> <td></td> </tr> </table> | | General Inflation | 3.00% | plus | Wage Inflation | 1.00% | plus | Years of Service | | | Increase | | | 1 | | | 9.0% | | | 2 | | | 4.5% | | | 3-4 | | | 2.0% | | | After 4 years of service | | | 1.0% | | |
| General Inflation | 3.00% | plus | Wage Inflation | 1.00% | plus | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Years of Service | | | Increase | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | | | 9.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | | | 4.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3-4 | | | 2.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| After 4 years of service | | | 1.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost of living increases: | 3.00% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment rate of return | <table border="0" style="margin-left: 40px;"> <tr> <td>PPRF</td> <td>5.0%</td> </tr> <tr> <td>FPRF</td> <td>5.0%</td> </tr> </table> | | PPRF | 5.0% | FPRF | 5.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PPRF | 5.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FPRF | 5.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Retirement age: | <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Rates</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">50-51</td> <td style="text-align: center;">45%</td> </tr> <tr> <td style="text-align: center;">52-54</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">55</td> <td style="text-align: center;">45%</td> </tr> <tr> <td style="text-align: center;">56</td> <td style="text-align: center;">35%</td> </tr> <tr> <td style="text-align: center;">57</td> <td style="text-align: center;">55%</td> </tr> <tr> <td style="text-align: center;">58</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> | | <u>Age</u> | <u>Rates</u> | 50-51 | 45% | 52-54 | 30% | 55 | 45% | 56 | 35% | 57 | 55% | 58 | 100% | | | | | | | | | | | | | | | | | | | | | | |
| <u>Age</u> | <u>Rates</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50-51 | 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 52-54 | 30% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55 | 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 56 | 35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 57 | 55% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 58 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mortality: | <table border="0" style="margin-left: 40px;"> <tr> <td>Active</td> <td>85 percent of 1994 Group Annuity Mortality</td> </tr> <tr> <td>Post-Retirement</td> <td>1994 Group Annuity Mortality</td> </tr> <tr> <td>Disabled</td> <td>1994 Group Annuity Mortality set forward 4 years</td> </tr> </table> | | Active | 85 percent of 1994 Group Annuity Mortality | Post-Retirement | 1994 Group Annuity Mortality | Disabled | 1994 Group Annuity Mortality set forward 4 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Active | 85 percent of 1994 Group Annuity Mortality | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Post-Retirement | 1994 Group Annuity Mortality | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Disabled | 1994 Group Annuity Mortality set forward 4 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**CITY OF CHARLESTON, WEST VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Fiscal Year Ended June 30, 2014**

II. GASB Statement No. 67 requires 10-year schedules of information for the Schedules of Changes in the Net Pension Liability, Total Net Pension Liability, and Investment Returns; however, ten years of information measured in conformity with the requirements of this statement are not available and this information may be presented prospectively until the ten year requirement is met.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

I. SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % Covered Payroll (b-a)/c |
|--------------------------|-------------------------------|---------------------------------------|-----------------------------|----------------------|---------------------|-------------------------------------|
| 7/1/08 | \$ -- | \$ 70,539,275 | \$ 70,539,275 | 0.00% | \$ 29,873,284 | 236.1% |
| 7/1/09 | \$ -- | \$ 79,643,383 | \$ 79,643,383 | 0.00% | \$ 31,068,215 | 256.4% |
| 7/1/10 | \$ -- | \$ 75,615,299 | \$ 75,615,299 | 0.00% | \$ 31,448,512 | 240.4% |
| 7/1/11 | \$ -- | \$ 60,679,215 | \$ 60,679,215 | 0.00% | \$ 29,494,443 | 205.7% |
| 7/1/12 | \$ -- | \$ 73,958,600 | \$ 73,958,600 | 0.00% | \$ 30,674,221 | 241.1% |
| 7/1/13 | \$ -- | \$ 85,737,794 | \$ 85,737,794 | 0.00% | \$ 30,511,701 | 281.0% |

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended June 30 | Annual Required Contribution | Employer Contributions | Percentage Contributed |
|--------------------|------------------------------|------------------------|------------------------|
| 2008 | \$ 5,828,921 | \$ 2,840,938 | 48.7% |
| 2009 | \$ 5,263,104 | \$ 3,058,157 | 58.1% |
| 2010 | \$ 5,828,921 | \$ 2,840,938 | 48.7% |
| 2011 | \$ 5,325,615 | \$ 2,836,898 | 53.3% |
| 2012 | \$ 5,315,345 | \$ 4,104,850 | 77.2% |
| 2013 | \$ 6,457,372 | \$ 4,587,248 | 71.0% |
| 2014 | \$ 7,499,563 | \$ 3,898,088 | 51.9% |

Note to Required Supplementary Information-Other Post Employment Benefits:

I. The OPEB valuation is of July 1, 2013.

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, 2014

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Permanent</u> | Total Nonmajor Governmental Funds |
|--|----------------------------|-----------------------------|-------------------------|-------------------------|--|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 866,510 | \$ 5,798,016 | \$ -- | \$ 151,567 | \$ 6,816,093 |
| Investments | 1,043,724 | -- | -- | 2,074,930 | 3,118,654 |
| Receivables: | | | | | |
| Accounts | 406,106 | 102 | -- | -- | 406,208 |
| Grants | 502,190 | -- | -- | -- | 502,190 |
| Loans | 150,143 | -- | -- | -- | 150,143 |
| Accrued interest | -- | -- | -- | 3,428 | 3,428 |
| Due from: | | | | | |
| Other funds | 283,892 | 971,455 | -- | 1,650 | 1,256,997 |
| Component units | 31,398 | -- | -- | -- | 31,398 |
| Restricted cash | <u>1,683,359</u> | <u>--</u> | <u>7</u> | <u>--</u> | <u>1,683,366</u> |
| Total assets | <u>\$ 4,967,322</u> | <u>\$ 6,769,573</u> | <u>\$ 7</u> | <u>\$ 2,231,575</u> | <u>\$ 13,968,477</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 394,752 | \$ 745,672 | \$ -- | \$ -- | \$ 1,140,424 |
| Due to: | | | | | |
| Other funds | 593,757 | 416,122 | -- | -- | 1,009,879 |
| Component unit | 2,222 | -- | -- | -- | 2,222 |
| Grant advances | <u>194,469</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>194,469</u> |
| Total liabilities | <u>1,185,200</u> | <u>1,161,794</u> | <u>--</u> | <u>--</u> | <u>2,346,994</u> |
| Fund balances: | | | | | |
| Nonspendable | -- | -- | -- | 1,286,351 | 1,286,351 |
| Restricted | 3,176,354 | 48,471 | 7 | 945,224 | 4,170,056 |
| Committed | <u>605,768</u> | <u>5,559,308</u> | <u>--</u> | <u>--</u> | <u>6,165,076</u> |
| Total fund balances | <u>3,782,122</u> | <u>5,607,779</u> | <u>7</u> | <u>2,231,575</u> | <u>11,621,483</u> |
| Total liabilities and fund balances | <u>\$ 4,967,322</u> | <u>\$ 6,769,573</u> | <u>\$ 7</u> | <u>\$ 2,231,575</u> | <u>\$ 13,968,477</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, 2014

| | <u>Special</u> | <u>Capital</u> | <u>Debt</u> | <u>Permanent</u> | Total Nonmajor Governmental <u>Funds</u> |
|--|----------------|-----------------|----------------|------------------|---|
| | <u>Revenue</u> | <u>Projects</u> | <u>Service</u> | | |
| REVENUES | | | | | |
| Intergovernmental: | | | | | |
| Federal | \$ 1,368,382 | \$ -- | \$ -- | \$ -- | \$ 1,368,382 |
| State | 30,000 | -- | -- | -- | 30,000 |
| Charges for services | 4,008,845 | 6,648 | -- | -- | 4,015,493 |
| Fines and forfeits | 607,189 | -- | -- | -- | 607,189 |
| Interest and investment earnings | 19,689 | 8,059 | 3,000 | 202,094 | 232,842 |
| Reimbursements | -- | 28,899 | -- | -- | 28,899 |
| Contributions and donations | 24,209 | 11,244 | -- | -- | 35,453 |
| Miscellaneous | 25,620 | -- | -- | -- | 25,620 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | \$ 6,083,934 | \$ 54,850 | \$ 3,000 | \$ 202,094 | \$ 6,343,878 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | \$ 123,283 | \$ -- | \$ -- | \$ -- | \$ 123,283 |
| Public safety | 1,261,723 | -- | -- | -- | 1,261,723 |
| Streets and transportation | 802 | -- | -- | -- | 802 |
| Health and sanitation | 1,111,505 | -- | -- | -- | 1,111,505 |
| Culture and recreation | -- | -- | -- | -- | -- |
| Social services | -- | -- | -- | 24,423 | 24,423 |
| Economic development | 312,908 | -- | -- | -- | 312,908 |
| Debt service: | | | | | |
| Principal | -- | -- | 210,000 | -- | 210,000 |
| Interest | -- | -- | 115,536 | -- | 115,536 |
| Capital outlay: | | | | | |
| Highways and streets | -- | 5,468,283 | -- | -- | 5,468,283 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 2,810,221 | 5,468,283 | 325,536 | 24,423 | 8,628,463 |
| Excess (deficiency) of revenues over (under) expenditures | | | | | |
| | \$ 3,273,713 | \$ (5,413,433) | \$ (322,536) | \$ 177,671 | \$ (2,284,585) |

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, 2014

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Permanent</u> | Total Nonmajor Governmental <u>Funds</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------------------|---|
| OTHER FINANCING SOURCES | | | | | |
| (USES) | | | | | |
| Transfers in | \$ 27,957 | \$ 7,640,184 | \$ 322,536 | \$ 23,025 | \$ 8,013,702 |
| Transfers (out) | <u>(3,181,348)</u> | <u>(44,177)</u> | <u> --</u> | <u> --</u> | <u>(3,225,525)</u> |
| Total other financing sources (uses) | <u>(3,153,391)</u> | <u> 7,596,007</u> | <u> 322,536</u> | <u> 23,025</u> | <u> 4,788,177</u> |
| Net change in fund balances | 120,322 | 2,182,574 | -- | 200,696 | 2,503,592 |
| Fund balances beginning-restated | <u> 3,661,800</u> | <u> 3,425,205</u> | <u> 7</u> | <u> 2,030,879</u> | <u> 9,117,891</u> |
| Fund balances ending | <u><u>\$ 3,782,122</u></u> | <u><u>\$ 5,607,779</u></u> | <u><u>\$ 7</u></u> | <u><u>\$ 2,231,575</u></u> | <u><u>\$ 11,621,483</u></u> |

See Independent Auditor's Report

CITY OF CHARLESTON, WEST VIRGINIA

SPECIAL REVENUE FUNDS

Nonmajor Funds

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.

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

Homeland Security Assistance to Firefighters Grant Fund This fund was established to account for federal grants received from the U.S. Department of Homeland Security passed through the state Secretary of Military Affairs and Public Safety to purchase face pieces, fit tests, and other authorized equipment purchases for the Charleston Fire Department.

Homeland Security Grant Fund This fund was established to account for federal grants received from the U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA) to account for purchase of First Response Equipment for the City's public safety activities.

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.

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 and private contributions for the City of Charleston, WV Riverfront Park (Haddad Park).

CITY OF CHARLESTON, WEST VIRGINIA
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

| | Asset Forfeiture and Reimbursement | Byrne Justice Assistance Grant | Charleston Land Trust Commission | DOT Federal Grant |
|--|---|--------------------------------------|---|-------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 145,640 | \$ 37,500 | \$ 44,358 | \$ -- |
| Investments | -- | -- | -- | -- |
| Receivables: | | | | |
| Accounts | -- | -- | 25 | -- |
| Grants | -- | 82,340 | -- | 6,034 |
| Loans | -- | -- | -- | -- |
| Interest | -- | -- | -- | -- |
| Due from: | | | | |
| Other funds | 21,864 | 18,792 | -- | -- |
| Component units | -- | -- | -- | -- |
| Restricted cash | -- | -- | -- | -- |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | \$ <u>167,504</u> | \$ <u>138,632</u> | \$ <u>44,383</u> | \$ <u>6,034</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 8,102 | \$ 44,945 | \$ -- | \$ -- |
| Due to: | | | | |
| Other funds | -- | 60,409 | -- | 6,034 |
| Component unit | -- | -- | -- | -- |
| Other liabilities: | | | | |
| Grant advances | -- | 33,278 | -- | -- |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>8,102</u> | <u>138,632</u> | <u>--</u> | <u>6,034</u> |
| Fund balances: | | | | |
| Restricted | 159,402 | -- | 44,383 | -- |
| Committed | -- | -- | -- | -- |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>159,402</u> | <u>--</u> | <u>44,383</u> | <u>--</u> |
| Total liabilities and fund balances | \$ <u>167,504</u> | \$ <u>138,632</u> | \$ <u>44,383</u> | \$ <u>6,034</u> |

CONTINUED

| <u>Homeland Security Assistance</u> | <u>Homeland Security Grant</u> | <u>Human Rights</u> | <u>Metro Loan</u> | <u>Municipal Beautification</u> | <u>Municipal Court</u> |
|-------------------------------------|--------------------------------|---------------------|-------------------|---------------------------------|------------------------|
| \$ -- | \$ -- | \$ 176,848 | \$ -- | \$ 31,266 | \$ 174,259 |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | 66,262 |
| 50,350 | 123,864 | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| 50,350 | 123,864 | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| <u>\$ 100,700</u> | <u>\$ 247,728</u> | <u>\$ 176,848</u> | <u>\$ --</u> | <u>\$ 31,266</u> | <u>\$ 240,521</u> |
| \$ 50,350 | \$ 123,864 | \$ -- | \$ -- | \$ -- | \$ 30,266 |
| 50,350 | 123,864 | -- | -- | -- | 93,321 |
| -- | -- | -- | -- | -- | -- |
| -- | -- | 161,191 | -- | -- | -- |
| <u>100,700</u> | <u>247,728</u> | <u>161,191</u> | <u>--</u> | <u>--</u> | <u>123,587</u> |
| -- | -- | 15,657 | -- | -- | 116,934 |
| -- | -- | -- | -- | 31,266 | -- |
| -- | -- | 15,657 | -- | 31,266 | 116,934 |
| <u>\$ 100,700</u> | <u>\$ 247,728</u> | <u>\$ 176,848</u> | <u>\$ --</u> | <u>\$ 31,266</u> | <u>\$ 240,521</u> |

CONTINUED

| <u>Police & Fire Donations</u> | <u>Police Grants</u> | <u>Public Arts Grant</u> | <u>Rail Trail Project</u> | <u>Rental Rehabilitation</u> | <u>Solid Waste</u> |
|--|--------------------------|----------------------------------|-------------------------------|----------------------------------|------------------------|
| \$ 22,887 | \$ 78,966 | \$ 48,160 | \$ -- | \$ -- | \$ 39,193 |
| -- | -- | -- | -- | -- | 1,043,724 |
| -- | -- | -- | -- | -- | 339,819 |
| -- | 149,146 | -- | 72,957 | -- | -- |
| -- | -- | -- | -- | 150,143 | -- |
| -- | -- | -- | -- | -- | -- |
| -- | 27,630 | -- | 37,188 | -- | -- |
| -- | -- | -- | -- | -- | 31,398 |
| -- | -- | -- | -- | -- | 1,683,359 |
| <u>\$ 22,887</u> | <u>\$ 255,742</u> | <u>\$ 48,160</u> | <u>\$ 110,145</u> | <u>\$ 150,143</u> | <u>\$ 3,137,493</u> |
| \$ -- | \$ 35,045 | \$ -- | \$ 34,455 | \$ -- | \$ 46,239 |
| -- | 183,872 | -- | 75,690 | -- | -- |
| -- | -- | -- | -- | -- | 2,222 |
| -- | -- | -- | -- | -- | -- |
| -- | 218,917 | -- | 110,145 | -- | 48,461 |
| -- | 36,825 | 48,160 | -- | -- | 2,737,943 |
| <u>22,887</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>150,143</u> | <u>351,089</u> |
| <u>22,887</u> | <u>36,825</u> | <u>48,160</u> | <u>--</u> | <u>150,143</u> | <u>3,089,032</u> |
| <u>\$ 22,887</u> | <u>\$ 255,742</u> | <u>\$ 48,160</u> | <u>\$ 110,145</u> | <u>\$ 150,143</u> | <u>\$ 3,137,493</u> |

CONTINUED

| <u>Special Demolition</u> | <u>Supportive Housing</u> | <u>U.S. Small Business Administration</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|-------------------------------|-------------------------------|---|---|
| \$ 50,383 | \$ -- | \$ 17,050 | \$ 866,510 |
| -- | -- | -- | 1,043,724 |
| -- | -- | -- | 406,106 |
| -- | 17,499 | -- | 502,190 |
| -- | -- | -- | 150,143 |
| -- | -- | -- | -- |
| -- | -- | 4,204 | 283,892 |
| -- | -- | -- | 31,398 |
| -- | -- | -- | 1,683,359 |
| <u>\$ 50,383</u> | <u>\$ 17,499</u> | <u>\$ 21,254</u> | <u>\$ 4,967,322</u> |
| \$ -- | \$ 17,282 | \$ 4,204 | \$ 394,752 |
| -- | 217 | -- | 593,757 |
| -- | -- | -- | 2,222 |
| -- | -- | -- | 194,469 |
| -- | 17,499 | 4,204 | 1,185,200 |
| -- | -- | 17,050 | 3,176,354 |
| <u>50,383</u> | <u>--</u> | <u>--</u> | <u>605,768</u> |
| <u>50,383</u> | <u>--</u> | <u>17,050</u> | <u>3,782,122</u> |
| <u>\$ 50,383</u> | <u>\$ 17,499</u> | <u>\$ 21,254</u> | <u>\$ 4,967,322</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, 2014

| | Asset Forfeiture and Reimbursement | Byrne Justice Assistance Grant | Charleston Land Trust Commission | DOT Federal Grant | Homeland Security Assistance |
|---|---|--------------------------------------|---|-------------------------|------------------------------------|
| REVENUES | | | | | |
| Intergovernmental: | | | | | |
| Federal | \$ -- | \$ 260,589 | \$ -- | \$ -- | \$ 159,074 |
| State | -- | -- | -- | -- | -- |
| Charges for services | -- | -- | -- | -- | -- |
| Fines and forfeits | 125,796 | -- | -- | -- | -- |
| Interest and investment earnings | 472 | -- | 165 | -- | -- |
| Contributions and donations | -- | -- | 3,644 | -- | -- |
| Miscellaneous | -- | -- | -- | -- | -- |
| Total revenues | <u>126,268</u> | <u>260,589</u> | <u>3,809</u> | <u>--</u> | <u>159,074</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | -- | -- | -- | -- | -- |
| Public safety | 114,420 | 260,589 | -- | -- | 159,074 |
| Streets and transportation | -- | -- | -- | -- | -- |
| Culture and recreation | -- | -- | -- | -- | -- |
| Health and sanitation | -- | -- | -- | -- | -- |
| Economic development | -- | -- | 6,597 | -- | -- |
| Total expenditures | <u>114,420</u> | <u>260,589</u> | <u>6,597</u> | <u>--</u> | <u>159,074</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>11,848</u> | <u>--</u> | <u>(2,788)</u> | <u>--</u> | <u>--</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | -- | -- | -- | -- | -- |
| Transfers (out) | -- | -- | -- | -- | -- |
| Total other financing sources (uses) | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Net change in fund balances | 11,848 | -- | (2,788) | -- | -- |
| Fund balances - beginning -restated | <u>147,554</u> | <u>--</u> | <u>47,171</u> | <u>--</u> | <u>--</u> |
| Fund balances - ending | <u>\$ 159,402</u> | <u>\$ --</u> | <u>\$ 44,383</u> | <u>\$ --</u> | <u>\$ --</u> |

CONTINUED

| <u>Homeland Security Grant</u> | <u>Human Rights</u> | <u>Metro Loan</u> | <u>Municipal Beautification</u> | <u>Municipal Court</u> | <u>Police & Fire Donations</u> | <u>Police Grants</u> |
|--|-------------------------|-----------------------|-------------------------------------|----------------------------|--|--------------------------|
| \$ 123,864 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 583,073 |
| -- | -- | -- | -- | -- | -- | -- |
| -- | -- | -- | 618 | -- | -- | -- |
| -- | -- | -- | -- | 481,393 | -- | -- |
| -- | -- | 4 | 115 | -- | 146 | -- |
| -- | -- | -- | 60 | -- | 425 | -- |
| -- | -- | -- | -- | -- | -- | -- |
| <u>123,864</u> | <u>--</u> | <u>4</u> | <u>793</u> | <u>481,393</u> | <u>571</u> | <u>583,073</u> |
| -- | -- | -- | -- | 123,283 | -- | -- |
| 123,864 | -- | -- | -- | -- | 20,703 | 583,073 |
| -- | -- | -- | 802 | -- | -- | -- |
| -- | -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- | -- |
| -- | -- | 6,572 | -- | -- | -- | -- |
| <u>123,864</u> | <u>--</u> | <u>6,572</u> | <u>802</u> | <u>123,283</u> | <u>20,703</u> | <u>583,073</u> |
| -- | -- | (6,568) | (9) | 358,110 | (20,132) | -- |
| -- | -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | (358,615) | -- | -- |
| -- | -- | -- | -- | (358,615) | -- | -- |
| -- | -- | (6,568) | (9) | (505) | (20,132) | -- |
| -- | 15,657 | 6,568 | 31,275 | 117,439 | 43,019 | 36,825 |
| <u>\$ --</u> | <u>\$ 15,657</u> | <u>\$ --</u> | <u>\$ 31,266</u> | <u>\$ 116,934</u> | <u>\$ 22,887</u> | <u>\$ 36,825</u> |

CONTINUED

| <u>Public Arts Grant</u> | <u>Rail Trail Project</u> | <u>Rental Rehabilitation</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> |
|----------------------------------|-------------------------------|----------------------------------|------------------------|-------------------------------|-------------------------------|---|---|
| \$ -- | \$ 138,297 | \$ -- | \$ -- | \$ -- | \$ 103,485 | \$ -- | \$ 1,368,382 |
| -- | 30,000 | -- | -- | -- | -- | -- | 30,000 |
| -- | -- | -- | 4,008,227 | -- | -- | -- | 4,008,845 |
| -- | -- | -- | -- | -- | -- | -- | 607,189 |
| -- | -- | -- | 18,617 | 170 | -- | -- | 19,689 |
| 20,080 | -- | -- | -- | -- | -- | -- | 24,209 |
| -- | -- | -- | -- | 25,620 | -- | -- | 25,620 |
| <u>20,080</u> | <u>168,297</u> | <u>--</u> | <u>4,026,844</u> | <u>25,790</u> | <u>103,485</u> | <u>--</u> | <u>6,083,934</u> |
| -- | -- | -- | -- | -- | -- | -- | 123,283 |
| -- | -- | -- | -- | -- | -- | -- | 1,261,723 |
| -- | -- | -- | -- | -- | -- | -- | 802 |
| -- | -- | -- | -- | -- | -- | -- | -- |
| -- | -- | -- | 1,111,505 | -- | -- | -- | 1,111,505 |
| -- | 171,264 | -- | -- | -- | 103,485 | 24,990 | 312,908 |
| <u>--</u> | <u>171,264</u> | <u>--</u> | <u>1,111,505</u> | <u>--</u> | <u>103,485</u> | <u>24,990</u> | <u>2,810,221</u> |
| <u>20,080</u> | <u>(2,967)</u> | <u>--</u> | <u>2,915,339</u> | <u>25,790</u> | <u>--</u> | <u>(24,990)</u> | <u>3,273,713</u> |
| -- | 2,967 | -- | -- | -- | -- | 24,990 | 27,957 |
| <u>--</u> | <u>(2,733)</u> | <u>(20,000)</u> | <u>(2,800,000)</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(3,181,348)</u> |
| <u>--</u> | <u>234</u> | <u>(20,000)</u> | <u>(2,800,000)</u> | <u>--</u> | <u>--</u> | <u>24,990</u> | <u>(3,153,391)</u> |
| 20,080 | (2,733) | (20,000) | 115,339 | 25,790 | -- | -- | 120,322 |
| <u>28,080</u> | <u>2,733</u> | <u>170,143</u> | <u>2,973,693</u> | <u>24,593</u> | <u>--</u> | <u>17,050</u> | <u>3,661,800</u> |
| <u>\$ 48,160</u> | <u>\$ --</u> | <u>\$ 150,143</u> | <u>\$ 3,089,032</u> | <u>\$ 50,383</u> | <u>\$ --</u> | <u>\$ 17,050</u> | <u>\$ 3,782,122</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.

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.

Convention & Civic Center Expansion/Renovation Project This City Council established fund is to account for capital improvement associated with the Charleston Convention and Civic Center Project to be financed with city sales and use tax revenue.

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, 2014

| | <u>Ball Park Maintenance</u> | <u>Bridge</u> | <u>City Service Fee Project</u> | <u>Civic Center Capital Improvements</u> | <u>Covention Civic Center Project</u> |
|--|----------------------------------|---------------|-------------------------------------|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 51,555 | \$ 110 | \$ 306,829 | \$ 290,614 | \$ -- |
| Accounts receivable | -- | -- | -- | -- | -- |
| Due from : | | | | | |
| Other funds | <u>--</u> | <u>--</u> | <u>556,804</u> | <u>--</u> | <u>248,721</u> |
| Total assets | <u>\$ 51,555</u> | <u>\$ 110</u> | <u>\$ 863,633</u> | <u>\$ 290,614</u> | <u>\$ 248,721</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 3,084 | \$ -- | \$ 700,436 | \$ -- | \$ -- |
| Due to: | | | | | |
| Other funds | <u>--</u> | <u>--</u> | <u>163,197</u> | <u>--</u> | <u>248,721</u> |
| Total liabilities | <u>3,084</u> | <u>--</u> | <u>863,633</u> | <u>--</u> | <u>248,721</u> |
| FUND BALANCES | | | | | |
| Restricted | 48,471 | -- | -- | -- | -- |
| Committed | <u>--</u> | <u>110</u> | <u>--</u> | <u>290,614</u> | <u>--</u> |
| Total fund balances | <u>48,471</u> | <u>110</u> | <u>--</u> | <u>290,614</u> | <u>--</u> |
| Total liabilities and fund balances | <u>\$ 51,555</u> | <u>\$ 110</u> | <u>\$ 863,633</u> | <u>\$ 290,614</u> | <u>\$ 248,721</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> |
|--|--------------------------------|-----------------------|--|-------------------------|----------------------------------|--|
| \$ 4,171,515 | \$ 689,346 | \$ 145,160 | \$ 130,095 | \$ 3,054 | \$ 9,738 | \$ 5,798,016 |
| 102 | -- | -- | -- | -- | -- | 102 |
| -- | 165,930 | -- | -- | -- | -- | 971,455 |
| <u>\$ 4,171,617</u> | <u>\$ 855,276</u> | <u>\$ 145,160</u> | <u>\$ 130,095</u> | <u>\$ 3,054</u> | <u>\$ 9,738</u> | <u>\$ 6,769,573</u> |
| | | | | | | |
| \$ 5,335 | \$ 36,817 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 745,672 |
| 4,204 | -- | -- | -- | -- | -- | 416,122 |
| 9,539 | 36,817 | -- | -- | -- | -- | 1,161,794 |
| -- | -- | -- | -- | -- | -- | 48,471 |
| 4,162,078 | 818,459 | 145,160 | 130,095 | 3,054 | 9,738 | 5,559,308 |
| 4,162,078 | 818,459 | 145,160 | 130,095 | 3,054 | 9,738 | 5,607,779 |
| <u>\$ 4,171,617</u> | <u>\$ 855,276</u> | <u>\$ 145,160</u> | <u>\$ 130,095</u> | <u>\$ 3,054</u> | <u>\$ 9,738</u> | <u>\$ 6,769,573</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, 2014

| | <u>Ball Park Maintenance</u> | <u>Bridge</u> | <u>City Service Fee Project</u> | <u>Civic Center Capital Improvements</u> | <u>Convention Civic Center Project</u> |
|---|----------------------------------|---------------|-------------------------------------|--|--|
| REVENUES | | | | | |
| Charges for services | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Interest and investment earnings | 141 | 1 | 2,319 | 843 | -- |
| Contributions and donations | -- | -- | -- | 3,000 | -- |
| Reimbursements | -- | -- | 28,899 | -- | -- |
| Total revenues | <u>141</u> | <u>1</u> | <u>31,218</u> | <u>3,843</u> | <u>--</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Capital projects | <u>9,051</u> | <u>--</u> | <u>3,364,173</u> | <u>--</u> | <u>317,672</u> |
| Total expenditures | <u>9,051</u> | <u>--</u> | <u>3,364,173</u> | <u>--</u> | <u>317,672</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(8,910)</u> | <u>1</u> | <u>(3,332,955)</u> | <u>3,843</u> | <u>(317,672)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 25,000 | -- | 2,206,804 | 91,881 | 317,672 |
| Transfers (out) | <u>--</u> | <u>--</u> | <u>--</u> | <u>(8,560)</u> | <u>--</u> |
| Total other financing sources (uses) | <u>25,000</u> | <u>--</u> | <u>2,206,804</u> | <u>83,321</u> | <u>317,672</u> |
| Net change in fund balances | 16,090 | 1 | (1,126,151) | 87,164 | -- |
| Fund balances - beginning | <u>32,381</u> | <u>109</u> | <u>1,126,151</u> | <u>203,450</u> | <u>--</u> |
| Fund balances - ending | <u>\$ 48,471</u> | <u>\$ 110</u> | <u>\$ --</u> | <u>\$ 290,614</u> | <u>\$ --</u> |

CONTINUED

| Facilities Maintenance Fund | General Maintenance | Infrastructure | Municipal Auditorium Capital Improvements | Soccer Field | South Side Recreation | Total Nonmajor Capital Projects Funds |
|-----------------------------------|------------------------|-------------------|--|-----------------|--------------------------|---|
| \$ -- | \$ -- | \$ -- | \$ 6,648 | \$ -- | \$ -- | \$ 6,648 |
| 980 | 2,711 | 532 | 485 | 11 | 36 | 8,059 |
| -- | 8,244 | -- | -- | -- | -- | 11,244 |
| -- | -- | -- | -- | -- | -- | 28,899 |
| <u>980</u> | <u>10,955</u> | <u>532</u> | <u>7,133</u> | <u>11</u> | <u>36</u> | <u>54,850</u> |
| <u>298,885</u> | <u>1,478,502</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>5,468,283</u> |
| <u>298,885</u> | <u>1,478,502</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>5,468,283</u> |
| <u>(297,905)</u> | <u>(1,467,547)</u> | <u>532</u> | <u>7,133</u> | <u>11</u> | <u>36</u> | <u>(5,413,433)</u> |
| 4,281,094 | 717,733 | -- | -- | -- | -- | 7,640,184 |
| <u>(4,204)</u> | <u>(23,753)</u> | <u>--</u> | <u>(7,660)</u> | <u>--</u> | <u>--</u> | <u>(44,177)</u> |
| <u>4,276,890</u> | <u>693,980</u> | <u>--</u> | <u>(7,660)</u> | <u>--</u> | <u>--</u> | <u>7,596,007</u> |
| 3,978,985 | (773,567) | 532 | (527) | 11 | 36 | 2,182,574 |
| <u>183,093</u> | <u>1,592,026</u> | <u>144,628</u> | <u>130,622</u> | <u>3,043</u> | <u>9,702</u> | <u>3,425,205</u> |
| <u>\$ 4,162,078</u> | <u>\$ 818,459</u> | <u>\$ 145,160</u> | <u>\$ 130,095</u> | <u>\$ 3,054</u> | <u>\$ 9,738</u> | <u>\$ 5,607,779</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, 2014**

| | <u>Sinking Fund</u> |
|--------------------------------------|---------------------|
| ASSETS | |
| Restricted cash | \$ <u>7</u> |
| Total assets | \$ <u><u>7</u></u> |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES | \$ <u><u>--</u></u> |
| FUND BALANCE | |
| 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, 2014**

| | <u>Sinking Fund</u> |
|--|---------------------|
| REVENUES | |
| Interest and investment earnings | \$ <u>3,000</u> |
| Total revenues | <u>3,000</u> |
| EXPENDITURES | |
| Current: | |
| Principal | 210,000 |
| Interest | <u>115,536</u> |
| Total expenditures | <u>325,536</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(322,536)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers in | <u>322,536</u> |
| Total other financing sources (uses) | <u>322,536</u> |
| Net change in fund balance | -- |
| Fund balance - beginning | <u>7</u> |
| Fund balance - ending | <u><u>\$ 7</u></u> |

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, 2014

| | <u>Spring Hill Cemetery</u> |
|--|---------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 151,567 |
| Investments | 2,074,930 |
| Receivables: | |
| Accrued interest | 3,428 |
| Due from: | |
| Other funds | <u>1,650</u> |
| Total assets | \$ <u><u>2,231,575</u></u> |
| FUND BALANCE | |
| Nonspendable | \$ 1,286,351 |
| Restricted | <u>945,224</u> |
| Total fund balances | <u>2,231,575</u> |
| Total liabilities and fund balance | \$ <u><u>2,231,575</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, 2014**

| | <u>Spring Hill Cemetery</u> |
|--|---------------------------------|
| REVENUES | |
| Investment earnings | \$ <u>202,094</u> |
| Total revenues | <u>202,094</u> |
| EXPENDITURES | |
| Current: | |
| Social services | <u>24,423</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>177,671</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers in | <u>23,025</u> |
| Net change in fund balance | 200,696 |
| Fund balance - beginning | <u>2,030,879</u> |
| Fund balance - ending | <u><u>\$ 2,231,575</u></u> |

See Independent Auditor's Report

CITY OF CHARLESTON, WEST VIRGINIA FIDUCIARY FUND FINANCIAL STATEMENTS

Pension Trust Funds

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 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.

CITY OF CHARLESTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2014

| | Pension Trust Funds | | Total Pension Trust Funds |
|---|--------------------------------------|------------------------------------|---------------------------------|
| | Policemen's Pension and Relief | Firemen's Pension and Relief | |
| ASSETS | | | |
| Non-pooled cash | \$ 2,509,271 | \$ 3,817,158 | \$ 6,326,429 |
| Total cash | 2,509,271 | 3,817,158 | 6,326,429 |
| Investments, at fair value: | | | |
| Federal government securities | 2,152,049 | 3,254,878 | 5,406,927 |
| Certificates of deposit | -- | 200,677 | 200,677 |
| Managed bond funds | 3,222,246 | -- | 3,222,246 |
| Managed stock funds | 7,312,406 | 6,269,695 | 13,582,101 |
| Total investments | 12,686,701 | 9,725,250 | 22,411,951 |
| Receivables: | | | |
| Interest | 46,790 | 3,374 | 50,164 |
| Total receivables | 46,790 | 3,374 | 50,164 |
| Total assets | \$ 15,242,762 | \$ 13,545,782 | \$ 28,788,544 |
| LIABILITIES | | | |
| Accounts payable | \$ -- | \$ -- | \$ -- |
| Benefits payable | -- | 568,929 | 568,929 |
| Total liabilities | \$ -- | \$ 568,929 | \$ 568,929 |
| NET POSITION | | | |
| Net position restricted for pensions | \$ 15,242,762 | \$ 12,976,853 | \$ 28,219,615 |

CITY OF CHARLESTON, WEST VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

| | Pension Trust Funds | | Totals |
|--|--------------------------------------|------------------------------------|---------------|
| | Policemen's Pension and Relief | Firemen's Pension and Relief | |
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 4,919,728 | \$ 5,191,340 | \$ 10,111,068 |
| Plan members | 648,924 | 603,333 | 1,252,257 |
| State of West Virginia insurance premium surtax allocations | 1,820,127 | 1,770,140 | 3,590,267 |
| Total contributions | 7,388,779 | 7,564,813 | 14,953,592 |
| Investment earnings: | | | |
| Net increase (decrease) in fair value of investments | 1,280,078 | 1,167,115 | 2,447,193 |
| Net gain (loss) on sale of investments | -- | -- | -- |
| Interest and dividends | 266,022 | 208,318 | 474,340 |
| Miscellaneous | -- | -- | -- |
| Less: investment expense | (130,236) | (57,438) | (187,674) |
| Net investment income | 1,415,864 | 1,317,995 | 2,733,859 |
| Total additions | 8,804,643 | 8,882,808 | 17,687,451 |
| DEDUCTIONS | | | |
| Benefits | 6,607,935 | 6,822,655 | 13,430,590 |
| Administrative expenses | 22,264 | 8,132 | 30,396 |
| Refunds of contributions | 80,197 | 121,104 | 201,301 |
| Miscellaneous | -- | -- | -- |
| Total deductions | 6,710,396 | 6,951,891 | 13,662,287 |
| Net increase in net position | 2,094,247 | 1,930,917 | 4,025,164 |
| Net position restricted for pensions | | | |
| Beginning of year | 13,148,515 | 11,045,936 | 24,194,451 |
| End of year | \$ 15,242,762 | \$ 12,976,853 | \$ 28,219,615 |

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, 2014

| | <u>Civic Center Ticket</u> | <u>Civic Center Promotions</u> | <u>Metro Drug Enforcement Task Force</u> | <u>Pending Forfeiture</u> | <u>Police Asset & Liability</u> | <u>Total Agency Funds</u> |
|------------------------------|--------------------------------|------------------------------------|--|-------------------------------|---|-----------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents \$ | 479,123 | \$ 4,870 | \$ 348,695 | \$ 1,368,109 | \$ 23,320 | \$ 2,224,117 |
| Receivables: | | | | | | |
| Accounts | -- | -- | 6,389 | -- | -- | 6,389 |
| Due from other funds | <u>--</u> | <u>--</u> | <u>10,023</u> | <u>--</u> | <u>--</u> | <u>10,023</u> |
| Total assets | <u>\$ 479,123</u> | <u>\$ 4,870</u> | <u>\$ 365,107</u> | <u>\$ 1,368,109</u> | <u>\$ 23,320</u> | <u>\$ 2,240,529</u> |
| LIABILITIES | | | | | | |
| Refunds payable and other \$ | 479,123 | \$ 4,870 | \$ 347,047 | \$ 1,355,482 | \$ 23,320 | \$ 2,209,842 |
| Due to other funds | <u>--</u> | <u>--</u> | <u>18,060</u> | <u>12,627</u> | <u>--</u> | <u>30,687</u> |
| Total liabilities | <u>\$ 479,123</u> | <u>\$ 4,870</u> | <u>\$ 365,107</u> | <u>\$ 1,368,109</u> | <u>\$ 23,320</u> | <u>\$ 2,240,529</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, 2014

| | Civic Center Ticket | Civic Center Promotions | Metro Drug Enforcement Task Force | Pending Forfeiture | Police Asset & Liability | Total Agency Funds |
|------------------------------------|------------------------|----------------------------|---|-----------------------|--------------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | | | | | | |
| July 1, 2013 | \$ 441,221 | \$ 7,547 | \$ 263,521 | \$ 1,248,970 | \$ 6,333 | \$ 1,967,592 |
| Receivables, July 1, 2013 | -- | -- | 15,822 | -- | -- | 15,822 |
| Due from other funds, July 1, 2013 | | | | | | |
| Additions-cash | 8,010,449 | 169,236 | 706,939 | 661,847 | 16,987 | 9,565,458 |
| Deductions-cash | (7,972,547) | (171,913) | (621,765) | (542,708) | -- | (9,308,933) |
| Additions-receivable | -- | -- | 6,389 | -- | -- | 6,389 |
| Deductions-receivable | -- | -- | (15,822) | -- | -- | (15,822) |
| Additions-due from other funds | -- | -- | 10,023 | -- | -- | 10,023 |
| Deductions-due from other funds | -- | -- | -- | -- | -- | -- |
| Cash and cash equivalents | | | | | | |
| June 30, 2014 | 479,123 | 4,870 | 348,695 | 1,368,109 | 23,320 | 2,224,117 |
| Receivables, June 30, 2014 | -- | -- | 6,389 | -- | -- | 6,389 |
| Due from other funds, | | | | | | |
| June 30, 2014 | -- | -- | 10,023 | -- | -- | 10,023 |
| Total assets, June 30, 2014 | \$ <u>479,123</u> | \$ <u>4,870</u> | \$ <u>365,107</u> | \$ <u>1,368,109</u> | \$ <u>23,320</u> | \$ <u>2,240,529</u> |
| LIABILITIES | | | | | | |
| Refunds payable and others | | | | | | |
| July 1, 2013 | \$ 441,221 | \$ 7,547 | \$ 266,342 | \$ 1,248,970 | \$ 6,333 | \$ 1,970,413 |
| Additions | 8,010,449 | 169,236 | 539,311 | 649,220 | 16,987 | 9,385,203 |
| Deductions | (7,972,547) | (171,913) | (458,606) | (542,708) | -- | (9,145,774) |
| Due to other funds | | | | | | |
| July 1, 2013 | -- | -- | 13,001 | -- | -- | 13,001 |
| Additions | -- | -- | 18,060 | 12,627 | -- | 30,687 |
| Deductions | -- | -- | (13,001) | -- | -- | (13,001) |
| Refunds payable and others | | | | | | |
| June 30, 2014 | 479,123 | 4,870 | 347,047 | 1,355,482 | 23,320 | 2,209,842 |
| Due to other funds | | | | | | |
| June 30, 2014 | -- | -- | 18,060 | 12,627 | -- | 30,687 |
| Total liabilities, June 30, 2014 | \$ <u>479,123</u> | \$ <u>4,870</u> | \$ <u>365,107</u> | \$ <u>1,368,109</u> | \$ <u>23,320</u> | \$ <u>2,240,529</u> |

See Independent Auditor's Report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Charleston, West Virginia, (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2015. Our report includes a reference to other auditors who audited the financial statements of the Charleston Sanitary Board, the Charleston Urban Renewal Authority, and the Charleston Convention and Visitor's Bureau, as described in our audit report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by these auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

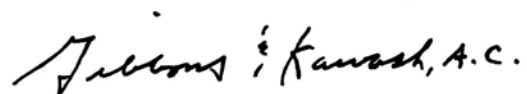
As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

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

Purpose of this Report

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



Charleston, West Virginia
January 27, 2015

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

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

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

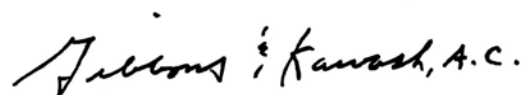
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Charleston, West Virginia
January 27, 2015

**CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| Program Title | Federal CFDA Number | Pass Thru Agency Reference | Total Current Year Expenditures |
|--|------------------------|-------------------------------|---------------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Direct programs: | | | |
| CDBG-Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | - | \$ 2,233,371 |
| Emergency Shelter Grants Program | 14.231 | - | 70,197 |
| Supportive Housing Program | 14.235 | - | 103,485 |
| HOME Investment Partnerships Program | 14.239 | - | 782,695 |
| Pass-Through Programs From: | | | |
| State of West Virginia Governor's Office of Economic Opportunity: | | | |
| Emergency Shelter Grants Program | 14.231 | S-12-DC-54-001 | <u>222,296</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>3,412,044</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Pass-Through Programs From: | | | |
| West Virginia Department of Military Affairs and Public Safety | | | |
| Homeland Security | 97.067 | 10-SHS-36 | 108,724 |
| Homeland Security | 97.067 | 11-SHS-39 | 50,350 |
| Port Security Grant Program | 97.056 | - | 123,864 |
| West Virginia Division of Homeland Security and Emergency Management | | | |
| Emergency Management Performance Grants | 97.042 | - | 100,436 |
| Homeland Security | 97.036 | - | <u>46,526</u> |
| Total U.S. Department of Homeland Security | | | <u>429,900</u> |
| U.S. DEPARTMENT OF ENERGY | | | |
| Pass-Through Programs From: | | | |
| West Virginia Division of Energy | | | |
| Energy Program (SEP) Formula Grants | 81.041 | - | <u>8,840</u> |
| Total U.S. Department of Energy | | | <u>8,840</u> |
| FEDERAL HIGHWAY ADMINISTRATION | | | |
| Pass-Through Programs From: | | | |
| State of West Virginia Department of Transportation Congressional Appropriation Section 117 | | | |
| | 20.205 | TEA-OH22 (001)D | <u>138,297</u> |
| Total Federal Highway Administration | | | <u>138,297</u> |

(Continued)

CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

| Program Title | Federal CFDA Number | Pass Thru Agency Reference | Total Current Year Expenditures |
|--|------------------------|-------------------------------|---------------------------------------|
| U.S. DEPARTMENT OF JUSTICE | | | |
| JAG Program Cluster: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | - | 66,844 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | - | 34,325 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | - | <u>62,610</u> |
| Total JAG Program Cluster | | | <u>163,779</u> |
| Drug Marketing Intervention | 16.817 | - | 96,811 |
| Pass-Through Programs From: | | | |
| West Virginia Department of Criminal Justice Services | | | |
| Crime Victims Assistance | 16.575 | 12-VA-022 | 5,167 |
| Crime Victims Assistance | 16.575 | 13-VA-006 | 25,833 |
| Edward Byrne Memorial Formula Grant Program | 16.579 | 12-JAG-43 | 30,000 |
| MDENT Task Force | 16.579 | 12-JAG-03 | <u>50,000</u> |
| Total U. S. Department of Justice | | | <u>371,590</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Pass-Through Programs From: | | | |
| West Virginia Department of Transportation | | | |
| So. Central Region Safe | 20.600 | F13HS-08 | 136,352 |
| So. Central Region Safe | 20.600 | F14HS-08 | <u>310,536</u> |
| Total U.S. Department of Transportation | | | <u>446,888</u> |
| TOTAL FEDERAL AWARDS EXPENDITURES | | | <u>\$ 4,807,559</u> |

The accompanying notes are an integral part of this schedule.

CITY OF CHARLESTON, WEST VIRGINIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

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 had the following loan balances outstanding at June 30, 2014. These loan balances outstanding 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 | \$ 2,233,371 |
| HOME Investment Partnerships Program | 14.239 | \$ 782,695 |

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> |
|---|--------------------------------|-------------------------------|
| Edward Byrne Memorial Formula Grant Program | 16.579 | \$ 50,000 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | \$ 163,779 |
| State and Community Highway Safety | 20.600 | \$ 446,888 |
| Drug Marketing Interaction | 16.817 | \$ 96,811 |

CITY OF CHARLESTON, WEST VIRGINIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

| | | | | |
|---|---------------|-----|---------------|---------------|
| Type of auditor's report issued: | | | | Unmodified |
| 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> </u> | yes | <u> X </u> | no |

Federal Awards

| | | | | |
|--|---------------|-----|--------------|---------------|
| Internal control over major programs: | | | | |
| • Material weakness(es) identified? | <u> </u> | yes | <u> X </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: | | | | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | <u> </u> | yes | <u> X </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 |
| 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, 2014

Section II - Financial Statement Findings

2014-001 FILE MAINTENANCE AND DOCUMENTATION OF PENSION RECORDS - FIREMEN'S PENSION AND RELIEF FUND (FPRF)

Criteria:

The records supporting the underlying estimate of pension benefits for all participants both current and retired should be maintained in a manner that provides the appropriate documentation to support benefit calculations and payments.

Condition:

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

Context:

From a sample of census data, which included twenty five retirees and current active participants and the review of five pension calculation files in support of pension disbursements, we noted the following:

- Two instances in which years of service per the actuarial census did not agree with the personnel files.
- Three instances in which the retirement date or status per the actuarial census did not agree with the personnel files.
- Three instances in which retirement date, status, or salary or wage amounts used in the calculation of pension benefits could not be supported by sufficient documentation in either the pension or personnel files.

Effect:

Without the appropriate and accurate supporting documentation, the FPRF may not be able to provide evidence of compliance with plan provisions including the basis for pension disbursement. In addition, errors may also result in a misstatement of census data used by actuaries and disclosure of pension liabilities.

Cause:

The City's established procedures to ensure that pension files and all underlying supporting documentation and calculations are maintained in an accurate manner have not sufficiently identified all deficiencies in the documentation.

Recommendations:

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

CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued)

2014-001 FILE MAINTENANCE AND DOCUMENTATION OF PENSION RECORDS – FIREMEN’S PENSION AND RELIEF FUND (FPRF) (Continued)

Views of Responsible Officials:

The City agrees that its procedures need to be strengthened to including systematically reviewing the data from the actuarial census versus the personnel files and make changes as appropriate. This review will include retirement date, status, years of service and salary/wage amounts. Additionally, going forward Human Resources will review data supplied by the Pension Board Secretary used in calculations for new retirements and correct any discrepancies.

2014-002 FILE MAINTENANCE AND DOCUMENTATION OF PENSION RECORDS – POLICEMEN’S PENSION AND RELIEF FUND (PPRF)

Criteria:

The records supporting the underlying estimate of pension benefits for all participants both current and retired should be maintained in a manner that provides the appropriate documentation to support benefit calculations and payments.

Condition:

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

Context:

From a sample of census data which included twenty five retirees and current active participants and the review of five pension calculation files in support of pension disbursements, we noted the following:

- Three instances in which the status or retirement date per the actuarial census did not agree with the personnel files.
- One instance in which a retiree's personnel file could not be located.

Effect:

Without the appropriate and accurate supporting documentation, the PPRF may not be able to provide evidence of compliance with plan provisions including the basis for pension disbursement. In addition, errors may also result in a misstatement of census data used by actuaries and disclosure of pension liabilities.

CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued)

2014-002 FILE MAINTENANCE AND DOCUMENTATION OF PENSION RECORDS – POLICEMEN'S PENSION AND RELIEF FUND (PPRF) (Continued)

Cause:

The City's established procedures to ensure that pension files and all underlying supporting documentation and calculations are maintained in a complete and accurate manner have not sufficiently identified all deficiencies in the documentation.

Recommendations:

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

Views of Responsible Officials:

The City agrees that its procedures need to be strengthened to including systematically reviewing the data from the actuarial census versus the personnel files and make changes as appropriate. This review will include retirement date, status, years of service and salary/wage amounts. Additionally, going forward Human Resources will review data supplied by the Pension Board Secretary used in calculations for new retirements and correct any discrepancies.

CITY OF CHARLESTON, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Prior Year Audit Findings:

Audit finding 2013-003 and 2013-004 have been corrected.

Audit finding 2013-001 and 2013-002 have been repeated in part, in the current year audit as finding 2014-001 and 2014-002.

Corrective Action Plan Provided by Management:

See the views of responsible officials identified within the text of findings 2014-001 and 2014-002 for planned corrective action.