

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**June 30, 2016**

	<u>Police Retiree's Insurance</u>	<u>Fire Retiree's Insurance</u>	<u>Asset Seizure</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,105,101	\$ 435,276	\$ 667,149	\$ 2,207,526
Due from primary government	<u>109,237</u>	<u>68,392</u>	<u>--</u>	<u>177,629</u>
 Total assets	 <u><u>\$ 1,214,338</u></u>	 <u><u>\$ 503,668</u></u>	 <u><u>\$ 667,149</u></u>	 <u><u>\$ 2,385,155</u></u>
<b>LIABILITIES</b>				
Due to other funds	--	--	68,809	68,809
Refunds payable and others	<u>1,214,338</u>	<u>503,668</u>	<u>598,340</u>	<u>2,316,346</u>
 Total liabilities	 <u><u>\$ 1,214,338</u></u>	 <u><u>\$ 503,668</u></u>	 <u><u>\$ 667,149</u></u>	 <u><u>\$ 2,385,155</u></u>

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**STATEMENT OF NET POSITION - COMPONENT UNITS**  
**June 30, 2016**

	Business-type Activities	
	Parking Board	Development Authority
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 316,999	\$ 881,422
Receivables:		
Accounts	700	--
Due from:		
Primary government	--	200,000
Prepaid expenses	1,221	--
Total current assets	318,920	1,081,422
Noncurrent assets:		
Restricted assets		
Regular account	114	506,794
Total restricted assets	114	506,794
Capital assets:		
Nondepreciable:		
Land	942,877	5,141,571
Construction in progress	--	110,000
Depreciable:		
Buildings	4,775,401	12,853,204
Structures and improvements	490,173	1,588,812
Machinery and equipment	684,515	200,000
Furniture and Fixtures	--	2,661,074
Less: accumulated depreciation	( 5,149,696)	( 12,802,564)
Total capital assets (net of accumulated depreciation)	1,743,270	9,752,097
Total noncurrent assets	1,743,384	10,258,891
Total assets	2,062,304	11,340,313
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Changes in contributions	23,566	--
Contributions made subsequent to measurement date	49,671	--
Change in investment earnings	63,780	--
Difference between expected and actual experience	42,755	--
Total deferred outflows of resources	179,772	--

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**STATEMENT OF NET POSITION - COMPONENT UNITS**  
**June 30, 2016**

	Business-type Activities	
	Parking Board	Development Authority
<b>LIABILITIES</b>		
Current liabilities payable from current assets:		
Accounts payable	\$ 2,846	\$ 3,081
Payroll payable	12,741	--
Reserve for health claims	11,712	4,462
Accrued revenue bond interest payable	--	81,521
Due to:		
Primary government	53,399	10,340
Bonds payable	--	293,173
Total current liabilities payable from current assets	80,698	392,577
Unearned revenues:		
Charges for services	910	--
Total unearned revenues	910	--
Noncurrent liabilities		
Bonds payable	--	7,145,393
Other postemployment benefits payable	119,999	12,784
Net pension liability - PERS	209,051	--
Compensated absences payable	22,214	6,084
Total noncurrent liabilities	351,264	7,164,261
Total liabilities	432,872	7,556,838
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Changes in contributions	14,368	--
Changes in investment experience	109,619	--
Difference in assumptions	25,145	--
Total deferred inflows of resources	149,132	--
<b>NET POSITION</b>		
Net investment in capital assets	1,743,270	2,313,531
Restricted expendable:		
Restricted for debt service	114	506,794
Unrestricted	( 83,312)	963,150
Total net position	\$ 1,660,072	\$ 3,783,475

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION - COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Business-type Activities</u>	
	<u>Parking Board</u>	<u>Development Authority</u>
Operating revenues:		
Sales and services to customers	\$ 749,873	\$ 120,000
Rental fees	72,795	3,716
Miscellaneous	17,404	8,043
Total operating revenues	<u>840,072</u>	<u>131,759</u>
Operating expenses:		
Personal services	519,553	169,890
Contractual services	3,495	--
Administrative and general	141,435	84,752
Miscellaneous	--	167
Liability insurance	27,372	4,545
Materials and supplies	18,085	426
Utilities	31,955	4,028
Depreciation	149,254	1,078,064
Maintenance	16,366	10,515
Total operating expenses	<u>907,515</u>	<u>1,352,387</u>
Operating income (loss)	<u>( 67,443)</u>	<u>( 1,220,628)</u>
Nonoperating revenues (expenses):		
Investment earnings	76	673
Interest and fiscal charges	--	( 504,818)
Operating grants	--	724,305
Tax increment revenue	--	297,331
Total nonoperating revenues (expenses)	<u>76</u>	<u>517,491</u>
Change in net position	( 67,367)	( 703,137)
Net position at beginning of year	<u>1,727,439</u>	<u>4,486,612</u>
Net position at end of year	<u>\$ 1,660,072</u>	<u>\$ 3,783,475</u>

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS - COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2016**

	Business-type Activities	
	Parking Board	Development Authority
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 745,735	\$ 131,759
Cash paid for goods and services	( 247,765)	( 103,744)
Other cash received (paid) for intergovernmental activity	4,034	101,501
Cash paid to employees	( 422,351)	( 166,448)
	79,653	( 36,932)
<b>Net cash provided (used) by operating activities</b>		
<b>Cash flows from noncapital financing activities:</b>		
Tax increment financing revenues	--	297,331
Contributions from other entities	--	724,305
	--	1,021,636
<b>Net cash provided (used) by noncapital financing activities</b>		
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	( 6,439)	( 10,200)
Acquisition and construction of capital assets	--	( 110,000)
Principal paid on capital debt	--	( 278,173)
Interest paid on capital debt	--	( 506,751)
	( 6,439)	( 905,124)
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>Cash flows from investing activities:</b>		
Interest received	76	673
	76	673
<b>Net cash provided (used) by investing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	73,290	80,253
<b>Cash and cash equivalents at beginning of year</b> (including \$114 in restricted accounts for the Parking Board and \$618,553 in restricted accounts for the Development Authority)	243,823	1,307,963
<b>Cash and cash equivalents at end of year</b> (including \$114 in restricted accounts for the Parking Board and \$506,794 in restricted accounts for the Development Authority)	\$ 317,113	\$ 1,388,216

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS - COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Business-type Activities</u>	
	<u>Parking Board</u>	<u>Development Authority</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ ( 67,443)	\$ ( 1,220,628)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	149,254	1,078,064
Decrease (increase) in accounts receivable	( 60)	--
Decrease (increase) in deferred inflows	( 94,277)	--
Decrease (increase) in due from primary government	--	100,000
Decrease (increase) in prepaid expenses	1,844	--
Increase (decrease) in customer deposits	( 1,895)	724
Increase (decrease) in accounts payable	1,777	( 35)
Increase (decrease) in other postemployment benefits payable	19,228	2,123
Increase (decrease) in payroll payable	12,741	--
Increase (decrease) in other accrued expenses	( 3,907)	--
Increase (decrease) in compensated absences payable	3,628	1,319
Increase (decrease) in net pension liability	61,605	--
Increase (decrease) in deferred outflows	( 6,875)	--
Increase (decrease) in due to primary government	4,033	1,501
Net cash provided by operations	<u>\$ 79,653</u>	<u>\$ ( 36,932)</u>

***ACCOMPANYING INFORMATION***



# State of West Virginia

**John B. McCuskey**

**State Auditor and  
Chief Inspector**

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

### **Independent Auditor's Report**

Honorable Mayor and Council  
City of Huntington  
Huntington, West Virginia 25701

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Huntington, West Virginia (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 21, 2017.

### **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.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002 through 2016-004.

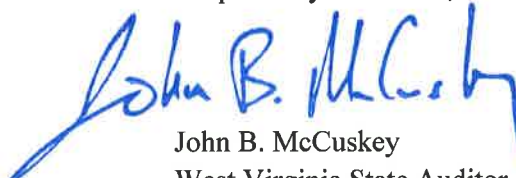
### **Entity's Response to Findings**

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

### **Purpose of this Report**

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

Respectfully submitted,



John B. McCuskey  
West Virginia State Auditor  
Charleston, West Virginia

March 21, 2017



**State of West Virginia**  
**John B. McCuskey**

**State Auditor and  
Chief Inspector**

**Office of the State Auditor  
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

Honorable Mayor and Council  
City of Huntington  
Huntington, West Virginia 25701

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Huntington, West Virginia (the City) with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2, U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, 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.

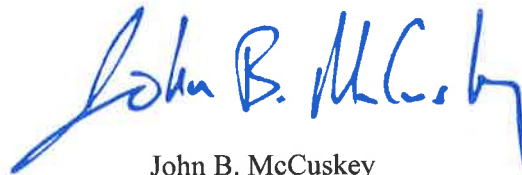
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

Honorable Mayor and Council  
City of Huntington  
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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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



John B. McCuskey  
West Virginia State Auditor  
Charleston, West Virginia

March 21, 2017

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

	Federal CFDA Number	Pass-Through Entity Number	Total Expenditures	Passed through to Subrecipients
<b>U. S. Department of Agriculture</b>				
<i>Pass-through Programs from:</i>				
University of Michigan, WV State University and United Way of River Cities				
<u>Program Title</u>				
Cooperative Extension Service	10.500	Not available	\$ 11,203	\$ --
<i>Pass-through Programs from:</i>				
WV Department of Education				
<u>Program Title</u>				
Child and Adult Care Food Program	10.558	51105	32,556	--
<b>Total U. S. Department of Agriculture</b>			<u>43,759</u>	<u>--</u>
<b>U. S. Department of Housing and Urban Development</b>				
<i>Direct Programs:</i>				
<u>Program Title:</u>				
Community Development Block Grants / Entitlement Grants (see Note 2)	14.218	N/A	5,836,692	159,343
Emergency Solutions Grant Program	14.231	N/A	121,625	29,470
Home Investment Partnerships Program (see Note 2)	14.239	N/A	4,677,034	--
<i>Pass-through Programs from:</i>				
WV State Office of Economic Opportunity				
<u>Program Title</u>				
Emergency Solutions Grant Program	14.231	S-11-DC-54-0001	109,911	--
<b>Total U. S. Department of Commerce</b>			<u>10,745,262</u>	<u>188,813</u>
<b>U.S. Department of Justice - Bureau of Justice Assistance</b>				
<i>Direct Programs:</i>				
<u>Program Title</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	10,233	--
Public Safety Partnership and Community Policing Grants	16.710	N/A	149,761	--
Byrne Criminal Justice Innovation Program	16.817	N/A	27,971	--
Drug Court Discretionary Grant Program	16.585	N/A	11,974	--
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	N/A	12,977	--
<i>Pass-through Programs from:</i>				
WV Division of Justice and Community Service				
<u>Program Title</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-JAG-03	12,677	--
<b>Total U. S. Department of Justice - Bureau of Justice Assistance</b>			<u>225,593</u>	<u>--</u>

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

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>	<u>Passed through to Subrecipients</u>
<b>U. S. Department of Transportation</b>				
<i>Pass-through Programs from:</i>				
WV Department of Transportation - Highway Safety				
<u>Program Title</u>				
Highway Planning and Construction	20.205	F15-HS-02- DOHDD	\$ 15,094	\$ 11,268
		F16-HS-02- DOHDD	45,360	33,540
Alcohol Open Container Requirements	20.607	F15-HS-02-154	37,751	18,155
		F15-HS-02-155	76,514	30,574
<b>Highway Safety Cluster</b>				
<u>Program Title</u>				
State and Community Highway Safety	20.600	F15-HS-02-402	104,602	12,987
		F16-HS-02-402	161,594	20,513
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	F15-HS-02-410	109,241	17,141
		F16-HS-02-410	172,172	32,973
Safety Belt Performance Grants	20.609	F15-HS-02-406	501	--
		F16-HS-02-406	10,539	--
State Traffic Safety Information System Improvement Grants	20.610	F15-HS-02-408	8,701	--
		F16-HS-02-408	93,599	--
Incentive Grant Program to Increase Motorcyclist Safety	20.612	F14-HS-02-2010	1,795	--
National Priority Safety Programs	20.616	F15-HS-02-405b	13,400	10,708
		F16-HS-02-405b	38,500	30,239
		F16-HS-02-405d	3,675	--
<b>Total Highway Safety Cluster</b>			<u>718,319</u>	<u>124,561</u>
<b>Total U. S. Department of Transportation</b>			<u>893,038</u>	<u>218,098</u>
<b>U.S. Environmental Protection Agency</b>				
<i>Direct Programs:</i>				
<u>Program Title</u>				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	N/A	37,792	--
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	20,088	--
<b>Total U. S. Environmental Protection Agency</b>			<u>57,880</u>	<u>--</u>

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

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2016**

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>	<u>Passed through to Subrecipients</u>
<b>U.S. Department of Health and Human Resources</b>				
<i>Direct Programs:</i>				
<u>Program Title</u>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	\$ 45,130	\$ --
<b>Total U. S. Department of Health and Human Resources</b>			<u>45,130</u>	<u>--</u>
<b>U.S. Department of Homeland Security</b>				
<i>Direct Programs:</i>				
<u>Program Title</u>				
Assistance to Firefighters Grant	97.044	N/A	240,000	--
Port Security Grant Program	97.056	N/A	449,162	--
<i>Pass-through Programs from:</i>				
State of WV Department of Military Affairs and Public Safety				
<u>Program Title</u>				
Homeland Security Grant Program	97.067	14-LE-CIP	9,207	--
		13-LE-32	2,600	--
		14-SHS-42	24,981	--
		13-SHS-41	23,764	--
		14-LE-106	42,200	--
		14-LE-18	21,108	--
		15-SHS-03	<u>64,530</u>	<u>--</u>
<b>Total U. S. Department of Homeland Security</b>			<u>877,552</u>	<u>--</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u>\$ 12,888,214</u>	<u>\$ 406,911</u>

N/A = Not applicable

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

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 - LOANS OUTSTANDING**

The loan programs listed below are administered directly by the City of Huntington and balances and transactions relating to these programs are included in the City of Huntington's Community Development Block Grant (CDBG) Fund financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards. The balances of loans outstanding net of estimated allowances for uncollectible amounts at June 30, 2016 consist of:

<u>Program Title</u>	<u>Federal CFDA</u> <u>Number</u>	<u>Amount</u> <u>Outstanding</u>
Community Development Block Grants/Entitlement Grants	14.218	4,275,067
Home Investment Partnership Program	14.239	3,118,602

**NOTE 3 - FEDERAL SUBSIDIES**

Federal interest rate subsidies related to the Municipality's Build America Bonds totaling \$155,398 are included in revenues from the Federal government in the General Fund, but are not subject to the Single Audit Act or reportable on the Schedule of Expenditure of Federal Awards.

**NOTE 4 - INDIRECT COST RATE**

The City has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal Control over Financial Reporting:	
Material weaknesses identified?	No
Significant deficiency identified that is not considered to be a material weakness? <i>2016-001 Segregation of Duties</i>	Yes
Noncompliance material to the financial statements noted? <i>2016-002 Required Contributions - Firemen's Pension and Relief Fund</i> <i>2016-003 Required Contributions - Policemen's Pension and Relief Fund</i> <i>2016-004 Fire Pension - Retiree Benefit Calculation</i>	Yes

**Federal Awards**

**Internal Control over Major Programs:**

Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	

**CFDA Numbers**

**Name of Federal Programs**

14.218  
14.239

Community Development Block Grants / Entitlement Grants  
Home Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B Program:	\$750,000
Auditee qualify as a low-risk auditee?	No

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Segregation of Duties  
2016-001**

**CONDITION:**

It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from the transactions were not assigned to different individuals within the Revenue Department. Specifically, individuals charged with supervisory authority had the ability to make adjustments without approval.

**CRITERIA:**

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

**CAUSE:**

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

**EFFECT:**

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

**REPEAT FINDING:**

Yes. Prior year audit finding: 2015-001

**RECOMMENDATION:**

The City should distribute among the Revenue Department staff the duties of approving, executing and recording transactions to the extent as being economically practicable. In addition, controls should be in place to ensure that all adjustments are approved.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

See Corrective Action Plan

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Required Contribution - Firemen's Pension and Relief Fund  
2016-002**

**CONDITION:**

It was determined during this examination that the City failed to make the minimum required contribution to the Firemen's Pension and Relief Fund in a timely fashion. Specifically, the City failed to make monthly payments totaling \$2,616,768 during the fiscal year. This was owed to the Firemen's Pension and Relief Fund by the City as of June 30, 2016 and the balance was paid in full as of November 9, 2016.

**CRITERIA:**

West Virginia Code §8-22-19(a) states in part:

(1) In order for a municipal policemen's or firemen's pension and relief fund to receive the allocable portion of moneys from the Municipal Pensions and Protection Fund established in section fourteen-d, article three, chapter thirty-three of this code and funds from the Municipal Pensions Security Fund created in section eighteen-b of this article, the governing body of the municipality shall levy annually and in the manner provided by law for other municipal levies and include within the maximum levy or levies permitted by law and, if necessary, in excess of any charter provision, a tax at such rate as will, after crediting: (A) The amount of the contributions received during the year from the members of the respective paid police department or paid fire department; and (B) the allocable portion of the Municipal Pensions and Protection Fund established in section fourteen-d, article three, chapter thirty-three of this code and funds from the Municipal Pensions Security Fund created in section eighteen-b of this article, provide funds equal to the amount necessary to meet the minimum standards for actuarial soundness as provided in section twenty of this article. The amount shall be irrevocably contributed, accumulated and invested as fund assets as described in sections twenty-one and twenty-two of this article. **One twelfth of each municipality's annual contributions shall be deposited with the municipality's pension trust funds as fund assets on at least a monthly basis and any revenues received from any source by a municipality which are specifically collected for the purpose of allocation for deposit into the policemen's pension and relief fund or firemen's pension and relief fund shall be so deposited within five days of receipt by the municipality. [Emphasis added]**

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Required Contribution - Firemen's Pension and Relief Fund  
2016-002 (continued)**

West Virginia Code §8-22-19(e) also states in part:

If the allocable portion of the Municipal Pensions and Protection Fund or the Municipal Pensions Security Fund is not paid to the pension and relief fund within eighteen months, the portion is forfeited by the pension and relief fund and is allocable to other eligible municipal policemen's and firemen's pension and relief funds in accordance with section fourteen-d, article three, chapter thirty-three of this code.

**CAUSE:**

The City did not provide contribution payments to the Firemen's Pension and Relief Fund in a timely fashion.

**EFFECT:**

The Firemen's Pension and Relief Fund was not funded in accordance with statutory requirements. While the City did pay the allocable portion by the eighteen month time frame necessary to receive the allocated insurance premium surtax, they failed to remit payments necessary to meet statutory requirements and the assumptions of the July 1, 2014 actuarial study. The failure to fund the plan in a timely manner could potentially increase the required funding in future periods.

**REPEAT FINDING:**

Yes. Prior year audit finding: 2015-004.

**RECOMMENDATION:**

The City should rectify the shortfall in the current fiscal year and endeavor to make the required contributions in a timely fashion.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

See Corrective Action Plan

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Required Contribution - Policemen's Pension and Relief Fund  
2016-003**

**CONDITION:**

It was determined during this examination that the City failed to make the minimum required contribution to the Policemen's Pension and Relief Fund in a timely fashion. Specifically, the City failed to make monthly payments totaling \$1,887,791 during the fiscal year. This was owed to the Policemen's Pension and Relief Fund by the City as of June 30, 2016 and the balance was paid in full as of November 9, 2016.

**CRITERIA:**

West Virginia Code §8-22-19(a) states in part:

(1) In order for a municipal policemen's or firemen's pension and relief fund to receive the allocable portion of moneys from the Municipal Pensions and Protection Fund established in section fourteen-d, article three, chapter thirty-three of this code and funds from the Municipal Pensions Security Fund created in section eighteen-b of this article, the governing body of the municipality shall levy annually and in the manner provided by law for other municipal levies and include within the maximum levy or levies permitted by law and, if necessary, in excess of any charter provision, a tax at such rate as will, after crediting: (A) The amount of the contributions received during the year from the members of the respective paid police department or paid fire department; and (B) the allocable portion of the Municipal Pensions and Protection Fund established in section fourteen-d, article three, chapter thirty-three of this code and funds from the Municipal Pensions Security Fund created in section eighteen-b of this article, provide funds equal to the amount necessary to meet the minimum standards for actuarial soundness as provided in section twenty of this article. The amount shall be irrevocably contributed, accumulated and invested as fund assets as described in sections twenty-one and twenty-two of this article. **One twelfth of each municipality's annual contributions shall be deposited with the municipality's pension trust funds as fund assets on at least a monthly basis** and any revenues received from any source by a municipality which are specifically collected for the purpose of allocation for deposit into the policemen's pension and relief fund or firemen's pension and relief fund shall be so deposited within five days of receipt by the municipality. **[Emphasis added]**

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Required Contribution - Policemen's Pension and Relief Fund  
2016-003 (continued)**

West Virginia Code §8-22-19(e) also states in part:

If the allocable portion of the Municipal Pensions and Protection Fund or the Municipal Pensions Security Fund is not paid to the pension and relief fund within eighteen months, the portion is forfeited by the pension and relief fund and is allocable to other eligible municipal policemen's and firemen's pension and relief funds in accordance with section fourteen-d, article three, chapter thirty-three of this code.

**CAUSE:**

The City did not provide contribution payments to the Policemen's Pension and Relief Fund in a timely fashion.

**EFFECT:**

The Policemen's Pension and Relief Fund was not funded in accordance with statutory requirements. While the City did pay the allocable portion by the eighteen month time frame necessary to receive the allocated insurance premium surtax, they failed to remit payments necessary to meet statutory requirements and the assumptions of the July 1, 2014 actuarial study. The failure to fund the plan in a timely manner could potentially increase the required funding in future periods.

**REPEAT FINDING:**

Yes. Prior year audit finding: 2015-005.

**RECOMMENDATION:**

The City should rectify the shortfall in the current fiscal year and endeavor to make the required contributions in the current year.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

See Corrective Action Plan

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Fire Pension- Retiree Benefit Calculation**

**2016 - 004**

**CONDITION:**

It was determined during this examination that Fire Pension Board officials potentially failed to calculate pension benefits for retirees in accordance with statutory requirements. Specifically, it appears that benefits were calculated in excess of amounts authorized by statute.

**CRITERIA:**

West Virginia Code §8-22-16(d) states in part:

"...the remuneration received by the member during any twelve-consecutive-month period used in determining benefits which is in excess of an amount which is twenty percent greater than the "average adjusted salary" received by the member in the two consecutive twelve-consecutive-month periods immediately preceding the twelve-consecutive-month period used in determining benefits shall be disregarded: Provided, however, That the "average adjusted salary" means the arithmetic average of each year's adjusted salary, the adjustment made to reflect current salary rate and such average adjusted salary shall be determined as follows: Assuming "year-one" means the second twelve-consecutive-month period preceding such twelve-consecutive-month period used in determining benefits, "year-two" means the twelve-consecutive-month period immediately preceding the twelve-consecutive-month period used in determining benefits and "year-three" means the twelve-consecutive- month period used in determining benefits, year-one total remuneration shall be multiplied by the ratio of year-three base salary, exclusive of all overtime and other remuneration, to year-one base salary, exclusive of all overtime and other remuneration, such product shall equal "year-one adjusted salary"; year-two total remuneration shall be multiplied by the ratio of year-three base salary, exclusive of all overtime and other remuneration, to year- two base salary, exclusive of all overtime and other remuneration, such product shall equal "year-two adjusted salary"; and the arithmetic average of year-one adjusted salary and year-two adjusted salary shall equal the average adjusted salary."

**CAUSE:**

Fire Pension Board officials failed to properly calculate retiree pension amounts.

**EFFECT:**

The Fire Pension Board is potentially violating the provisions of West Virginia State Code §8-22-16(d). Retirees may receive benefits in excess of amounts authorized by statute. Incorrect benefit calculations could significantly increase unfunded actuarial accrued liability for the plan which, in turn, could increase Employer and State funding requirements.

**REPEAT FINDING:** No

**RECOMMENDATION:**

The Fire Pension Board should utilize the WV Benefit Calculator and other tools provided by the West Virginia Municipal Pension Oversight Board to administer benefits for retirees. Calculations should be independently reviewed by City payroll officials to ensure accuracy and compliance with statutory requirements.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

See Corrective Action Plan

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2016**

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Status of Prior Year Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2015-001	Segregation of Duties	Not Resolved
2015-002	Controls over Financial Statement Preparation	Resolved
2015-003	Landfill Closure and Postclosure Care Costs Liability	Resolved
2015-004	Required Contribution - Firemen's Pension Fund	Not Resolved
2015-005	Required Contribution - Policemen's Pension Fund	Not Resolved
2015-006	Expenditure in Excess of Amounts Allocated in Levy Estimate - General Fund	Resolved



OFFICE OF DIRECTOR OF FINANCE  
 City Hall, P. O. Box 1659  
 Huntington, WV 25717-1659  
 Phone: (304) 696-5520



APPENDIX A  
 CORRECTIVE ACTION PLAN

**Financial Statement Findings:**

<u>Finding #</u>	<u>Title of Finding</u>	<u>Contact Person</u>	<u>Anticipated Completion Date</u>
2016-001	Segregation of Duties	Pam Chandler	06/01/2016

**Corrective Action planned to be taken:** As of June 2016, upon clarification of the finding, all adjustments to customers accounts must be approved and posted by the Finance Director.

2016-002	Required Contribution - Firemen's Pension	Pam Chandler	FY2017
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**Corrective Action planned to be taken:** The City's revenue is cyclical and therefore pension payments are made accordingly. According to a recent Herald Dispatch article, Blair Taylor, executive director of the WV Pension Oversight Board stated that the State code already has a built-in buffer that allows municipalities to take until February of the following fiscal year to pay their yearly contributions and still receive matching funds from the State in their entirety. We are simply using this "buffer" as needed due to cash flow. All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State match. The City has always received the match from the State. FY2016 contributions were all made by November 2016, - three months before the stated State deadline of February 28, 2017. By March 17, 2017, four full payments for FY2017, had already been contributed - well ahead of the payment schedule of previous years, which were all made within the due date given by the State Pension Board.

2016-003	Required Contribution - Policemen's Pension	Pam Chandler	FY2017
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**Corrective Action planned to be taken:** The City's revenue is cyclical and therefore pension payments are made accordingly. According to a recent Herald Dispatch article, Blair Taylor, executive director of the WV Pension Oversight Board stated that the State code already has a built-in buffer that allows municipalities to take until February of the following fiscal year to pay their yearly contributions and still receive matching funds from the State in their entirety. We are simply using this "buffer" as needed due to cash flow. All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State match. The City has always received the match from the State. FY2016 contributions were all made by November 2016, - three months before the stated State deadline of February 28, 2017. By March 17, 2017, four full payments for FY2017, had already been contributed - well ahead of the payment schedule of previous years, which were all made within the due date given by the State Pension Board.

2016-04	Fire Pension-Retiree Benefit Calc	Scott Mellert, Pension Secretary	FY2017
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This finding is directed to the actions of the Fire Pension Board, which is an independent entity with its own tax ID number. The Finding was forwarded to Scott Mellert, the paid Pension Secretary. (Attached is his response to the finding).

**FEDERAL AWARDS FINDINGS:**

NONE

March 2, 2017

**Pam Chandler, Director  
Finance Division  
City of Huntington  
800 Fifth Avenue  
Huntington, WV 25701**

**Re: Huntington Firemen's Pension and Relief Fund**

**Dear Ms. Chandler:**

**The following is a description of the corrective action plan implemented by the City of Huntington Firemen's Pension and Relief Fund to assure proper calculation of retirement and other benefits payable by the Fund:**

**In the spring of 2016, the City administration brought to the attention of the Secretary of the Firemen's Pension and Relief Fund an issue concerning the manner in which retirement pensions had been calculated subsequent to certain amendments to the West Virginia Code which modified the manner in which such benefits were to be calculated. A review by the Mayor and City Attorney had suggested that the methodology employed by Board of the Pension and Relief Fund appeared to be inconsistent with the statutory amendments. After consulting with legal counsel and Mr. Blair Taylor, the Executive Director of the Municipal Pensions Oversight Board ("MPOB"), the Board of Trustees of the Huntington Firemen's Pension and Relief Fund adopted a resolution on July 8, 2016 confirming its intention to compute all benefits for persons retiring after July 1 utilizing a calculator provided by the MPOB. The Board also adopted, subject to the approval of the MPOB, a comprehensive set of Rules, Regulations and Operating Procedures based on an example provided by the MPOB to assure that benefits are calculated correctly and that active firemen, retirees, spouses and dependants fully understand the benefits to which they are entitled. In addition, all members of the Board of Trustees of the Huntington Firemen's Pension and Relief Fund have committed to participate regularly in training sessions conducted by the MPOB. The Rules, Regulations and Operating Procedures adopted by the Huntington Board require attendance of the Trustees at such sessions. The Rules, Regulations and Operating Procedures also set forth in detail the manner in which overpayments and under payments, should they occur, will be dealt with prospectively.**

**The Board also carefully considered whether it would be appropriate to attempt to recover any prior overpayments which were mistakenly made to retirees or to adjust future payments to retirees whose benefits may have been mistakenly calculated. The Board concluded**

that it would be both impractical and inequitable either to seek recovery of overpayments made prior to July 1, 2016 or to adjust future payments to retirees who retired prior to that date. Among the factors considered by the Board in reaching these determinations were the hardship which such action would impose on retirees, the legal uncertainty surrounding the likely success of such efforts and the fact that the City of Huntington has contributed to the fund each year since January of 2010 the amount actuarially determined to be necessary to assure the fund's solvency and fiscal integrity over a 40 year period, taking into account benefits actually being paid to existing retirees and other pension recipients.

It is the position of the Board that the corrective action plan which has been implemented adequately and appropriately addresses the calculation of retirement benefits.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Scot Mellert', written in a cursive style.

Scot Mellert, Secretary  
Huntington Firemen's Pension and Relief Fund

OFFICE OF DIRECTOR OF FINANCE  
 City Hall, P. O. Box 1659  
 Huntington, WV 25717-1659  
 Phone: (304) 696-5520



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Year Financial Statement Findings:**

<u>Finding #</u>	<u>First Fiscal Year Finding Was Cited</u>	<u>Title of Finding</u>	<u>Status of Finding</u>
2015-001	2013	Segregation of Duties Corrective Action planned to be taken: As of June 2016, upon clarification of the finding, all adjustments to customers accounts must be approved and posted by the Finance Director.	Not Corrected
2015-002	2013	Controls Over Financial Statement Preparation If necessary, corrective action to be taken: N/A	Corrected
2015-003	2015	Landfill Closure and Postclosure Care Costs Liability If necessary, corrective action to be taken: N/A	Corrected
2015-004	2015	Required Contribution-Firemen's Pension Fund Corrective Action planned to be taken: All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State Match. The City has always received the matching funds from the state. The final contribution for FY2015, was made in February 2016, which is deadline for contributions to be made and the City received 100% of the State Match.	Not Corrected
2015-005	2015	Required Contribution-Policemen's Pension Fund Corrective Action planned to be taken: All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State Match. The City has always received the matching funds from the state. The final contribution for FY2015, was made in February 2016, which is deadline for contributions to be made and the City received 100% of the State Match.	Not Corrected
2015-006	2013	Expenditures in Excess of Amounts Allocated in the Levy Estimate-General Fund If necessary, corrective action to be taken: N/A	Corrected

**Prior Year Federal Award Findings:**

<u>Finding #</u>	<u>First Fiscal Year Finding Was Cited</u>	<u>Title of Finding</u>	<u>Status of Finding</u>
NONE			