

**Independent Auditors' Report  
and Related Financial Statements**

**For the Year Ended June 30, 2011**

**CITY OF WEIRTON, WEST VIRGINIA**

**A Class II Municipality**

**in Hancock and Brooke Counties, West Virginia**

**Teed & Associates, PLLC  
3624 MacCorkle Avenue SE  
Charleston, West Virginia 25304  
304-925-8752**

# CITY OF WEIRTON, WEST VIRGINIA

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# CITY OF WEIRTON, WEST VIRGINIA

## Municipal Officials

For the Year Ended June 30, 2011

<u>Office</u>	<u>Name</u>	<u>Term</u>
	<b>Elective</b>	
Mayor	Mark E. Harris	07/01/07 – 06/30/11
Council Members		
	Ron Jones	07/01/07 – 06/30/11
	Harold Miller	07/01/07 – 06/30/11
	Fred Marsh	07/01/07 – 06/30/11
	George E. Ash, Sr.	07/01/07 – 06/30/11
	George Kondik	07/01/07 – 06/30/11
	David Dalrymple	07/01/07 – 06/30/11
	Max Fijewski	07/01/07 – 06/30/11
	<b>Appointed</b>	
City Manager	Gary J. DuFour	07/01/07 – 06/30/11
City Clerk	Nicole M. Davis	07/01/07 – 06/30/11
City Solicitor	Vince Gurrera	07/01/07 – 06/30/11

# **CITY OF WEIRTON, WEST VIRGINIA**

## **Schedule of Funds**

**For the Year Ended June 30, 2011**

### **GOVERNMENTAL FUND TYPES**

#### **General Fund**

#### **Special Revenue Fund**

Coal Severance Tax

#### **Non-Major Governmental Funds**

Youth Job Program

TIF

Public Safety

CDBG

### **PROPRIETARY FUND TYPES**

#### **Enterprise Funds**

Water Fund

Sewer Fund

Board of Park Commissioners Fund

Library Parking Fund

### **OTHER FUND TYPES**

Internal Service Fund

Pension Trust

Agency Fund

# Teed & Associates, PLLC

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## Certified Public Accountants

Established 1992

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Member, West Virginia Society of Certified Public Accountants  
Member, Tennessee Society of Certified Public Accountants

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## Independent Auditors' Report

The Honorable Mayor and City Council  
City of Weirton  
Weirton, West Virginia

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Weirton, West Virginia (City), as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 1 to the financial statements, the City has not valued or capitalized all of its library books, reference material, and historical treasures. Generally accepted accounting principles require that these assets be capitalized. The effect of this departure is not reasonably determined.

The City has not adopted the provisions of Government Accounting Standards Board Statement (GASB) Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) and has not recorded obligations for OPEB. Accounting principles generally accepted in the United States of America require adequate OPEB obligations be recorded. The amount by which this departure would affect the liabilities, expenses, and fund balances of the City is not reasonably determinable.

In our opinion, except for the effects of not capitalizing the value of its Library books, reference materials, and historical treasures and recording OPEB obligations as described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2012, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension trusts information, and the budgetary comparison information on pages 6 through 10 and pages 55 through 57, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City as a whole. The combining schedules on pages 59 and 63 and the accompanying Schedule of Expenditures of Federal Awards on pages 66 and 65 are 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 not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Seed & Associates, PLLC*

Charleston, West Virginia  
March 23, 2012

# CITY OF WEIRTON, WEST VIRGINIA

## Required Supplementary Information

### Management's Discussion and Analysis - Unaudited

#### For the Year Ended June 30, 2011

The following discussion is designed to provide an overview of the City of Weirton's (City's) financial activities for the fiscal year ending June 30, 2011.

The fiscal year ending June 30, 2011, is the eighth year that the City has presented its financial statements under the reporting model as required by the Governmental Accounting Standards Board Statement Number 34, or GASB 34. This management discussion and analysis is only a part of the whole of the report and should be read in conjunction with the financial statements, the notes, and the other required supplemental information.

#### **Understanding the basic financial statements:**

This report consists of a series of financial statements. The implementation of GASB 34 changed the way in which government financial statements are recorded and presented. Readers of the financial statements now have government-wide financial statements, which report the City as a whole, and distinguish governmental activities from business-type activities.

The government-wide statements include the statement of net assets and the statement of activities. These two statements report the City's net assets and changes in them. This is an important part of analysis because net assets are one way to measure whether the City's financial position is improving or deteriorating over time. These statements use the accrual basis of accounting, meaning all of the revenues and expenses are taken into account, regardless of when the cash moves. This is similar to most private sector accounting methods. Again, the reader can now distinguish governmental activities, generally supported by taxes and the City's general revenues, from business-type activities, generally supported by fees charged to customers.

The statement of activities goes a step further and reports expenses of a given function and/or program offset by the revenues directly connected with the function or program. (More detailed discussion of these statements can be found in Note 1.)

Readers of the City's financial statements will still find individual fund financial statements for the most significant funds. These are reported with the more familiar presentation, differing only by the detail being presented for major funds only.

Two types of funds are presented at the individual fund level. These are governmental and proprietary funds. The City's basic services are usually reported in governmental funds, which use the current resources measurement focus and modified accrual basis of accounting. This basis measures cash and all other financial assets that can readily be converted to cash during a given period. The focus here provides for a more short-term view of the City's general operations. GASB 34 provides for the presentation of reconciliations between governmental activities (as shown in the government-wide statements) and governmental funds. These reconciliations can be found in the financial statement section of this report.

When the City charges customers for services, these are generally reported in proprietary funds. Individual proprietary funds are reported in the same way (accounting basis) as the government-wide statements. However, as an individual fund statement there is more detail presented. (More detail about governmental and proprietary funds can be found in Note 1.)

	<u>Fiscal Year Ending June 30, 2011</u>	<u>Fiscal Year Ending June 30, 2010</u>	<u>Change</u>
<b>Total Assets:</b>			
Capital	\$ 40,994,917	\$ 38,631,014	\$ 2,363,903
Other	10,414,166	10,433,762	(19,596)
	<u>\$ 51,409,083</u>	<u>\$ 49,064,776</u>	<u>\$ 2,344,307</u>
<b>Total Liabilities:</b>			
Current	\$ 3,455,354	\$ 3,552,052	\$ (96,698)
Non-current	21,746,024	20,445,662	1,300,362
	<u>\$ 25,201,378</u>	<u>\$ 23,997,714</u>	<u>\$ 1,203,664</u>
<b>Total Net Assets:</b>			
Capital, net of debt	\$ 29,151,996	\$ 26,827,318	\$ 2,324,678
Restricted	2,443,570	1,836,049	607,521
Unrestricted	(5,387,860)	(3,596,305)	(1,791,555)
	<u>\$ 26,207,706</u>	<u>\$ 25,067,062</u>	<u>\$ 1,140,644</u>

	Fiscal Year Ending June 30, 2011	Fiscal Year Ending June 30, 2010	Change
<b>Program Revenues:</b>			
Charges for services	\$ 11,135,477	\$ 10,794,124	\$ 341,353
Operating grants	1,332,807	1,430,848	(98,041)
Capital grants	1,806,651	1,722,413	84,238
<b>General Revenues:</b>			
Property taxes	2,778,505	2,794,277	(15,772)
B&O taxes	2,142,988	2,071,941	71,047
Excise taxes on utilities	1,254,868	1,146,642	108,226
Other taxes	546,142	502,480	43,662
Other	953,538	914,731	38,807
<b>Total revenues</b>	<b>21,950,976</b>	<b>21,377,456</b>	<b>573,520</b>
<b>Expenses:</b>			
General government	3,047,619	2,727,268	320,351
Public safety	5,877,592	5,778,025	99,567
Highway and streets	2,781,191	2,696,860	84,331
Health and sanitation	975,378	890,223	85,155
Culture and recreation	261,536	204,781	56,755
Social services	76,166	60,085	16,081
Interest on long-term debt	14,395	22,506	(8,111)
Water board	3,347,925	3,038,189	309,736
Sanitary board	2,524,329	2,162,561	361,768
Park board	1,183,715	1,114,397	69,318
Library board	720,178	714,929	5,249
Parking Authority	309	694	(385)
<b>Total expenses</b>	<b>20,810,333</b>	<b>19,410,518</b>	<b>1,399,815</b>
<b>Change in net assets</b>	<b>1,140,643</b>	<b>1,966,938</b>	<b>(826,295)</b>
<b>Beginning net assets</b>	<b>25,067,062</b>	<b>23,100,124</b>	<b>1,966,938</b>
<b>Ending net assets</b>	<b>\$ 26,207,706</b>	<b>\$ 25,067,062</b>	<b>\$ 1,140,643</b>

Observing government-wide, fiscal year ending June 30, 2011 did result with an increase in total net assets.

Total assets increased by \$2,344,307 with capital assets increasing by \$2,363,903 and all other assets decreasing by \$19,596. A corresponding increase of \$1,203,664 occurred in total liabilities; a decrease in current liabilities of \$96,698 and an increase in non-current liabilities of \$1,300,362. Total net assets have increased by \$1,140,644.

The overall increase in total net assets includes increases of \$2,324,678 with capital net of debt, \$607,521 with restricted assets and a decrease of \$1,791,555 with unrestricted assets.

(Detail of changes in capital assets can be found in Note 7.)

Changes in net assets can further be analyzed by reviewing **GOVERNMENT-WIDE REVENUES AND EXPENSES**.

Overall, net **PROGRAM REVENUES** increased, with increases in services charges of \$341,353 and in capital grants and contributions of \$84,238 and a decrease in operating grants and contributions of \$98,041.

**GENERAL REVENUES** show increases in excise taxes of \$108,226, B&O taxes of \$71,047, and other taxes of \$43,662. Property taxes show a decrease of \$15,772 from the prior year and all other revenues showed an increase of \$38,807. Total general revenues were up \$573,520 over the prior fiscal year.

**TOTAL EXPENSES** for the year were up from the prior fiscal year with increases in general government expenses of \$320,351, public safety expenses of \$99,567, highways & streets of \$84,331, health & sanitation of \$85,155, culture and recreation expense of \$56,775 and social service expenses of \$16,081. Interest on long-term debt was down \$8,111.

Expense increases which occurred with the water board of \$309,736, the sanitary board \$361,768, park board of \$69,318, and the library board of \$4,864. Total expenses were up \$1,399,815 over the prior fiscal year.

Program revenues are covering approximately 69 percent of the functions or activities of the City, with general revenues are covering the balance. This is greater than fiscal year June 30, 2010, demonstrating that the City must continue to utilize additional general revenues to meet expenditures.

## **Fund Level Analysis**

### **Major Governmental Funds:**

The **General Fund** experienced a net increase in the fund balance approaching \$608,598 for the fiscal year ended June 30, 2011. Revenues increased over the prior year by \$452,099, expenses decreased by \$186,418, and other financing sources increased by \$102,656 providing for the net change in ending fund balance.

The **Coal Severance Fund** experienced a net increase in the fund balance approaching \$13,071 for the fiscal year ended June 30, 2011. Both revenues and expenses increased over the previous fiscal year by \$6,201 and \$104,327, respectively.

### **Major Proprietary Funds:**

The **Water Fund** experienced operating revenues for the fiscal year ending June 30, 2011 of approximately \$118,783 less than the prior year. Expenses were up by approximately \$329,876 from the prior year. Income before contributions and transfers is approximately \$390,398 less than the previous fiscal year.

The **Sanitary Fund** experienced operating revenues for the fiscal year ended June 30, 2011 of approximately \$281,176 more than the prior year. Expenditures also increased over the prior year by approximately \$357,939. Income before contributions and transfers is about \$72,423 lower than the previous fiscal year.

The **Board of Parks Fund** experienced operating revenues for the fiscal year ended June 30, 2011 of approximately \$22,279 more than the prior year. Expenditures increased over the prior year by approximately \$69,319. The loss before contributions and transfers is about \$101,327 more than the previous fiscal year. Net assets have decreased \$45,560 over the prior fiscal year.

### **Fiduciary Funds—Pension Trusts:**

This detail can be found in the other supplementary information section of this report. The Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund both show increases in net assets of \$148,050 and \$843,453 respectively. (See Note 14)

### **Currently Known Facts, Decisions and Conditions**

Disclosure of any significant litigations, contingencies, or commitments can be found in Notes 16, 17 and 18.

As discussed in the fund level analysis, the City's general fund continues to be uncertain. Revenues remains flat, while the cost of providing steady or increasing levels of service to the citizens continues. The challenge remains for the City's Administration to continue to provide these "expected" levels of service, and this will continue during the fiscal year 2011-2012. The municipal service fee continues to be used for regular street paving, but not for new infrastructure.

The City administration continues to look for new sources of funding such as state and federal grants, and the City continuously reviews operations to take advantage of any cost saving measures or insightful ways to reduce expenditures. The City is committed to continue in these efforts.

Further negative impacts are slow economic conditions and an unsteady employment outlook. This has a potential negative impact the general fund through reductions in the B&O tax on manufacturing and also on collections of the City's municipal service fee.

The Weirton City Council will finalize its 2012-2013 fiscal year budget in March 2011. Reduced revenue expectations will continue to provide for basic service operations and some street paving.

The City of Weirton will continue with the pursuit of the necessary steps for the adoption of the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (OPEBs) for the fiscal year ending June 30, 2012. (See Note 15)

The Weirton Area Water Board requested and Weirton City Council approved a rate increase which was implemented during the 3<sup>rd</sup> quarter of 2009. The second phase of this two-step increase was implemented during the second quarter of 2011 upon completion of capital improvements projects.

The Weirton Sanitary Board requested, and Weirton City Council approved, a rate increase which was implemented during the 3<sup>rd</sup> quarter of 2010. The Sanitary Board requested and Weirton City Council approved an additional rate increase during the fiscal year 2010-2011, due to a corrective action compliance order received from the West Virginia Department of Environmental Protection pertaining to an area in the northwest area of the City. Phase 1 of the increase will likely occur during February 2012.

It is anticipated that the Weirton Sanitation (Rubbish) Department may be seeking a rate increase during the 4<sup>th</sup> quarter of 2012. This is to be determined.

### **Contacting the City's Financial Management**

This report in its entirety is written to provide our citizens, taxpayers, customers, investors, and creditors with an overview of the City's financial position and to show the City's accountability for the money it receives. If you have any questions about this report, contact the City Manager's Office at 200 Municipal Plaza, Weirton, WV 26062, or call 304-797-8503. The Finance Director's Office can be contacted at the same address, or call 304-797-8544.

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash	\$ 2,030,710	\$ 1,305,324	\$ 3,336,034
Investments	1,464,174	1,017,373	2,481,547
Taxes receivable, net	888,208	-	888,208
Accounts receivable	509,417	1,302,423	1,811,840
Bond proceeds receivable	-	328,375	328,375
Grants receivable	54,902	8,506	63,408
Interest receivable	-	51	51
Internal balances	233,406	(233,406)	-
Inventories	-	76,610	76,610
Other assets	13,665	20,380	34,045
Restricted assets	-	1,394,048	1,394,048
Land and construction in progress	855,697	6,614,962	7,470,659
Capital assets, net	14,026,141	19,498,117	33,524,258
Total assets	<u>20,076,320</u>	<u>31,332,763</u>	<u>51,409,083</u>
<b>LIABILITIES:</b>			
Accounts payable	172,444	1,034,777	1,207,221
Wages and benefits payable	53,049	164,006	217,055
Due to fiduciary funds	38,733	-	38,733
Deferred revenues	234,624	61,127	295,751
Security deposit	25,000	-	25,000
Note payable, current	-	43,178	43,178
Capital lease obligation, current	141,721	-	141,721
Bonds payable, current, net of discount	-	772,030	772,030
Compensated absences	478,108	182,970	661,078
Accrued interest payable	-	53,587	53,587
Note payable, non current	-	48,668	48,668
Lease obligation, non- current	95,341	-	95,341
Capital lease obligations, non-current			
Net pension obligation	11,320,887	-	11,320,887
Bonds payable, non- current, net of discount	-	10,281,128	10,281,128
Total liabilities	<u>12,559,907</u>	<u>12,641,471</u>	<u>25,201,378</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net	14,644,766	14,507,230	29,151,996
Reserved for:			
Debt service	-	1,318,038	1,318,038
Capital Projects	526,557	-	526,557
Other purposes	522,965	76,010	598,975
Unrestricted	(8,177,875)	2,790,015	(5,387,860)
Total net assets	<u>\$ 7,516,413</u>	<u>\$ 18,691,293</u>	<u>\$ 26,207,706</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Activities

For the Year Ended June 30, 2011

Functions / Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Grants & Contributions	Capital	Governmental Activities	Business Activities	Total
				Grants & Contributions			
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 3,047,619	\$ 493,047	\$ 641,438	\$ -	\$ (1,913,134)	\$ -	\$ (1,913,134)
Public safety	5,877,592	2,395,459	69,649	263,847	(3,148,637)	-	(3,148,637)
Highways and streets	2,781,191	845,391	289,185	314,459	(1,332,156)	-	(1,332,156)
Health and sanitation	975,378	942,739	-	-	(32,639)	-	(32,639)
Culture and recreation	261,536	-	45,000	-	(216,536)	-	(216,536)
Social services	76,166	-	64,568	-	(11,598)	-	(11,598)
Interest	14,395	-	-	-	(14,395)	-	(14,395)
Total governmental activities	<u>13,033,877</u>	<u>4,676,636</u>	<u>1,109,840</u>	<u>578,306</u>	<u>(6,669,095)</u>	<u>-</u>	<u>(6,669,095)</u>
Business-type activities							
Water Board	3,347,925	3,552,499	-	1,093,425	-	1,297,999	1,297,999
Sanitary Board	2,524,329	2,340,116	27,699	44,046	-	(140,167)	(140,167)
Park Board	1,183,715	553,840	-	90,874	-	(539,001)	(539,001)
Library	720,178	12,386	195,268	-	-	(512,524)	(512,524)
Parking	309	-	-	-	-	(309)	(309)
Total business activities	<u>\$ 7,776,456</u>	<u>\$ 6,458,841</u>	<u>\$ 222,967</u>	<u>\$ 1,228,345</u>	<u>(6,669,095)</u>	<u>133,697</u>	<u>105,998</u>
General revenues:							
Ad valorem property taxes					2,653,332	125,173	2,778,505
B&O Taxes					2,142,988	-	2,142,988
Gas and oil severance taxes					1,254,868	-	1,254,868
Other taxes					546,142	-	546,142
Video lottery and table gaming					860,386	-	860,386
Unrestricted investment earnings					16,861	60,206	77,067
Other					58,424	69,406	127,830
Gain (loss) on sale of assets					(42,564)	(69,181)	(111,745)
Transfer					(830,681)	830,681	-
Total general revenues					<u>6,659,756</u>	<u>1,016,285</u>	<u>7,676,041</u>
Changes in net assets					(9,339)	1,149,982	1,140,643
Net assets at beginning of year					7,525,752	17,541,311	25,067,063
Total net assets					<u>\$ 7,516,413</u>	<u>\$ 18,691,293</u>	<u>\$ 26,207,706</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Balance Sheet – Governmental Funds

For the Year Ended June 30, 2011

	General	Coal Severance	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash	\$1,063,664	\$ 118,548	\$ 751,877	\$ 1,934,089
Investments	1,461,927	-	-	1,461,927
Taxes receivable, net	888,208	-	-	888,208
Accounts receivable	423,788	-	-	423,788
Grants receivable	46,947	-	7,955	54,902
Due from other funds	242,600	20,589	-	263,189
Deposits and prepaid	13,665	-	-	13,665
Total assets	<u>\$4,140,799</u>	<u>\$ 139,137</u>	<u>\$ 759,832</u>	<u>\$ 5,039,768</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 117,756	\$ -	\$ 6,877	\$ 124,633
Wages and benefits payable	53,049	-	-	53,049
Due to other funds	67,304	-	7,645	74,949
Due to fiduciary funds	38,733	-	-	38,733
Compensated absences	75,961	-	-	75,961
Deferred revenues	174,022	-	138,323	312,345
Security deposit	-	-	25,000	25,000
Total liabilities	<u>526,825</u>	<u>-</u>	<u>177,845</u>	<u>704,670</u>
<b>FUND BALANCES:</b>				
Non-spendable	13,665	-	-	13,665
Restricted	522,965	-	526,557	1,049,522
Committed	949,093	-	-	949,093
Assigned	-	139,137	55,430	194,567
Unassigned	2,128,251	-	-	2,128,251
Total fund balances	<u>3,613,974</u>	<u>139,137</u>	<u>581,987</u>	<u>4,335,098</u>
Total liabilities and fund balances	<u>\$4,140,799</u>	<u>\$ 139,137</u>	<u>\$ 759,832</u>	<u>\$ 5,039,768</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Reconciliation of Balance Sheet Fund Balances of Governmental Funds to Statement of Net Assets

June 30, 2011

Net assets of governmental funds	\$ 4,335,098
Capital assets of \$31,220,011 net of accumulated depreciation of \$16,338,173 used in governmental activities are not financial resources and therefore are not in the funds	14,881,838
The assets and liabilities of internal service fund is are not included in the financial statements, but are included in the governmental activities of the statement of net assets	181,853
The non-current portion of compensated absences are not due and payable in the current period and are not reported in the funds	(402,147)
Certain revenues are not available to fund current expenditures and therefore deferred in the governmental funds (deferred revenues taxes)	77,719
Long-term net pension obligations are not due and payable in the current period and therefore are not reported in the funds	(11,320,887)
Capital lease obligations do not require the use of current financial resources and therefore are reported only in the statement of net assets	<u>(237,061)</u>
Net assets of governmental activities	<u>\$ 7,516,413</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2011

	General Fund	Coal Severance	Other Governmental Funds	Total
<b>REVENUES:</b>				
Property Taxes	\$ 2,468,988	\$ -	\$ 171,722	\$ 2,640,710
B&O taxes	2,142,988	-	-	2,142,988
Excise tax on utilities	1,254,868	-	-	1,254,868
Other taxes	442,845	103,297	-	546,142
Fines and forfeitures	108,292	-	5,308	113,600
Licenses, permits, and fees	295,103	-	-	295,103
Intergovernmental	1,213,086	-	466,040	1,679,126
Charges for services	4,069,989	-	-	4,069,989
Video lottery and table gaming	860,386	-	-	860,386
Investment income	12,956	544	3,337	16,837
Contributions	-	-	9,021	9,021
Other	58,424	-	-	58,424
Total revenues	<u>12,927,925</u>	<u>103,841</u>	<u>655,428</u>	<u>13,687,194</u>
<b>EXPENDITURES:</b>				
General government	2,420,720	71,690	107,659	2,600,069
Public safety	4,718,077	70,533	56,495	4,845,105
Highways and streets	3,045,202	-	206,775	3,251,977
Health and sanitation	907,573	-	-	907,573
Culture and recreation	178,234	-	45,000	223,234
Social Services	11,599	-	64,568	76,167
Debt Services				
Capital lease - principal	194,606	16,787	-	211,393
Capital lease - interest	12,635	1,760	-	14,395
Total expenditures	<u>11,488,646</u>	<u>160,770</u>	<u>480,497</u>	<u>12,129,913</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,439,279</u>	<u>(56,929)</u>	<u>174,931</u>	<u>1,557,281</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	70,000	-	70,000
Transfers in	-	-	-	-
Transfers (out)	(830,681)	-	-	(830,681)
Total other financing sources (uses)	<u>(830,681)</u>	<u>70,000</u>	<u>-</u>	<u>(760,681)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other funds	608,598	13,071	174,931	796,600
Fund balance at beginning of year	3,005,376	126,067	407,055	3,538,498
Fund balance at end of year	<u>\$ 3,613,974</u>	<u>\$ 139,138</u>	<u>\$ 581,986</u>	<u>\$ 4,335,098</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds:	\$ 796,600
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation of \$1,261,091 exceeded depreciation of \$2,253,923 in the current period	(7,168)
On the Statement of Activities, the loss from the disposal of capital assets is recognized as a decrease to net assets. This amount by which the cost of capital of \$357,628 exceeded accumulated depreciation at the time of disposal of \$315,064	(42,564)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This consist of property taxes receivable.	12,623
Governmental funds report capital lease proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which capital leases payments of \$ 211,393 exceeded new capital lease of \$70,000.	141,393
Net pension obligation represents long-term debt activity, which is presented on the government-wide financial statements, but not the fund financial statements.	(946,885)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. These result in a net increase in compensated absences.	(6,026)
An internal service fund is used by management to charge the cost of gasoline to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>42,688</u>
Change in net assets of governmental activities	<u>\$ (9,339)</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Net Assets – Proprietary Funds

June 30, 2011

	<u>Water</u>	<u>Sanitary</u>	<u>Board of Park Commissioners</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 343,915	\$ 272,315	\$ 389,228
Investments	-	-	691,483
Accounts Receivable, net	758,808	520,868	4,073
Bond proceeds receivable	328,375	-	-
Grant receivable	8,506	-	-
Due from other funds	38,970	44,463	-
Interest receivable	-	-	51
Inventories	76,610	-	-
Prepaid	-	17,672	-
Total current assets	<u>1,555,184</u>	<u>855,318</u>	<u>1,084,835</u>
Restricted assets, cash and cash equivalents	<u>1,068,221</u>	<u>325,827</u>	<u>-</u>
Non current assets:			
Capital assets:			
Land and construction in progress	5,161,476	1,082,321	9,135
Other capital assets, net	<u>8,556,550</u>	<u>8,702,721</u>	<u>1,834,917</u>
Total capital assets	<u>13,718,026</u>	<u>9,785,042</u>	<u>1,844,052</u>
Total assets	<u>\$ 16,341,431</u>	<u>\$ 10,966,187</u>	<u>\$ 2,928,887</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ 867,926	\$ 96,959	\$ 30,952
Wages and benefits payable	89,649	33,100	26,967
Due to other funds	144,314	140,482	26,830
Compensated absences	75,174	75,878	9,870
Deferred revenue	-	-	-
Note payable, current	-	43,178	-
Bond interest payable, current	47,544	6,043	-
Bonds payable, current (net fo debt discount)	<u>589,170</u>	<u>182,860</u>	<u>-</u>
Total current liabilities	<u>1,813,777</u>	<u>578,500</u>	<u>94,619</u>
Non-current liabilities:			
Note payable, noncurrent	-	48,668	-
Bonds payable, non-current (net of debt discount)	<u>6,859,842</u>	<u>3,421,286</u>	<u>-</u>
Total non-current liabilities	<u>6,859,842</u>	<u>3,469,954</u>	<u>-</u>
Total liabilities	<u>8,673,619</u>	<u>4,048,454</u>	<u>94,619</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	5,716,324	6,180,895	1,844,052
Restricted for debt service	1,017,292	300,746	-
Restricted for other purposes	50,929	25,081	-
Unrestricted	<u>883,267</u>	<u>411,011</u>	<u>990,216</u>
Total net assets	<u>\$ 7,667,812</u>	<u>\$ 6,917,733</u>	<u>\$ 2,834,268</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Net Assets – Proprietary Funds – continued

June 30, 2011

	Other Enterprise Funds	Total	Internal Service Gasoline
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 299,866	\$ 1,305,324	\$ 96,620
Investments	325,890	1,017,373	2,247
Accounts Receivable, net	18,674	1,302,423	85,629
Bond proceeds receivable	-	328,375	-
Grant receivable	-	8,506	-
Due from other funds	-	83,433	46,921
Interest receivable	-	51	-
Inventories	-	76,610	-
Prepaid	2,708	20,380	-
Total current assets	<u>647,138</u>	<u>4,142,475</u>	<u>231,417</u>
Restricted assets, cash and cash equivalents	-	1,394,048	-
Non current assets:			
Capital assets:			
Land and construction in progress	362,030	6,614,962	-
Other capital assets, net	<u>403,929</u>	<u>19,498,117</u>	<u>-</u>
Total capital assets	<u>765,959</u>	<u>26,113,079</u>	<u>-</u>
Total assets	<u>\$ 1,413,097</u>	<u>\$ 31,649,602</u>	<u>\$ 231,417</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ 38,940	\$ 1,034,777	\$ 47,811
Wages and benefits payable	14,290	164,006	-
Due to other funds	5,213	316,839	1,754
Compensated absences	22,048	182,970	-
Deferred revenue	61,127	61,127	-
Note payable, current	-	43,178	-
Bond interest payable, current	-	53,587	-
Bonds payable, current (net fo debt discount)	-	772,030	-
Total current liabilities	<u>141,618</u>	<u>2,628,514</u>	<u>49,565</u>
Non-current liabilities:			
Note payable, noncurrent	-	48,668	-
Bonds payable, non-current (net of debt discount)	<u>-</u>	<u>10,281,128</u>	<u>-</u>
Total non-current liabilities	<u>-</u>	<u>10,329,796</u>	<u>-</u>
Total liabilities	<u>141,618</u>	<u>12,958,310</u>	<u>49,565</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	765,959	14,507,230	-
Restricted for debt service	-	1,318,038	-
Restricted for other purposes	-	76,010	-
Unrestricted	<u>505,520</u>	<u>2,790,014</u>	<u>181,852</u>
Total net assets	<u>\$ 1,271,479</u>	<u>\$ 18,691,292</u>	<u>\$ 181,852</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds

June 30, 2011

	Water	Sanitary	Board of Park Commissioners
<b>OPERATING REVENUES</b>			
Charges for services:			
Fees for services	\$ 3,453,663	\$ 2,340,116	\$ 472,489
Library fines	-	-	-
Sales and commissions	-	-	81,351
Lease and rental income	98,836	-	-
Internal service charges	-	-	-
Total charge for services	<u>3,552,499</u>	<u>2,340,116</u>	<u>553,840</u>
Property taxes-levy	-	27,699	-
Operating grants and contributions	-	-	-
Total Operating revenues	<u>3,552,499</u>	<u>2,367,815</u>	<u>553,840</u>
<b>EXPENSES:</b>			
Personal services	1,355,613	1,218,764	574,020
Maintenance, and contractual services	1,187,867	740,290	331,816
Materials and supplies	195,564	151,961	42,754
Depreciation	361,312	333,513	235,125
Total expenses	<u>3,100,356</u>	<u>2,444,528</u>	<u>1,183,715</u>
Operating (loss)	<u>452,143</u>	<u>(76,713)</u>	<u>(629,875)</u>
Nonoperating revenues (expenses):			
Investment income	5,490	3,417	7,003
Interest on bonds and lease obligations	(242,284)	(78,526)	-
Amortization	(5,285)	(1,275)	-
Gain (loss) on disposal of capital assets	-	-	(67,756)
Other revenue	19,525	11,576	35,195
Total nonoperating revenues (expenses)	<u>(222,554)</u>	<u>(64,808)</u>	<u>(25,558)</u>
Income (loss) before contributions and transfers	229,589	(141,521)	(655,433)
Capital grants and contributions	1,093,425	44,047	90,873
Transfers from other funds	-	-	519,000
Change in net assets	1,323,014	(97,474)	(45,560)
Net assets at beginning of year	6,344,798	7,015,207	2,879,828
Net assets at end of year	<u>\$ 7,667,812</u>	<u>\$ 6,917,733</u>	<u>\$ 2,834,268</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds - continued

June 30, 2011

	Other Enterprise Funds	Total	Internal Service Gasoline
<b>OPERATING REVENUES</b>			
Charges for services:			
Fees for services	\$ -	\$ 6,266,268	\$ -
Library fines	12,386	12,386	-
Sales and commissions	-	81,351	-
Lease and rental income	-	98,836	-
Internal service charges	-	-	611,824
Total charge for services	<u>12,386</u>	<u>6,458,841</u>	<u>611,824</u>
Property taxes-levy	125,173	152,872	-
Operating grants and contributions	195,268	195,268	-
Total Operating revenues	<u>332,827</u>	<u>6,806,981</u>	<u>611,824</u>
<b>EXPENSES:</b>			
Personal services	373,376	3,521,773	-
Maintenance, and contractual services	152,568	2,412,541	-
Materials and supplies	148,122	538,401	569,161
Depreciation	46,421	976,371	-
Total expenses	<u>720,487</u>	<u>7,449,086</u>	<u>569,161</u>
Operating (loss)	<u>(387,660)</u>	<u>(642,105)</u>	<u>42,663</u>
Nonoperating revenues (expenses):			
Investment Income	44,296	60,206	26
Interest on bonds and lease obligations	-	(320,810)	-
Amortization	-	(6,560)	-
Gain (loss) on disposal of capital assets	(1,425)	(69,181)	-
Other revenue	3,110	69,406	-
Total nonoperating revenues (expenses)	<u>45,981</u>	<u>(266,939)</u>	<u>26</u>
Income (loss) before contributions and transfers	<u>(341,679)</u>	<u>(909,044)</u>	<u>42,689</u>
Capital grants and contributions	-	1,228,345	-
Transfers from other funds	311,681	830,681	-
Change in net assets	<u>(29,998)</u>	<u>1,149,982</u>	<u>42,689</u>
Net assets at beginning of year	1,301,477	17,541,310	139,163
Net assets at end of year	<u>\$ 1,271,479</u>	<u>\$ 18,691,292</u>	<u>\$ 181,852</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2011

	Water	Sanitary	Board of Park Commissioners
Cash flows from operating activities:			
Cash received from customers	\$ 3,454,135	\$ 2,320,232	\$ 557,699
Cash paid to suppliers and vendors	(1,516,051)	(764,811)	(345,539)
Cash paid to employees and professionals	(1,322,348)	(1,201,163)	(572,219)
Payments for internal services	(34,477)	(21,142)	(3,458)
Other operating revenues	-	27,699	-
Net cash provided (used) by operating activities	<u>581,259</u>	<u>360,815</u>	<u>(363,517)</u>
Cash flows from other operating activities:			
Other non-operating revenues	<u>19,525</u>	<u>11,576</u>	<u>35,195</u>
Cash flows from non-capital financing activities			
Transfers from other funds	-	-	519,000
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,811,441)	(503,526)	(132,430)
Proceeds from issue of bonds	975,675	130,000	-
Principal paid on long term debt	(492,028)	(218,652)	-
Interest paid on long-term debt	(247,959)	(78,828)	-
Capital contributions and grants	<u>1,268,486</u>	<u>44,047</u>	<u>90,873</u>
Net cash (used) by capital and related financing activities	<u>(1,307,267)</u>	<u>(626,959)</u>	<u>(41,557)</u>
Cash flows from investing activities:			
Investment income	<u>5,490</u>	<u>3,420</u>	<u>1,883</u>
Net cash provided by investing activities	<u>5,490</u>	<u>3,420</u>	<u>1,883</u>
Net increase (decrease) in cash and equivalents	(700,993)	(251,148)	151,004
Cash and equivalents, beginning	<u>2,113,129</u>	<u>849,290</u>	<u>238,224</u>
Cash and equivalents, ending	<u>\$ 1,412,136</u>	<u>\$ 598,142</u>	<u>\$ 389,228</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	<u>\$ 452,143</u>	<u>\$ (76,713)</u>	<u>\$ (629,875)</u>
Adjustments:			
Depreciation	361,312	333,513	235,125
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(68,883)	(31,857)	2,149
(Increase) decrease in due from other funds	(29,481)	(26,545)	1,710
(Increase) decrease in inventory	(28,800)	-	-
(Increase) decrease in prepaid expenses	-	(4,542)	-
Increase (decrease) in accounts payable	(213,726)	38,517	5,289
Increase (decrease) in wages and benefits	28,689	6,233	1,557
Increase (decrease) in due to other funds	75,429	110,841	20,284
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in compensated absence	<u>4,576</u>	<u>11,368</u>	<u>244</u>
Total adjustments	<u>129,116</u>	<u>437,528</u>	<u>266,358</u>
Net cash provided (used) by operating activities	<u>\$ 581,259</u>	<u>\$ 360,815</u>	<u>\$ (363,517)</u>
Non-cash investing and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2011

	Other Enterprise Funds	Total	Internal Service Gasoline
Cash flows from operating activities:			
Cash received from customers	\$ 6,337	\$ 6,338,403	\$ 221,648
Cash paid to suppliers and vendors	(271,205)	(2,897,606)	336,544
Cash paid to employees and professionals	(373,512)	(3,469,242)	(556,860)
Payments for internal services	(553)	(59,630)	-
Other operating revenues	331,622	359,321	-
Net cash provided (used) by operating activities	<u>(307,311)</u>	<u>271,246</u>	<u>1,332</u>
Cash flows from other operating activities:			
Other non-operating revenues	<u>3,110</u>	<u>69,406</u>	<u>-</u>
Cash flows from non-capital financing activities			
Transfers from other funds	311,681	830,681	-
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(11,788)	(3,459,185)	-
Proceeds from issue of bonds	-	1,105,675	-
Principal paid on long term debt	-	(710,680)	-
Interest paid on long-term debt	-	(326,787)	-
Capital contributions and grants	-	1,403,406	-
Net cash (used) by capital and related financing activities	<u>(11,788)</u>	<u>(1,987,571)</u>	<u>-</u>
Cash flows from investing activities:			
Investment income	<u>1,607</u>	<u>12,400</u>	<u>22</u>
Net cash provided by investing activities	<u>1,607</u>	<u>12,400</u>	<u>22</u>
Net increase (decrease) in cash and equivalents	(2,701)	(803,838)	1,354
Cash and equivalents, beginning	302,567	3,503,210	95,266
Cash and equivalents, ending	<u>\$ 299,866</u>	<u>\$ 2,699,372</u>	<u>\$ 96,620</u>
Reconciliation of operating Income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (387,660)	\$ (642,105)	\$ 42,663
Adjustments:			
Depreciation	46,421	976,371	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,049)	(104,640)	(52,422)
(Increase) decrease in due from other funds	-	(54,316)	(1,210)
(Increase) decrease in inventory	-	(28,800)	-
(Increase) decrease in prepaid expenses	-	(4,542)	-
Increase (decrease) in accounts payable	22,692	(147,228)	11,619
Increase (decrease) in wages and benefits	(136)	36,343	-
Increase (decrease) in due to other funds	5,168	211,722	682
Increase (decrease) in deferred revenue	11,181	11,181	-
Increase (decrease) in compensated absence	1,072	17,260	-
Total adjustments	<u>80,349</u>	<u>913,351</u>	<u>(41,331)</u>
Net cash provided (used) by operating activities	<u>\$ (307,311)</u>	<u>\$ 271,246</u>	<u>\$ 1,332</u>
Non-cash investing and financing activities	<u>\$ 38,588</u>	<u>\$ 38,588</u>	<u>\$ -</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Net Assets - Fiduciary and Agency Funds

For the Year Ended June 30, 2011

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Total Pension Trust</u>	<u>Agency Fund</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 167,188	\$ 247,411	\$ 414,599	\$ 34,894
Due from other funds	41,788	-	41,788	-
Investment at fair value				
Money Market	42,805	338,255	381,060	-
Government agency obligations	207,508	-	207,508	-
Corporate obligations	1,105,685	202,470	1,308,155	-
Common stock	583,926	5,290,583	5,874,509	-
Mutual funds	<u>2,103,155</u>	<u>727,605</u>	<u>2,830,760</u>	-
Total investments	<u>4,043,079</u>	<u>6,558,913</u>	<u>10,601,992</u>	-
Total assets	<u>4,252,055</u>	<u>6,806,324</u>	<u>11,058,379</u>	<u>34,894</u>
<b>LIABILITIES:</b>				
Due to other funds	-	3,056	3,056	-
Withholdings payable	26,152	9,795	35,947	-
Deferred revenue	-	-	-	<u>34,894</u>
Total liability	<u>26,152</u>	<u>12,851</u>	<u>39,003</u>	<u>34,894</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
	<u>\$ 4,225,903</u>	<u>\$ 6,793,473</u>	<u>\$ 11,019,376</u>	<u>\$ -</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2011

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Total Pension Trust</u>
ADDITIONS:			
Contributions			
Employer	\$ 365,454	\$ 176,303	\$ 541,757
Plan Members	143,032	68,864	211,896
Insurance premium tax allocation	370,268	169,656	539,924
Total contributions	<u>878,754</u>	<u>414,823</u>	<u>1,293,577</u>
Investments income			
Interst and dividends	105,726	222,884	328,610
Net realized and unrealized gains (loss)	491,525	689,766	1,181,291
Less investment expense	<u>(17,751)</u>	<u>(5,890)</u>	<u>(23,641)</u>
Net investment income	<u>579,500</u>	<u>906,760</u>	<u>1,486,260</u>
Total additions	<u>1,458,254</u>	<u>1,321,583</u>	<u>2,779,837</u>
DEDUCTIONS			
Benefits	1,303,795	470,100	1,773,895
Administrative	<u>6,409</u>	<u>8,030</u>	<u>14,439</u>
Total deductions	<u>1,310,204</u>	<u>478,130</u>	<u>1,788,334</u>
Excess (deficiency) of additions over (under) deductions	148,050	843,453	991,503
Fund balance at beginning of year	<u>4,077,853</u>	<u>5,950,020</u>	<u>10,027,873</u>
Fund balance at end of year	<u>\$ 4,225,903</u>	<u>\$ 6,793,473</u>	<u>\$ 11,019,376</u>

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

# **CITY OF WEIRTON, WEST VIRGINIA**

## **Notes to the Combined Financial Statements**

**For the Year Ended June 30, 2011**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Weirton, West Virginia (the City), are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2011.

#### **B. Component Units/Reporting Entity**

The City of Weirton, West Virginia, is a charter city in which citizens elect the mayor at large and seven council members by wards. The accompanying financial statements present the City's primary government. There are no component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

#### **C. Related Organizations**

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations. Related organizations are described as follows:

##### **City of Weirton Housing Authority**

Administer Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the governing board are approved by the City Council. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently.

### **City of Weirton Transit Authority**

Administer Federal funding and/or other financing for operating a bus transportation system in the City. The eleven citizens who serve as the governing board are approved by the City Council. The City has no significant influence over the management, budget, or policies of the Transit Authority. The Authority reports independently.

### **City of Weirton Redevelopment Authority**

Administer Federal funding and/or other financing for the redevelopment of real estate within the City. The six citizens who serve as the governing board are approved by the City Council. The City has no significant influence over the management, budget, or policies of the Redevelopment Authority. The Authority reports independently.

## **D. Government-Wide Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

## **E. Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and proprietary funds are reported in separate columns with composite columns for non-major funds.

## **F. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City applies all relevant Government Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, that do not conflict with GASB pronouncements in both the government-wide and proprietary fund financial statements.

The government-wide statements report activity using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See Note 14.

Governmental fund financial statements report uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. With the exception of refuse fees and police and fire service fees, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. A period of one year is utilized for refuse fees and police and fire fees. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, payment in lieu of taxes, excise taxes on utilities, B&O taxes, hotel taxes, wine, liquor and private club taxes, refuse fees, police and fire service fees, and intergovernmental revenues. In general, other revenues are recognized when cash is received. See Note 5 for related information.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual are met.

Expenditure-driven grants are recognized as revenue then the qualifying expenditures have been incurred and all other grant requirements have been met. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

## **G. Fund Types and Major Funds**

Governmental Funds: The City reports the following major governmental funds:

General Fund - Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Coal Severance Tax Fund - Established by City ordinance to account for coal severance taxes received from the State of West Virginia designated for purchases as allowed by State Code.

Business-type Activities: The City reports the following major proprietary/enterprise funds:

Water Board - Accounts for the operating activities of the City's water utility services.

Sanitary Board - Accounts for the operating activities of the City's wastewater utility services.

Board of Park Commissioners - Accounts for the operating activities of the City's recreational services and facilities.

Library / Parking – Accounts for the operating activities of Mary H. Weir Public Library and city's parking authority.

Other Fund Types - The City also reports the following fund types:

Internal Service Funds – Account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. The City's only internal service fund is the gasoline fund. This is a proprietary fund reported with governmental activities in the government-wide statements.

Pension Trust Funds – Report fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions. The City's pension trust funds are limited to uniformed employees (policemen and firemen). See Note 13.

Agency Fund – Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's agency fund is used to account for various deposits, bail bonds, performance bonds, and escrow monies.

## **H. Cash and Investments**

For purposes of the statement of cash flows, the City generally considers short-term deposits purchased with original maturities of less than three months to be cash equivalents unless considered to be held for investment purposes. The City's cash and investment policies are governed by state statute. The Finance Director manages the City's investments with the exception of the pension trust funds which are managed by the trustees of the plans and the investments of the Board of Park Commissioners and Library which are managed by their respective directors.

The City does not maintain cash and investment pools. Non-pooled cash and investments are separately held and reflected in their respective funds as "cash and cash equivalents" and "investments," some of which are restricted assets. For additional information concerning restricted accounts, see Note 6. Legal restrictions and the City's policies governing deposits and investments are discussed in Note 4.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using quoted market prices. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of pension trust investments, additional cash and investment information, and fair values are presented in Note 3.

## **I. Inventories and Prepaid**

Inventories in governmental funds which consist of materials and supplies are considered to be immaterial and, therefore, expended at the time of purchase. Material proprietary fund materials and supplies inventories are recorded at the lower of cost or market on a first-in, first-out basis. An expense is recorded at the time individual inventory items are used.

Prepaid are record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaid are similarly reported in government-wide and fund financial statements.

## **J. Capital Assets and Depreciation**

The City's property, plant, equipment, and proprietary fund infrastructure and governmental fund infrastructure purchased or constructed after June 30, 1980, with useful lives of more than one year are stated at historical cost, or estimated historical cost if actual cost is unavailable, and are comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated

The City generally capitalizes assets with cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. During fiscal year 2007, the City implemented the transition provision of GASB #34 related to the retroactive reporting of infrastructure assets. Infrastructure recorded by the City includes roads/streets, alleys, bridges, trails, and trail bridges.

The City has not valued or capitalized all of its library books, reference material, and historical treasures. Generally accepted accounting principles require these assets be capitalized. The effect of this departure from generally accepted accounting principles is not known.

Estimated useful lives, in years, for depreciable assets are as follows:

Land improvements	5 - 70
Buildings and improvements	5 - 70
Infrastructure	10 - 50
General plant	20 - 50
Furniture, machinery, and equipment	4 - 45

For information describing capital assets, see Note 7.

#### **K. Long-Term Debt, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The debt discounts are netted against the respective portions of current and non-current bonds payable on the fund level and government-wide statement of net assets.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

#### **L. Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

## **M. Compensated Absences**

Full-time, permanent employees are granted vacation, other paid time off and comp time benefits in varying amounts to specified maximums depending on tenure with the City. Employees are entitled to their accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only the compensated absence liability payable from expendable, available financial resources in the fund financial statements in wages and benefits payable.

## **N. Fund Balance Classification**

GASB 54 requires that governmental fund financial statements present fund balances based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

1. Nonspendable – This amount cannot be spent either because it is in a nonspendable form or because it is legally or contractually required to be maintained intact.
2. Restricted – This amount can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed – This amount can be spent only for a specific purpose determined by a formal action of City Council. City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.
4. Assigned – This amount does not meet the criteria to be classified as restricted or committed but is intended to be used for a specific purpose. Under the City's adopted policy, only City Council may assign an amount for a specific purpose.
5. Unassigned – This includes all other spendable amounts.

## **O. Net Assets**

1. Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

2. Restricted net assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.
3. Unrestricted net assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

## **NOTE 2. BUDGETARY INFORMATION**

The City Manager submits an annual budget for the General Fund and Coal Severance Tax Fund to the City Council in accordance with the City Charter and state law. The budgets are prepared on prescribed forms and submitted for approval to the State Auditor’s Office. These budgets are prepared in accordance with the following procedures:

1. The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.
2. The budget is submitted to the State Auditor’s Office for approval.
3. The governing body reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The appropriated budget of the General Fund and Coal Severance Tax Fund is prepared on a detailed line item basis. This detail is then submitted to the West Virginia State Auditor’s Office, Chief Inspector Division, for approval. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions require approval by the City Council. Revisions that change a “departmental total” must also have approval of the West Virginia State Auditor, Chief Inspector. Revisions to the budget were made throughout the year.

The budgets for the General Fund and Coal Severance Tax Fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

### NOTE 3 FINANCIAL STABILIZATION FUND

City Council has established through ordinance a Financial Stabilization Fund to set aside amounts to be used in emergency situations. The funding policy of the fund is through transfers from the City's General Fund. At June 30, 2011, the balance of the Financial Stabilization Fund was \$677,050. The activity of the Financial Stabilization Fund is included in the General Fund for the fiscal year ending June 30, 2011. The beginning General fund nets assets in the Financial Stabilization Fund were restated and are as follows:

General Fund net assets at June 30, 2010 , as reported	\$ 2,331,703
Add:	
Financial Stablization Fund net assets at June 30, 2010	<u>673,673</u>
General Fund net assets at June 30, 2010, as restated	<u><u>\$ 3,005,376</u></u>

### NOTE 4. DEPOSITS AND INVESTMENTS

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. State statute requires deposits to be fully collateralized. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the Director of Finance (Director for the Board of Park Commissioners and Library). State statute restricts un-invested cash in pension trust funds to an estimated amount not to exceed ninety days of benefit payments and administrative costs.

As of June 30, 2011, the City's deposits with financial institutions in excess of Federal Deposit Insurance Corporation limitations and were not adequately collateralized.

**Investments** – As of June 30, 2011, the City had the following investments:

	Governmental	Fiduciary	Business Type Activities	Total
Money Market	\$ 712,487	\$ 381,060	\$ -	\$ 1,093,547
Certificates of Deposit	749,440	-	691,483	1,440,923
Governmental agency obligations		207,508		207,508
Coporate obligations		1,308,155		1,308,155
Common Stock	-	5,874,509	-	5,874,509
Mutual Funds	-	2,830,760	325,889	3,156,649
Municipal Bond Commission	-	-	1,318,038	1,318,038
Total Investments (Non-fiduciary)	<u>\$ 1,461,927</u>	<u>\$10,601,992</u>	<u>\$2,335,410</u>	<u>\$14,399,329</u>

	Interest Rate and Maturity Range	Credit Risk Rating Credit Quality Rating Rage
Money Market	Less than 1 year	Not available
Mutual Funds	Not available	Not rated
Municipal Bond Commission	Less than 1 year	AAA

(1) Ratings are provided where applicable to indicate associated risk. N/A indicated not applicable or not available.

(2) Interest rate risk is estimated using either duration or weighted average days to maturity. N/A indicates not applicable or not available.

The composition of pension trust fund investments at fair value is shown on the following table:

	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund	Total
Money markets	\$ 42,804	\$ 338,256	\$ 381,059
Government agency obligations	207,508	-	207,508
Corporate obligations	1,105,685	202,470	1,308,155
Common stock	2,103,155	727,605	2,830,760
Mutual funds	583,926	5,290,583	5,874,509
Total investments	<u>\$ 4,043,078</u>	<u>\$ 6,558,914</u>	<u>\$10,601,990</u>

**Primary Government Investment Policies:**

Generally, the City's investing activities are managed under the custody of the Finance Director (Director for Board of Park Commissioners and Library). Investing is performed in accordance with investment policies prescribed by state statutes. City funds may be invested in:

- (1) Any direct obligation of, or obligation guaranteed as to the payment of both principal and interest by, the United States of America;
- (2) Any evidence of indebtedness issued by any United States government agency guaranteed as to the payment of both principal and interest, directly or indirectly, by the United States of America;
- (3) Any evidence of indebtedness issued by the federal national mortgage association to the extent such indebtedness is guaranteed by the government national mortgage association;
- (4) Any evidence of indebtedness that is secured by a first lien deed of trust or mortgage upon real property situate within the State of West Virginia, if the payment thereof is substantially insured or guaranteed by the United States of America or any agency thereof;
- (5) Direct and general obligations of the State of West Virginia;

- (6) Any undivided interest in a trust, the corpus of which is restricted to mortgages of real property and, unless all of such property is situated within the State of West Virginia and insured, such trust at the time of the acquisition of such undivided interest, is rated in one of the three highest rating grades by an agency which is nationally known in the field of rating pooled mortgage trusts;
- (7) Any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association: Provided, That any such security is, at the time of its acquisition, rated in one of the three highest rating grades by an agency which is nationally known in the field of rating corporate securities: Provided, however, That if any commercial paper or any such security will mature within one year from the date of its issuance, it shall, at the time of its acquisition, be rated in one of the two highest rating grades by any such nationally known agency and commercial paper or other evidence of indebtedness of any private corporation or association shall be purchased only upon the written recommendation from an investment advisor that has over three hundred million dollars in other funds under its management;
- (8) Negotiable certificates of deposit issued by any bank, trust company, national banking association or savings institution which mature in less than one year and are fully collateralized;
- (9) Interest earning deposits including certificates of deposit, with any duly designated State of West Virginia depository, which deposits are fully secured by a collaterally secured bond; and
- (10) Mutual funds registered with the Securities and Exchange Commission which has assets in excess of three hundred million dollars.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Cumulatively, portfolios of the City may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total City portfolio may be placed with any single financial institution. U.S. government securities are excluded from these restrictions.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name.

## Pension Trust Investment Policies

The City's two pension trusts are the Policemen's Pension and Relief and the Firemen's Pension and Relief. Investing is performed in accordance with investment policies prescribed by state statutes. The Board of Trustees is responsible for compliance with the investment policy. Investment managers have been retained to assist them. Overall, investment guidelines provide for diversification and allow investments in the following:

- (1) Any direct obligation of, or obligation guaranteed as to the payment of both principal and interest by, the United States of America;
- (2) Any evidence of indebtedness issued by any United States government agency guaranteed as to the payment of both the principal and interest, directly or indirectly, by the United States of America;
- (3) Readily marketable (i.e. traded on a national securities exchange) debt securities having a Standard & Poor rating of A (or equivalent to Moody's rating) or higher, excluding municipal securities;
- (4) Any evidence of indebtedness that is secured by a first lien deed of trust or mortgage upon real property located within the State of West Virginia, if the payment thereof is substantially insured or guaranteed by the United States of America or any agency thereof;
- (5) Repurchase agreements issued by any bank, trust company, national banking association or savings institutions which mature in less than one year and are fully collateralized, no reverse repurchase agreements shall be allowed;
- (6) Interest bearing deposits including certificates of deposit and passbook savings accounts that are FDIC insured;
- (7) Equity – Common stocks, securities convertible into common stocks, or warrants and rights to purchase such securities; Provided, That each shall be listed on the NYSE, ASE or are traded on the National OTC Market and listed on the NASDAQ National Market.

Monies invested are subject to the following restrictions and conditions:

- (a) Fixed income securities shall at no time exceed ten percent of the total assets of the pension fund, which are issued by one issuer, other than the United States government or agencies thereof, whereas this limit shall not apply;
- (b) At no time shall the equity portion of the portfolio exceed fifty percent of the total portfolio. Furthermore, the debt or equity securities of any one company or association shall not exceed five percent with a maximum of fifteen percent in any one industry;
- (c) Any investments in equities shall be subject to the following additional guidelines:
  - (1) Equity mutual funds shall be no sales load (front or back) and no contingent deferred sales charges shall be allowed. The total annual operating expense ratio shall not exceed one and three-quarter percent for any mutual fund;

- (2) The stated investment policy requires one hundred percent of the equities of the portfolio be that of securities listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ National Market;
  - (3) Equity mutual funds may be only of the following fund description stated purpose: growth funds, growth and income funds, equity income funds, index funds; utilities, funds, balanced funds and flexible portfolio funds;
  - (4) The equity value of investments shall not exceed twenty-five percent of the total portfolio for the first twelve months; thereafter no more than five percent of the total portfolio be invested in equity securities per calendar quarter up to the maximum of fifty percent;
- (d) The board of trustees of each fund shall obtain an independent performance evaluation of the funds at least annually and such evaluation shall consist of comparisons with other funds having similar investment objectives for performance results with appropriate market indices;
  - (e) Each entity conducting business for each pension fund, shall fully disclose all fees and costs of transactions conducted on a quarterly basis. Entities conducting business in mutual funds for and on behalf of each pension fund, shall timely file revised prospectus and normal quarterly and annual Securities Exchange Commission reporting documents with the board of trustees of each pension fund.

Both plans address custodial credit risk similarly with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the respective pension boards. The pension trust funds hold \$1,648,148 in common stock, \$6,650,431 in bond mutual funds, and \$1,017,284 in money markets which are held by the investment counterparty, in the name of the pension fund or the City.

According to state statute, pension trustees shall exercise judgment and care under fiduciary duty which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable total return as well as the preservation of principal.

## **NOTE 5. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE**

### **Governmental Receivables and Uncollectible Accounts**

Taxes receivable include property taxes, business and occupation taxes, utility excise taxes, wine and liquor taxes, and hotel and motel taxes. Charges for services include amounts due from customers for sanitation services and police and fire service fee. These receivables are due within one year. Certain funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of un-collectibles. Related amounts are shown in the following table:

Accounts Receivable Type	General	Coal	Other
	Fund	Severance	Governmental Funds
Taxes	\$ 984,415	\$ -	\$ -
Charges for service	1,045,332	-	-
Fees and other receivables	19,750	-	-
Intergovernmental	46,947	-	7,955
Less: Allowance for uncollectible accounts	(737,501)	-	-
Net Accounts Receivable	<u>\$1,358,943</u>	<u>\$ -</u>	<u>\$ 7,955</u>
Uncollectible amounts netted with revenue	<u>\$ 125,218</u>	<u>\$ -</u>	<u>\$ -</u>

### Business-type activity Receivables, Uncollectible Accounts, and Deferred Revenue

Significant receivables include amounts due from customers primarily for water and sewer services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible accounts.

The allowance amount is estimated using accounts receivable past due more than 90 days. Related amounts are shown in the following table:

	Water Board	Sanitary Board	Board of Park Commissioners	Other Funds	Total
Accounts receivable	\$902,292	\$802,893	\$ 4,073	\$ 18,674	\$ 1,727,932
Less: Allowance for uncollectibles	(143,484)	(282,025)	-	-	(425,509)
Net accounts receivable	<u>\$758,808</u>	<u>\$520,868</u>	<u>\$ 4,073</u>	<u>\$ 18,674</u>	<u>\$ 1,302,423</u>
Uncollectible amounts, net	<u>\$ 4,191</u>	<u>\$ 21,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,829</u>

### Property Taxes Receivable, Uncollectible Taxes, Deferred Revenue, and Property Tax Calendar

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a county may distain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent.

If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid. All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, fourteen and three-tenths cents (14.30¢); on Class II property, twenty-eight and six-tenths cents (28.60¢); and on Class IV property, fifty seven and two-tenths cents (57.20¢). In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by City of Weirton, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2011, were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Levy</u>
Class I	-	12.50¢
Class II	\$241,634,460	25.00¢
Class IV	\$380,180,205	50.00¢

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund once the levy is approved. At fiscal year-end, the receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year end, they are recorded as deferred revenue. Deferred property taxes recorded in the accompanying governmental fund financial statements totaled \$77,719.

In the government-wide financial statements, property taxes receivable, net of an allowance and related revenue include all amounts due the City regardless of when cash is received.

#### **Grants receivable and Deferred Revenue**

Revenue is recorded as earned when eligibility requirements are met. Grants receivable totaling \$54,902 has been recorded in the governmental funds for expenses incurred in excess of grant funds received in the General, Tax Increment Financing, and Community Development Block Grant Funds. Deferred revenues in the governmental fund financial statements revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Revenue received after 60 days is fully recognized as revenue in the government-wide statements if eligibility requirements are met.

#### **NOTE 6. RESTRICTED ASSETS**

Certain proprietary fund assets are restricted for debt service and repair and replacement of capital assets. Total restricted assets, which consist of interest bearing checking accounts and deposits with the West Virginia Municipal Bond Commission, amounted to \$1,394,048.

## NOTE 7. CAPITAL ASSETS

	Totals June 30, 2010	Additions	Deletions	Totals June 30, 2011
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 855,697	\$ -	\$ -	\$ 855,697
Total capital assets not being depreciated	<u>855,697</u>	<u>-</u>	<u>-</u>	<u>855,697</u>
Capital assets being depreciated				
Land Improvements	1,866,641	2,207	-	1,868,848
Buildings and improvements	7,106,256	2,865	-	7,109,121
Infrastructure	10,016,670	973,557	-	10,990,227
Furniture, machinery and equipment	<u>10,478,452</u>	<u>275,294</u>	<u>357,628</u>	<u>10,396,118</u>
Total capital assets being depreciated	<u>29,468,019</u>	<u>1,253,923</u>	<u>357,628</u>	<u>30,364,314</u>
Less accumulated depreciation for:				
Land Improvements	1,827,473	22,879	-	1,850,352
Buildings and improvements	4,449,465	137,281	-	4,586,746
Infrastructure	2,544,731	428,638	-	2,973,369
Furniture, machinery and equipment	<u>6,570,478</u>	<u>672,291</u>	<u>315,063</u>	<u>6,927,706</u>
Total accumulated depreciation	<u>15,392,147</u>	<u>1,261,089</u>	<u>315,063</u>	<u>16,338,173</u>
Governmental activities capital assets, net	<u>\$ 14,931,569</u>	<u>\$ (7,166)</u>	<u>\$ 42,565</u>	<u>\$ 14,881,838</u>

**Commitments** -- Active construction in progress is composed of the following:

	Spent to June 30, 2011	Remaining Commitment
<b>Water Fund</b>		
Water by product treatment disinfection	\$ 4,791,107	\$ 162,988
Plant improvements	<u>53,592</u>	<u>-</u>
	<u>\$ 4,844,699</u>	<u>\$ 162,988</u>
<b>Sewer Fund</b>		
Sewer line extensions	\$ 141,441	\$ 20,000
Sewer line replacement	60,142	-
Plant improvements	<u>831,262</u>	<u>-</u>
	<u>\$ 1,032,845</u>	<u>\$ 20,000</u>

Business-type activities include construction funded with user charges, capital contributions, and bond proceeds.

Capital asset balances and activity for the Business-type activities for the year ended June 30, 2011, is as follows:

	Totals June 30, 2010	Additions	Deletions	Totals June 30, 2011
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land and land rights	\$ 535,383	\$ -	\$ -	\$ 535,383
Construction-in-progress	3,144,931	2,934,643	-	6,079,574
Total capital assets not being depreciated	<u>3,680,314</u>	<u>2,934,643</u>	<u>-</u>	<u>6,614,957</u>
Capital assets being depreciated:				
Land improvements	134,947	-	-	134,947
Buildings and improvements	10,159,811	103,022	195,598	10,067,235
Infrastructure	35,893,499	121,495	-	36,014,994
General plant	5,813,194	78,082	-	5,891,276
Furniture, machinery and equipment	3,661,301	221,943	320,220	3,563,024
Total capital assets being depreciated	<u>55,662,752</u>	<u>524,542</u>	<u>515,818</u>	<u>55,671,476</u>
Less accumulated depreciation for:				
Land improvements	128,135	226	-	128,361
Buildings and improvements	5,105,924	320,618	149,466	5,277,076
Infrastructure	26,839,358	374,795	-	27,214,153
General plant	772,976	123,496	-	896,472
Furniture, machinery and equipment	2,797,229	157,235	297,171	2,657,293
Total accumulated depreciation	<u>35,643,622</u>	<u>976,370</u>	<u>446,637</u>	<u>36,173,355</u>
Business-type activities				
Capital assets, net	<u>\$ 23,699,444</u>	<u>\$ 2,482,815</u>	<u>\$ 69,181</u>	<u>\$ 26,113,078</u>

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

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 231,618	Water	\$ 361,312
Public Safety	396,763	Sewer	333,513
Highways and streets	511,677	Board of Park	
Health and sanitation	76,774	Commissioners	235,125
Culture and recreation	44,259	Library	46,112
	-	Parking Authority	309
	<u>\$ 1,261,091</u>		<u>\$ 976,371</u>

## NOTE 8. CAPITAL LEASE COMMITMENTS

The City's outstanding lease agreements include the acquisition of machinery and equipment for the street department and police department. These leases qualify as capital leases.

At June 30, 2011, the city has seven outstanding lease agreements which were made for the purchase of nine police vehicles, two street department vehicles, a sanitation truck, and a fire engine. The cost and accumulated depreciation for assets under capital lease at June 30, 2011 were \$873,604 and \$209,753, respectively. The total lease payments less interest costs are as follows:

Year Ending June 30,	
2012	\$ 149,617
2013	52,907
2014	23,711
2015	17,599
2016	9,497
Less interest costs	<u>(16,270)</u>
Present value of future minimum lease payments	237,061
Less current portion	<u>(141,721)</u>
Capital leases, non-current	<u>\$ 95,340</u>

## NOTE 9. LONG-TERM DEBT

### Revenue Bonds

Revenue bonds outstanding as of June 30, 2011, consist of debt issued by the City for its water treatment facility. The debt is payable solely from and secured by a pledge of the gross revenues to be derived from the operation of the water treatment plant.

The bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. The general bond indenture and its supplements for the water system bonds require the use of revenue, depreciation, operations and maintenance, reserve, construction, renewal and replacement, rebate and sinking fund accounts. The City covenants that the schedule of rates for the Water Board and the Sanitary Board are sufficient, together with other revenues of the system, to provide for all reasonable expenses of operation, repair and maintenance of the system, and to leave a balance each year equal to at least 115 percent of the maximum amount required in any year for principal and interest. At June 30, 2011 the entity was not in compliance with the terms and provisions of the Loan Agreements for the Water and Sewer Fund.

The City's revenue bonds are recorded in the Statement of Net Assets, net of debt discounts at June 30, 2011, the current and non-current portions, net of discount, are as follows:

	Bonds Payable	Debt Discount	Bonds Payable, net
Current Portion			
Water Board	\$ 594,455	\$ 5,285	\$ 589,170
Sanitary Board	184,135	1,275	182,860
Total current	<u>778,590</u>	<u>6,560</u>	<u>772,030</u>
Non-Current Portion			
Water Board	6,928,513	68,671	6,859,842
Sanitary Board	3,441,580	20,294	3,421,286
Total non-current	<u>10,370,093</u>	<u>88,965</u>	<u>10,281,128</u>
Total	<u>\$11,148,683</u>	<u>\$ 95,525</u>	<u>\$ 11,053,158</u>

Amortization expense is \$4,010 and \$1,275 for the Water and Sanitary Board, respectively.

### Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Payments	Balance June 30, 2011	Due Within One Year
<u>Governmental Activities</u>					
Capital leases payable	\$ 378,454	\$ 70,000	\$ 211,393	\$ 237,061	\$ 141,721
Total Governmental Activities	<u>378,454</u>	<u>70,000</u>	<u>211,393</u>	<u>237,061</u>	<u>141,721</u>
<u>Business-type Activities</u>					
Note payable:					
Sanitary Board	-	130,000	38,154	91,846	43,178
Total note payable	<u>-</u>	<u>130,000</u>	<u>38,154</u>	<u>91,846</u>	<u>43,178</u>
Revenue bonds:					
Water Board	6,835,638	1,179,358	492,028	7,522,968	589,170
Sanitary Board	3,806,212	-	180,497	3,625,715	182,860
Total revenue bonds	<u>10,641,850</u>	<u>1,179,358</u>	<u>672,525</u>	<u>11,148,683</u>	<u>772,030</u>
Total Business-type Activities	<u>10,641,850</u>	<u>1,179,358</u>	<u>672,525</u>	<u>11,148,683</u>	<u>772,030</u>
Total Long-term debt	<u>\$ 11,020,304</u>	<u>\$ 1,249,358</u>	<u>\$ 883,918</u>	<u>\$11,385,744</u>	<u>\$ 913,751</u>

### Outstanding Bonds, Maturity Dates, and Interest Rates

	Amount of Original Issue	Range of Final Maturity Dates	Range of Interest Rates
Revenue Bonds			
Water Board	\$ 11,917,410	2017 - 2030	0% - 8.1% plus 1% administration fee
Sanitary Board	4,199,404	2028	2% plus 1% administration fee
Total	<u>\$ 16,116,814</u>		

## Arbitrage Compliance

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The City invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds.

## Debt Service Requirements to Maturity

The City did not capitalize any interest expense for the fiscal year ended June 30, 2011.

The annual debt service requirements to maturity for bonded debt as of June 30, 2011, are as follows:

Year Ending June 30,	Water Board		Sanitary Board	
	Principal	Interest	Principal	Interest
2012	\$ 594,455	\$ 268,423	\$ 184,135	\$ 71,139
2013	649,335	251,480	187,846	67,429
2014	680,875	219,938	191,631	63,643
2015	714,562	186,250	195,491	59,782
2016	750,559	150,253	199,431	55,843
2017-2021	2,041,703	353,579	1,059,080	217,290
2022-2026	1,357,075	178,192	1,170,173	106,197
2027-2030	734,404	41,029	437,928	8,802
Totals	<u>\$ 7,522,968</u>	<u>\$ 1,649,144</u>	<u>\$ 3,625,715</u>	<u>\$ 650,125</u>

## Note Payable

The City's Sanitary Board obtained a note with a local financial institution for repairs to a main sewer line. The note has an interest rate of 3.76%. At June 30, 2011, the principal and interest payments due from the City are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 43,178	\$ 2,713
2013	44,429	1,062
2014	4,239	12
Totals	<u>\$ 91,846</u>	<u>\$ 3,787</u>

## NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In order to manage its risk of loss, the City purchases commercial insurance for liability, property and casualty losses as well as for employee health and basic life coverage. In addition, the City participates in the West Virginia Workers' Compensation Fund for coverage against injuries to employees. The West Virginia Workers' Compensation Fund risk pool retains the risk of loss under the program.

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services for goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The following schedule reports receivables and payables within the Primary Government reporting entity at fiscal year-end:

Fund	Due from Other Funds	Fund	Due to Other Funds
General	\$ 242,600	General	67,304
Coal Severance	20,590	Public safety	7,645
Internal Service Fund	46,920	Internal Service Fund	1,754
Sanitary Board	44,463	Board of Park Commissioners	26,830
Water	38,970	Water Fund	144,315
	-	Sanitary Board	140,482
	-	Other Funds	5,213
Total due from other funds	<u>\$ 393,543</u>	Total due to other funds	<u>\$ 393,543</u>

**NOTE 12. TRANSFERS AND PAYMENTS**

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Substantial operating subsidies are provided by the General Fund to the Board of Park Commissioners and Library Funds. Such payments are reported as transfers in the accompanying financial statements. These payments are detailed in the schedule below.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns appear in this statement.

The following schedule reports transfers and payments within the Primary Government reporting entity:

<u>Transfers from</u>	<u>Amount</u>	<u>Transfers to</u>	<u>Amount</u>
General Fund	\$ 830,681	Board of Park Commissioners	\$ 519,000
	-	Library	311,681
	<u>\$ 830,681</u>		<u>\$ 830,681</u>

**NOTE 13. REVENUES AND EXPENDITURES – BENEFITS FUNDED BY THE STATE OF WEST VIRGINIA**

For fiscal year 2011, the State of West Virginia contributed payments on behalf of City employees as follows:

<u>Plan</u>	<u>Amount</u>
City of Weirton Policemen’s Pension and Relief Fund	\$ 370,268
City of Weirton Firemen’s Pension and Relief Fund	169,656
Total	<u>\$ 539,924</u>

State contributions are funded by allocations of the state’s insurance premium tax. The City is not legally responsible for these contributions.

**NOTE 14. RETIREMENT PLANS**

Single Employer Plans - The City participates in two single-employer, defined benefit, 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.

The City also participates in a state-wide cost sharing, multi-employer defined benefit public employee retirement system which covers employees of the State of West Virginia and its participating political subdivisions. This system is administered by the State of West Virginia and is funded by contributions from participating employers, and state appropriations, as necessary.

**Policemen’s Pension and Relief Fund**

**Plan Summary** – All permanent full time police department personnel are covered by this plan which is funded in accordance with Chapter 8, Article 22 Of the West Virginia Code. To be eligible for a regular retirement pension under the plan, the member must have completed at least 20 years of credited service. The normal retirement benefit commences on the participants’ normal retirement date or the date he attains age 50, if later.

The annual normal retirement pension payable monthly is 60% of the participants' annual salary for 20 years of service, up to 75% for 30 years service.

Eligible policemen contribute 9% of their monthly salary. Effective January 1, 2010, all newly hired policemen contribute 9.5% of their monthly salary. The total eligible payroll for the fiscal year ending June 30, 2011 was \$1,568,827. The total employee contribution was \$153,292. The plan's fund balance as of June 30, 2011 is \$4,225,903.

The City does not contribute to the Policemen's Pension and Relief Fund based on the latest actuarial study. The City's contributions are based on fifteen year solvency plan which stipulates the minimum contribution the City may make to this plan.

This contribution method has been approved by the West Virginia legislature and projects the Policemen's Pension and Relief Fund to be solvent under this method for the next consecutive fifteen-year period. This solvency plan must be actuarially updated on an annual basis.

The minimum required contribution of the City and State according to the July 1, 2010 actuarial report, was \$750,305. The actual contributions were \$735,722 for the year ended June 30, 2011.

**Annual Required Contribution (ARC) and Significant Actuarial Assumptions** - The pension obligation is the actuarial present value of the credited projected benefits. It is a standardized disclosure measure of the present value of pension benefits, adjusted for the affects of projected salary increases and any step-rate benefits, estimated to be in the future as a result of employee service to date. According to the most recent actuarial report, as of July 1, 2008, the average salary for benefits was \$41,597. There were 48 pensioners as of June 30, 2010 receiving an average of \$26,565 in pension benefits with an expected cost-of-living increase up to 3%.

The actuarial assumptions and other information used to determine the ARC are as follows:

	Policemen's
Valuation date:	July 1, 2010
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percent open
Amortization period:	30 years (level percentage)
Actuarial asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return	5.0%
Project salary increases	4.0% general and wage inflation adjustment plus service-based increase of 9% for one year of service, 4.5% for two years of service, 2.0% for three and four years of service, and 1.0% thereafter
Inflation rate:	3%
Other—cost of living adjustments:	3.0% on first \$15,000 of annual benefit and on the accumulated supplemental pension for prior years

**Funding Progress is as follows:**

	<u>Policemen's Pension and Relief Fund</u>	
Actuarial Evaluation Date	<u>7/1/10</u>	
Actuarial Value of Assets	\$	4,077,854
Actuarial Accrued Liability (AAL)	\$	28,004,789
Underfunded (UAAL)	\$	23,926,935
Funded Ratio		15%
Covered Payroll	\$	1,497,481
UAAL as a % of Covered Payroll		1598%

The schedule of funding progress included in the required supplementary information immediately following the notes to the financial statements indicates that the actuarial value of the plan assets (decrease of 41% ) is over time, increasing or decreasing relative to the increase in the actuarial accrued liability (increasing 70%)

**Trend Information**

	<u>Policemen's Pension and Relief Fund</u>		
Fiscal Year	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 1,129,928	32%	\$ 9,549,710
2010	\$ 986,424	37%	\$ 8,785,237
2009	\$ 979,225	34%	\$ 8,165,478

**Fireman's Pension and Relief Fund**

**Plan Summary** – All permanent full time fire department personnel are covered by this plan which is funded in accordance with Chapter 8, Article 22 Of the West Virginia Code. To be eligible for a regular retirement pension under the plan, the member must have completed at least 20 years of credited service. The normal retirement benefit commences at the earlier of age 50 with 20 years of credited service or age 65. participants' normal retirement date or the date he attains age 50 with 20 years of credit service or age 65. The monthly benefit is a percentage of the highest three year average countable compensation. This percentage is determined based on years of service. The percentage ranges from 60% of countable compensation for 20 years of service to 75% for 30 years.

Eligible firemen contribute 7% of their monthly salary. Effective January 1, 2010, all newly hired firemen contribute 9.5% of their monthly salary. The total eligible payroll for the fiscal year ending June 30, 2011 was \$987,776. The total employee contribution was \$73,802. The plan's fund balance as of June 30, 2011 is \$6,793,473.

The City does not contribute to the Fireman's Pension and Relief Fund based on the latest actuarial study. The City's contributions are based on fifteen year solvency plan which stipulates the minimum contribution the City may made to this plan. This contribution method has been approved by the West Virginia legislature and projects the Policemen's Pension and Relief Fund to be solvent under this method for the next consecutive fifteen-year period. This solvency plan must be actuarially updated on an annual basis.

The minimum required contribution of the City and State was \$345,959. The actual contributions were \$345,959 for the year ended June 30, 2011.

**Annual Required Contribution (ARC) and Significant Actuarial Assumptions** - The pension obligation is the actuarial present value of the credited projected benefits. It is a standardized disclosure measure of the present value of pension benefits, adjusted for the affects of projected salary increases and any step-rate benefits, estimated to be in the future as a result of employee service to date. According to the most recent actuarial report, as of July 1, 2010, the average salary for benefits was \$40,219. There were 16 pensioners as of June 30, 2010 receiving an average of \$27,832 in pension benefits with expected cost-of-living increase up to 4%.

The actuarial assumptions and other information used to determine the ARC are as follows:

	Firemen's
Valuation date:	July 1, 2010
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percent open
Amortization period:	30 years (level percentage)
Actuarial asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return	5.5%
Project salary increases	4.0% general and wage inflation adjustment plus service-based increase of 9% for one year of service, 4.5% for two years of service, 2.0% for three and four years of service, and 1.0% thereafter
Inflation rate:	3.0%
Other—cost of living adjustments:	3.0% on first \$15,000 of annual benefit and on the accumulated supplemental pension for prior years

Funding Progress is as follows:

	Firemen's Pension and Relief Fund <u>7/1/10</u>
Actuarial Evaluation Date	
Actuarial Value of Assets	\$ 5,950,021
Actuarial Accrued Liability (AAL)	\$ 11,960,512
Underfunded (UAAL)	\$ 6,010,491
Funded Ratio	50%
Covered Payroll	\$ 844,599
UAAL as a % of Covered Payroll	712%

The schedule of funding progress included in the required supplementary information immediately following the notes to the financial statements indicates that the actuarial value of the plan assets is (decreasing 4% ) is over time, over time, increasing or decreasing relative to the increase in the actuarial accrued liability (increasing 64% ).

#### Trend Information

<u>Firemen's Pension and Relief Fund</u>			
<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 358,713	49%	\$ 1,771,716
2009	\$ 369,835	45%	\$ 1,588,765
2008	\$ 190,644	81%	\$ 1,383,700

#### Annual Pension Cost and Net Pension Obligation:

The following table presents the change in the City's pension obligation as recorded on the Statement of Net Assets at June 30, 2011:

	<u>Policemen's Pension Relief Fund</u>	<u>Firemen's Pension Relief Fund</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 1,144,510	\$ 358,714	\$ 1,503,224
Interest on net pension obligation	439,262	87,382	526,644
ARC adjustment	(453,843)	(87,382)	(541,225)
Annual pension cost	1,129,929	358,714	1,488,643
Less: employer contributions	(365,455)	(176,303)	(541,758)
Increase in net pension obligation	764,474	182,411	946,885
Net pension obligation at June 30, 2010	8,785,237	1,588,765	10,374,002
Net pension obligation at June 30, 2011	<u>\$ 9,549,711</u>	<u>\$ 1,771,176</u>	<u>\$ 11,320,887</u>

## Investment Detail

As of June 30, 2011, the City's pension funds held the following investments:

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>	<u>Total</u>
Money markets	\$ 42,804	\$ 338,256	\$ 381,059
Government agency obligations	207,508	-	207,508
Corporate obligations	1,105,685	202,470	1,308,155
Common stock	2,103,155	727,605	2,830,760
Mutual funds	<u>583,926</u>	<u>5,290,583</u>	<u>5,874,509</u>
Total investments	<u>\$ 4,043,078</u>	<u>\$ 6,558,914</u>	<u>\$10,601,990</u>

**Investment Policy** – The City pension plan follows West Virginia State Code 8-22-22 as its investment policy.

**Concentration of Credit Risk** – No individual investments in any one issuer represents more than 5% of the total investments for both pension funds. Additionally, within each pension fund, no individual investment in any one issue represents more than 5% of the total investment in that fund.

**Credit and Interest Rates** – At June 30, 2011, the City's credit rating and average maturities on its money market and bond mutual funds were as follows:

	<u>Interest Rate and Credit Risk Ratings</u>	
	<u>Maturity Range</u>	<u>Credit Quality Rating Range</u>
Money Market	Less than 1 year	Not available
Government agency obligations	4 – 9 years	Aaa
Corporate obligations	1—9 years	A- to AA
Bond mutual funds	Not Available	Not Available

## Cost Sharing, Multi-Employer Plan

*Plan Summary* - All City employees, with the exception of part-time employees and uniformed employees, participate in the West Virginia Public Retirement System (PERS). This plan is a cost sharing multiple-employer public employee retirement system created by the State of West Virginia.

All eligible full-time Workshop employees must participate. Among those employees not eligible for plan membership are members and retirees of other state retirement systems. Employees may retire at age 60 with a minimum of 5 years of credited service

or when the members age plus his/her years of service is equal to or greater than 80 provided that employee has reached age 55. An individual with 5 or more consecutive years of service who terminates employment prior to retirement can choose to leave contributions with the system and will be eligible for retirement at age 62. Members are entitled a yearly retirement benefit of 2% of their highest average salary over 3 consecutive years out of the last 10 years of earning multiplied by the number of years of service. Payments are made monthly to retiree and the retiree can choose from 3 retirement options.

In accordance with Chapter 5, Article 10 of the West Virginia State Code, employees are required to contribute 4.5% of their annual salary to PERS with the City contributing 12.5%. Employer contributions for the current year and the prior two years were as follows:

<u>Year</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 478,704	100%
2010	\$ 407,381	100%
2009	\$ 413,502	100%

Further benefit, trend, and other information regarding this plan are presented in the PERS annual financial report, which may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Avenue. S.E., Charleston, WV 25304.

**NOTE 15. OTHER POST EMPLOYMENT BENEFITS**

Because the City participates in the PERS, retirees have the option of choosing to participate in a cost-sharing, multiemployer, defined benefit other postemployment benefit plan (OPEB plan) through the WV Public Employees Insurance Agency (PEIA). Financial activities of the OPEB plan are accounted for in the Retirement Health Benefit Trust (RHBT). The plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage. Retiree's insurance premium is dependent on the number of years worked. A fee is charged to the City for each of the retirees who choose this option. The fee charged to the City is determined by PEIA. The expense for 2011 totaled \$286,192

Further benefit, trend, and other information regarding this plan is presented in the RHBT annual financial report, which may be obtained by writing to the Public Employee Insurance Agency, 601 57<sup>th</sup> Street South East, Charleston, WV 25304.

GASB Statement No. 45 – *Statement Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs) was required to be implemented by the City for fiscal year 2011. However, the City did not complete the required calculation to determine the annually required contribution (ARC) in accordance with the GASB requirements.

As a result, the OPEB liability and related expense have not been recorded within the governmental activities of the statement of net assets and activities, respectively, and the required disclosures have not been made. The amount by which this departure would increase the liabilities and expenses and decrease net assets of the governmental activities is not reasonably determinable.

#### **NOTE 16. CONTINGENCIES**

The City of Weirton, West Virginia, is the defendant in a number of lawsuits arising principally in the normal course of operations. All claims are protected by insurance, up to a certain amount, and would not likely have a material effect on the municipality's financial statements. The City aggressively defends each case against itself.

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by the granting authorities for the purpose of ensuring compliance with the conditions of the awards. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

The Weirton Water Board is under consent decree by the U.S. Environmental Protection Agency to upgrade its water treatment plant to meet the Enhanced Safe Drinking Water Act Disinfection and Disinfection By-Product Rule.

The Weirton Sanitary Board is under order for compliance with all terms and conditions of its WW/NPDES Water Pollution Control Permit No WV0023108 dated January 6, 2006. Corrective action is ongoing and preliminary engineering reports have been completed and submitted to the West Virginia Department of Environmental Protection for approval. Required construction to bring the Sanitary Board in compliance is scheduled to be completed by December 2013.

#### **NOTE 17. CONCENTRATION OF CREDIT RISK**

The General Fund bills the residents and businesses a police and fire service fee and a refuse fee. The Water and Sanitary Boards are suppliers of water and sewer services to the residents and businesses of Weirton, West Virginia. The Board of Park Commissioners offers memberships to its recreational facilities to the residents of the Weirton, West Virginia area. The Gasoline Fund supplies gas and oil to various entities in addition to other funds of the City. These services, memberships and goods are provided on a credit basis without requiring collateral or any other security. Accounts receivable have been adjusted for all known uncollectible accounts. Accounts receivable for these services on the Statement of Net Assets pertaining to these services were \$1,792,089. (See Note 5)

#### **NOTE 18. RISKS AND UNCERTAINTIES**

The City's Pension Trust Funds invest in various investment securities and mutual funds. Investment securities and mutual funds are exposed to various risks such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that, such changes could materially affect the amounts reported in the statement of fiduciary net assets.

The actuarial present values of pension benefit obligations in Note 14 are reported based on certain assumptions pertaining to interest rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF WEIRTON, WEST VIRGINIA

## Defined Benefit Pension Trusts

### For the Year Ended June 30, 2011

#### I. Schedule of Funding Progress

##### Policemen's Pension and Relief Fund

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2010	\$ 4,077,854	\$ 28,004,789	\$ 23,926,935	15%	\$ 1,497,481	1598%
7/1/2008	\$ 5,279,721	\$ 23,206,510	\$ 17,926,789	23%	\$ 1,557,890	1151%
7/1/2006	\$ 5,590,276	\$ 21,929,940	\$ 16,339,664	25%	\$ 1,587,560	1029%
7/1/2004	\$ 6,074,910	\$ 20,842,460	\$ 14,767,550	29%	\$ 1,482,860	996%
7/1/2002	\$ 6,209,584	\$ 19,325,860	\$ 13,116,276	32%	\$ 1,397,370	939%
7/1/2000	\$ 6,949,041	\$ 16,450,270	\$ 9,501,229	42%	\$ 1,511,320	629%

##### Firemen's Pension and Relief Fund

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2010	\$ 5,950,021	\$ 11,960,512	\$ 6,010,491	50%	\$ 844,599	712%
7/1/2009	\$ 4,937,199	\$ 10,242,240	\$ 5,305,041	48%	\$ 896,579	592%
7/1/2007	\$ 6,512,132	\$ 9,015,430	\$ 2,503,298	72%	\$ 915,180	274%
7/1/2005	\$ 5,546,711	\$ 9,599,380	\$ 4,052,669	58%	\$ 951,732	426%
7/1/2003	\$ 5,223,880	\$ 8,719,960	\$ 3,496,080	60%	\$ 1,001,830	349%
7/7/2001	\$ 5,163,930	\$ 7,019,720	\$ 1,855,790	74%	\$ 787,708	236%

#### II. Schedules of Employer Contributions

Fiscal Year	Policemen's Pension and Relief Fund		Firemen's Pension and Relief Fund	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2011	\$ 1,144,510	32%	\$ 358,714	49%
2010	\$ 896,409	40%	\$ 344,689	48%
2009	\$ 896,409	37%	\$ 165,264	87%
2008	\$ 823,683	37%	\$ 165,264	87%
2007	\$ 823,683	35%	\$ 260,540	52%
2006	\$ 676,035	39%	\$ 260,540	45%

# CITY OF WEIRTON, WEST VIRGINIA

## Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Current Expense Fund

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Revised</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Property Taxes	\$ 2,500,639	\$ 2,498,039	\$ 2,468,988	\$ 29,051
B&O taxes	2,030,000	2,030,000	2,142,988	(112,988)
Excise tax on utilities	1,175,000	1,175,000	1,254,868	(79,868)
Other taxes	368,000	403,917	442,845	(38,928)
Fines and forfeitures	100,300	106,500	108,292	(1,792)
Licenses, permits, and fees	118,000	286,200	295,103	(8,903)
Intergovernmental	852,000	1,277,550	1,213,086	64,464
Charges for services	4,081,896	4,118,619	4,069,989	48,630
Video lottery and table gaming	635,000	808,000	860,386	(52,386)
Charges to other funds	135,388	(4,442)	-	(4,442)
Reimbursements	25,000	40,000	-	(122,344)
Investment income	16,000	6,000	12,956	(6,956)
Other	80,000	160,000	58,424	101,576
Total revenues	<u>12,117,223</u>	<u>12,905,383</u>	<u>12,927,925</u>	<u>(184,886)</u>
<b>EXPENDITURES:</b>				
General government	3,522,057	3,432,026	2,420,720	1,011,306
Public safety	4,923,526	5,158,742	4,718,077	440,665
Streets and transportation	3,215,578	3,454,893	3,045,202	409,691
Health and sanitation	1,001,971	1,001,746	907,573	94,173
Culture and recreation	905,681	109,300	178,234	(68,934)
Social services	15,000	15,000	11,599	3,401
Debt Services				
Capital lease - principal	-	194,606	194,606	-
Capital lease - interest	-	12,635	12,635	-
Total expenditures	<u>13,583,813</u>	<u>13,378,948</u>	<u>11,488,646</u>	<u>1,890,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,466,590)</u>	<u>(473,565)</u>	<u>1,439,279</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	-	-
Transfers (out)	-	-	(830,681)	830,681
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(830,681)</u>	<u>830,681</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other funds	<u>(1,466,590)</u>	<u>(473,565)</u>	<u>608,598</u>	<u>1,078,786</u>
Fund balance at beginning of year	1,466,590	473,565	3,005,376	2,531,811
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,613,974</u>	<u>\$ 3,613,974</u>

# CITY OF WEIRTON, WEST VIRGINIA

## Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Coal Severance Fund

For the Year Ended June 30, 2011

	Budget	Revised	Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Other taxes	\$ 96,000	\$ 96,000	\$ 103,297	\$ 7,297
Investment income	250	250	544	294
Total revenues	<u>96,250</u>	<u>96,250</u>	<u>103,841</u>	<u>7,591</u>
<b>EXPENDITURES:</b>				
General government	81,000	81,000	71,690	9,310
Public safety	35,925	87,378	70,533	16,845
Social services	26,800	26,800	-	26,800
Debt service				-
Capital lease - principal	-	-	16,787	(16,787)
Capital lease - interest	-	-	1,760	(1,760)
Total expenditures	<u>143,725</u>	<u>195,178</u>	<u>160,770</u>	<u>34,408</u>
Excess (deficiency) of revenues over (under) expenditures	(47,475)	(98,928)	(56,929)	41,999
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	70,000	(70,000)
	(47,475)	(98,928)	13,071	111,999
Fund balance at beginning of year	<u>47,475</u>	<u>98,928</u>	<u>126,066</u>	<u>27,138</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,137</u>	<u>\$ 139,137</u>

**OTHER SUPPLEMENTARY INFORMATION**

# CITY OF WEIRTON, WEST VIRGINIA

## Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2011

	Youth Job Program	TIF	Public Safety	CDBG	Total
<b>ASSETS:</b>					
Cash	\$ 292	\$526,557	\$ 224,275	\$ 753	\$ 751,877
Grants receivable	-	-	-	7,955	7,955
Total assets	<u>\$ 292</u>	<u>\$526,557</u>	<u>\$ 224,275</u>	<u>\$ 8,708</u>	<u>\$ 759,832</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 6,877	\$ 6,877
Security deposit	-	-	25,000	-	25,000
Due to other funds	-	-	5,814	1,831	7,645
Unearned revenue	-	-	138,323	-	138,323
Total liabilities	<u>-</u>	<u>-</u>	<u>169,137</u>	<u>8,708</u>	<u>177,845</u>
<b>FUND BALANCES:</b>					
Restricted	-	526,557	-	-	526,557
Assigned	292	-	55,138	-	55,430
Total fund balance	<u>292</u>	<u>526,557</u>	<u>55,138</u>	<u>-</u>	<u>581,987</u>
Total liabilities and fund balances	<u>\$ 292</u>	<u>\$526,557</u>	<u>\$ 224,275</u>	<u>\$ 8,708</u>	<u>\$ 759,832</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

June 30, 2011

	Youth Job Program	TIF	Public Safety	CDBG	Total
<b>REVENUES:</b>					
Property taxes	\$ -	\$ 171,722	\$ -	\$ -	\$ 171,722
Fees and Fines	-	-	5,308	-	5,308
Intergovernmental	-	-	-	466,040	466,040
Investment income	-	2,235	1,102	-	3,337
Contributions	-	-	9,021	-	9,021
Total revenues	-	173,957	15,431	466,040	655,428
<b>EXPENDITURES:</b>					
General government	-	38	3,174	104,447	107,659
Public safety	-	-	7,245	49,250	56,495
Highways and streets	-	-	4,000	202,775	206,775
Culture and recreation	-	-	-	45,000	45,000
Social services	-	-	-	64,568	64,568
Total expenditures	-	38	14,419	466,040	480,497
Excess (deficiency) of revenues over (under) expenditures	-	173,919	1,012	-	174,931
<b>OTHER FINANCING (USES)</b>					
Transfers in (out)	-	-	-	-	-
Total other financing (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other funds	-	173,919	1,012	-	174,931
Fund balance at beginning of year	292	352,638	54,126	-	407,056
Fund balance at end of year	\$ 292	\$ 526,557	\$ 55,138	\$ -	\$ 581,987

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

# CITY OF WEIRTON, WEST VIRGINIA

## Combining Balance Sheet – Non-major Proprietary Funds

June 30, 2011

	<u>Parking Fund</u>	<u>Library</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 972	\$ 298,894	\$ 299,866
Investments	-	325,890	325,890
Accounts receivable, net	-	18,674	18,674
Prepaid expenses	-	2,708	2,708
Total current assets	<u>972</u>	<u>646,166</u>	<u>647,138</u>
Non current assets:			
Capital assets:			
Land	304,581	57,449	362,030
Other capital assets, net	-	403,929	403,929
Total capital assets	<u>304,581</u>	<u>461,378</u>	<u>765,959</u>
Total assets	<u>\$ 305,553</u>	<u>\$ 1,107,544</u>	<u>\$ 1,413,097</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 38,940	\$ 38,940
Wages and benefits payable	-	14,290	14,290
Due to other funds	-	5,213	5,213
Compensated absences	-	22,048	22,048
Deferred revenue	-	61,127	61,127
Total current liabilities	<u>-</u>	<u>141,618</u>	<u>141,618</u>
Non-current liabilities:			
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>141,618</u>	<u>141,618</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	304,581	461,378	765,959
Unrestricted	972	504,548	505,520
Total net assets	<u>\$ 305,553</u>	<u>\$ 965,926</u>	<u>\$ 1,271,479</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Proprietary Funds

June 30, 2011

	<u>Parking Fund</u>	<u>Library</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services	\$ -	\$ -	\$ -
Library fines	-	12,386	12,386
Total charge for services	-	12,386	12,386
Property taxes-levy	-	125,173	125,173
Operating grants and contributions	-	195,268	195,268
Total Operating revenues	-	332,827	332,827
<b>OPERATING EXPENSES:</b>			
Personal services	-	373,376	373,376
Maintenance, and contractual services	-	152,568	152,568
Materials and supplies	-	148,122	148,122
Depreciation	309	46,112	46,421
Total operating expenses	309	720,178	720,487
Operating (loss)	(309)	(387,351)	(387,660)
Nonoperating revenues (expenses):			
Investment income	5	44,291	44,296
Gain (loss) on disposal of capital assets	-	(1,425)	(1,425)
Other revenue	-	3,110	3,110
Total nonoperating revenues (expenses)	5	45,976	45,981
Income (loss) before contributions and transfers	(304)	(341,375)	(341,679)
Transfers from other funds	-	311,681	311,681
Change in net assets	(304)	(29,694)	(29,998)
Net assets at beginning of year	305,857	995,620	1,301,477
Net assets at end of year	<u>\$ 305,553</u>	<u>\$ 965,926</u>	<u>\$ 1,271,479</u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Statement of Cash Flows – Non-Major Proprietary Funds

For the Year Ended June 30, 2011

	Parking Fund	Library	Total
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 6,337	\$ 6,337
Cash paid to suppliers and vendors	-	(271,205)	(271,205)
Cash paid to employees and professionals	-	(373,512)	(373,512)
Payments for internal services	-	(553)	(553)
Other operating revenues	-	331,622	331,622
Net cash (used) by operating activities	-	(307,311)	(307,311)
Cash flows from non-operating activities:			
Other non-operating revenues	-	3,110	3,110
Net cash provided by non-operating activities	-	3,110	3,110
Cash flows from non-capital financing activities			
Transfers from other funds	-	311,681	311,681
Net cash provided by non-capital activities	-	311,681	311,681
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(11,788)	(11,788)
Net cash (used) by capital and related financing activities	-	(11,788)	(11,788)
Cash flows from investing activities:			
Investment income	5	1,602	1,607
Net cash provided by investing activities	5	1,602	1,607
Net increase (decrease) in cash and equivalents	5	(2,706)	(2,701)
Cash and equivalents, beginning	967	301,600	302,567
Cash and equivalents, ending	\$ 972	\$ 298,894	\$ 299,866
Reconciliation of operating Income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (309)	\$ (387,351)	\$ (387,660)
Adjustments:			
Depreciation	309	46,112	46,421
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(6,049)	(6,049)
Increase (decrease) in accounts payable	-	22,692	22,692
Increase (decrease) in wages and benefits	-	(136)	(136)
Increase (decrease) in due to other funds	-	5,168	5,168
Increase (decrease) in deferred revenue	-	11,181	11,181
Increase (decrease) in compensated absence	-	1,072	1,072
Total adjustments	309	80,040	80,349
Net cash provided (used) by operating activities	\$ -	\$ (307,311)	\$ (307,311)
Non-cash investing and financing activities	\$ -	\$ 38,588	\$ 38,588

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

**ACCOMPANYING INFORMATION**

# CITY OF WEIRTON, WEST VIRGINIA

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Identification Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<i>Direct Programs:</i>			
Community Development Block Grant	14.218	B10-MC-54-0004	\$ 358,325
Community Development Block Grant	14.218	B09-MC-54-0004	127,152
<b>Total U.S. Department of H.U.D.</b>			<u>485,477</u>
<b>U.S. Department of Justice</b>			
<i>Direct Programs:</i>			
Public Partnership and Community Policing Grants	16.710	2008-CK-WX-0025	12,727
Edward Byrne Memorial Justice Assistance Grant – ARRA	16.804	2009-SB-B9-3279	8,625
<i>Pass-Through Programs From:</i>			
<u>West Virginia Department of Military Affairs and Public Safety</u>			
Edward Byrne Memorial Formula Grant	16.579	09-JAG-23	57,000
Edward Byrne Memorial Formula Grant	16.579	09-JAG-08	28,000
<b>Total U.S. Department of Justice</b>			<u>106,352</u>
<b>U.S. Department of Transportation</b>			
Federal Transit Formula Grant	20.507	WV-90-X170-00	263,530
Federal Transit Formula Grant – ARRA	20.507	WV-96-X003-00	25,655
			<u>289,185</u>
<i>Pass-through Programs From:</i>			
<u>West Virginia Department of Transportation</u>			
Highway Planning and Construction	20.205	TEA-OH22(001)E	107,691
State and Community Highway Safety Grant	20.600	F10HS04-402	4,023
<b>Total U.S. Department of Transportation</b>			<u>400,899</u>
<b>U.S. Environmental Protection Agency</b>			
<i>Pass-through Programs From:</i>			
<u>West Virginia Department of Health and Human Resources</u>			
Congressionally Mandated Projects	66.202	XP-97337301	1,077,089
<b>Total US Environmental Protection Agency</b>			<u>1,077,089</u>
<b>U.S. Department of Energy</b>			
<i>Direct Programs:</i>			
Assistance to Firefighters Grant	97.044	DE-EE0002399	132,025
<b>Total U.S. Department of Energy</b>			<u>132,025</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,201,842</u></u>

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

# CITY OF WEIRTON, WEST VIRGINIA

## Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

### NOTE 1. Basis of Presentation

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

### NOTE 2. Sub-Recipients

The City of Weirton, acting as a pass-through agency, provided funding passed through from federal agencies to the following sub-recipient under the Federal Transit Formula grants:

Weirton Transit Company	<u>\$ 289,185</u>
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# Teed & Associates, PLLC

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## Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants

Member, West Virginia Society of Certified Public Accountants

Member, Tennessee Society of Certified Public Accountants

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

The Honorable Mayor and City Council  
City of Weirton  
Weirton, West Virginia

We have audited the financial statements of the governmental activities and each major fund of the City of Weirton, West Virginia (the City), as of and for the year ended June 30, 2011 which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The Honorable Mayor and City Council  
City of Weirton  
Weirton, West Virginia  
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did identify deficiencies in internal control over financial control that we consider to be a material weaknesses, as defined above as Items 2011-2, and 2011-3.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as Item 2011-1.

This report is intended solely for the information and use of the Mayor and City Council, management, pass-through entities, federal awarding agencies, and grantor or regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Seed & Associates, PLLC*

Charleston, West Virginia  
March 23, 2012

# Teed & Associates, PLLC

## Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants  
Member, West Virginia Society of Certified Public Accountants  
Member, Tennessee Society of Certified Public Accountants

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

The Honorable Mayor and City Council  
City of Weirton  
Weirton, West Virginia

#### Compliance

We have audited the compliance of the City of Weirton, West Virginia (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The City's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

The Honorable Mayor and City Council  
City of Weirton  
Weirton, West Virginia  
Page 2

### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Board'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 a material noncompliance requirement with type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor and City Council, management, pass-through entities, federal awarding agencies, and grantor or regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Seed & Associates, PLLC*

Charleston, West Virginia  
March 23, 2012

# CITY OF WEIRTON, WEST VIRGINIA

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

### Section I – Summary of Auditors' Results

#### ***Financial Statements***

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness (es) identified?  Yes  No
- Significant deficiency(ies) identified that is/are not considered to be material weakness (es)?  Yes  No

Noncompliance material to the financial statements noted?  Yes  No

#### ***Federal Awards***

Internal control over major programs:

- Material weakness (es) identified?  Yes  No
- Significant deficiency (ies) identified that is/are not considered to be material weakness (es)?  Yes  No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133  Yes  No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Congressional Mandated Projects	66.202
Community Development Block Grant	14.218

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

Yes  No

# CITY OF WEIRTON, WEST VIRGINIA

## Schedule of Findings and Questioned Costs – continued

For the Year Ended June 30, 2011

### Section II – Financial Statement Findings

#### Item 2011-1     Schedule of Rates Required by Bond Legislation – Enterprise Funds

##### *Condition*

The schedule of rates for the Water Board and Sanitary Board did not produce sufficient revenues to be in compliance with the terms and provisions of the Bond Legislations for the Combined Waterworks and Sanitary System revenue bonds

##### *Criteria*

According to both Bonds Legislation, the entity covenants that the schedule of rates be sufficient, together with other revenues of the system, to provide for all reasonable expenses of operation, repair and maintenance of the system, and to leave a balance each year of at least 115 percent of the maximum amount required in any year for principal and interest.

##### *Effect*

The effect of this condition is that the revenues are not adequate to meet its operating and maintenance expenses, and also to have sufficient funds available to meet its bond obligation.

##### *Recommendations*

The Weirton Area Water Board and City Council enacted a rate increase in two steps. The shortfall in coverage however, occurred during the interim between the first step and the second step in the rates. The newly enacted rates should address the coverage shortfall and this would become evident in subsequent audits. The Water Board and Sanitary Board should continue to review bond legislation and comply with the provisions set forth therein. Additionally, if the shortfalls persist, the management of the City should consider either seeking to reduce operating costs and consider seeking a rate increase through the West Virginia Public Service Commission.

##### *City's Response*

The City implemented a Sewer rate increase in June 2011 and has taken the recommendation under advisement.

# CITY OF WEIRTON, WEST VIRGINIA

## Schedule of Findings and Questioned Costs – continued

For the Year Ended June 30, 2011

### Item 2011-2 Cash is not fully collateralized

#### *Condition*

The City does not have its cash accounts in excess of FDIC insurance collaterally pledged.

#### *Criteria*

Adequate internal control dictates that the cash accounts of the City be insured against loss by having them collaterally pledged at a financial institution.

#### *Cause*

The City did not have controls in place. Quarterly or annual reviews of the collateral pledges were not performed.

#### *Effect*

The cash balances at June 30, 2011, were not adequately protected.

#### *Recommendations*

The City should assure all of its cash assets in excess of FDIC insurance of \$250,000 are collaterally pledged at the financial institutions where the cash is deposited.

#### *Audited Agency's Response*

After consulting with their bankers and evaluating the trends of their deposit stream the City increased their level of collateral on March 20, 2012. Going forward the increased coverage should provide adequate collateral

### Item 2011-3 Not capitalizing library book purchases

#### *Condition*

The Library Board has not capitalized book purchases.

# CITY OF WEIRTON, WEST VIRGINIA

## Schedule of Findings and Questioned Costs – continued

For the Year Ended June 30, 2011

### Section II – Financial Statement Findings (continued)

#### Item 2011-3 Not capitalizing library book purchases

##### *Condition*

The Library Board has not capitalized book purchases

##### *Criteria*

GAAP requires the capitalization and depreciation of capital assets purchases.

##### *Cause*

The Library Board has never capitalized book purchases.

##### *Effect*

Assets and net assets are understated by an indeterminable amount.

##### *Recommendation*

The Library Board should start recording the yearly total of book purchases as capital assets and start depreciating the assets.

##### *City's Response*

The City has taken the recommendation under advisement and will review the cost benefit of capitalizing the Library's annual media purchases

# **CITY OF WEIRTON, WEST VIRGINIA**

## **Schedule of Findings and Questioned Costs – continued**

**For the Year Ended June 30, 2011**

### **Section III – Federal Award Findings and Questioned Costs**

There are no findings or questioned costs reported.

### **Section IV – Corrective Action Plan**

A corrective action plan is not required since there are no findings of questioned costs.

### **Section V – Summary Schedule of Prior Audit Findings**

There were no findings or questioned costs relative to federal awards for the year ended June 30, 2010.