

**Independent Auditors' Report
and Related Financial Statements
For the Year Ended June 30, 2012**

CITY OF WEIRTON, WEST VIRGINIA

A Class II Municipality

in Hancock and Brooke Counties, West Virginia

**Teed & Associates, PLLC
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Charleston, West Virginia 25304
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CITY OF WEIRTON, WEST VIRGINIA

Table of Contents

For the Year Ended June 30, 2012

	<u>Page</u>
MUNICIPAL OFFICIALS	1
SCHEDULE OF FUNDS	2
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENTS DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	22
Statement of Net Assets - Fiduciary and Agency Funds	26

	<u>Page</u>
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	27
Notes to the Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION:	
Defined Benefit Pension Trusts	62
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	63
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Coal Severance Tax Fund	64
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Non-major Governmental Funds	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	68
Combining Balance Sheet – Non-major Proprietary Funds	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Proprietary Funds	70
Statement of Cash Flows – Non-Major Proprietary Funds	71
ACCOMPANYING INFORMATION:	
Schedule of Expenditures of Federal Awards	73
Notes to Schedule of Expenditures of Federal Awards	74
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 <i>Government Auditing Standards</i>	75
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	77
Schedule of Findings and Questioned Costs	79

CITY OF WEIRTON, WEST VIRGINIA

Municipal Officials

For the Year Ended June 30, 2012

<u>Office</u>	<u>Name</u>	<u>Term</u>
	Elective	
Mayor	George Kondik	07/01/11 – 06/30/15
Council Members		
	Ron Jones	07/01/11 – 06/30/15
	Charles Wright	07/01/11 – 06/30/15
	Fred Marsh	07/01/11 – 06/30/15
	George Gaughenbaugh	07/01/11 – 06/30/15
	George E. Ash, Sr.	07/01/11 – 06/30/15
	David Dalrymple	07/01/11 – 06/30/15
	Terry Weigel	07/01/11 – 06/30/15
	Appointed	
City Manager	Valerie A. Means	07/01/11 – 06/30/15
City Clerk	Nicole M. Davis	07/01/11 – 06/30/15
City Solicitor	Vince Gurrera	07/01/11 – 06/30/15

CITY OF WEIRTON, WEST VIRGINIA

Schedule of Funds

For the Year Ended June 30, 2012

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

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, 2012 which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2013. 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.

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, 2012, 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 15, 2013, 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 11 and pages 62 through 64, 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 67 through 71 and the accompanying Schedule of Expenditures of Federal Awards on page 73 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 Honorable Mayor and City Council
City of Weirton
Weirton, West Virginia
Page 3

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.

Reed & Associates, PLLC

Charleston, West Virginia
March 15, 2013

CITY OF WEIRTON, WEST VIRGINIA

Required Supplementary Information

Management's Discussion and Analysis - Unaudited

For the Year Ended June 30, 2012

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, 2012.

The fiscal year ending June 30, 2012, is the ninth 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 GASB34 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.)

Highlighting, condensing, and comparing some of the key financial information from the government-wide financial statements

	Fiscal Year Ending 06/30/2012	Fiscal Year Ending 06/30/2011	Change
Total Assets:			
Capital	\$ 40,874,259	\$ 40,796,015	\$ 78,244
Other	<u>10,498,833</u>	<u>10,414,166</u>	<u>84,667</u>
	<u>51,373,092</u>	<u>51,210,181</u>	<u>162,911</u>
Total Liabilities:			
Current	2,997,777	3,256,451	(258,674)
Non-current	<u>22,197,602</u>	<u>21,746,024</u>	<u>451,578</u>
	<u>25,195,379</u>	<u>25,002,475</u>	<u>192,904</u>
Total Net Asset:			
Capital Net of Debt	29,860,189	29,151,996	708,193
Restricted	2,934,469	2,140,268	794,201
Unrestricted	<u>(6,616,946)</u>	<u>(5,084,558)</u>	<u>(1,532,388)</u>
	26,177,712	26,207,706	(29,994)
Program Revenues:			
Charges for Services	11,732,368	11,135,477	596,891
Operating Grants	1,662,266	1,332,807	329,459
Capital Grants	<u>253,533</u>	<u>1,806,651</u>	<u>(1,553,118)</u>
Total Program Revenues	<u>13,648,167</u>	<u>14,274,935</u>	<u>(626,768)</u>

	Fiscal Year Ending 06/30/2012	Fiscal Year Ending 06/30/2011	Change
General Revenues:			
Property Taxes	2,910,544	2,778,505	132,039
B&O Taxes	2,026,969	2,142,988	(116,019)
Excise Tax on Utilities	1,117,090	1,254,868	(137,778)
Other Taxes	666,689	546,142	120,547
Other	945,124	953,538	(8,414)
Total General Revenues	<u>7,666,416</u>	<u>7,676,041</u>	<u>(9,625)</u>
Total Revenues	<u>21,314,583</u>	<u>21,950,976</u>	<u>(636,393)</u>
Expenses:			
General Government	3,404,043	3,047,619	356,424
Public Safety	5,990,726	5,877,592	113,134
Highways and Streets	2,558,753	2,781,191	(222,438)
Health and Sanitation	1,184,634	975,378	209,256
Culture and Recreation	336,954	261,536	75,418
Social Services	69,053	76,166	(7,113)
Community Development	-	-	-
Interest on Long Term Debt	8,465	14,395	(5,930)
Water Board	3,431,743	3,347,925	83,818
Sanitary Board	2,478,888	2,524,329	(45,441)
Park Board	1,190,244	1,183,715	6,529
Library Board	691,073	720,178	(29,105)
Parking Authority	-	309	(309)
Total Expenses	<u>21,344,576</u>	<u>20,810,333</u>	<u>534,243</u>
Change in Net Assets	(29,993)	1,140,643	(1,170,636)
Beginning Net assets	<u>\$ 26,207,705</u>	<u>\$ 25,067,062</u>	<u>\$ 1,140,643</u>
Ending Net Assets:	<u>\$ 26,177,712</u>	<u>\$ 26,207,705</u>	<u>\$ (29,993)</u>

Discussion of Financial Position and Results of Operations

Observing government-wide, fiscal year ending June 30, 2012 did result with a decrease in *total net assets*.

Total Assets increased by \$162,911 with *capital assets* increasing by \$78,244 and *all other assets* increasing by \$84,667. A corresponding increase of \$192,904 occurred with *total liabilities*; a decrease in *current liabilities* of \$258,674 and an increase in *non-current liabilities* of \$451,578. *Total net assets* have decreased by \$29,994.

The overall decrease in *total net assets* includes increases of \$708,193 with *capital net of debt*, \$794,201 with *restricted assets* and an increase in negative unrestricted assets of \$1,532,388.

(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** decreased, with increases in *service charges* of \$596,891 and in *operating grants* of \$329,459 and a decrease in *capital grants* of \$1,553,118.

GENERAL REVENUES show increases in the collection of *property taxes* of \$132,039 and in *other taxes* of \$120,547. *B&O Tax* collections decreased \$116,019 and Excise Tax collections decreased \$137,778 from the prior year, and all *other revenues* showed a decrease of \$8,414. *Total general revenues* were down \$636,393 from the prior fiscal year.

TOTAL EXPENSES for the year were up from the prior fiscal year with increases in *general government* expenses of \$356,424, *public safety* expenses of \$113,134, *health and sanitation* expenses of \$209,256, and *culture and recreation* expenses of \$75,418. Expenses related to *highways and streets* decreased \$222,438 and *social services* decreased \$7,113. The *interest on long-term debt* was down \$5,930.

Expense increases which occurred with the *Water Board* totaled \$83,818, and the *Park Board* totaled \$6,529. Expense decreases were observed by the *Sanitary Board* of \$45,441, the *Library Board* of \$29,105 and the *Parking Authority* of \$309. *Total expenses* were up \$534,243 over the prior fiscal year.

Program revenues are covering approximately 48 percent of the functions or activities of the City, with *general revenues* covering the balance. This is less than fiscal year ending June 30, 2011, 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 decrease in the fund balance approaching \$228,533 for the fiscal year ended June 30, 2012. Revenues decreased over the prior year by \$71,898, expenses increased by \$912,809, and other financing sources increased by \$147,576, providing for the net change in the ending fund balance.

The **Coal Severance Fund** experienced a net increase in the fund balance approaching \$12,918 for the fiscal year ended June 30, 2012. Revenues, expenses and other financing sources were all increased over the prior year by \$1,273 and 3,420 and \$1,994 respectively.

Major Proprietary Funds:

The **Water Fund** experienced operating income for the fiscal year ending June 30, 2012 of approximately \$445,305 more than the prior year. Expenses were up by approximately \$72,201 from the prior year. Income before contributions and transfers is approximately \$336,423 higher than the previous fiscal year.

The **Sanitary Fund** experienced operating income for the fiscal year ended June 30, 2012 of approximately \$222,986 more than the prior year. Expenditures decreased over the prior year by approximately \$40,590. Income before contributions and transfers is about \$274,234 higher than the previous fiscal year.

The **Board of Parks Fund** experienced operating income for the fiscal year ended June 30, 2012 of approximately \$23,096 less than the prior year. Expenditures increased over the prior year by approximately \$6,328. The loss before contributions and transfers is \$5,126 less than the previous fiscal year. Net assets have decreased \$139,356 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 shows a \$203,151 decrease in net assets from the prior year while the Firemen's Pension and Relief Fund show an increase in net assets of \$112,742 for the same period.
(See Note 14)

Prior Period Adjustment

During the year ended June 30, 2012 the City recorded a prior period adjustment to the Water Fund. An audit adjustment for \$198,902 for the year ended June 30, 2011 was recorded to accounts payable and construction in progress for retainage on a construction project. It was determined in the current fiscal year that the retainage had been included in the June 30, 2011 accounts payable and construction in progress. The beginning balances of the accounts payable and construction in progress were restated for the \$198,902, respectively.

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. This will continue during fiscal year 2012-2013. 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 2013-2014 fiscal year budget in March 2013. 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, 2013. (See Note 15)

The Weirton Area Water Board requested and Weirton City Council approved a two-phase rate increase of which phase I was implemented during the 3rd quarter of 2009. The second phase of this two-step increase was implemented during the 2nd quarter of 2011 upon the completion of capital improvement projects.

The Weirton Sanitary Board requested, and Weirton City Council approved, a rate increase which was implemented during the 3rd quarter of 2010. The Sanitary Board requested and Weirton City Council approved an additional rate increase during the 2010-2011 fiscal year 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.

It is anticipated that the Weirton Sanitation (Rubbish) Department may be seeking a rate increase during the 2013-2014 fiscal year. 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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	\$ 2,344,298	\$ 1,291,635	\$ 3,635,933
Investments	1,314,509	921,384	2,235,893
Taxes receivable, net	847,010	-	847,010
Charges for services	482,397	1,586,032	2,068,429
Intergovernmental	17,528	-	17,528
Bond proceeds receivable	-	36,224	36,224
Other fees and proceeds	22,042	-	22,042
Interest receivable	-	51	51
Internal balances	296,178	(296,178)	-
Inventories	-	80,515	80,515
Other assets	7,000	20,291	27,291
Restricted assets	-	1,527,916	1,527,916
Land and construction in progress	855,697	6,568,607	7,424,304
Capital assets, net	14,253,343	19,196,612	33,449,955
Total assets	20,440,002	30,933,089	51,373,091
LIABILITIES:			
Accounts payable	377,634	429,857	807,491
Wages and benefits payable	96,297	179,676	275,973
Notes payable, current	-	64,037	64,037
Due to fiduciary funds	8,543	-	8,543
Deferred revenues	134,134	82,352	216,486
Security deposit	25,000	-	25,000
Capital lease obligations, current	124,887	-	124,887
Bonds payable, current, net of discount	-	830,621	830,621
Accrued interest payable	-	51,200	51,200
Compensated absences	438,273	155,266	593,539
Lease obligation, non- current	189,988	-	189,988
Notes payable, non-current	-	78,424	78,424
Net pension obligation	12,203,077	-	12,203,077
Bonds payable, non- current, net of discount	-	9,726,113	9,726,113
Total liabilities	13,597,833	11,597,546	25,195,379
NET ASSETS:			
Invested in capital assets, net	14,794,165	15,066,024	29,860,189
Reserved for:			
Debt service	-	1,409,540	1,409,540
Capital Projects	698,962	-	698,962
Other purposes	707,591	118,376	825,967
Unrestricted	(9,358,549)	2,741,603	(6,616,946)
Total net assets	\$ 6,842,169	\$ 19,335,543	\$ 26,177,712

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, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business Activities	Total
Functions / Programs:							
Primary government:							
Governmental activities:							
General government	\$ 3,404,043	\$ 370,583	\$ 790,987	\$ -	\$ (2,242,473)	\$ -	\$ (2,242,473)
Public safety	5,990,726	2,450,896	103,068	56,065	(3,380,697)	-	(3,380,697)
Highways and streets	2,558,753	847,647	358,409	156,984	(1,195,713)	-	(1,195,713)
Health and sanitation	1,184,634	931,412	-	-	(253,222)	-	(253,222)
Culture and recreation	336,954	-	52,000	-	(284,954)	-	(284,954)
Social services	69,053	-	136,958	-	67,905	-	67,905
Interest	8,465	-	-	-	(8,465)	-	(8,465)
Total governmental activities	13,552,628	4,600,538	1,441,422	213,049	(7,297,619)	-	(7,297,619)
Business-type activities							
Water Board	3,431,743	3,997,804	-	30,783	-	596,844	596,844
Sanitary Board	2,478,888	2,590,800	-	1,750	-	113,662	113,662
Park Board	1,190,244	530,944	-	7,951	-	(651,349)	(651,349)
Library	691,073	12,282	220,844	-	-	(457,947)	(457,947)
Parking	-	-	-	-	-	-	-
Total business activities	\$ 7,791,948	\$ 7,131,830	\$ 220,844	\$ 40,484	(7,297,619)	(398,790)	(398,790)
Total primary government	\$ 21,344,576	\$ 11,732,368	\$ 1,662,266	\$ 253,533		\$ (398,790)	\$ (7,696,409)
General revenues:							
Ad valorem property taxes					2,747,924	162,620	2,910,544
B&O Taxes					2,026,969	-	2,026,969
Gas and oil severance taxes					1,117,090	-	1,117,090
Other taxes					666,689	-	666,689
Video lottery and table gaming					811,003	-	811,003
Unrestricted investment earnings					21,572	13,670	35,242
Other					123,094	30,427	153,521
Gain (loss) on sale of asset					(46,848)	(7,794)	(54,642)
Transfer					(844,118)	844,118	-
Total general revenues					6,623,375	1,043,041	7,666,416
Changes in net assets					(674,244)	644,251	(29,993)
Net assets at beginning of year					7,516,413	18,691,292	26,207,705
Total net assets					\$ 6,842,169	\$19,335,543	\$ 26,177,712

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, 2012

	<u>General</u>	<u>Coal Severance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash	\$1,171,304	\$ 151,151	\$ 927,248	\$ 2,249,703
Investments	1,312,261	-	-	1,312,261
Taxes receivable, net	847,010	-	-	847,010
Charges fro services	428,307	-	-	428,307
Other fees and proceeds	22,042	-	-	22,042
Intergovernmental	3,593	-	13,935	17,528
Due from other funds	352,442	6,404	-	358,846
Prepaid expenses	7,000	-	-	7,000
Total assets	<u>\$4,143,959</u>	<u>\$ 157,555</u>	<u>\$ 941,183</u>	<u>\$ 5,242,697</u>
LIABILITIES:				
Accounts payable	\$ 362,847	\$ 5,500	\$ 9,287	\$ 377,634
Wages and benefits payable	96,297	-	-	96,297
Due to other funds	133,118	-	13,594	146,712
Due to fidicuary funds	8,543	-	-	8,543
Compensated absences	86,344	-	-	86,344
Deferred revenues	71,369	-	134,133	205,502
Security deposit	-	-	25,000	25,000
Total liabilities	<u>758,518</u>	<u>5,500</u>	<u>182,014</u>	<u>946,032</u>
FUND BALANCES:				
Non-spendable	7,000	-	-	7,000
Restricted	522,965	-	698,962	1,221,927
Committed	949,093	-	-	949,093
Assigned	-	152,055	60,207	212,262
Unassigned	1,906,383	-	-	1,906,383
Total fund balances	<u>3,385,441</u>	<u>152,055</u>	<u>759,169</u>	<u>4,296,665</u>
Total liabilities and fund balances	<u>\$4,143,959</u>	<u>\$ 157,555</u>	<u>\$ 941,183</u>	<u>\$ 5,242,697</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, 2012

Net assets of governmental funds	\$ 4,296,665
Capital assets of \$32,242,673 net of accumulated depreciation of \$17,133,633 used in governmental activities are not financial resources and therefore are not in the funds	15,109,040
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	234,975
The non-current portion of compensated absences are not due and payable in the current period and are not reported in the funds	(351,929)
Certain revenues are not available to fund current expenditures and therefore deferred in the governmental funds (deferred revenues taxes)	71,369
Long-term net pension obligations are not due and payable in the current period and therefore are not reported in the funds	(12,203,077)
Capital lease obligations do not require the use of current financial resources and therefore are reported only in the statement of net assets	<u>(314,874)</u>
Net assets of governmental activities	<u>\$ 6,842,169</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, 2012

	General Fund	Coal Severance	Other Governmental Funds	Total
REVENUES:				
Property Taxes	\$ 2,584,263	\$ -	\$ 170,013	\$ 2,754,276
B&O taxes	2,026,969	-	-	2,026,969
Excise tax on utilities	1,117,090	-	-	1,117,090
Other taxes	562,071	104,619	-	666,690
Fines and forfeitures	120,381	-	14,278	134,659
Licenses, permits, and fees	253,334	-	-	253,334
Intergovernmental	1,144,760	-	504,361	1,649,121
Charges for services	4,095,295	-	-	4,095,295
Video lottery and table gaming	811,003	-	-	811,003
Investment income	17,767	495	3,311	21,573
Program income	-	-	5,000	5,000
Contributions	-	-	350	350
Other	123,094	-	-	123,094
Total revenues	<u>12,856,027</u>	<u>105,114</u>	<u>697,313</u>	<u>13,658,454</u>
EXPENDITURES:				
General government	2,748,570	52,740	153,802	2,955,112
Public safety	5,123,336	72,097	16,800	5,212,233
Highways and streets	3,085,671	-	160,571	3,246,242
Health and sanitation	1,120,729	-	-	1,120,729
Culture and recreation	196,749	-	122,000	318,749
Social Services	2,094	-	66,958	69,052
Debt Services				
Capital lease - principal	118,546	36,648	-	155,194
Capital lease - interest	5,760	2,705	-	8,465
Total expenditures	<u>12,401,455</u>	<u>164,190</u>	<u>520,131</u>	<u>13,085,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>454,572</u>	<u>(59,076)</u>	<u>177,182</u>	<u>572,678</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	161,013	71,994	-	233,007
Transfers in	-	-	-	-
Transfers (out)	(844,118)	-	-	(844,118)
Total other financing sources (uses)	<u>(683,105)</u>	<u>71,994</u>	<u>-</u>	<u>(611,111)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other funds	<u>(228,533)</u>	<u>12,918</u>	<u>177,182</u>	<u>(38,433)</u>
Fund balance at beginning of year	<u>3,613,974</u>	<u>139,137</u>	<u>581,987</u>	<u>4,335,098</u>
Fund balance at end of year	<u>\$ 3,385,441</u>	<u>\$ 152,055</u>	<u>\$ 759,169</u>	<u>\$ 4,296,665</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, 2012

Net change in fund balances - total governmental funds:	\$ (38,433)
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 capital outlays of \$1,384,646 exceeded depreciation of \$1,110,596	274,050
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 \$361,984 exceeded accumulated depreciation at the time of disposal of \$315,136	(46,848)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This consists of decrease in property taxes receivable.	(6,352)
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 new capital leases of \$233,007 exceeded capital lease payments of \$155,191.	(77,813)
Net pension obligation represents long-term debt activity, which is presented on the government-wide financial statements, but not the fund financial statements.	(882,191)
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.	50,219
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>53,124</u>
Change in net assets of governmental activities	<u>\$ (674,244)</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, 2012

	Water Board	Sanitary Board	Board of Park Commissioners
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 355,449	\$ 202,911	\$ 388,308
Investments	-	-	591,205
Accounts Receivable, net	915,527	653,597	4,284
Bond proceeds receivable	36,224	-	-
Due from other funds	8,400	60,135	-
Interest receivable	-	-	51
Inventories	80,515	-	-
Prepaid	-	17,584	-
Total current assets	<u>1,396,115</u>	<u>934,227</u>	<u>983,848</u>
Restricted assets:			
Cash and cash equivalents	<u>1,137,706</u>	<u>390,210</u>	-
Total restricted assets	<u>1,137,706</u>	<u>390,210</u>	-
Capital assets, net	<u>13,647,722</u>	<u>9,506,707</u>	<u>1,814,480</u>
Total assets	<u>16,181,543</u>	<u>10,831,144</u>	<u>2,798,328</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	308,216	77,322	14,195
Wages and benefits payable	100,920	40,746	29,926
Due to other funds	173,351	120,339	48,772
Compensated absences	59,836	64,760	10,523
Deferred revenue	-	-	-
Bond interest payable	45,464	5,736	-
Note payable, current	19,207	44,829	-
Bonds payable, current (net of discount)	<u>644,050</u>	<u>186,571</u>	-
Total current liabilities	<u>1,351,044</u>	<u>540,303</u>	<u>103,416</u>
Non-current liabilities			
Note payable	74,494	3,931	-
Bonds payable	<u>6,491,398</u>	<u>3,234,715</u>	-
Total non-current liabilities	<u>6,565,892</u>	<u>3,238,646</u>	-
Total liabilities	<u>7,916,936</u>	<u>3,778,949</u>	<u>103,416</u>
NET ASSETS:			
Invested in capital assets, net of related debt	6,418,573	6,036,661	1,814,480
Restricted for debt service	1,085,177	324,363	-
Restricted for other purposes	52,529	65,847	-
Unrestricted	<u>708,328</u>	<u>625,324</u>	<u>880,432</u>
Total net assets	<u>\$ 8,264,607</u>	<u>\$ 7,052,195</u>	<u>\$ 2,694,912</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, 2012

	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 344,968	\$ 1,291,636	\$ 94,595
Investments	330,179	921,384	2,247
Accounts Receivable, net	12,625	1,586,033	54,090
Bond proceeds receivable	-	36,224	-
Due from other funds	-	68,535	86,859
Interest receivable	-	51	-
Inventories	-	80,515	-
Prepaid	2,708	20,292	-
Total current assets	<u>690,480</u>	<u>4,004,670</u>	<u>237,791</u>
Restricted assets:			
Cash and cash equivalents	-	1,527,916	-
Total restricted assets	<u>-</u>	<u>1,527,916</u>	<u>-</u>
Capital assets, net	<u>796,311</u>	<u>25,765,220</u>	<u>-</u>
Total assets	<u>1,486,791</u>	<u>31,297,806</u>	<u>237,791</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	30,124	429,857	-
Wages and benefits payable	8,087	179,679	-
Due to other funds	22,251	364,713	2,816
Compensated absences	20,148	155,267	-
Deferred revenue	82,352	82,352	-
Bond interest payable	-	51,200	-
Note payable, current	-	64,036	-
Bonds payable, current (net of discount)	-	830,621	-
Total current liabilities	<u>162,962</u>	<u>2,157,725</u>	<u>2,816</u>
Non-current liabilities			
Note payable	-	78,425	-
Bonds payable	-	9,726,113	-
Total non-current liabilities	<u>-</u>	<u>9,804,538</u>	<u>-</u>
Total liabilities	<u>162,962</u>	<u>11,962,263</u>	<u>2,816</u>
NET ASSETS:			
Invested in capital assets, net of related debt	796,311	15,066,025	-
Restricted for debt service	-	1,409,540	-
Restricted for other purposes	-	118,376	-
Unrestricted	527,518	2,741,602	234,975
Total net assets	<u>\$ 1,323,829</u>	<u>\$ 19,335,543</u>	<u>\$ 234,975</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, 2012

	Water Board	Sanitary Board	Board of Park Commissioners
OPERATING REVENUES			
Charges for services:			
Fees for services	\$ 3,997,804	\$ 2,565,184	\$ 473,406
Library fines	-	-	-
Sales and commissions	-	-	57,338
Lease and rental income	-	-	-
Internal service charges	-	-	-
Total charge for services	<u>3,997,804</u>	<u>2,565,184</u>	<u>530,744</u>
Property taxes-levy	-	-	-
Operating grants and contributions	-	25,617	-
Total Operating revenues	<u>3,997,804</u>	<u>2,590,801</u>	<u>530,744</u>
EXPENSES:			
Personal services	1,336,665	1,222,815	601,922
Maintenance, and contractual services	1,272,142	684,907	338,886
Materials and supplies	196,028	155,963	51,761
Depreciation	367,722	340,253	197,474
Total expenses	<u>3,172,557</u>	<u>2,403,938</u>	<u>1,190,043</u>
Operating (loss)	<u>825,247</u>	<u>186,863</u>	<u>(659,299)</u>
Nonoperating revenues (expenses):			
Investment Income	2,617	1,319	3,961
Interest on bonds and lease obligations	(253,900)	(73,675)	-
Amortization	(5,285)	(1,275)	-
Gain (loss) on disposal of capital assets	(7,550)	-	(201)
Other revenue	4,883	19,480	5,232
Total nonoperating revenues (expenses)	<u>(259,235)</u>	<u>(54,151)</u>	<u>8,992</u>
Operating revenues over (under) expenses before capital contributions			
Capital grants and contributions	566,012	132,712	(650,307)
Transfers from other funds	30,783	1,750	7,951
	-	-	503,000
Change in net assets	<u>596,795</u>	<u>134,462</u>	<u>(139,356)</u>
Net assets at beginning of year	<u>7,667,812</u>	<u>6,917,733</u>	<u>2,834,268</u>
Net assets at end of year	<u>\$ 8,264,607</u>	<u>\$ 7,052,195</u>	<u>\$ 2,694,912</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, 2012

	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES			
Charges for services:			
Fees for services	\$ -	\$ 7,036,394	\$ -
Library fines	12,282	12,282	-
Sales and commissions	-	57,338	-
Lease and rental income	-	-	-
Internal service charges	-	-	684,130
Total charge for services	<u>12,282</u>	<u>7,106,014</u>	<u>684,130</u>
Property taxes-levy	162,620	162,620	-
Operating grants and contributions	220,844	246,461	-
Total Operating revenues	<u>395,746</u>	<u>7,515,095</u>	<u>684,130</u>
EXPENSES:			
Personal services	378,160	3,539,563	-
Maintenance, and contractual services	173,812	2,469,747	-
Materials and supplies	89,635	493,387	631,007
Depreciation	49,467	954,916	-
Total expenses	<u>691,074</u>	<u>7,457,613</u>	<u>631,007</u>
Operating (loss)	<u>(295,328)</u>	<u>57,482</u>	<u>53,123</u>
Nonoperating revenues (expenses):			
Investment Income	5,773	13,670	-
Interest on bonds and lease obligations	-	(327,575)	-
Amortization	-	(6,560)	-
Gain (loss) on disposal of capital assets	(43)	(7,794)	-
Other revenue	830	30,426	-
Total nonoperating revenues (expenses)	<u>6,560</u>	<u>(297,833)</u>	<u>-</u>
Operating revenues over (under) expenses before capital contributions	(288,768)	(240,351)	53,123
Capital grants and contributions	-	40,484	-
Transfers from other funds	341,118	844,118	-
Change in net assets	52,350	644,251	53,123
Net assets at beginning of year	<u>1,271,479</u>	<u>18,691,292</u>	<u>181,852</u>
Net assets at end of year	<u>\$ 1,323,829</u>	<u>\$ 19,335,543</u>	<u>\$ 234,975</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, 2012

	Water Board	Sanitary Board	Board of Park Commissioners
Cash flows from operating activities			
Cash received from customers	\$ 3,871,655	\$ 2,397,146	\$ 530,534
Cash received for internal services	-	-	-
Cash paid to suppliers and vendors	(1,570,466)	(839,784)	(382,004)
Cash paid to employees and professionals	(1,340,732)	(1,226,289)	(598,310)
Payments for internal services	(34,477)	(21,142)	(3,458)
Other operating revenues	-	25,617	-
Net cash provided (used) by operating activities	<u>925,980</u>	<u>335,548</u>	<u>(453,238)</u>
Cash flows from other operating activities:			
Other non-operating revenues	<u>4,883</u>	<u>19,483</u>	<u>5,232</u>
Cash flows from non-capital financing activities			
Transfers from other funds	-	-	503,000
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(702,772)	(61,918)	(168,103)
Proceeds from issue of bonds	667,756	130,000	-
Principal paid on long-term debt	(600,754)	(357,221)	-
Interest paid on long-term debt	(255,980)	(73,982)	-
Capital contributions and grants	39,289	1,750	7,951
Net cash (used) by capital and related financing activities	<u>(852,461)</u>	<u>(361,371)</u>	<u>(160,152)</u>
Cash flows from investing activities:			
Investment income	<u>2,617</u>	<u>1,320</u>	<u>104,239</u>
Net cash provided by investing activities	<u>2,617</u>	<u>1,320</u>	<u>104,239</u>
Net increase (decrease) in cash and equivalents	81,019	(5,020)	(919)
Cash and equivalents, beginning	<u>1,412,136</u>	<u>598,142</u>	<u>389,228</u>
Cash and equivalents, ending	<u>\$ 1,493,155</u>	<u>\$ 593,122</u>	<u>\$ 388,309</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 -- continued For the Year Ended June 30, 2012

	Water Board	Sanitary Board	Board of Park Commissioners
Reconciliation of operating Income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 825,247	\$ 186,864	\$ (659,299)
Adjustments:			
Depreciation	367,722	340,253	197,474
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(156,719)	(132,728)	(210)
(Increase) decrease in due from other funds	30,570	(15,672)	-
(Increase) decrease in inventory	(3,905)	-	-
(Increase) decrease in prepaid expenses	-	87	-
Increase (decrease) in accounts payable	(161,906)	(19,639)	(16,757)
Increase (decrease) in wages and benefits	11,271	7,644	2,959
Increase (decrease) in due to other funds	29,038	(20,143)	21,942
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in compensated absence	(15,338)	(11,118)	653
Total adjustments	<u>100,733</u>	<u>148,684</u>	<u>206,061</u>
Net cash provided (used) by operating activities	<u>\$ 925,980</u>	<u>\$ 335,548</u>	<u>\$ (453,238)</u>
Non-cash investing and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of cash and cash equivalents			
Cash and equivalents	\$ 355,449	\$ 202,912	\$ 388,309
Restricted cash and equivalents	<u>1,137,706</u>	<u>390,213</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 1,493,155</u>	<u>\$ 593,125</u>	<u>\$ 388,309</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 -- continued For the Year Ended June 30, 2012

	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 18,331	\$ 6,817,666	\$377,915
Cash received for internal services	-	-	297,816
Cash paid to suppliers and vendors	(256,573)	(3,048,827)	(677,756)
Cash paid to employees and professionals	(384,362)	(3,549,693)	-
Payments for internal services	(553)	(59,630)	-
Other operating revenues	404,689	430,306	-
Net cash provided (used) by operating activities	<u>(218,468)</u>	<u>589,822</u>	<u>(2,025)</u>
Cash flows from other operating activities:			
Other non-operating revenues	<u>830</u>	<u>30,428</u>	<u>-</u>
Cash flows from non-capital financing activities			
Transfers from other funds	341,118	844,118	-
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(79,862)	(1,012,655)	-
Proceeds from issue of bonds	-	797,756	-
Principal paid on long-term debt	-	(957,975)	-
Interest paid on long-term debt	-	(329,962)	-
Capital contributions and grants	-	48,990	-
Net cash (used) by capital and related financing activities	<u>(79,862)</u>	<u>(1,453,846)</u>	<u>-</u>
Cash flows from investing activities:			
Investment income	<u>1,484</u>	<u>109,660</u>	<u>-</u>
Net cash provided by investing activities	<u>1,484</u>	<u>109,660</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	45,102	120,182	(2,025)
Cash and equivalents, beginning	<u>299,866</u>	<u>2,699,372</u>	<u>96,620</u>
Cash and equivalents, ending	<u>\$ 344,968</u>	<u>\$ 2,819,554</u>	<u>\$ 94,595</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 -- continued For the Year Ended June 30, 2012

	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating Income (loss) to net cash provided by (used in) operating activities		-	
Operating income (loss)	\$ (295,328)	\$ 57,484	\$ 53,123
Adjustments:		-	
Depreciation	49,467	954,916	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	6,049	(283,608)	31,539
(Increase) decrease in due from other funds	-	14,898	(39,938)
(Increase) decrease in inventory	-	(3,905)	-
(Increase) decrease in prepaid expenses	-	87	-
Increase (decrease) in accounts payable	(8,816)	(207,118)	(47,811)
Increase (decrease) in wages and benefits	(6,202)	15,672	-
Increase (decrease) in due to other funds	17,038	47,875	1,062
Increase (decrease) in deferred revenue	21,225	21,225	-
Increase (decrease) in compensated absence	(1,901)	(27,704)	-
Total adjustments	<u>76,860</u>	<u>532,338</u>	<u>(55,148)</u>
Net cash provided (used) by operating activities	<u>\$ (218,468)</u>	<u>\$ 589,822</u>	<u>\$ (2,025)</u>
Non-cash investing and financing activities	<u>\$ 38,588</u>	<u>\$ 38,588</u>	<u>\$ -</u>
Reconciliation of cash and cash equivalents			
Cash and equivalents	\$ 344,968	\$ 1,291,638	\$ 94,595
Restricted cash and equivalents	-	1,527,919	-
Total cash and cash equivalents	<u>\$ 344,968</u>	<u>\$ 2,819,557</u>	<u>\$ 94,595</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, 2012

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Total Pension Trust</u>	<u>Agency Fund</u>
ASSETS:				
Cash and cash equivalents	\$ 76,739	\$ 143,956	\$ 220,695	\$ 31,879
Due from other funds	<u>30,966</u>	<u>5,576</u>	<u>36,542</u>	<u>-</u>
Investments at fair value:				
Money Market	121,127	46,022	167,149	-
Government agency obligations	75,605	201,173	276,778	-
Municipal obligations	104,943	104,943	209,886	-
Corporate obligations	1,317,378	1,506,403	2,823,781	-
Common stock	2,186,486	3,701,556	5,888,042	-
Mutual funds	<u>120,529</u>	<u>1,212,564</u>	<u>1,333,093</u>	<u>-</u>
Total investments	<u>3,926,068</u>	<u>6,772,661</u>	<u>10,698,729</u>	<u>-</u>
Total assets	<u>4,033,773</u>	<u>6,922,193</u>	<u>10,955,966</u>	<u>-</u>
LIABILITIES:				
Accounts payable	\$ 5,819	\$ 2,666	\$ 8,485	\$ -
Due to other funds	-	11,106	11,106	-
Withholdings payable	5,202	2,206	7,408	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,879</u>
Total liability	<u>11,021</u>	<u>15,978</u>	<u>26,999</u>	<u>-</u>
NET ASSETS HELD IN TRUST	<u><u>\$ 4,022,752</u></u>	<u><u>\$ 6,906,215</u></u>	<u><u>\$ 10,928,967</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 Changes in Fiduciary Net Assets

For the Year Ended June 30, 2012

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Total Pension Trust</u>
ADDITIONS:			
Contributions			
Employer	\$ 510,340	\$ 188,644	\$ 698,984
Plan Members	141,499	71,496	212,995
Insurance premium tax allocation	<u>340,145</u>	<u>165,640</u>	<u>505,785</u>
Total contributions	<u>991,984</u>	<u>425,780</u>	<u>1,417,764</u>
Investments income			
Interest and dividends	102,799	158,458	261,257
Net realized and unrealized gains (loss)	47,662	79,280	126,942
Less investment expense	<u>(17,472)</u>	<u>-</u>	<u>(17,472)</u>
Net investment income	<u>132,989</u>	<u>237,738</u>	<u>370,727</u>
Total additions	<u>1,124,973</u>	<u>663,518</u>	<u>1,788,491</u>
DEDUCTIONS			
Benefits	1,322,128	526,296	1,848,424
Administrative	<u>5,996</u>	<u>24,480</u>	<u>30,476</u>
Total deductions	<u>1,328,124</u>	<u>550,776</u>	<u>1,878,900</u>
Excess (deficiency) of additions over (under) deductions	(203,151)	112,742	(90,409)
Fund balance at beginning of year	<u>4,225,903</u>	<u>6,793,473</u>	<u>11,019,376</u>
Fund balance at end of year	<u>\$ 4,022,752</u>	<u>\$ 6,906,215</u>	<u>\$ 10,928,967</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, 2012

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, 2012.

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, even though the latter are excluded from the government-wide financial statements. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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.

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

Fund Accounting

The accounts of the City are organized on the basis of funds or group of accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic fund types under the following broad fund categories

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.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for specific purposes.

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 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 financial 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 and Note 14.

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.

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. 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. The Library started capitalizing its purchased books during the year ended June 30, 2012. Generally accepted accounting principles require these assets to 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

The City's fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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.

The City applies restricted resources first when expenditures are incurred for the purpose for which, either restricted, committed, assigned, or unassigned amounts are available. Similarly, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these fund balance classifications could be used.

O. Net Assets

Net assets of the City's Proprietary Funds are classified and reported as follows:

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, 2012, the balance of the Financial Stabilization Fund was \$880,536. The activity of the Financial Stabilization Fund is included in the General Fund for the fiscal year ending June 30, 2012. The beginning General fund nets assets was as follows:

General Fund net assets at July 1, 2111	\$ 2,936,924
Financial Stablization Fund at July 1, 2011	<u>677,050</u>
Total	<u>\$ 3,613,974</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, 2012, the City has \$3,951,503 in deposits with financial institutions in excess of the Federal Deposit Insurance Corporation limitations, which is collateralized in the name of the City.

Investments – As of June 30, 2012, the City had the following investments:

	Governmental	Fiduciary	Business Type Activities	Total
Money Market	\$ 61,274	\$ 167,149	\$ 473	\$ 228,896
Certificates of Deposit	1,253,235	-	591,205	1,844,440
Governmental agency obligations		276,777		276,777
Coporate obligations		2,823,781		2,823,781
Municipal obligations		209,886		209,886
Common Stock	-	5,888,043	-	5,888,043
Mutual Funds	-	1,333,093	329,706	1,662,799
Municipal Bond Commission	-	-	930,611	930,611
Total Investments (Non-fiduciary)	<u>\$ 1,314,509</u>	<u>\$ 10,698,729</u>	<u>\$ 1,851,995</u>	<u>\$ 13,865,233</u>

Concentration of Credit, Interest rate, and Credit risks

Fiduciary Funds: On the Statement of Fiduciary Net assets and Balance Sheet, the fiduciary money market funds, government agency obligations, municipal obligations, corporate obligations, mutual funds, and equities are included in investments. All of the fiduciary funds' investments are insured or registered securities held by the City or its agent in the City's name. The fiduciary investments are rated using Moody's Investment Services. The interest rate and credit risk ratings of these investments is as follows:

At year end, the City Policemen's Pension Funds had the following investments:

	<u>Fair Value</u>	<u>Credit Risk Rating</u>
Policemens' Pension and Relief		
WesBanco Bank Inc. Premium Yield	\$ 121,127	AAAm
U.S. Government Agency Obligations	75,605	Aaa
Mutual Obligations	104,943	Aaa
Corporate Obligations		
Wal-Mart Stores	59,378	Aa2
International Business Machines	101,055	Aa3
International Business Machines	51,435	Aa3
Abbott Laboratories	58,957	A1
Abbott Laboratories	105,354	A1
ConocoPhillips	59,107	A1
GE Capital Corp. Series MTN	55,092	A1
Occidental Petroleum	50,844	A1
AT&T	105,917	A2
Boeing Capital	53,362	A2
EI Du Pont De Nemours	65,863	A2
McDonalds	60,036	A2
Goldman Sachs	80,009	A3
Verizon Communications	102,205	A3
Morgan Stanley	98,875	Baa1
Bank of America	107,064	Baa2
Citigroup, Inc.	<u>102,828</u>	Baa3
Total rated obligations	<u>1,619,056</u>	
Mutual Funds	<u>120,526</u>	**
Total Equities	<u>2,186,486</u>	
Total Policemens' Pension and Relief	<u>\$ 3,926,068</u>	

At year end, the City Firemen's Pension Funds had the following investments:

	<u>Fair Value</u>	<u>Credit Risk Rating</u>
Firemens' Pension and Relief		
Federated US Treasury Cash Reserves 632	\$ 46,022	AAAm
U.S. Government Agency Obligations	201,173	Aaa
Mutual Obligations	104,943	Aaa
Corporate Obligations		
Mellon Bank NA	107,906	Aa2
Metlife	109,940	Aa2
Wal-Mart Stores	89,066	Aa2
International Business Machines	77,153	Aa3
Abbott Laboratories	88,435	A1
ConocoPhillips	88,660	A1
Occidental Petroleum	101,687	A1
AT&T	105,917	A2
Boeing Capital	186,765	A2
Emerson Electric	75,883	A2
GE Capital Corp. Series MTN	82,637	A2
McDonalds	90,054	A2
Goldman Sachs	100,011	A3
Verizon Global	103,414	A3
Mbrgan Stanley	98,875	Baa1
Total rated obligations	<u>1,858,541</u>	
Mutual Funds	<u>1,212,564</u>	**
Total Equities	<u>3,701,556</u>	
Total Firemans' Pension and Relief	<u>\$ 6,772,661</u>	

Funds: On the Statement of Net Assets and Balance Sheet, the governmental and proprietary money market funds, certificates of deposit, and mutual funds are included in investments and the Municipal bond Commission is included in restricted securities and cash equivalents. All of the governmental and proprietary investments are insured or registered securities held by the City or its agent in the City's name. The governmental and proprietary investments are rated using Stand & Poor's and Moody's Investment Services. The interest rate and credit ratings of these investments is as follows:

	<u>Interest Rate and Credit Risk Rating</u>	
	<u>Maturity</u>	<u>Credit Quality</u>
	<u>Range</u>	<u>Rating Range</u>
Money Market	Less than 1 year	Not available
Bond Mutual Funds	Not available	Not rated
Municipal Bond Comm Pool	Less than 1 year	Not Rated

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 situate 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 \$5,888,042 in common stock, \$1,333,093 in bond mutual funds, and \$167,149 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 Fund	Coal Severance	Other Governmental Funds
Taxes	\$ 949,632	\$ -	\$ -
Charges for service	1,130,455	-	-
Fees and other receivables	22,042	-	-
Intergovernmental	3,593	-	13,935
Less: Allowance for uncollectible accounts	(804,771)	-	-
Net Accounts Receivable	<u>\$1,300,951</u>	<u>\$ -</u>	<u>\$ 13,935</u>
Uncollectible amounts netted with revenue	<u>\$ 173,621</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	\$1,090,980	\$ 968,256	\$ 4,283	\$ 12,625	\$ 2,076,144
Less: Allowance for uncollectibles	(175,453)	(314,659)	-	-	(490,112)
Net accounts receivable	<u>\$ 915,527</u>	<u>\$ 653,597</u>	<u>\$ 4,283</u>	<u>\$ 12,625</u>	<u>\$ 1,586,032</u>
Uncollectible amounts, net	<u>\$ 30,725</u>	<u>\$ 32,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,359</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 tow-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, 2012, 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	\$240,545,160	25.00¢
Class IV	\$412,772,945	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 \$71,369

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 are recorded in the governmental funds when expenses incurred are 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 \$1,527,916

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the Governmental activities for the year ended June 30, 2012, is as follows:

	<u>Totals</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Totals</u> <u>June 30, 2012</u>
Governmental Activities				
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	1,868,848	7,495	3,245	1,873,098
Buildings and improvements	7,109,121	7,222	151,294	6,965,049
Infrastructure	10,990,227	1,007,899	-	11,998,126
Furniture, machinery and equipment	<u>10,396,118</u>	<u>362,030</u>	<u>207,445</u>	<u>10,550,703</u>
Total capital assets being depreciated	<u>30,364,314</u>	<u>1,384,646</u>	<u>361,984</u>	<u>31,386,976</u>
Less accumulated depreciation for:				
Land Improvements	1,850,352	11,015	9,373	1,851,994
Buildings and improvements	4,586,746	138,600	187,347	4,537,999
Infrastructure	2,973,369	392,072	-	3,365,441
Furniture, machinery and equipment	<u>6,927,706</u>	<u>568,908</u>	<u>118,415</u>	<u>7,378,199</u>
Total accumulated depreciation	<u>16,338,173</u>	<u>1,110,595</u>	<u>315,135</u>	<u>17,133,633</u>
Governmental activities capital assets, net	<u>\$ 14,881,838</u>	<u>\$ 274,051</u>	<u>\$ 46,849</u>	<u>\$ 15,109,040</u>

Depreciation Expense -- Depreciation expense was charged to functions of the governmental funds as follows:

<u>Governmental Activities</u>	
	\$ 350,080
Public Safety	123,631
Highways and streets	365,735
Health and sanitation	243,365
Culture and recreation	<u>27,784</u>
	<u>\$ 1,110,595</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, 2012, is as follows:

	Totals June 30, 2012	Additions	Deletions	Totals June 30, 2012
Business-type Activities				
Capital assets not being depreciated:				
Land and land rights	\$ 535,383	\$ -	\$ -	\$ 535,383
Construction-in-progress	5,880,672	687,388	534,835	6,033,225
Total capital assets not being depreciated	<u>6,614,957</u>	<u>687,388</u>	<u>534,835</u>	<u>6,568,608</u>
Capital assets being depreciated:				
Land improvements	134,947	-	-	134,947
Buildings and improvements	10,067,235	150,249	117,410	10,100,074
Infrastructure	36,014,994	228,445	26,467	36,216,972
General plant	5,891,276	-	10,588	5,880,688
Furniture, machinery and equipment	3,563,024	362,666	121,586	3,804,104
Total capital assets being depreciated	<u>55,671,476</u>	<u>741,360</u>	<u>276,051</u>	<u>56,136,785</u>
Less accumulated depreciation for:				
Land improvements	128,361	227	-	128,588
Buildings and improvements	5,277,076	286,782	113,076	5,450,782
Infrastructure	27,214,153	371,406	18,917	27,566,642
General plant	896,472	122,930	3,705	1,015,697
Furniture, machinery and equipment	2,657,293	173,571	52,399	2,778,465
Total accumulated depreciation	<u>36,173,355</u>	<u>954,916</u>	<u>188,097</u>	<u>36,940,174</u>
Business-type activities				
Capital assets, net	<u>\$ 26,113,078</u>	<u>\$ 473,832</u>	<u>\$ 622,789</u>	<u>\$ 25,765,219</u>

Depreciation Expense -- Depreciation expense was charged to business-type activities as follows:

<u>Business-type Activities</u>	
Water	\$ 367,722
Sewer	340,253
Board of Park Commissioners	-
Library	197,474
Parking Authority	49,467
	<u>-</u>
	<u>\$ 954,916</u>

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

	<u>Spent to June 30, 2012</u>	<u>Remaining Commitment</u>
Water Fund		
Water by product treatment disinfection	\$ 5,094,262	\$ 48,192
Plant improvements	<u>53,592</u>	<u>-</u>
	<u>\$ 5,147,854</u>	<u>\$ 48,192</u>
Sewer Fund		
Sewer line extensions	\$ 189,590	\$ 11,467
Sewer line replacement	60,287	-
Plant improvements	<u>831,262</u>	<u>-</u>
	<u>\$ 1,081,139</u>	<u>\$ 11,467</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, 2012, 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, 2012 were \$710,851 and \$174,135, respectively. The total lease payments less interest costs are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 124,887
2014	99,369
2015	81,558
2016	8,110
Less interest costs	<u>(16,861)</u>
Present value of future minimum lease payments	297,063
Less current portion	<u>(124,887)</u>
Capital leases, non-current	<u>\$ 172,176</u>

NOTE 9. LONG-TERM DEBT

Revenue Bonds

Revenue bonds outstanding as of June 30, 2012, consist of debt issued by the City for its water and sewer treatment facilities. 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, 2012 the entity was 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, 2012, the current and non-current portions, net of discount, are as follows:

	<u>Bonds Payable</u>	<u>Debt Discount</u>	<u>Bonds Payable, net</u>
Current Portion			
Water Board	\$ 649,335	\$ 5,285	\$ 644,050
Sanitary Board	<u>187,846</u>	<u>1,275</u>	<u>186,571</u>
Total current	<u>837,181</u>	<u>6,560</u>	<u>830,621</u>
Non-Current Portion			
Water Board	6,554,784	63,386	6,491,398
Sanitary Board	<u>3,253,733</u>	<u>19,018</u>	<u>3,234,715</u>
Total non-current	<u>9,808,517</u>	<u>82,404</u>	<u>9,726,113</u>
Total	<u>\$10,645,698</u>	<u>\$ 88,964</u>	<u>\$ 10,556,734</u>

Amortization expense is \$5,285 and \$1,275 for the Water and Sanitary Board, respectively.

Outstanding Bonds, Maturity Dates, and Interest Rates

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

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Payments	Balance June 30, 2012
<u>Governmental Activities</u>				
Capital leases payable	237,062	233,007	155,194	314,875
Total Governmental Activities	<u>237,062</u>	<u>233,007</u>	<u>155,194</u>	<u>314,875</u>
<u>Business-type Activities</u>				
Note payable:				
Water Board	-	100,000	6,301	93,699
Sanitary Board	91,846	-	43,178	48,668
Total note payable	<u>91,846</u>	<u>100,000</u>	<u>49,479</u>	<u>142,367</u>
Revenue bonds:				
Water Board	7,522,968	275,605	594,455	7,204,118
Sanitary Board	3,625,715	-	184,135	3,441,580
Total revenue bonds	<u>11,148,683</u>	<u>275,605</u>	<u>778,590</u>	<u>10,645,698</u>
Total Business-type Activities	<u>11,240,529</u>	<u>375,605</u>	<u>828,069</u>	<u>10,788,065</u>
Total Long-term debt	<u>\$ 11,477,591</u>	<u>\$ 608,612</u>	<u>\$ 983,263</u>	<u>\$11,102,940</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, 2012.

The annual debt service requirements to maturity for bonded debt as of June 30, 2012, are as follows:

Year Ending June 30,	Water Board		Sanitary Board	
	Principal	Interest	Principal	Interest
2013	\$ 649,334	\$ 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	789,048	111,767	203,451	51,824
2018-2022	1,513,349	288,171	1,080,420	195,949
2023-2027	1,384,423	150,846	1,193,753	82,617
2028-2030	721,968	29,673	189,557	1,899
Totals	<u>\$7,204,118</u>	<u>\$ 1,388,378</u>	<u>\$3,441,580</u>	<u>\$ 578,986</u>

Notes 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, 2012, the principal and interest payments due from the City are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 43,178	\$ 1,062
2014	5,490	12
Totals	<u>\$ 48,668</u>	<u>\$ 1,074</u>

The City's Water Board obtained a note with a local financial institution for an addition to the main water treatment line. The note has an interest rate of 2.36%. At June 30, 2012, the principal and interest payments due from the City are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 19,207	\$ 2,034
2014	19,672	1,569
2015	20,149	1,093
2016	20,636	605
2017	14,035	126
Totals	<u>\$ 93,699</u>	<u>\$ 5,427</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	\$ 352,442	General	133,118
Coal Severance	6,404	Other governmental funds	13,594
Internal Service Fund	86,859	Internal Service Fund	2,816
Sanitary Board	60,135	Board of Park Commissioners	48,772
Water	8,400	Water Fund	173,351
	-	Sanitary Board	120,338
	-	Other Enterprise Funds	22,251
Total due from other funds	<u>\$ 514,240</u>	Total due to other funds	<u>\$ 514,240</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:

Transfers from	Amount	Transfers to	Amount
General Fund	\$ 844,118	Board of Park Commissioners	\$ 503,000
	-	Other Enterprise Funds	341,118
	<u>\$ 844,118</u>		<u>\$ 844,118</u>

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

For fiscal year 2012, 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	\$ 340,145
City of Weirton Firemen's Pension and Relief Fund	165,640
Total	<u>\$ 505,785</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

The City reporting entity 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 they attain 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 hired prior to January 1, 2010 contribute 7% of their monthly salary. Effective January 1, 2011, all newly hired policemen contribute 9.5% of their monthly salary. The total eligible payroll for the fiscal year ending June 30, 2012 was \$1,562,448 and the total employee contributions were \$141,499. The plan's fund balance as of June 30, 2012 is \$4,022,753.

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, 2011 actuarial report, was \$750,305. The actual contributions were \$850,485 for the year ended June 30, 2012.

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, 2011, the average salary for benefits was \$42,999. There were 49 pensioners as of June 30, 2011 receiving an average of \$27,744 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:

	<u>Policemen's</u>
Valuation date:	July 1, 2011
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:

Actuarial Evaluation Date	<u>Policemen's Pension and Relief Fund 7/1/2011</u>
Actuarial Value of Assets	\$ 4,225,903
Actuarial Accrued Liability (AAL)	\$ 28,494,472
Underfunded (UAAL)	\$ 24,268,569
Funded Ratio	15%
Covered Payroll	\$ 1,504,955
UAAL as a % of Covered Payroll	1613%

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

Fiscal Year	Policemen's Pension and Relief Fund		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2012	\$ 1,560,014	54%	\$ 10,262,780
2011	\$ 1,514,778	50%	\$ 9,549,710
2010	\$ 986,424	37%	\$ 8,785,237

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. 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 hired prior to January 1, 2010 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, 2012 was \$1,006,140 and the total employee contributions were \$71,496. The plan's fund balance as of June 30, 2012 is \$6,906,215.

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 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 was \$345,959. The actual contributions were \$354,284 for the year ended June 30, 2012.

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, 2011, the average salary for benefits was \$43,273. There were 18 pensioners as of June 30, 2011 receiving an average of \$28,942 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:

	<u>Firemen's</u>
Valuation date:	July 1, 2011
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	6.0%
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:	3.0%
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:

Actuarial Evaluation Date	<u>Firemen's Pension and Relief Fund 7/1/2011</u>
Actuarial Value of Assets	\$ 6,793,473
Actuarial Accrued Liability (AAL)	\$ 12,177,292
Underfunded (UAAL)	\$ 5,383,819
Funded Ratio	56%
Covered Payroll	\$ 952,008
UAAL as a % of Covered Payroll	566%

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 70%).

Trend Information

Firemen's Pension and Relief Fund			
Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2012	\$532,868	66%	\$ 1,949,760
2011	\$528,370	65%	\$ 1,771,716
2010	\$369,835	45%	\$ 1,588,765

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, 2012:

	Policemen's Pension Relief Fund	Firemen's Pension Relief Fund	Total
Annual Required Contribution (ARC)	\$ 1,457,833	\$ 505,334	\$ 1,963,167
Interest on net pension obligation	477,486	106,271	583,757
ARC adjustment	(375,305)	(78,737)	(454,042)
Annual pension cost	1,560,014	532,868	2,092,882
Less: employer contributions	(856,287)	(354,284)	(1,210,571)
Increase in net pension obligation	703,727	178,584	882,311
Net pension obligation at June 30, 2011	9,549,710	1,771,176	11,320,886
Net pension obligation at June 30, 2012	\$ 10,253,437	\$ 1,949,760	\$ 12,203,197

Investment Detail

As of June 30, 2012, the City's pension funds held the following investments:

	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund	Total
Money markets	\$ 121,127	\$ 46,022	\$ 167,149
Government agency obligations	75,605	201,173	276,778
Corporate obligations	1,317,378	1,506,403	2,823,781
Municipal obligations	104,943	104,943	209,886
Common stock	2,186,486	3,701,556	5,888,042
Mutual funds	120,529	1,212,564	1,333,093
Total investments	\$ 3,926,068	\$ 6,772,661	\$10,698,729

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

Credit Risk – The City's investment policy does not specify that investments must be rated at a specified level. As of June 30, 2012, the City's investments were rated using Moody's Investor Services, when available.

Interest Rate Risk – The City's pension plan follows West Virginia State Code 8-22-22. The City does not have a policy for interest rate risk in addition to the governing West Virginia statutes.

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, 2012, 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</u>	<u>Credit Quality</u>
	<u>Range</u>	<u>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 14.5%. 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>
2012	\$576,625	100%
2011	\$ 478,704	100%
2010	\$ 407,381	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 2012 totaled \$258,004.

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 57th 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 2012. 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 has completed its' plant upgrade regarding the disinfection and disinfection By-Product rule as required by the Safe Drinking Water Act. The Board has, to the best of our knowledge, information and belief, therefore met all the requirements of the consent decree originally enacted by the U. S. Environmental Protection Agency and is currently in full compliance with all regulations associated with water treatment.

The Weirton Sanitary Board has completed phase one of its' sanitary collection system project consistent with the WV/NPDES Water Pollution Control Permit No. WV0023108 dated January 6, 2006. Phase one eliminated the flow of sewage into the Ohio River. Corrective action is ongoing in phase two as plans and specifications have been submitted to the WV review agencies for comment and permit approval. The required construction to bring the Sanitary Board into 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. At June 30, 2012 the City's accounts receivable on the Statement of Net Assets pertaining to these services were \$2,068,429. (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.

NOTE 19. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2012 the City recorded a prior period adjustment to the Water Fund. An audit adjustment of \$198,902, for the year ended June 30, 2011, was recorded to accounts payable and construction in progress for retainage on a construction project. It was determined in the current fiscal year that the retainage had been included in the June 30, 2011 accounts payable and construction in progress. The beginning balances of the accounts payable and construction in progress were restated as follows:

	<u>Water Fund</u>	
	<u>Accounts Payable</u>	<u>Construction in Progress</u>
Balance at June 30, 2011, as reported	\$ 867,926	\$ 6,079,574
Prior period adjustment	<u>(198,902)</u>	<u>(198,902)</u>
Balance at June 30, 2011, as restated	<u>\$ 669,024</u>	<u>\$ 5,880,672</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEIRTON, WEST VIRGINIA

Defined Benefit Pension Trusts

For the Year Ended June 30, 2012

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
7/1/2011	\$ 4,225,903	\$ 28,494,472	\$ 24,268,569	15%	\$ 1,504,955	1613%
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	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	a % of Covered Payroll
7/1/2011	\$ 6,793,473	\$ 12,177,292	\$ 5,383,819	56%	952,008	566%
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
2012	\$ 1,560,014	54%	\$ 532,868	66%
2011	\$ 1,514,778	50%	\$ 528,370	65%
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, 2012

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts GAAP Basis	Variance With Final Budget
REVENUES:				
Property Taxes	\$ 2,588,272	\$ 2,573,820	\$ 2,584,263	\$ (10,443)
B&O taxes	2,030,000	1,965,000	2,026,969	(61,969)
Excise tax on utilities	1,175,000	1,057,000	1,117,090	(60,090)
Other taxes	390,000	508,250	562,071	(53,821)
Fines and forfeitures	105,200	105,200	120,381	(15,181)
Licenses, permits, and fees	108,000	244,000	253,334	(9,334)
Intergovernmental	1,243,848	1,558,371	1,144,760	413,611
Charges for services	4,081,896	4,071,896	4,095,295	(23,399)
Video lottery and table gaming	613,000	815,000	811,003	3,997
Charges to other funds	135,388	135,388	-	135,388
Reimbursements	25,000	25,000	-	25,000
Investment income	8,000	10,000	17,767	(7,767)
Other	80,000	108,000	123,094	(15,094)
Total revenues	<u>12,583,604</u>	<u>13,176,925</u>	<u>12,856,027</u>	<u>320,898</u>
EXPENDITURES:				
General government	4,058,593	4,527,866	2,748,570	1,779,296
Public safety	5,149,880	5,556,766	5,123,336	433,430
Streets and transportation	3,734,192	3,960,777	3,085,671	875,106
Health and sanitation	1,013,545	1,035,788	1,120,729	(84,941)
Culture and recreation	943,076	1,016,618	196,749	819,869
Social services	15,000	15,000	2,094	12,906
Debt Services				
Capital lease - principal	-	-	118,546	(118,546)
Capital lease - interest	-	-	5,760	(5,760)
Total expenditures	<u>14,914,286</u>	<u>16,112,815</u>	<u>12,401,455</u>	<u>3,711,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,330,682)</u>	<u>(2,935,890)</u>	<u>454,572</u>	<u>3,390,462</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	161,013	(161,013)
Transfers (out)	-	-	(844,118)	844,118
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(683,105)</u>	<u>683,105</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other funds	<u>(2,330,682)</u>	<u>(2,935,890)</u>	<u>(228,533)</u>	<u>4,073,567</u>
Fund balance at beginning of year	<u>2,330,682</u>	<u>2,935,890</u>	<u>3,613,974</u>	<u>678,084</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,385,441</u>	<u>\$ 3,385,441</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, 2012

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variance With Final Budget
REVENUES:				
Other taxes	\$ 96,000	\$101,846	\$ 104,619	\$ 2,773
Investment income	400	400	495	95
Total revenues	<u>96,400</u>	<u>102,246</u>	<u>105,114</u>	<u>2,868</u>
EXPENDITURES:				
General government	145,757	164,674	52,740	111,934
Public safety	49,909	49,909	72,097	(22,188)
Social services	26,800	26,800	-	26,800
Debt service				-
Capital lease - principal	-	-	36,648	(36,648)
Capital lease - interest	-	-	2,705	(2,705)
Total expenditures	<u>222,466</u>	<u>241,383</u>	<u>164,190</u>	<u>77,193</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,066)</u>	<u>(139,137)</u>	<u>(59,076)</u>	<u>80,061</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	71,994	71,994
Total other financing sources (uses)	-	-	71,994	71,994
Excess (deficiency) of revenues and other financing sources over expenditures and other funds	(126,066)	(139,137)	12,918	152,055
Fund balance at beginning of year	126,066	139,137	139,137	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,055</u>	<u>\$ 152,055</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF WEIRTON, WEST VIRGINIA

Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2012

	<u>Youth Job Program</u>	<u>TIF</u>	<u>Public Safety</u>	<u>CDBG</u>	<u>Total</u>
ASSETS:					
Cash	\$ 292	\$698,962	\$227,240	\$ 754	\$ 927,248
Taxes receivable	-	-	-	-	-
Grants receivable	-	-	-	13,935	13,935
Total assets	<u>\$ 292</u>	<u>\$698,962</u>	<u>\$227,240</u>	<u>\$ 14,689</u>	<u>\$ 941,183</u>
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 1,017	\$ 8,270	\$ 9,287
Security deposit	-	-	25,000	-	25,000
Due to other funds	-	-	7,175	6,419	13,594
Unearned revenue	-	-	134,133	-	134,133
Total liabilities	<u>-</u>	<u>-</u>	<u>167,325</u>	<u>14,689</u>	<u>182,014</u>
FUND BALANCES:					
Restricted	-	698,962	-	-	698,962
Assigned	292	-	59,915	-	60,207
Total fund balance	<u>292</u>	<u>698,962</u>	<u>59,915</u>	<u>-</u>	<u>759,169</u>
Total liabilities and fund balances	<u>\$ 292</u>	<u>\$698,962</u>	<u>\$227,240</u>	<u>\$ 14,689</u>	<u>\$ 941,183</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, 2012

	Youth Job Program	TIF	Public Safety	ODBG	Total
REVENUES:					
Property taxes	\$ -	\$ 170,013	\$ -	\$ -	\$ 170,013
Fees and Fines	-	-	14,278	-	14,278
Intergovernmental	-	-	29,542	474,819	504,361
Investment income	-	2,428	883	-	3,311
Program income	-	-	-	5,000	5,000
Contributions	-	-	350	-	350
Total revenues	-	172,441	45,053	479,819	697,313
EXPENDITURES:					
General government	-	36	29,527	124,239	153,802
Public safety	-	-	7,162	9,638	16,800
Highways and streets	-	-	3,587	156,984	160,571
Culture and recreation	-	-	-	122,000	122,000
Social services	-	-	-	66,958	66,958
Total expenditures	-	36	40,276	479,819	520,131
Excess (deficiency) of revenues over (under) expenditures	-	172,405	4,777	-	177,182
OTHER FINANCING (USES)					
Transfers in (out)	-	-	-	-	-
Total other financing (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other funds	-	172,405	4,777	-	177,182
Fund balance at beginning of year	292	526,557	55,138	-	581,987
Fund balance at end of year	\$ 292	\$ 698,962	\$ 59,915	\$ -	\$ 759,169

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, 2012

	<u>Parking Fund</u>	<u>Library</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 976	\$ 343,992	\$ 344,968
Investments	-	330,179	330,179
Accounts receivable, net	-	12,625	12,625
Prepaid expenses	-	2,708	2,708
Total current assets	<u>976</u>	<u>689,504</u>	<u>690,480</u>
Non current assets:			
Capital assets:			
Land	304,581	57,449	362,030
Other capital assets, net	-	434,281	434,281
Total capital assets	<u>304,581</u>	<u>491,730</u>	<u>796,311</u>
Total assets	<u>\$ 305,557</u>	<u>\$ 1,181,234</u>	<u>\$ 1,486,791</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ -	\$ 30,124	\$ 30,124
Wages and benefits payable	-	8,087	8,087
Due to other funds	-	22,251	22,251
Compensated absences	-	20,148	20,148
Deferred revenue	-	82,352	82,352
Total current liabilities	<u>-</u>	<u>162,962</u>	<u>162,962</u>
Non-current liabilities:			
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>162,962</u>	<u>162,962</u>
NET ASSETS:			
Invested in capital assets, net of related debt	304,581	491,730	796,311
Unrestricted	976	526,542	527,518
Total net assets	<u>\$ 305,557</u>	<u>\$ 1,018,272</u>	<u>\$ 1,323,829</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, 2012

	<u>Parking Fund</u>	<u>Library</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ -	\$ -	\$ -
Library fines	-	12,282	12,282
Total charge for services	-	12,282	12,282
Property taxes-levy	-	162,620	162,620
Operating grants and contributions	-	220,844	220,844
Total Operating revenues	-	395,746	395,746
OPERATING EXPENSES:			
Personal services	-	378,160	378,160
Maintenance, and contractual services	-	173,812	173,812
Materials and supplies	-	89,635	89,635
Depreciation	-	49,467	49,467
Total operating expenses	-	691,074	691,074
Operating (loss)	-	(295,328)	(295,328)
Nonoperating revenues (expenses):			
Investment income	4	5,769	5,773
Gain (loss) on disposal of capital assets	-	(43)	(43)
Other revenue	-	830	830
Total nonoperating revenues (expenses)	4	6,556	6,560
Income (loss) before contributions and transfers	4	(288,772)	(288,768)
Transfers from other funds	-	341,118	341,118
Change in net assets	4	52,346	52,350
Net assets at beginning of year	305,553	965,926	1,271,479
Net assets at end of year	\$ 305,557	\$ 1,018,272	\$ 1,323,829

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, 2012

	Parking Fund	Library Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ -	\$ 18,331	\$ 18,331
Cash paid to suppliers and vendors	-	(256,573)	(256,573)
Cash paid to employees and professionals	-	(384,362)	(384,362)
Payments for internal services	-	(553)	(553)
Other operating revenues	-	404,689	404,689
Net cash provided (used) by operating activities	-	(218,468)	(218,468)
Cash flows from other operating activities:			
Other non-operating revenues	-	830	830
Cash flows from non-capital financing activities			
Transfers from other funds	-	341,118	341,118
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	-	(79,862)	(79,862)
Net cash (used) by capital and related financing activities	-	(79,862)	(79,862)
Cash flows from investing activities:			
Investment income	4	1,480	1,484
Net cash provided by investing activities	4	1,480	1,484
Net increase (decrease) in cash and equivalents	4	45,098	45,102
Cash and equivalents, beginning	972	298,894	299,866
Cash and equivalents, ending	<u>\$ 976</u>	<u>\$ 343,992</u>	<u>\$ 344,968</u>
Reconciliation of operating Income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ -	\$ (295,328)	\$ (295,328)
Adjustments:			
Depreciation	-	49,467	49,467
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	6,049	6,049
Increase (decrease) in accounts payable	-	(8,816)	(8,816)
Increase (decrease) in wages and benefits	-	(6,202)	(6,202)
Increase (decrease) in due to other funds	-	17,038	17,038
Increase (decrease) in deferred revenue	-	21,225	21,225
Increase (decrease) in compensated absence	-	(1,901)	(1,901)
Total adjustments	-	76,860	76,860
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (218,468)</u>	<u>\$ (218,468)</u>
Non-cash investing and financing activities	<u>\$ -</u>	<u>\$ 35,588</u>	<u>\$ 38,588</u>
Reconciliation of cash and cash equivalents			
Cash and equivalents	<u>\$ 976</u>	<u>\$ 343,992</u>	<u>\$ 344,968</u>
Total cash and cash equivalents	<u>\$ 976</u>	<u>\$ 343,992</u>	<u>\$ 344,968</u>

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, 2012

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Identification Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Community Development Block Grant	14.218	B10-MC-54-0004	\$ 411,691
Community Development Block Grant	14.218	B09-MC-54-0005	94,443
Total U.S. Department of H.U.D.			<u>506,134</u>
U.S. Department of Justice			
<i>Pass-Through Programs From:</i>			
<u>West Virginia Department of Military Affairs</u>			
<u>and Public Safety</u>			
Edward Byrne Memorial Formula Grant	16.579	09-JAG-23	56,556
Edward Byrne Memorial Formula Grant	16.579	09-JAG-08	34,680
Total U.S. Department of Justice			<u>91,236</u>
U.S. Department of Transportation			
Federal Transit Formula Grant	20.507	WV-90-X170-00	30,348
Federal Transit Formula Grant	20.207	WV-90-X181-00	294,091
Federal Transit Formula Grant – ARRA	20.507	WV-96-X003-00	33,970
Total U.S. Department of Transportation			<u>358,409</u>
U.S. Environmental Protection Agency			
<i>Pass-through Programs From:</i>			
<u>West Virginia Department of Health and Human Resources</u>			
Congressionally Mandated Projects	66.202	XP-97337301	22,883
Total US Environmental Protection Agency			<u>22,883</u>
U.S. Department of Homeland Security			
<i>Direct Programs:</i>			
Pre-Disaster Mitigation Grant – Acquisition Project	97.047	PDMC-PJ-WV 2012-001	8,065
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 986,727</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, 2012

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>\$ 358,409</u>
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Teed & Associates, PLLC

Certified Public Accountants

Established 1992

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Member, West Virginia 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, 2012 which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2013. 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
Page 2

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 Item 2012-1.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

Charleston, West Virginia
March 15, 2013

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

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 Item 2012-1.

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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.

Ted E. Associates, PLLC

Charleston, West Virginia
March 15, 2013

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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, 2012. 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, 2012.

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.

Toed & Associates, PLLC

Charleston, West Virginia
March 15, 2013

CITY OF WEIRTON, WEST VIRGINIA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

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>
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, 2012

Section II – Financial Statement Findings

Item 2012-1 Not Capitalizing Book Purchases

Condition

The Library Board has not capitalized book purchases prior to current year.

Criteria

GAAP requires the capitalization and depreciation of capital assets purchases.

Cause

The Library Board has never capitalized book purchases until current year.

Effect

Assets and net assets are understated by an indeterminable amount.

Recommendation

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

City's Response

The City has taken the recommendation under advisement and in 2012 has started 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

The status of the findings or questioned costs relative to federal awards for the year ended June 30, 2011 is as follows.

<u>Item 2011-1</u>	<u>Schedule of Rates Required by Bond Legislation – Enterprise Funds</u>	Corrected in 2012
<u>Item 2011-2</u>	<u>Cash is not fully collateralized</u>	Corrected in 2012
<u>Item 2011-3</u>	<u>Not Capitalizing Book Purchases</u>	Partially Corrected in 2012