

**CITY OF WEIRTON,  
WEST VIRGINIA**

Financial Statements and  
Supplementary Information  
Together with Auditor's Report  
As of June 30, 2005

**BODKIN WILSON & KOZICKI** PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF WEIRTON, WEST VIRGINIA**  
**FINANCIAL STATEMENTS**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>MUNICIPAL OFFICIALS</b>	1
<b>ACCOUNTANT'S AUDIT REPORT</b>	2-3
<b>MANAGEMENT'S DISCUSSION &amp; ANALYSIS</b>	4-9
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	10 - 11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15 - 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 - 19
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21 - 22
Statement of Fiduciary Net Assets - Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	24
<b>Notes to the Financial Statements</b>	25 - 51
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Defined Benefit Pension Trusts - Required Supplementary Information	52- 53
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	54- 55

**CITY OF WEIRTON, WEST VIRGINIA**  
**FINANCIAL STATEMENTS**  
**TABLE OF CONTENTS (CONTINUED)**

	<u>Page</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Coal Severance Tax Fund	56
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	58
Combining Statement of Net Assets - Nonmajor Proprietary Funds	59
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Proprietary Funds	60
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	61- 62
Combining Statement of Fiduciary Net Assets - Fiduciary Funds	63
Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	64
<b>ACCOMPANYING INFORMATION:</b>	
Schedule of Expenditures of Federal Awards	65- 66
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	67- 68
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	69- 70
Schedule Of Findings And Questioned Costs	71 - 72
Corrective Action	73

**CITY OF WEIRTON, WEST VIRGINIA**  
**MUNICIPAL OFFICIALS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<b><u>Office</u></b>	<b><u>Name</u></b>	<b><u>Term</u></b>
Mayor:	William M. Miller	
Council Members:	Steve J. Dorich	07/01/04 – 04/27/05
	Jerry Miller	05/27/05 – 06/30/08
	Harold Miller	07/01/04 – 06/30/08
	Dale Moore	07/01/04 – 06/30/08
	Henry DeMasis	07/01/04 – 06/30/08
	George Kondik	07/01/04 – 06/30/08
	David Dalrymple	07/01/04 – 06/30/08
	Frank Veltri	07/01/04 – 06/30/08
	<b><u>Appointive</u></b>	
City Manager:	Gary DuFour	
City Clerk:	Dolores Ostrander	
City Solicitor:	John Yeager, Jr.	

**BODKIN WILSON & KOZICKI** PLLC  
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**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
of the City of Weirton, West Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weirton, West Virginia, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Weirton, West Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Weirton, West Virginia, as of June 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2006, on our consideration of the City of Weirton, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information on pages 4 through 9 and 54 through 56, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Weirton, West Virginia's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Weirton, West Virginia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Bodhi U. Kozich PLLC*

Weirton, West Virginia,  
March 29, 2006.

**CITY OF WEIRTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2005**

The following discussion is designed to provide an overview of the City of Weirton's (City) financial activities for the fiscal year ending June 30, 2005.

The fiscal year ending June 30, 2005, is the third year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34, or GASB34. 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 other required supplemental information.

**The first discussion focuses on understanding the basic financial statements.**

This report consists of a series of financial statements. GASB34 changed, quite drastically, 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 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 City 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. GASB34 provides for the presentation of reconciliation's between governmental activities (as shown in the government-wide statements) and governmental funds. These reconciliation's can be found in the financial statement section of this report.

**CITY OF WEIRTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2005**

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.)

**The next area will focus on highlighting, condensing, and comparing some of the key financial information from the government-wide financial statements.**

<u>Description</u>	<u>Fiscal Year Ending 6-30-05</u>	<u>Fiscal Year Ending 6-30-04</u>	<u>Change</u>
Total Assets:			
Capital	22,496,516	21,798,971	697,545
Other	10,323,580	7,783,662	2,539,918
Total Liabilities:	15,164,562	13,881,632	1,282,930
Total Net Assets:			
Capital Net of Debt	16,826,033	16,243,885	582,148
Restricted	932,366	958,470	(26,104)
Unrestricted	(102,865)	(1,501,354)	1,398,489
	17,655,534	15,701,001	1,954,533
Program Revenues:			
Charges for Services	9,967,115	9,275,720	691,395
Operating Grants	1,957,022	1,006,328	950,694
Capital Grants	1,373,420	448,054	925,366
General Revenues:			
Property Taxes	2,427,805	2,701,707	(273,902)
B&O Taxes	2,757,526	1,910,401	847,125
Excise Tax on Utilities	1,313,378	1,316,111	(2,733)
Other Taxes	561,752	438,859	122,893
Payment in Lieu of Taxes	-	800,156	(800,156)
Other	383,797	160,133	223,664
Total Revenues	20,741,815	18,057,469	2,684,346
Expenses:			
General Government	2,622,612	2,733,309	(110,697)
Public Safety	5,198,509	5,362,395	(163,886)
Highways and Streets	2,246,171	2,195,598	50,573
Health and Sanitation	811,725	710,015	101,710
Culture and Recreation	189,455	188,530	925
Social Services	592,191	5,142	587,049
Community Development	670,848	466,367	204,481
Interest-LTD	10,144	16,294	(6,150)
Water Board	3,034,206	2,904,940	129,266

**CITY OF WEIRTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2005**

<u>Description</u>	<u>Fiscal Year Ending 6-30-05</u>	<u>Fiscal Year Ending 6-30-04</u>	<u>Change</u>
Sanitary Board	1,972,034	1,885,828	86,206
Park Board	1,007,291	973,598	33,693
Library Board	631,923	655,652	(23,729)
Parking Authority	1,454	1,801	(347)
<b>Total Expenses</b>	<b>18,988,563</b>	<b>18,099,469</b>	<b>889,094</b>
Change in Net Assets Prior to Extraordinary Item	1,753,252	(42,000)	1,795,252
Extraordinary Item	-	538,025	(538,025)
Change in Net Assets	1,753,252	496,025	1,257,227
Prior period Adjustment	201,281	-	201,281
Ending Net Assets	17,655,534	15,701,001	1,954,533

**From the highlights as listed, the City's overall financial position and results of operations can now be discussed in more detail.**

Looking government-wide, fiscal year ending June 30, 2005, did result in an increase in total net assets. It reflects a more positive trend than the fiscal year ending June 30, 2004, where net assets increased slightly. The strength came from the strong increase in capital and other assets. Other assets increased largely due to the increase in cash and cash equivalents, investments, and net taxes receivable. As mentioned, there was also an increase in net capital assets, which came largely out of governmental activities. (Detail of changes in capital assets can be found in note 6.)

While strengths may have occurred in the asset categories this, of course, is offset by our liabilities and movement within. Total liabilities increased. This was largely due to the increase in the lease obligations and by the increases of governmental activities such as net pension obligations.

Changes in net assets can further be analyzed by looking at government-wide revenues and expenditures. Overall revenues increased more than overall expenditures increased, contributing to the positive change in net assets at June 30, 2005.

From program revenues we see increases in all categories. Under charges for services, the primary government category of highways and streets carried the majority of the increase; while under business-type activities Water Board and Park Board maintained a very slight increase, and all others (sewer, library, and parking) declined. Operating and capital grant increases were found within governmental activities. Operating grants increased while capital grants decreased within business-type activities.

**CITY OF WEIRTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2005**

Overall expenses did increase with the major changes being in social services and economic development for governmental activities and in water and sewer for business-type activities. Program revenues are covering slightly more than 65 percent of the functions or activities of the City. General revenues are covering the other 35 percent. This is a 5% improvement over fiscal year ending June 30, 2004, showing that the City has implemented and/or received new revenue sources (new municipal fee) and grant reimbursements.

**Analysis can now turn to the individual fund level.**

**Major Governmental Funds:** The General Fund revenues greatly exceeded expenditures creating the large positive change in the fund balance. Increases in revenue came largely from a new municipal service fee enacted July 1, 2004, and also from multiple grants including the large FEMA flood grant. Expenditures increased from the prior fiscal year, but there were many projects that were continued and carried over into fiscal year 2005-06. Due to this, we anticipate seeing a large reduction in fund balance by the year ending June 30, 2006.

Coal Severance Fund experienced expenditures exceeding revenues, as was anticipated and projected for this fiscal year ending June 30, 2005. Coal severance picked up expenses that had previously been paid out of the General Fund.

**Major Proprietary Funds:** The Water Fund experienced a slight increase in operating income but a loss before contributions and transfers. Operating expense increases are putting a burden on the fact that operating revenues are flat. Examination of this situation is ongoing. Thoughts of either future rate increases or expense reductions or both must be considered.

The Sanitary Fund is experiencing the same problems as the Water Fund did, though slightly worse. Net assets were virtually flat, as operating loss and a loss before contribution and transfer occurred. The same analysis of revenues and expenses as in Water must take place.

The Board of Parks Fund is experiencing larger operational losses and large losses before capital contributions and transfers. Net assets also decreased. The Park Board must also perform the same analysis as the Water and the Sanitary Boards.

**Fiduciary Funds – Pension Trusts:** This detail can be found in the other supplementary information section of this report.

Policemen's Pension and Relief Fund experienced a negative change in net assets, while the Firemen's Pension and Relief Fund experienced a positive change in net assets. The change in net assets for both funds is down due to the decrease in net investment income.

**Analysis of significant budget variations.**

**Revenues:**

Total taxes – Unfavorable. The new B&O on manufacturing category did not come in as anticipated, due largely to the problems associated at the local steel mill.

Charges for services – Favorable. Largely due to the estimated nature of the new municipal service fee.

**CITY OF WEIRTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2005**

Intergovernmental programs – Unfavorable. A significant amount of the FEMA grant was not expended at year end.

**Expenditures:**

All categories – Favorable, but general government was most favorable due to interfund reimbursements, grant expenditures not made in the fiscal year, code enforcement's down, new state building match dollars not spent, and contingencies not spent.

Health and Sanitation – Favorable. Capital equipment not purchased.

**Discussion of significant capital assets and long-term debt.**

Please refer to note 6–capital assets, and note 8–long-term debt, for detailed changes.

Capital assets – Governmental activities: Significant increases were noted in the categories of infrastructure and furniture, machinery, and equipment. Under infrastructure, multiple streets were paved and improved. Various items under furniture, machinery, and equipment were purchased, such as Venetian blinds, computers, generators, fuel dispenser, radios, Fire Department equipment, and Police vehicles. The overall capital asset increase before depreciation was approximately \$1.9 million.

Business-type activities: The overall capital assets increase before depreciation was over \$448,000. Infrastructure, buildings and improvements, and furniture, machinery, and equipment had the highest increases. In the utilities funds such things as pumps, clarifiers, analyzers, pump station equipment upgrades, new lines, and a vehicle were purchased.

Overall, net capital assets of the primary government increased, reflecting not only a use of grant dollars but also the need to replace some aging equipment

Long-term debt – Governmental activities: The overall long-term debt balance showed an increase from the prior fiscal year. This is due largely to the increase in the investment of capital assets and the assumption of the lease obligations associated with most capital asset purchases.

Business-type activities: Long-term debt balances also decreased from the prior fiscal year. This may be on the increase in coming fiscal years due to some Water Plant projects that are in the works (see note 16).

**Currently known facts, decisions, and conditions.**

Disclosure of any significant litigation's, contingencies, or commitments can be found in notes 14 and 16.

During the fiscal year, actions were taken in the General Fund to not only increase revenues but also to reduce expenditures. As a service provider, the City General Fund's largest expense is personnel and all costs associated with personnel. The City has taken actions to reduce staff levels by not only leaving vacancies unfilled but also in forced reductions. Public Works experienced layoffs and the entire emergency dispatch operation was handed over to the County. A new service fee to be paid by those working in the City limits was implemented and used primarily to upgrade infrastructure such as streets. A new tax source on the business and occupation category of manufacturing was implemented.

**CITY OF WEIRTON, WEST VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2005**

Overall, the General Fund experienced a positive result of operations, thereby resulting in a more positive financial position. As mentioned earlier, some of the projects not completed in this fiscal year will be in fiscal year 2005-06. Much of the excess fund balance will be used.

Work still is needed in bringing revenues to a level that will fund such things as the long-term net pension obligations of the Police and Fire Funds to their 40 year solvency's. At this time, no additional funds have been committed to this.

As of March 2006, the company that purchased the local steel mill drastically reduced their work force. This has negatively impacted the General Fund through further reductions in our B&O on manufacturing and also the dollars collected for our new municipal service fee. The company has also requested reductions in their property valuations, which if approved will also reduce our revenues.

The City Council has sent to Charleston their fiscal year 2006-07 budget, which as of now is greatly reduced and contains basic operational functions and some street paving.

Both water and sewer rate increases have been implemented in fiscal year 2005-06 (see commitments, note 16).

The Park Board has determined they will not be opening one of the community's swimming pools beginning the summer of 2006.

**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, 2005**

	<b><u>Primary Government</u></b>		
	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>	<b><u>Total</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,817,696	\$ 2,637,619	\$ 4,455,315
Investments	2,036,497	348,630	2,385,127
Interest receivable	4,090	51	4,141
Taxes receivable, net	907,368	-	907,368
Accounts receivable, net	465,630	679,061	1,144,691
Grants and contributions receivable	70,870	16,233	87,103
Internal balances	9,120	(9,120)	-
Intergovernmental receivable	15,093	-	15,093
Inventories	-	97,074	97,074
Prepays	-	9,230	9,230
Restricted assets:			
Cash and cash equivalents	-	959,124	959,124
Deferred debt expense, net	-	24,296	24,296
Deposit	53,454	181,565	235,019
Capital assets:			
Land and construction in progress	120,082	736,490	856,572
Other capital assets, net of accumulated depreciation	7,689,541	13,950,403	21,639,944
<b>TOTAL ASSETS</b>	<b><u>\$ 13,189,441</u></b>	<b><u>\$ 19,630,656</u></b>	<b><u>\$ 32,820,097</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<b><u>Primary Government</u></b>		
	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>	
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 460,783	\$ 228,808	\$ 689,591
Wages and benefits payable	353,227	154,072	507,299
Compensated absences, current	93,189	143,604	236,793
Lease obligations payable, current	303,359	29,670	333,029
Deferred revenue	560,191	97,988	658,179
Intergovernmental payable	14,020	-	14,020
Liabilities payable from restricted assets	-	358,693	358,693
Compensated absences, non-current	376,007	-	376,007
Lease obligations payable, non-current	410,120	130,430	540,550
Security Deposit	25,000	-	25,000
Net Pension Obligation	6,810,522	-	6,810,522
Bonds payable, non-current	-	4,826,835	4,826,835
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 9,406,418	\$ 5,970,100	\$ 15,376,518
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>			
Investments in capital assets, net of related debt	\$ 7,096,144	\$ 9,729,889	\$ 16,826,033
Restricted for:			
Debt service	-	773,823	773,823
Maintenance	-	52,173	52,173
Other purposes	106,370	-	106,370
Unrestricted	(3,419,491)	3,104,671	(314,820)
	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 3,783,023	\$ 13,660,556	\$ 17,443,579
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON  
WEST VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTIONS/PROGRAMS	Program Revenues					Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:						
Government Activities:						
General government	\$ 2,622,612	\$ 392,898	\$ 164,189	\$ 2,255	\$ (2,063,270)	\$ (2,063,270)
Public safety	5,198,509	2,454,607	6,879	341,026	(2,395,997)	(2,395,997)
Highways and streets	2,246,171	986,119	632,300	170,706	(457,046)	(457,046)
Health and sanitation	811,725	973,870	-	55,551	217,696	217,696
Culture and recreation	189,455	-	3,000	-	(186,455)	(186,455)
Social services	592,191	-	5,000	613,068	25,877	25,877
Community development	670,848	-	955,530	6,104	290,786	290,786
Interest on long-term debt	10,144	-	-	-	(10,144)	(10,144)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>12,341,655</b>	<b>4,807,494</b>	<b>1,766,898</b>	<b>1,188,710</b>	<b>(4,578,553)</b>	<b>(4,578,553)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	3,034,206	2,780,588	-	12,728	(240,890)	(240,890)
Sewer	1,972,034	1,811,031	-	171,982	10,979	10,979
Parks	1,007,291	557,185	-	-	(450,106)	(450,106)
Library	631,923	10,695	190,124	-	(431,104)	(431,104)
Parking	1,454	122	-	-	(1,332)	(1,332)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>6,646,908</b>	<b>5,159,621</b>	<b>190,124</b>	<b>184,710</b>	<b>(1,112,453)</b>	<b>(1,112,453)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 18,988,563</b>	<b>\$ 9,967,115</b>	<b>\$ 1,957,022</b>	<b>\$ 1,373,420</b>	<b>\$ (4,578,553)</b>	<b>\$ (5,691,006)</b>

General Revenues:		Taxes:	
Property taxes	\$ 2,427,805	Property taxes	\$ 2,427,805
B&O taxes	2,757,526	B&O taxes	2,757,526
Excise tax on utilities	1,313,378	Excise tax on utilities	1,313,378
Other taxes	561,752	Other taxes	561,752
Unrestricted investment income	37,716	Unrestricted investment income	37,716
Other	100,053	Other	100,053
Transfers In (Out)-net	(714,087)	Transfers In (Out)-net	(714,087)
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<b>6,484,143</b>	<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<b>6,484,143</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,905,590</b>	<b>CHANGE IN NET ASSETS</b>	<b>1,905,590</b>
<b>NET ASSETS, BEGINNING, AS ORIGINALLY STATED</b>	<b>13,871,009</b>	<b>NET ASSETS, BEGINNING, AS ORIGINALLY STATED</b>	<b>13,871,009</b>
<b>PRIOR PERIOD ADJUSTMENTS (NOTE 17)</b>	<b>47,441</b>	<b>PRIOR PERIOD ADJUSTMENTS (NOTE 17)</b>	<b>47,441</b>
<b>NET ASSETS, BEGINNING, AS RESTATED</b>	<b>13,812,894</b>	<b>NET ASSETS, BEGINNING, AS RESTATED</b>	<b>13,812,894</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 13,660,556</b>	<b>NET ASSETS, ENDING</b>	<b>\$ 13,660,556</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	General	Coal Severance Tax	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,564,021	\$ 53,640	\$ 11,827	\$ 163,893	\$ 1,793,381
Investments	2,036,497	-	-	-	2,036,497
Taxes receivable, net	907,368	-	-	-	907,368
Accounts receivable, net	406,331	-	-	1,875	408,206
Grants receivable	59,159	-	11,711	-	70,870
Due from other funds	20,721	-	-	-	20,721
Intergovernmental receivable	2,593	12,500	-	-	15,093
Interest receivable	4,090	-	-	-	4,090
Deposits and prepaids	53,454	-	-	-	53,454
<b>TOTAL ASSETS</b>	<b>\$ 5,054,234</b>	<b>\$ 66,140</b>	<b>\$ 23,538</b>	<b>\$ 165,768</b>	<b>\$ 5,309,681</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 249,215	\$ -	\$ 2,817	\$ 1,022	\$ 253,054
Wages and benefits payable	353,227	-	-	-	353,227
Compensated absences	93,189	-	-	-	93,189
Due to other funds	25,334	-	20,721	-	46,055
Intergovernmental payable	14,020	-	-	-	14,020
Security deposit	-	-	-	25,000	25,000
Deferred revenue	561,633	12,500	-	99,515	673,648
<b>TOTAL LIABILITIES</b>	<b>\$ 1,296,618</b>	<b>\$ 12,500</b>	<b>\$ 23,538</b>	<b>\$ 125,537</b>	<b>\$ 1,458,193</b>
<b>Fund Balances</b>					
Unreserved reported in:					
General fund	3,757,616	-	-	-	3,757,616
Special revenue funds	-	53,640	-	40,231	93,871
<b>TOTAL FUND BALANCES</b>	<b>3,757,616</b>	<b>53,640</b>	<b>-</b>	<b>40,231</b>	<b>3,851,487</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,054,234</b>	<b>\$ 66,140</b>	<b>\$ 23,538</b>	<b>\$ 165,768</b>	<b>\$ 5,309,681</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total Fund Balance – Total Governmental Funds \$3,851,487

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

Capital assets of \$17,579,369 net of accumulated depreciation of \$9,769,746, are not financial resources and, therefore, are not reported in the funds. 7,809,623

Other long-term assets (receivables) are not available to pay current-period expenditures and, therefore, are deferred in the funds. These include deferred property taxes of \$72,458, other taxes of \$28,500, and Coal Severance tax of \$12,500. 113,458

An internal service fund is used by management to charge gasoline to individual funds. Assets and liabilities of the internal service fund of \$62,303 are included in governmental activities in the statement of net assets. 62,303

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include compensated absences of \$376,007 and an account payable of \$153,840. (529,847)

Long-term net pension obligations are not due and payable in the current period and are not reported in the funds (6,810,522)

Capital lease obligations do not require the use of current financial resources and therefore are reported only in the government wide financial statements. (713,479)

Net Assets of Governmental Activities \$3,783,023

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	General	Coal Severance Tax	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 2,398,775	\$ -	\$ -	\$ -	\$ 2,398,775
B&O taxes	2,757,526	-	-	-	2,757,526
Excise tax on utilities	1,313,378	-	-	-	1,313,378
Other taxes	503,276	-	-	-	503,276
Payment in lieu of taxes	174,488	-	-	-	174,488
Licenses, permits and fees	321,025	-	-	-	321,025
Fines and forfeitures	129,217	-	-	-	129,217
Investment income	37,183	510	-	-	37,693
Charges for services	4,285,380	-	-	-	4,285,380
Program income	-	-	20,441	-	20,441
Intergovernmental programs	1,861,014	56,976	935,090	-	2,853,080
Other	215,122	-	-	23,994	239,116
<b>TOTAL REVENUES</b>	<b>\$ 13,996,384</b>	<b>\$ 57,486</b>	<b>\$ 955,531</b>	<b>\$ 23,994</b>	<b>\$ 15,033,395</b>

	General	Coal Severance Tax	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>					
Current:					
General government	\$ 3,042,004	\$ 94,260	\$ -	\$ 10,224	\$ 3,146,488
Public safety	4,705,476	-	675,000	54,954	5,435,430
Highways and streets	2,117,672	-	-	-	2,117,672
Health and sanitation	747,443	-	-	-	747,443
Culture and recreation	44,376	-	-	-	44,376
Social services	592,191	-	-	-	592,191
Community development	-	-	670,848	-	670,848
Debt service:					
Capital leases - principal	168,174	-	112,000	-	280,174
Capital leases - interest	10,144	-	-	-	10,144
<b>TOTAL EXPENDITURES</b>	<b>\$ 11,427,480</b>	<b>\$ 94,260</b>	<b>\$ 1,457,848</b>	<b>\$ 65,178</b>	<b>\$ 13,044,766</b>
(Deficiency) excess of revenues (under) over expenditures	\$ 2,568,904	\$ (36,774)	\$ (502,317)	\$ (41,184)	\$ 1,988,629

The accompanying notes are an integral part of these financial statements.

CITY OF WEIRTON  
WEST VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005

	General	Coal Severance Tax	Community Development Block Grant	Other Governmental Funds	Total Governmental Funds
<b>OTHER FINANCING</b>					
<b>SOURCES (USES)</b>					
Transfers from other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to other funds	(681,404)	-	(32,683)	-	(714,087)
Capital financing	130,985	-	535,000	-	665,985
Sale of assets	-	-	-	-	-
<b>NET OTHER FINANCING</b>					
<b>SOURCES (USES)</b>	(550,419)	-	502,317	-	(48,102)
<b>NET CHANGES IN</b>					
<b>FUND BALANCES</b>	\$ 2,018,485	\$ (36,774)	\$ -	\$ (41,184)	\$ 1,940,527
Fund balance, Beginning	1,739,131	90,414	-	81,415	1,910,960
<b>FUND BALANCE</b>	<b>\$ 3,757,616</b>	<b>\$ 53,640</b>	<b>\$ -</b>	<b>\$ 40,231</b>	<b>\$ 3,851,487</b>

The accompanying notes are an integral part of these financial statements.

**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**  
**JUNE 30, 2005**

Net Change in Fund Balances – Total Governmental Funds \$1,940,527

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which capital outlays (net of dispositions) of \$1,921,784 exceeded depreciation of \$689,842 in the current period. 1,231,942

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. These include the increases in property taxes and coal severance taxes of \$29,031 and \$1,500, and decreases in payment in lieu of taxes of (\$174,488). (143,957)

Capital lease obligations incurred provide current financial resources to governmental funds, but increase liabilities in the statement of net assets. Payment of capital lease obligation principal is an expenditure in governmental funds, but reduces liabilities in the statement of net assets. This is the amount by which capital lease obligations incurred of \$665,985 exceeded capital lease principal payments of \$280,174. (385,811)

The Net Pension Obligation represents long-term debt activity, which is presented on the government-wide financial statements, not the fund financials. (697,332)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These result in a net (increase) in compensated absences of \$39,706. (39,706)

An internal service fund is used by management to charge gasoline to individual funds. Net loss of the internal service fund of (\$73) is reported with governmental activities. (73)

Changes in Net Assets of Governmental Activities \$1,905,590

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	Enterprise Funds					Internal Service Fund Gasoline
	Water Board	Sanitary Board	Board of Park Commissions	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 663,089	\$ 708,129	\$ 996,233	\$ 270,168	\$ 2,637,619	\$ 24,315
Investments	-	-	16,579	332,051	348,630	-
Accounts receivable, net	389,728	272,508	12,396	4,429	679,061	57,424
Interest receivable	-	-	51	-	51	-
Grants and contributions receivable	-	-	-	16,233	16,233	-
Due from other funds	-	1,279	-	-	1,279	-
Inventories	97,074	-	-	-	97,074	34,454
Prepays	-	4,916	-	4,314	9,230	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,149,891</b>	<b>986,832</b>	<b>1,025,259</b>	<b>627,195</b>	<b>3,789,177</b>	<b>116,193</b>
<b>Restricted Assets:</b>						
Cash and cash equivalents	959,124	-	-	-	959,124	-
<b>TOTAL RESTRICTED ASSETS</b>	<b>959,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>959,124</b>	<b>-</b>
<b>Non-current Assets:</b>						
Deferred debt expense, net	24,296	-	-	-	24,296	-
Deposits	9,746	167,372	4,144	303	181,565	-
Capital assets:						
Land and construction in progress	251,689	116,771	6,000	362,030	736,490	-
Other capital assets, net of accumulated depreciation	7,318,199	5,513,357	900,711	218,136	13,950,403	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7,603,930</b>	<b>5,797,500</b>	<b>910,855</b>	<b>580,469</b>	<b>14,892,754</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,712,945</b>	<b>\$ 6,784,332</b>	<b>\$ 1,936,114</b>	<b>\$ 1,207,664</b>	<b>\$ 19,641,055</b>	<b>\$ 116,193</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	Enterprise Funds					Total Enterprise Funds	Internal Service Fund Gasoline
	Water Board	Sanitary Board	Board of Park Commissions	Other Enterprise Funds	Funds		
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable	\$ 142,230	\$ 40,843	\$ 30,023	\$ 15,712	\$ 228,808	\$ 53,890	
Wages and benefits payable	55,513	47,194	40,902	10,463	154,072	-	
Due to other funds	5,934	3,503	707	255	10,399	-	
Compensated absences, current	59,870	49,416	8,318	26,000	143,604	-	
Capital Lease Obligation, current	-	29,670	-	-	29,670	-	
Deferred revenue	-	-	-	97,988	97,988	-	
<b>TOTAL CURRENT LIABILITIES</b>	<b>263,547</b>	<b>170,626</b>	<b>79,950</b>	<b>150,418</b>	<b>664,541</b>	<b>53,890</b>	
<b>Liabilities Payable From Restricted Assets:</b>							
Bond interest payable, current	\$ 71,099	\$ -	\$ -	\$ -	\$ 71,099	\$ -	
Bonds payable, current	287,594	-	-	-	287,594	-	
<b>TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>358,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>358,693</b>	<b>-</b>	
<b>Non-Current Liabilities:</b>							
Compensated absences, non-current	-	-	-	-	-	-	
Capital lease obligation, non-current	-	130,430	-	-	130,430	-	
Bonds payable, non-current	4,826,835	-	-	-	4,826,835	-	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>4,826,835</b>	<b>130,430</b>	<b>-</b>	<b>-</b>	<b>4,957,265</b>	<b>-</b>	
<b>TOTAL LIABILITIES</b>	<b>5,449,075</b>	<b>301,056</b>	<b>79,950</b>	<b>150,418</b>	<b>5,980,499</b>	<b>53,890</b>	
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	2,612,884	5,630,128	906,711	580,166	9,729,889	-	
Restricted for debt service	773,823	-	-	-	773,823	-	
Restricted for maintenance	52,173	-	-	-	52,173	-	
Restricted for other purposes	-	-	-	-	-	-	
Unrestricted	824,990	853,148	949,453	477,080	3,104,671	62,303	
<b>TOTAL NET ASSETS</b>	<b>\$ 4,263,870</b>	<b>\$ 6,483,276</b>	<b>\$ 1,856,164</b>	<b>\$ 1,057,246</b>	<b>\$ 13,660,556</b>	<b>\$ 62,303</b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON  
WEST VIRGINIA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund-Gasoline
	Water Board	Sanitary Board	Board of Park Commissions	Other Enterprise Funds				
<b>OPERATING REVENUES</b>								
Charges for services:								
Fees for services	\$ 2,752,897	\$ 1,811,031	\$ 476,718	\$ -	\$ 5,040,646	\$ -		
Library fines	-	-	-	10,695	10,695	-		
Parking fees	-	-	-	122	122	-		
Concessions, merchandise sales and commission	-	-	13,514	-	13,514	-		
Internal service charges	-	-	-	-	-	246,136		
<b>TOTAL CHARGES FOR SERVICES</b>	<b>2,752,897</b>	<b>1,811,031</b>	<b>490,232</b>	<b>10,817</b>	<b>5,064,977</b>	<b>246,136</b>		
Lease and rental income	27,691	-	35,516	-	63,207	-		
Other	-	11,316	-	179,743	191,059	-		
<b>TOTAL OPERATING REVENUES</b>	<b>2,780,588</b>	<b>1,822,347</b>	<b>525,748</b>	<b>190,560</b>	<b>5,319,243</b>	<b>246,136</b>		
<b>OPERATING EXPENSES</b>								
Personal services	1,269,339	942,262	523,078	345,814	3,080,493	-		
Maintenance, operations, and contractual services	779,349	550,368	289,007	135,688	1,754,412	-		
Materials and supplies	142,884	89,555	42,448	104,458	379,345	246,232		
Depreciation	529,419	389,849	152,758	47,417	1,119,443	-		
<b>TOTAL OPERATING EXPENSES</b>	<b>2,720,991</b>	<b>1,972,034</b>	<b>1,007,291</b>	<b>633,377</b>	<b>6,333,693</b>	<b>246,232</b>		
Operating income (loss)	59,597	(149,687)	(481,543)	(442,817)	(1,014,450)	(96)		
<b>NON-OPERATING REVENUE (EXPENSES)</b>								
Grant income	-	-	-	190,124	190,124	-		
Investment income	30,571	11,750	6,527	6,937	55,785	23		
Interest on bonds, notes and lease obligations	(311,342)	-	-	-	(311,342)	-		
Amortization	(1,873)	-	-	-	(1,873)	-		
Gain (loss) on disposal of capital assets	(5,242)	9,848	(5,422)	-	(816)	-		
Other revenue (expenses)	-	-	31,437	-	31,437	-		
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(287,886)</b>	<b>21,598</b>	<b>32,542</b>	<b>197,061</b>	<b>(36,685)</b>	<b>23</b>		
Income (loss) before contributions and transfers	(228,289)	(128,089)	(449,001)	(245,756)	(1,051,135)	(73)		
Capital contributions, grants	2,728	164,835	-	-	167,563	-		
Capital contributions, other	10,000	7,147	-	-	17,147	-		
Transfers from other funds	22,683	-	426,404	265,000	714,087	-		
Transfers to other funds	-	-	-	-	-	-		
Change in net assets	(192,878)	43,893	(22,597)	19,244	(152,338)	(73)		
Total net assets, beginning	4,514,863	6,439,383	1,878,761	1,038,002	13,871,009	62,376		
Prior period adjustment	(58,115)	-	-	-	(58,115)	-		
Total net assets, as restated	4,456,748	6,439,383	1,878,761	1,038,002	13,812,894	62,376		
Total net assets, ending	\$ 4,263,870	\$ 6,483,276	\$ 1,856,164	\$ 1,057,246	\$ 13,660,556	\$ 62,303		

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Enterprise Funds					Total Enterprise Funds	Internal Service Fund-Gasoline
	Water Board	Sanitary Board	Board of Park Commissions	Other Enterprise Funds			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash received from customers	\$ 2,886,081	\$ 1,877,969	\$ 518,913	\$ 6,387	\$ 5,289,350	\$ 201,768	
Cash payments to suppliers for goods and services	(790,801)	(611,840)	(279,657)	(221,949)	(1,904,247)	(209,512)	
Cash payments to employees and professional contractors for services	(1,329,638)	(946,982)	(571,633)	(364,342)	(3,212,595)	-	
Payments for internal services	(23,298)	(15,682)	(2,026)	(483)	(41,489)	-	
Other operating revenues	-	-	-	196,936	196,936	-	
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>742,344</b>	<b>303,465</b>	<b>(334,403)</b>	<b>(383,451)</b>	<b>327,955</b>	<b>(7,744)</b>	
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>							
Operating grants received	-	-	-	190,124	190,124	-	
Transfers from other funds	22,683	-	426,404	265,000	714,087	-	
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>22,683</b>	<b>-</b>	<b>426,404</b>	<b>455,124</b>	<b>904,211</b>	<b>-</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(165,353)	(267,219)	(70,848)	(92,290)	(595,710)	-	
Proceeds from sale of fixed assets	-	9,848	-	-	9,848	-	
Principal paid on bonds and notes	(272,287)	-	-	-	(272,287)	-	
Interest paid on bonds and notes	(314,821)	-	-	-	(314,821)	-	
Capital contributions	10,000	7,147	31,437	-	48,584	-	
Capital grants received	2,728	164,835	-	-	167,563	-	
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(739,733)</b>	<b>(85,389)</b>	<b>(39,411)</b>	<b>(92,290)</b>	<b>(956,823)</b>	<b>-</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchase of investments	-	-	(388)	-	(388)	-	
Proceeds from sale of investments	-	-	-	-	-	-	
Investment income	30,570	11,751	6,476	32,053	80,850	23	
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES:</b>	<b>30,570</b>	<b>11,751</b>	<b>6,088</b>	<b>32,053</b>	<b>80,462</b>	<b>23</b>	
Net increase (decrease) in cash and cash equivalents	55,864	229,827	58,678	11,436	355,805	(7,721)	
Cash and cash equivalents, beginning	1,566,349	478,302	937,556	258,732	3,240,939	32,036	
Cash and cash equivalents, ending	\$ 1,622,213	\$ 708,129	\$ 996,234	\$ 270,168	\$ 3,596,744	\$ 24,315	

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Enterprise Funds				Total Enterprise Funds	Internal Service Fund Gasoline
	Water Board	Sanitary Board	Board of Park Commissions	Other Enterprise Funds		
Operating income (loss)	\$ 59,597	\$ (149,687)	\$ (481,543)	\$ (442,817)	\$ (1,014,450)	\$ (96)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	529,419	389,849	152,758	47,417	1,119,443	-
Provisions for uncollectible accounts	-	-	-	-	-	-
Non-operating revenue (expenses)	-	-	-	-	-	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	105,493	55,707	(9,252)	(20,663)	131,285	(26,063)
(Increase) decrease in due from other funds	-	(84)	1,481	-	1,397	(18,305)
(Increase) decrease in inventories	7,701	-	-	-	7,701	-
(Increase) decrease in prepaid expenses	-	(165,016)	-	-	(165,016)	-
(Increase) decrease in deposits	845	(2,312)	935	(31)	(563)	-
Increase (decrease) in accounts payable	49,442	8,820	(4,149)	356	54,469	-
Increase (decrease) in wages and benefits payable	(3,281)	3,445	4,395	1,522	6,081	-
Increase (decrease) in due to other funds	26	1,708	504	156	2,394	-
Increase (decrease) in deferred revenue	-	-	-	33,426	33,426	-
Increase (decrease) in capital lease obligation	-	160,100	-	-	160,100	-
Increase (decrease) in compensated absences	(6,898)	935	468	(2,817)	(8,312)	-
<b>TOTAL ADJUSTMENTS</b>	<b>682,747</b>	<b>453,152</b>	<b>147,140</b>	<b>59,366</b>	<b>1,342,405</b>	<b>(7,648)</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 742,344</b>	<b>\$ 303,465</b>	<b>\$ (334,403)</b>	<b>\$ (383,451)</b>	<b>\$ 327,955</b>	<b>\$ (7,744)</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>						
Net decrease in fair value of investments	-	-	-	-(1,181)	-(1,181)	-
Borrowing under capital lease	-	160,100	-	-	-	-

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**

	<b><u>Pension</u></b> <b><u>Trust</u></b>	<b><u>Agency</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,104,432	\$ 14,986
Interest receivable	29,909	-
Prepaid expenses	8,658	-
Investments, at fair value:		
U.S. government backed securities	3,505,067	-
Common Stock	4,763,993	-
Other bonds	1,146,380	-
<b>TOTAL INVESTMENTS</b>	<b>9,415,440</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,558,439</b>	<b>\$ 14,986</b>
<b>LIABILITIES</b>		
Unearned Revenue	\$ -	\$ -
Due to other funds	-	14,986
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>14,986</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 11,558,439</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b><u>Pension Trust Funds</u></b>
<b>ADDITIONS</b>	
Contributions:	\$
Employer	366,320
Plan members	164,422
Insurance premium tax allocation	523,800
<b>TOTAL CONTRIBUTIONS</b>	<b><u>1,054,542</u></b>
Investment income	222,497
Less: Investment expense	(121,051)
<b>NET INVESTMENT INCOME</b>	<b><u>101,446</u></b>
<b>TOTAL ADDITIONS</b>	<b><u>1,155,988</u></b>
<b>DEDUCTIONS</b>	
Benefits	1,270,671
Administrative expenses	17,262
<b>TOTAL DEDUCTIONS</b>	<b><u>1,287,933</u></b>
Change in net assets	(131,945)
Net assets held in trust for pension benefits:	
Beginning of year	<u>11,690,383</u>
End of year	<b><u>\$ 11,558,439</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. Summary of Significant Accounting Policies**

**Introduction –**

The accounting and reporting framework and the more significant accounting principles and practices of City of Weirton, West Virginia (the City) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2005.

**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).

**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 Housing Authority. The Authority reports independently.

**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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

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.

**Fund Financial Statements –**

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

**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's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions unless they conflict with GASB pronouncements.

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

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See Note 13.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued) –**

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

Major revenue sources susceptible to accrual include: property taxes, payment in lieu of taxes, excise taxes on utilities, B&O taxes, hotel taxes, wine, liquor and private club taxes, refuse fees, police and fire service fees, and intergovernmental revenues. In general, other revenues are recognized when cash is received. See Note 4 for related information.

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

**Fund Types and Major Funds**

The following describes fund types and major funds:

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

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

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

**Community Development Block Grant** – This fund is used to account for the CDBG entitlement program. The CDBG entitlement program provides grants to metropolitan cities and urban counties for community development activities.

**Proprietary Funds** - The City reports the following major 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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**Cash and Investments -**

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 5. Legal restrictions and the City's policies governing deposits and investments are discussed in Note 3.

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

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

**Inventories and Prepaids -**

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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

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

**Capital Assets and Depreciation –**

The City's property, plant, equipment, and proprietary fund infrastructure and governmental fund infrastructure purchased or constructed after June 30, 2002 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.

With the exception of the proprietary funds, the City has elected, under the transition rules of GASB 34, not to retroactively report infrastructure assets in the accompanying government-wide financial statements.

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

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

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

For information describing capital assets, see Note 6.

**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 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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

**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. The current portion of this debt is estimated based on historical trends. Governmental funds report only the compensated absence liability payable from expendable, available financial resources in the fund financial statements.

**2. Budgetary Information**

**Budget Policy and Practice –**

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 then forthwith submitted to the State Auditor's Office for approval.
3. The governing body then 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.

**Basis of Budgeting –**

The General Fund and Coal Severance Tax Fund's appropriated budget 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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**3. 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 uninvested cash in pension trust funds to an estimated amount not to exceed ninety days of benefit payments and administrative costs.

As of June 30, 2005, \$2,122,788 of the City's bank balances of \$5,334,468 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>2,122,788</u>
Total	\$ <u>2,122,788</u>

The majority of the custodial credit risk exposure (\$919,494) is in the Board of Park Commissioners Fund and (\$1,040,458) is in a Money Market account in the General Fund.

**Investments** – As of June 30, 2005, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Effective Duration (2)</u>	<u>Weighted Average Days To Maturity (3)</u>
<b>PRIMARY GOVERNMENT</b>					
<b>Non-pooled Investments:</b>					
U.S. Treasury Bills	\$ 947,497	\$ 943,738	N/A		33.15
Certificates of Deposit	1,123,751	1,123,751	N/A		42.15
Fixed Income Mutual Fund	<u>313,824</u>	335,389	N/A		N/A
Total Primary Government Investments (Non-fiduciary)	\$ <u>2,385,072</u>	\$ <u>2,402,878</u>			
<b>FIDUCIARY FUNDS</b>					
<b>Common Stock:</b>					
Domestic	4,763,993	4,485,132	N/A		N/A
<b>Government Securities:</b>					
U.S. Treasury Notes	2,709,111	2,729,257	N/A		420.19
U.S. Treasury Bonds	88,861	90,805	N/A		319.00
Federal Agency Notes	707,095	712,889	N/A		955.11
<b>Corporate Obligations:</b>					
Domestic	1,146,380	1,127,467	AAA/BBB		1689.74
Total Fiduciary Investments	9,415,440	9,145,550			
Grand Total Investments	\$ <u>11,800,512</u>	\$ <u>11,548,428</u>			

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**3. Deposits and Investments (Continued)**

- (1) Ratings are provided where applicable to indicate associated risk. N/A indicated not applicable or not available.
- (2) Interest rate risk is estimated using either duration or weighted average days to maturity. The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2005. The categories are described as follows:

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

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>	<u>Total</u>
Domestic common stock	\$ 2,692,453	\$ 2,071,540	\$ 4,763,993
Government securities/ fixed income	1,753,398	1,751,669	3,505,067
Corporate bonds	<u>512,007</u>	<u>634,373</u>	<u>1,146,380</u>
Total Investments	\$ <u>4,957,858</u>	\$ <u>4,457,582</u>	\$ <u>9,415,440</u>

**Investment Policies**

Primary Government – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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;

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**3. Deposits and Investments (Continued)**

- (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 have 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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**3. Deposits and Investments (Continued)**

**PENSION TRUST POLICY**

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 are 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 situated 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.

Moneys 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 debit 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 ration 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;

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**2. Deposits and Investments (Continued)**

- (4) The equity value of investments shall no 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 \$4,763,993 in common stock, which is held by the investment counterparty, not in the name of the pension fund or the City.

According to state statute, pension trustees shall exercise judgement 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.

**4. Receivables, Uncollectible Accounts, and Deferred Revenue**

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

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**4. Receivables, Uncollectible Accounts, and Deferred Revenue (Continued)**

	Major Enterprise Funds				<u>Total</u>
	<u>Water Board</u>	<u>Sanitary Board</u>	<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	
Accounts Receivable	\$ 543,352	\$ 386,061	\$ 13,734	\$ 4,429	\$ 947,576
Less: Allowance for Uncollectible Accounts	<u>(153,624)</u>	<u>(113,553)</u>	<u>(1,389)</u>	<u>-0-</u>	<u>(268,567)</u>
Net Accounts Receivable	<u>\$ 389,728</u>	<u>\$ 272,508</u>	<u>\$ 12,345</u>	<u>\$ 4,429</u>	<u>\$ 679,009</u>
Uncollectible Amounts Netted With Revenues	<u>\$ 38,982</u>	<u>\$ 8,921</u>	<u>\$ (8,325)</u>	<u>\$ -0-</u>	<u>\$ 39,578</u>

The Library Fund reported deferred revenue of \$97,988 for grant revenue received in advance of incurring qualifying expenses.

**Governmental Receivables and Uncollectible Accounts**

Significant receivables 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 uncollectibles. Related amounts are shown in the following table:

	Major Governmental Funds		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Accounts Receivable	\$ 754,144	\$ 1,875	\$ 756,019
Less: Allowance for Uncollectible Accounts	<u>(347,813)</u>	<u>-0-</u>	<u>(347,813)</u>
Net Accounts Receivable	<u>\$ 406,331</u>	<u>\$ 1,875</u>	<u>\$ 408,206</u>
Uncollectible Amounts Netted With Revenues	<u>\$ 9,241</u>	<u>-0-</u>	<u>\$ 9,241</u>

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**4. Receivables, Uncollectible Accounts, and Deferred Revenue (Continued)**

**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 distrain 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, twelve and five-tenths cents (12.5¢); on Class II property, twenty-five cents (25.0¢); and on Class IV property, fifty cents (50.0¢). 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 levy 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, 2005 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>
Class I	\$ 39,765	12.5¢
Class II	226,481,890	25.0¢
Class IV	359,378,949	50.0¢

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 \$72,456. An allowance totaling \$173,178 for uncollectible taxes has been established at year end. The allowance amount is estimated based on past experience.

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

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**4. Receivables, Uncollectible Accounts, and Deferred Revenue (Continued)**

**Intergovernmental Receivables, Grants receivable and Deferred Revenue**

Intergovernmental receivables totaling \$15,093 are primarily comprised of amounts due from other governmental entities. Revenue is recorded as earned when eligibility requirements are met. Grants receivable totaling \$70,870 have been recorded for expenses incurred in excess of grant funds received in the General and Community Development Block Grant Funds. Deferred revenues in the governmental fund financial statements also include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Other deferred revenue consists of other taxes, payment in lieu of taxes, and intergovernmental revenue received after 60 days in the General and Coal Severance Tax Funds totaling \$41,000 and other revenues received in advance of incurring qualifying expenditures in the General Fund and Public Safety and Development Fund totaling \$560,191. Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if eligibility requirements are met.

**5. 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 \$959,124.

**6. Capital Assets**

**Commitments**

Active construction in progress is composed of the following:

	<u>Spent to</u> <u>June 30, 2005</u>	<u>Remaining</u> <u>Commitment</u>
Primary Government		
<i>Governmental Activities:</i>		
Parking lot and road	\$ 120,082	\$ 1,364,918
<i>Business-type Activities:</i>		
Water tank	75,906	2,824,094
Line Extension	86,987	375,493
Plant improvements	39,797	2,860,203
Lift station upgrade	5,400	1,594,600

The construction project included in governmental activities is funded by grant funds and charges for services.

Business-type activities include construction funded with user charges.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**6. Capital Assets (Continued)**

	CAPITAL ASSETS, DEPRECIATED							Totals
	Land	Construction in Progress	Land Improvements	Buildings and Improvements	Infrastructure	General Plant	Furniture, Machinery, and Equipment	
<b>Primary Government</b>								
<i>Governmental Activities</i>								
Balance, June 30, 2004	-	-	\$ 1,692,670	\$ 6,981,677	\$ 265,329	-	\$ 6,717,909	\$ 15,657,585
Increases	-	120,082	-	6,600	585,078	-	1,210,024	1,921,784
Decreases	-	-	-	-	-	-	-	-
Balance, June 30, 2005	-	120,082	1,692,670	6,988,277	850,407	-	7,927,933	17,579,369
<b>Accumulated Depreciation</b>								
Balance, June 30, 2004	-	-	1,515,288	3,618,348	32,800	-	3,913,467	9,079,903
Increases	-	-	60,678	138,169	28,384	-	462,612	689,843
Decreases	-	-	-	-	-	-	-	-
Balance, June 30, 2005	-	-	1,575,966	3,756,517	61,184	-	4,376,079	9,769,746
<b>Governmental Activities</b>								
Capital Assets, Net	-	120,082	116,704	3,231,760	789,223	-	3,551,854	7,809,623
<b>Business-type Activities</b>								
Balance, June 30, 2004	528,401	116,415	134,947	7,710,938	32,144,788	1,294,126	3,059,783	44,989,398
Increases	-	158,677	-	157,323	215,448	6,373	141,167	678,988
Decreases	-	(67,002)	-	(17,600)	(5,583)	-	(139,867)	(230,052)
Balance, June 30, 2005	528,401	208,090	134,947	7,850,661	32,354,653	1,300,499	3,061,083	45,438,334
<b>Accumulated Depreciation</b>								
Balance, June 30, 2004	-	-	101,042	3,554,646	23,669,443	474,721	1,968,258	29,768,110
Increases	-	-	8,804	213,094	660,885	26,404	210,257	1,119,444
Decreases	-	-	-	(1,326)	(342)	-	(134,445)	(136,113)
Balance, June 30, 2005	-	-	109,846	3,766,414	24,329,986	501,125	2,044,070	30,751,441
<b>Business-type Activities</b>								
Capital Assets, Net	528,401	208,090	25,101	4,084,247	8,024,667	799,374	1,017,013	14,686,893
<b>Primary Government</b>								
Capital Assets, Net	\$ 528,401	\$ 328,172	\$ 141,805	\$ 7,316,007	\$ 8,813,890	\$ 799,374	\$ 4,568,867	\$ 22,496,516

(39)

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**6. Capital Assets (Continued)**

**Depreciation Expense**

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

Governmental Activities		Business-type Activities	
General government	\$ 169,148	Water	\$ 529,419
Public Safety	191,548	Sewer	389,849
Highways and streets	130,130	Board of Park	
Health and sanitation	53,937	Commissioners	152,758
Culture and recreation	145,079	Library	45,963
		Parking Authority	1,455

**7. Lease Commitments**

**Capital Leases**

The City's outstanding lease agreements include the acquisition of machinery and equipment for the street department at a cost of \$271,291, sanitation vehicles and accessories at a cost of \$32,934, police cruisers at a cost of \$246,837, utility truck and fire truck at a cost of \$585,000, and general use machinery and equipment at a cost of \$97,269. These leases qualify as capital leases.

The debt service for capital leases is:

Year Ending	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>General Fund</u>		<u>Sanitary Board</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 303,359	\$ 8,262	\$ 29,670	\$ -
2007	228,116	3,125	23,865	5,804
2008	182,004	6,490	24,928	4,742
2009	-	-	26,037	3,633
2010	-	-	27,195	2,474
Thereafter	-	-	28,405	1,264
Totals	\$ <u>713,479</u>	\$ <u>17,877</u>	\$ <u>160,100</u>	\$ <u>17,917</u>

Interest rates on capital leases vary from 3.95% to 5.95% and are based on the lower of the City's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Total interest expense for the fiscal year ended June 30, 2005 amounted to \$10,145, all of which was expensed.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**8. Long-Term Debt**

**Revenue Bonds**

Revenue bonds outstanding as of June 30, 2005 consist of debt issued by the City for its water treatment facility. The debt is payable solely from and secured by a pledge of the gross revenues to be derived from the operation of the water treatment plant.

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 reporting entity is in compliance with all significant requirements of the various bond covenants.

**Conduit Debt**

The City of Weirton, West Virginia is the issuer of Pollution Control Revenue Refunding Bonds (Weirton Steel Corporation Project) Series 1989, in the aggregate principal amount of \$56,300,000. In June, 2002, the City of Weirton, West Virginia issued Pollution Control Revenue Refunding Bonds (Weirton Steel Corporation Project) Series 2002, in the aggregate principal amount of \$27,318,000. The 2002 Bonds were issued to advance refund \$45,530,000 of the 1989 Bonds. The bondholders agreed to accept the reduced amount at a 9% interest rate over the same period of the original debt obligation. The remaining \$10,770,000 of Series 1989 Bonds and the \$27,318,000 of Series 2002 Bonds are limited obligations of the City, payable solely from the revenues and receipts derived by the City from or in connection with the agreement and do not constitute an indebtedness of the City. The remaining Series 1989 Bonds and the Series 2002 Bonds therefore have not been recorded as an obligation of the City of Weirton, West Virginia in the accompanying financial statements. The principal balance of the remaining Series 1989 Bonds and the Series 2002 Bonds outstanding as of June 30, 2005 was \$38,088,000.

The City of Weirton, West Virginia is also the issuer of Multifamily Housing Mortgage Revenue Bonds Series 2000 (Weirton Health Partners, LLC Project) in the aggregate principal amount of \$6,000,000. The Bonds were issued to finance the acquisition, construction and equipping of a 60-unit multi-family housing assisted living facility and a 10-unit multi-family housing independent living facility. The Bonds are limited obligations of the City, payable solely from the funds pledged for their payment in accordance with the indenture and do not constitute an indebtedness of the City. The Series 2000 Bonds, therefore, have not been recorded as an obligation of the City of Weirton, West Virginia in the accompanying financial statements. The principal balance of the Bonds outstanding as of June 30, 2005 was \$5,785,000.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**8. Long-Term Debt (Continued)**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2005.

	Balance <u>July 1, 2004</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2005</u>	Due Within <u>One Year</u>
Primary Government					
<i>Governmental activities</i>					
Compensated Absences	\$ 429,490	\$ 39,706	\$ -0-	\$ 469,196	\$ 93,189
Lease obligations payable	<u>327,668</u>	<u>665,985</u>	<u>280,174</u>	<u>713,479</u>	<u>303,359</u>
Total Governmental Activities	<u>757,158</u>	<u>705,691</u>	<u>280,174</u>	<u>1,182,675</u>	<u>396,548</u>
<i>Business-type activities</i>					
Revenue Bonds:					
<u>Major Enterprise Funds</u>					
Water Board	<u>5,386,716</u>	<u>-0-</u>	<u>272,287</u>	<u>5,114,429</u>	<u>287,594</u>
Total Revenue Bonds	<u>5,386,716</u>	<u>-0-</u>	<u>272,287</u>	<u>5,114,429</u>	<u>287,594</u>
Revenue Bonds Interest Payable:					
<u>Major Enterprise Funds</u>					
Water Board	<u>74,579</u>	<u>311,342</u>	<u>314,822</u>	<u>71,099</u>	<u>71,099</u>
Total Revenue Bonds Interest payable	<u>74,579</u>	<u>311,342</u>	<u>314,822</u>	<u>71,099</u>	<u>71,099</u>
Lease Obligations Payable:					
<u>Major Enterprise Funds</u>					
Sanitary Board	<u>-0-</u>	<u>160,100</u>	<u>-0-</u>	<u>160,100</u>	<u>29,670</u>
Compensated Absences:					
<u>Major Enterprise Funds</u>					
Water Board	66,768	-0-	6,898	59,870	59,870
Sanitary Board	48,481	935	-0-	49,416	49,416
Board of Park Commissioners	7,850	468	-0-	8,318	8,318
<u>Other Enterprise Funds</u>					
Library	<u>28,817</u>	<u>-0-</u>	<u>2,817</u>	<u>26,000</u>	<u>17,612</u>
Total Compensated Absences	<u>151,916</u>	<u>1,403</u>	<u>9,715</u>	<u>143,604</u>	<u>135,216</u>
Total Business-type activities	<u>5,613,211</u>	<u>472,845</u>	<u>596,824</u>	<u>5,489,232</u>	<u>523,579</u>
Total Primary Government Long-term debt	<u>\$ 6,370,369</u>	<u>\$ 1,178,536</u>	<u>\$ 876,998</u>	<u>\$ 6,671,907</u>	<u>\$ 920,127</u>

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**8. Long-Term Debt (Continued)**

**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 annual debt service requirements to maturity for bonded debt as of June 30, 2005 are as follows:

Primary Government

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
		<u><i>Business-type Activities</i></u>
		<u>Major Enterprise Funds</u>
		<u>Revenue Bonds</u>
		<u>Water Board</u>
2006	287,594	306,167
2007	304,015	289,745
2008	321,644	272,116
2009	340,574	253,187
2010	360,905	232,854
2011 - 2015	2,166,960	801,838
2016 - 2020	<u>1,332,737</u>	<u>121,035</u>
Totals	<u>\$5,114,429</u>	<u>\$2,276,942</u>

See Note 7 for debt service relating to leases.

Total interest expense for the fiscal year ended June 30, 2005 amounted to \$311,342, all of which was expensed.

**9. 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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**10. 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:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>				
	Major Governmental Funds		Major Enterprise Funds				
	General	Community Development Block Grant	Water Board	Sanitary Board	Board of Park Commissioners	Other Enterprise Funds	Total Due From
<u>Governmental Activities:</u>							
<u>Major Governmental Funds</u>							
General	\$ -0-	\$ 20,721	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 20,721
<u>Internal Service Fund</u>	25,334	-0-	4,655	3,503	707	255	34,454
<u>Major Enterprise Funds</u>							
Sanitary Board	-0-	-0-	1,279	-0-	-0-	-0-	1,279
Total Due To	\$ <u>25,334</u>	\$ <u>20,721</u>	\$ <u>5,934</u>	\$ <u>3,503</u>	\$ <u>707</u>	\$ <u>255</u>	\$ <u>56,454</u>

**11. 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.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**11. Transfers and Payments (Continued)**

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

	Governmental Activities		
	Major Government Funds		
	General	Community Development Block Grant	Total Transfers From
Business-type Activities:			
<u>Major Enterprise Funds</u>			
Water Board	\$ -0-	\$ 22,683	\$ 22,683
Board of Park Commissioners	416,404	10,000	426,404
<u>Other Enterprise Funds</u>	265,000	-0-	265,000
Total Transfers To	\$ <u>681,404</u>	\$ <u>32,683</u>	\$ <u>714,087</u>

**12. Revenues and Expenditures – Benefits Funded by the State of West Virginia**

For fiscal year 2005, 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	\$345,663
City of Weirton Firemen's Pension and Relief Fund	<u>178,137</u>
Total	<u>\$523,800</u>

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

**13. Retirement Plans**

**Single Employer 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, as follows:

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**13. Retirement Plans (Continued)**

**Primary Government** - Policemen's Pension and Relief Fund provides benefits for all eligible employees of the City's Police Department paid on a full-time basis. Firemen's Pension and Relief Fund provides benefits for all eligible employees of the City's Fire Department paid on a full-time basis. The information contained in this Note is provided as of the latest actuarial valuation, July 1, 2004 for the Policemen's Pension and Relief Fund and July 1, 2003 for the Firemen's Pension and Relief Fund.

Actuarial valuations are performed bi-annually. For additional information relating to basis of accounting and reporting investment values, see Notes 1 and 3.

	<u>Pension and Relief Fund</u>	
	Policemen's	Firemen's
Memberships of the plans are as follows:		
Non-vested active members	28	13
Fully vested active members	11	10
Retirees and beneficiaries currently receiving benefits	42	17
Terminated plan members entitled to but not yet receiving benefits	<u>-0-</u>	<u>-0-</u>
Total	<u>81</u>	<u>40</u>

The following is a summary of funding policies, contribution methods, and benefit provisions:

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>
Determination of contribution requirements	Actuarially determined	Actuarially determined
Employer and state Plan members	20.95% of covered payroll 7% of covered payroll	23.22% of covered payroll 7% of covered payroll
Funding of administrative costs	Investment earnings	Investment earnings
Period required to vest	5 years	5 years

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**13. Retirement Plans (Continued)**

Post-retirement benefit increases	Cost of living adjustments after employee has been retired for 2 years; increased by lower of prior year CPI or 4% unless purchasing power falls below 75% then full CPI is awarded	Cost of living adjustments after employee has been retired for 2 years; increased by lower of prior year CPI or 4% unless purchasing power falls below 75% then full CPI is awarded
Eligibility for distribution	20 years of credited service	20 years of credited service
Provisions for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes

**Annual Required Contributions**

Actuarial assumptions and other information used to determine the annual required contributions (ARC) for both plans are located in the Required Supplementary Information section of the report.

**Reserves**

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

Current year annual pension cost, net pension obligation, and trend information is as follows:

Fiscal Year	<u>Policemen's Pension and Relief Fund</u>			<u>Firemen's Pension and Relief Fund</u>		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2005	\$ 676,035	37%	\$427,192	\$ 281,384	42%	\$163,907
2004	676,076	34%	443,513	281,384	39%	171,592
2003	676,076	33%	458,728	197,082	52%	94,473

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**13. Retirement Plans (Continued)**

**Cost Sharing, Multi-Employer Plan**

**West Virginia Public Employees Retirement System**

All City employees, with the exception of part-time employees and uniformed employees, participate in this cost sharing, multi-employer defined benefit public employees retirement system which covers employees of the State of West Virginia and its participating political subdivisions. The system is administered by the State of West Virginia and is funded by contributions from participants and employers, and state appropriations, as necessary.

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

Eligibility to participate	All full time employees by a municipality other than uniformed employees
Authority establishing contribution obligations and benefit provisions	State statute
Plan members' contribution rate	4.5% of covered payroll
City's contribution rate	10.5% of covered payroll
Period required to vest	5 years
Benefits and eligibility for distribution (full-time)	2% of final average (highest 3 years out of the last 10 years) salary multiplied by years of service; 5 years age 60 or at least age 55 with age and service to equal 80
Deferred retirement option	Yes, 5 years credited service, including at least three years of contributing service age 62
Provisions for:	
Cost of living adjustments (normal retirement)	No
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	No

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**13. Retirement Plans (Continued)**

Contributions required by State statute (City's portion):

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 379,677	100%
2004	416,959	100%
2003	385,125	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in their annual financial report. Copies can be obtained from the State.

**14. Contingencies**

**Litigation**

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 it.

**Federal and State Grants**

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.

**15. Concentration of Credit Risk**

The General Fund bills the residents and businesses a police and fire service fee and a refuse fee. The Water and Sanitary Boards are suppliers of water and sewer services to the residents and businesses of Weirton, West Virginia. The Board of Park Commissioners offers memberships to its recreational facilities to the residents of the Weirton, West Virginia area. The Gasoline Fund supplies gas and oil to various entities in addition to other funds of the City. These services, memberships and goods are provided on a credit basis without requiring collateral or any other security. Accounts receivable have been adjusted for all known uncollectible accounts. Accounts receivable are recorded net of an allowance for bad debts of \$347,813 for the General Fund, \$153,625 for the Water Board, \$113,553 for the Sanitary Board and \$35,632 for the Board of Park Commissioners. Accounts receivable for the Gasoline Fund have been adjusted for all known uncollectible accounts. An allowance for bad debts in this fund has not been set up as the amount is not considered material.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**16. Commitments**

**Water Board**

Weirton's Bellview elevated tank has reached the end of its useful life. The tank will be replaced with a 1 million gallon storage tank. The total estimated cost is \$2,900,000. Costs incurred on as of June 30, 2005, totaled \$75,906.

The Weirton Area Water Board committed to two large water line extensions on Greenbrier Road and Palomino Drive. The estimated total cost for both projects is \$125,000. Costs incurred as of June 30, 2005, totaled \$57,907.

The Weirton Area Water Board has future plans to upgrade its water treatment plant to meet the Enhanced Safe Drinking Water Act Disinfection and Disinfection By-Product Rule. The total estimated cost to complete this upgrade is approximately \$3,300,000. No money had been expended in fiscal year ending June 30, 2005.

**Sanitary Board**

The Weirton Sanitary Board committed to a large line extension, namely the East Weirton line extension. The estimated total cost for the project is \$337,480. The costs incurred as of June 30, 2005, totaled \$29,080.

The Sanitary Board has also committed to lift station upgrades. The total estimated cost is \$1,600,000. The costs incurred as of June 30, 2005, totaled \$5,400.

The Sanitary Board has also committed to major Plant improvements, with an estimated cost of \$2,900,000. As of June 30, 2005, costs totaled \$39,797.

**Governmental Funds**

The City's General Fund has committed to a new parking lot and the East Street extension project, with the estimated cost totaling \$1,485,000. Costs incurred at fiscal year end June 30, 2005, totaled \$120,082.

**17. Prior Period Adjustment**

**Governmental Activities**

The Net Pension Obligation was overstated at June 30, 2004 due to the use of an incorrect estimate for the Annual Required Contribution (ARC) in the Police Pension Fund. As a result the beginning net asset balance for governmental activities on the government-wide statement of net assets has been increased by \$201,281.

**CITY OF WEIRTON, WEST VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

In addition, accounts payable has been restated by \$153,840 on the government-wide statement of net assets to reflect a liability for prior periods. As a result, the beginning net asset balance for governmental activities on the government-wide statement of net assets has been decreased by the above amount.

The net effect of the above prior period adjustments is an increase in the beginning net asset balance for governmental activities on the government-wide statement of net assets of \$47,441.

**Water Board**

The accounts payable has been restated by \$58,115 on the proprietary statement of net assets to reflect a liability for prior periods. As a result, the beginning net asset balance for the Water Board on the proprietary statement of net assets has been decreased by the above amount.

**CITY OF WEIRTON, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WEIRTON, WEST VIRGINIA**  
**DEFINED BENEFIT PENSION TRUSTS -**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2005**

**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
07/01/04	\$6,074,910	\$20,842,460	\$14,767,550	29%	\$1,482,860	996%
07/01/02	6,209,584	19,325,860	13,116,276	32%	1,397,370	939%
07/01/00	6,949,041	16,450,270	9,501,229	42%	1,511,320	629%
07/01/98	6,057,463	14,345,130	8,287,667	42%	1,413,768	586%

**Firemen's Pension and Relief Fund**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/03	\$5,223,880	\$ 8,719,960	\$ 3,496,080	60%	\$ 1,001,830	349%
07/01/02	5,044,113	7,448,950	2,404,837	68%	834,031	288%
07/01/01	5,163,930	7,019,720	1,855,790	74%	784,708	236%

**II. Schedules of Employer Contributions**

Fiscal Year	<u>Policemen's Pension and Relief Fund</u>		<u>Firemen's Pension and Relief Fund</u>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2005	\$676,035	37%	\$281,384	42%
2004	676,076	34%	281,384	39%
2003	676,076	33%	197,082	52%
2002	553,913	37%	150,532	59%
2001	553,913	34%	85,838	97%
2000	440,528	40%	85,838	91%
1999	440,528	38%	99,337	79%
1998	539,257	29%	99,337	71%

**CITY OF WEIRTON, WEST VIRGINIA**  
**DEFINED BENEFIT PENSION TRUSTS -**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2005**

**III. Notes to Required Supplementary Information**

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>
Valuation date	7/1/04	7/1/03
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percentage open	Level percentage open
Amortization period	40 years (level percentage)	40 years (level percentage)
Actuarial asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	6.25%	6.00%
Projected salary increases	10.00% per year for first 3 years, 0.5% thereafter	1.00% per year
Inflation	3.0%	3.0%
Other - cost of living adjustments	\$15,000 of annual pension is increased by the lesser of inflation and 4.00% but 75% of purchasing power is maintained	\$15,000 of annual pension is increased by the lesser of inflation and 4.00% but 75% of purchasing power is maintained

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Revisions	Revised Budget	Actual	Variance
<b>REVENUES</b>					
Taxes:					
Property	\$ 2,317,394	\$ 68,000	\$ 2,385,394	\$ 2,398,775	\$ 13,381
B&O	1,950,000	1,050,000	3,000,000	2,757,526	(242,474)
Excise tax on utilities	1,310,000	-	1,310,000	1,313,378	3,378
Other	324,000	110,000	434,000	503,276	69,276
Payment in lieu of taxes	-	174,488	174,488	174,488	-
<b>TOTAL TAXES</b>	<b>5,901,394</b>	<b>1,402,488</b>	<b>7,303,882</b>	<b>7,147,443</b>	<b>(156,439)</b>
Licenses and permits	150,000	175,000	325,000	321,025	(3,975)
Fines and forfeitures	82,000	25,000	107,000	129,217	22,217
Investment income	35,000	-	35,000	37,183	2,183
Charges for services	3,925,000	200,000	4,125,000	4,294,621	169,621
Intergovernmental programs	164,500	1,864,526	2,029,026	1,403,573	(625,453)
Charges to other funds	135,388	-	135,388	135,387	(1)
Reimbursements	345,000	3,000	348,000	268,361	(79,639)
Other	67,000	8,850	75,850	95,933	20,083
<b>TOTAL REVENUES BEFORE PRIOR YEAR FUND BALANCE</b>	<b>10,805,282</b>	<b>3,678,864</b>	<b>14,484,146</b>	<b>13,832,743</b>	<b>(651,403)</b>
Prior year fund balance	700,000	1,039,131	1,739,131	1,739,131	-
<b>TOTAL REVENUES AND PRIOR YEAR FUND BALANCE</b>	<b>11,505,282</b>	<b>4,717,995</b>	<b>16,223,277</b>	<b>15,571,874</b>	<b>(651,403)</b>
<b>EXPENDITURES</b>					
General government	3,832,147	2,217,412	6,049,559	2,925,295	3,124,264
Public safety	4,114,514	686,836	4,801,350	4,652,064	149,286
Highway and streets	1,728,533	1,122,273	2,850,806	2,163,691	687,115
Health and sanitation	1,055,088	44,329	1,099,417	755,236	344,181
Culture and recreation	775,000	59,077	834,077	725,780	108,297
Social services	5,000	588,068	593,068	592,191	877
<b>TOTAL EXPENDITURES</b>	<b>11,510,282</b>	<b>4,717,995</b>	<b>16,228,277</b>	<b>11,814,257</b>	<b>4,414,020</b>
<b>(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES</b>	<b>\$ (5,000)</b>	<b>\$ -</b>	<b>\$ (5,000)</b>	<b>\$ 3,757,617</b>	<b>\$ 3,762,617</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND (CONTINUED)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2005**

OTHER FINANCING SOURCES (USES)	Original Budget	Revisions	Revised Budget	Actual	Variance
Sale of assets	5,000	-	5,000	-	(5,000)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>(5,000)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>					
Fund balance, beginning	-	-	-	3,757,617	3,757,617
	700,000	1,039,131	1,739,131	1,739,131	-
Less prior year fund balance budgeted (*)	(700,000)	(1,039,131)	(1,739,131)	(1,739,131)	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,757,617</u>	<u>\$ 3,757,617</u>

(\*) Budget includes fund balance carried over from prior years. It is not revenue of the current period but is presented as revenue only for budgeting purposes. Beginning budgetary fund balance, as restated has been reduced for carryover to reflect the budgetary ending fund balance projected.

**ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

The budget and actual presentation is prepared on a budgetary basis which differs from generally accepted accounting principles as follows:

- 1). Bad debts reported as an expenditure (general government) as opposed to a reduction of charges for service \$ 9,241
  - 2). Contributions to the Board of Park Commissioners and Library Funds reported as expenditures as opposed to transfers to other funds. 681,404
  - 3). Interfund reimbursements reported as charges to other funds (\$135,387) and reimbursements (\$149,172) as opposed to netting with expenditures (general government \$269,559 and public safety \$15,000) 284,559
- service payments. The effect is as follows:
- Decrease in:
- Other financing sources - capital financing 130,985
  - Debt service - principal (168,174)
  - Debt service - interest (10,245)
  - Public safety (68,411)
- Increase in:
- Highways and streets 107,952
  - Health and sanitation 7,793
- 5). In-kind infrastructure upgrade paid by another entity not reported as a revenue and expenditure 395,508
  - 6). In-kind services provided by another entity not reported as a revenue and expenditure 61,933

**CITY OF WEIRTON**  
**WEIRTON, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**COAL SEVERANCE TAX FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Revisions	Revised Budget	Actual	Variance
<b>REVENUES</b>					
Intergovernmental	\$ 42,700	-	\$ 42,700	\$ 56,976	\$ 14,276
Investment income	300	-	300	510	210
<b>TOTAL REVENUES BEFORE PRIOR YEAR FUND BALANCE</b>	<b>43,000</b>	<b>-</b>	<b>43,000</b>	<b>57,486</b>	<b>14,486</b>
Prior year fund balance (1)	91,000	-	91,000	90,414	(586)
<b>TOTAL REVENUES AND PRIOR YEAR FUND BALANCE</b>	<b>134,000</b>	<b>-</b>	<b>134,000</b>	<b>147,900</b>	<b>13,900</b>
<b>EXPENDITURES</b>					
General government	134,000	-	134,000	94,260	39,740
<b>TOTAL EXPENDITURES</b>	<b>134,000</b>	<b>-</b>	<b>134,000</b>	<b>94,260</b>	<b>39,740</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,640</b>	<b>53,640</b>
Fund balance, beginning	91,000	-	91,000	90,414	(586)
Less prior year fund balance budgeted	(91,000)	-	(91,000)	(90,414)	586
Fund balance, ending	-	-	-	53,640	53,640

(1) Budget includes fund balance carried over from prior years. It is not revenue of the current period but is presented as revenue only for budgetary purposes. Beginning budgetary fund balance has been reduced for carryover to reflect the budgetary ending fund balance projected.

**ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

None

**CITY OF WEIRTON, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<b><u>Youth Job Program</u></b>	<b><u>Public Safety and Development</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 284	\$ 163,609	\$ 163,893
Grants receivable	-	-	-
Due from other funds	-	1,875	1,875
Deposits	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 284</b>	<b>\$ 165,484</b>	<b>\$ 165,768</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ 1,022	\$ 1,022
Security deposit	-	25,000	25,000
Due to other funds	-	-	-
Deferred revenue	-	99,515	99,515
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>125,537</b>	<b>125,537</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>FUND BALANCES</b>			
Unreserved	284	39,947	40,231
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	<b>284</b>	<b>39,947</b>	<b>40,231</b>
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 284</b>	<b>\$ 165,484</b>	<b>\$ 165,768</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Youth Job Program</b>	<b>Public Safety and Development</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Investment income	\$ -	\$ -	\$ -
Program income	-	-	-
Intergovernmental programs	-	-	-
Other	-	23,994	23,994
<b>TOTAL REVENUES</b>	<u>-</u>	<u>23,994</u>	<u>23,994</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	10,224	10,224
Public safety	-	54,954	54,954
Community development	-	-	-
Debt Service:			
Capital leases- principal	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>65,178</u>	<u>65,178</u>
Excess of revenue over expenditures	<u>-</u>	<u>(41,184)</u>	<u>(41,184)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Financing	-	-	-
Transfer from other funds	-	-	-
Transfer to other funds	-	-	-
<b>NET OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(41,184)</u>	<u>(41,184)</u>
Fund balance, beginning	<u>284</u>	<u>81,131</u>	<u>81,415</u>
Fund balance, ending	<u>\$ 284</u>	<u>\$ 39,947</u>	<u>\$ 40,231</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 269,988	\$ 180	\$ 270,168
Investments	332,051	-	332,051
Accounts Receivable	4,429	-	4,429
Grants receivable	16,233	-	16,233
Due from other funds	-	-	-
Prepays	4,314	-	4,314
<b>TOTAL CURRENT ASSETS</b>	<u>627,015</u>	<u>180</u>	<u>627,195</u>
Non-current assets			
Deposits	303	-	303
Capital assets:			
Land	57,449	304,581	362,030
Other capital assets, net of accumulated depreciation	213,692	4,444	218,136
<b>TOTAL NON-CURRENT ASSETS</b>	<u>271,444</u>	<u>309,025</u>	<u>580,469</u>
<b>TOTAL ASSETS</b>	<u>\$ 898,459</u>	<u>\$ 309,205</u>	<u>\$ 1,207,664</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 15,712	\$ -	\$ 15,712
Wages and benefits payable	10,463	-	10,463
Due to other funds	255	-	255
Compensated absences, current	26,000	-	26,000
Deferred revenue	97,988	-	97,988
<b>TOTAL CURRENT LIABILITIES</b>	<u>150,418</u>	<u>-</u>	<u>150,418</u>
Non-current liabilities:			
Compensated absences, non-current	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>150,418</u>	<u>-</u>	<u>150,418</u>
<b>NET ASSETS</b>			
Invested in capital assets	271,141	309,025	580,166
Unrestricted (deficit)	476,900	180	477,080
<b>TOTAL NET ASSETS</b>	<u>\$ 748,041</u>	<u>\$ 309,205</u>	<u>\$ 1,057,246</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Library fines	\$ 10,695	\$ -	\$ 10,695
Parking fees	-	122	122
<b>TOTAL CHARGES FOR SERVICES</b>	<u>10,695</u>	<u>122</u>	<u>10,817</u>
Other	179,743	-	179,743
<b>TOTAL OPERATING REVENUES</b>	<u>190,438</u>	<u>122</u>	<u>190,560</u>
<b>OPERATING EXPENSES</b>			
Personal services	345,814	-	345,814
Maintenance, operations and contractual services	135,688	-	135,688
Materials and supplies	104,458	-	104,458
Depreciation	45,963	1,454	47,417
<b>TOTAL OPERATING EXPENSES</b>	<u>631,923</u>	<u>1,454</u>	<u>633,377</u>
Operating income (loss)	(441,485)	(1,332)	(442,817)
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Grant income	190,124	-	190,124
Investment income	6,937	0.12	6,937
Gain (loss) on disposal of capital assets	-	-	-
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>197,061</u>	<u>0.12</u>	<u>197,061</u>
Income (loss) before transfers	(244,424)	(1,332)	(245,756)
Transfers from other funds	265,000	-	265,000
Change in net assets	20,576	(1,332)	19,244
Total net assets, beginning	<u>727,465</u>	<u>310,537</u>	<u>1,038,002</u>
Total net assets, ending	<u>\$ 748,041</u>	<u>\$ 309,205</u>	<u>\$ 1,057,246</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 6,265	\$ 122	\$ 6,387
Cash payments to suppliers for goods and services	(221,949)	-	(221,949)
Cash payments to employees and contractors for services	(364,342)	-	(364,342)
Payments for internal services	(483)	-	(483)
Other operating revenues	196,936	-	196,936
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>(383,573)</u>	<u>122</u>	<u>(383,451)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating grants received	190,124	-	190,124
Transfers from other funds	265,000	-	265,000
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>455,124</u>	<u>-</u>	<u>455,124</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	(92,290)	-	(92,290)
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(92,290)</u>	<u>-</u>	<u>(92,290)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	-	-	-
Proceeds from sale and maturities of investments	-	-	-
Investment income	32,053	-	32,053
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>32,053</u>	<u>-</u>	<u>32,053</u>
Net increase in cash and cash equivalents	11,314	122	11,436
Cash and cash equivalents at July 1, 2004	258,674	58	258,732
Cash and cash equivalents at June 30, 2005	<u>\$ 269,988</u>	<u>\$ 180</u>	<u>\$ 270,168</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating (loss)	\$ (441,485)	\$ (1,332)	\$ (442,817)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation	45,963	1,454	47,417
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(20,663)	-	(20,663)
(Increase) decrease in deposits	(31)	-	(31)
(Decrease) increase in accounts payable	356	-	356
(Decrease) increase in wages and benefits	1,522	-	1,522
(Decrease) increase in due to other funds	156	-	156
(Decrease) increase in compensated absences	(2,817)	-	(2,817)
(Decrease) increase in deferred revenue	33,426	-	33,426
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>\$ (383,573)</u>	<u>\$ 122</u>	<u>\$ (383,451)</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Net decrease in fair value of investments	<u>\$ (1,181)</u>	<u>\$ -</u>	<u>\$ (1,181)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**

	<u>Pension Trust Funds</u>		
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 861,594	\$ 1,242,838	\$ 2,104,432
Interest receivable	12,901	17,008	29,909
Prepaid expenses	4,375	4,283	8,658
Investments, at fair value:			
U.S. government backed securities	1,753,398	1,751,669	3,505,067
Common Stock	2,692,453	2,071,540	4,763,993
Corporate bonds	512,007	634,373	1,146,380
<b>TOTAL INVESTMENTS</b>	<u>4,957,858</u>	<u>4,457,582</u>	<u>9,415,440</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,836,728</u>	<u>\$ 5,721,711</u>	<u>\$ 11,558,439</u>
<b>LIABILITIES</b>			
Unearned revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 5,836,728</u>	<u>\$ 5,721,711</u>	<u>\$ 11,558,439</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON**  
**WEST VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**

	<u>Pension Trust Funds</u>		
	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 248,843	\$ 117,477	\$ 366,320
Plan Members	105,588	58,834	164,422
Insurance premium tax allocation	345,663	178,137	523,800
<b>TOTAL CONTRIBUTIONS</b>	<u>700,094</u>	<u>354,448</u>	<u>1,054,542</u>
Investment income	108,653	113,844	222,497
Less: investment expense	(63,679)	(57,372)	(121,051)
<b>NET INVESTMENT INCOME</b>	<u>44,974</u>	<u>56,472</u>	<u>101,446</u>
<b>TOTAL ADDITIONS</b>	<u>745,068</u>	<u>410,920</u>	<u>1,155,988</u>
<b>DEDUCTIONS</b>			
Benefits	981,119	289,552	1,270,671
Administrative expenses	2,131	15,131	17,262
<b>TOTAL DEDUCTIONS</b>	<u>983,250</u>	<u>304,683</u>	<u>1,287,933</u>
Change in net assets	(238,182)	106,237	(131,945)
Net assets held in trust for pension benefits			
Beginning of year	<u>6,074,910</u>	<u>5,615,473</u>	<u>11,690,383</u>
End of year	<u>\$ 5,836,728</u>	<u>\$ 5,721,711</u>	<u>\$ 11,558,439</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WEIRTON, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

**CITY OF WEIRTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Grant Title	Federal CFDA #	Identification Number	Project Period	Federal Expenditures
<i>U.S. Department of Transportation:</i>				
<i>Direct programs:</i>				
Federal Transit Authority	20.507	WV-90-4099-00	07/01/2003-06/30/2004	\$ 16,802
Federal Transit Authority	20.507	WV-90-0099-00	07/01/2003-06/30/2004	581
Federal Transit Authority	20.507	WV-90-2077-00	07/01/2003-06/30/2004	236
Federal Transit Authority	20.507	WV-90-4106-00	07/01/2004-06/30/2005	129,507
Federal Transit Authority	20.507	WV-90-0106-00	07/01/2004-06/30/2005	15,265
Federal Transit Authority	20.507	WV-90-2085-00	07/01/2004-06/30/2005	617
<b>Total U.S. Department of Transportation</b>				<b>\$ 163,008</b>
<i>Department of Homeland Security:</i>				
<i>Direct programs:</i>				
FY2004 Homeland Security Grant Major WV Cities Grant Program	97.004	04-21Cities-20	12/01/2003-12/31/2005	\$ 165,834
FEMA - EP&R Assistance to Firefighters	83.544	EMW-2003-FG-02650	02/01/2004-06/30/2004	121,422
<b>Total Direct Programs</b>				<b>287,256</b>
<i>Pass-through Programs from:</i>				
FEMA - Public Assistance Program passed through from State of WV Office of Emergency Services	97.036	FEMA-1558-DR-WV FEMA-1574-DR-WV	Flood - Sept. 2004 Flood - Jan. 2005	283,075
<b>Total Pass-through Programs</b>				<b>283,075</b>
<b>Total Department of Homeland Security</b>				<b>\$ 570,331</b>

**CITY OF WEIRTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Grant Title	Federal CFDA #	Identification Number	Project Period	Federal Expenditures
<i>Appalachian Regional Commission:</i>				
<i>Direct Programs:</i>				
Appalachian Area Development	23.002	WV-14813-04-1-214	07/01/2004-06/30/2005	\$ 588,068
<i>Total Appalachian Regional Commission</i>				
<i>Department of Housing and Urban Development:</i>				
<i>Direct Programs:</i>				
Community Development Block Grant	14.218	B-99-MC-54-0004	07/01/1999-06/30/2005	\$ 8,090
Community Development Block Grant	14.218	B-00-MC-54-0004	07/01/2000-06/30/2005	22,683
Community Development Block Grant	14.218	B-01-MC-54-0004	07/01/2001-06/30/2005	185
Community Development Block Grant	14.218	B-02-MC-54-0004	07/01/2002-06/30/2005	66,608
Community Development Block Grant	14.218	B-03-MC-54-0004	07/01/2003-06/30/2005	262,839
Community Development Block Grant	14.218	B-04-MC-54-0004	07/01/2004-06/30/2005	595,125
Total Direct Programs				955,531
<i>Pass-through Programs from:</i>				
Northern Panhandle Home Consortium First-time Homebuyer Program	14.239	M-04-DC-54-0204	07/01/2004-06/30/2005	59,945
Total Pass-through Programs				59,945
<i>Total Department of H.U.D.</i>				\$ 1,015,475
<b>Total Federal Financial Assistance</b>				<b>\$ 2,336,883</b>

**NOTES TO THE SCHEDULE:**

- The City follows the modified accrual basis of accounting in preparing this schedule. This method is consistent with the method used in the preparation of the City's financial statements.
- The City had several sub-recipients including the Hancock Co. Sheltered Workshop and various other recipients of federal funding passed through by the City under the Community Development Block Grant and Home Program during the fiscal year. The City did not have any non-cash federal awards during the fiscal year.

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

To the Mayor and City Council  
of the City of Weirton, West Virginia:

We have audited the financial statements of the City of Weirton, West Virginia, as of and for the year ended June 30, 2005, and have issued our report thereon dated February 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of Weirton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the City of Weirton'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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Weirton in a separate letter dated February 13, 2006.

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

*Bodhi Uil + Kojich succ*

Weirton, West Virginia,  
March 29, 2006.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL**  
**OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Mayor and City Council  
Of the City of Weirton, West Virginia:

Compliance

We have audited the compliance of the City of Weirton, West Virginia, 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, 2005. The City of Weirton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Weirton's management. Our responsibility is to express an opinion on the City of Weirton's compliance based on our audit.

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

In our opinion, the City of Weirton 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, 2005.

Internal Control Over Compliance

The management of the City of Weirton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Weirton'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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Weirton's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the executive committee, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

*Bodhi Uil + Kozich ACC*

Weirton, West Virginia,  
March 29, 2006.

**CITY OF WEIRTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statement*

Type of auditor’s report issued: Unqualified  
Internal control over financial reporting:  
▪ Material weakness identified? \_\_\_\_\_ Yes      X   no  
▪ Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   none reported  
Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   no

*Federal Awards*

Internal control over major programs:  
▪ Material weakness identified?   X   Yes    \_\_\_\_\_ no  
▪ Reportable conditions identified that are not considered to be material weaknesses?   X   Yes    \_\_\_\_\_ none reported  
Type of auditor’s report issued on compliance for major programs: Qualified  
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   X   Yes    \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
23.002	Appalachian Regional Commission

Dollar threshold used to distinguish between type A and type B programs:   \$ 300,000  

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None noted.

**CITY OF WEIRTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

*Appalachian Regional Commission Area Development Grant – CFDA No. 23.002*

2005-1 Grant No. WV-14813-04-I-214 – Year ended June 30, 2005

*Condition and Criteria:* As outlined in the grant agreement between the City of Weirton and the U.S. Department of Housing and Urban Development on form HUD-7082, the Code of Federal Regulations 24 CFR Ch. V §570.503, the HUD Monitoring Handbook 6509.2 REV-5, and OMB Circular A-133 §\_\_\_400(d), the City of Weirton has a responsibility to establish internal controls which will allow them to perform adequate sub-recipient monitoring and follow-up systems, in accordance with Sub-Recipient Monitoring compliance requirements.

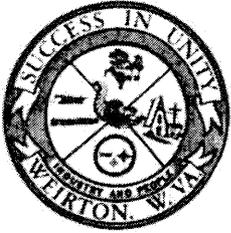
*Cause:* The lack of documentation of the City's sub-recipient monitoring compliance requirements, as outlined in the aforementioned resources, indicates a deficiency in the internal control structure.

*Effect:* The City of Weirton failed to document its responsibilities regarding sub-recipient monitoring, including award and compliance identification to the sub-recipient, during-the-award monitoring of sub-recipient compliance, ensuring sub-recipients have met the audit requirements under OMB Circular A-133, and evaluating the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Questioned Costs: Not applicable; effect of deficient internal controls cannot be quantified.

*Auditor's Recommendation:* Procedures should be established to ensure that internal controls are in place, and that these controls are sufficient enough to ensure that the City can rely on the controls to meet it's obligation to monitor the compliance of sub-recipients in relation to Sub-Recipient Monitoring compliance requirements. The A-133 Compliance Supplement, specifically Part 3, section 3-M, which deals with Sub-Recipient Monitoring compliance requirements, and Part 6, which deals with internal control requirements, should be used as a guide to establish appropriate internal controls. The City should also reference the Catalog of Federal Domestic Assistance, (CFDA August 2005 Ed.,) for additional reference and specific compliance requirements.

*Grantee Response:* The City agrees with the finding and has submitted a corrective action plan.



## CITY OF WEIRTON

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200 Municipal Plaza  
Weirton, West Virginia 26062

March 28, 2006

Bodkin, Wilson & Kozicki  
The Maxwell Centre  
32 Twentieth St., Suite 300  
Wheeling, WV 26003

RE: City of Weirton Audit, Fiscal Year 2004-2005

Gentlemen:

Please find listed below the City of Weirton's formal response to the findings and questioned costs included in our June 30, 2005 audit:

**Reportable Condition 2005-1:**

The City of Weirton will follow the auditor's recommendations as outlined on their "Schedule of Findings and Questioned Costs."

Sincerely,

Gary DuFour  
City Manager