

CITY OF WEIRTON, WEST VIRGINIA

A CLASS II MUNICIPALITY

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

**CITY OF WEIRTON, WEST VIRGINIA
FINANCIAL STATEMENTS
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**CITY OF WEIRTON, WEST VIRGINIA
MUNICIPAL OFFICIALS
YEAR ENDED JUNE 30, 2006**

<u>Office</u>	<u>Name</u>	<u>Term</u>
	<u>Elective</u>	
Mayor:	William M. Miller	07/01/03 - 06/30/07
Council Members:	Jerry Miller	05/27/05 - 06/30/07
	Harold Miller	07/01/03 - 06/30/07
	Dale Moore	07/01/03 - 06/30/07
	Henry DeMasis	07/01/03 - 06/30/07
	George Kondik	07/01/03 - 06/30/07
	David Dalrymple	07/01/03 - 06/30/07
	Frank Veltri	07/01/03 - 06/30/07
	<u>Appointive</u>	
City Manager:	Gary DuFour	
City Clerk:	Tom Maher, Jr.	
City Solicitor:	John Yeager, Jr.	

Ware & Hall, PLLC

Certified Public Accountants

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Certified Public Accountants
WV Society of Certified Public Accountants

Daniel J. Ware, CPA
William L. Hall, CPA

To the Honorable Mayor and
City Council
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 City of Weirton, West Virginia, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 the 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 of the City of Weirton, West Virginia as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, defined benefit pension trusts information, and budgetary comparison information on pages 4 through 8 and 56 through 61, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 combining and individual nonmajor fund financial statements 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 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.

Ware & Hall PLLC

Huntington, West Virginia
March 16, 2007

CITY OF WEIRTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

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, 2006.

The fiscal year ending June 30, 2006, is the fourth 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 reconciliations between governmental activities (as shown in the government-wide statements) and governmental funds. These reconciliations can be found in the financial statement section of this report.

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

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

	Fiscal Year Ending 6-30-06	Fiscal Year Ending 6-30-05	Change
Total Assets:			
Capital	\$ 25,674,891	\$ 22,496,516	\$ 3,178,375
Other	9,643,142	10,323,581	(680,439)
Total Liabilities:	15,593,259	15,376,518	216,741
Total Net Assets:			
Capital Net of Debt	20,044,115	16,826,033	3,218,082
Restricted	1,442,566	932,366	510,200
Unrestricted	<u>(1,761,907)</u>	<u>(314,820)</u>	<u>(1,447,087)</u>
	19,724,774	17,443,579	2,281,195
Program Revenues:			
Charges for Services	10,207,957	9,967,115	240,842
Operating Grants	1,915,165	1,957,022	(41,857)
Capital Grants	1,452,611	1,373,420	79,191
General Revenues:			
Property Taxes	2,721,148	2,427,805	293,343
B&O Taxes	2,075,396	2,757,526	(682,130)
Excise Tax on Utilities	1,246,129	1,313,378	(67,249)
Other Taxes	654,988	561,752	93,236
Other	<u>468,118</u>	<u>383,797</u>	<u>84,321</u>
Total Revenues	20,741,512	20,741,815	(303)
Expenses:			
General Government	2,861,630	2,622,612	239,018
Public Safety	5,405,077	5,198,509	206,568
Highways and Streets	2,004,983	2,246,171	(241,188)
Health and Sanitation	848,904	811,725	37,179
Culture and Recreation	139,153	189,455	(50,302)
Social Services	6,893	592,191	(585,298)
Community Development	396,362	670,848	(274,486)
Interest-LTD	15,584	10,144	5,440
Water Board	3,063,183	3,034,206	28,977
Sanitary Board	2,014,864	1,972,034	42,830
Park Board	1,010,234	1,007,291	2,943
Library Board	692,325	631,923	60,402
Parking Authority	<u>1,125</u>	<u>1,454</u>	<u>(329)</u>
Total Expenses	18,460,317	18,988,563	(528,246)
Change in Net Assets	2,281,195	1,753,252	527,943
Prior Period Adjustment	<u>-0-</u>	<u>(10,674)</u>	<u>10,674</u>
Ending Change in Net Assets	2,281,195	1,742,578	538,617
Ending Net Assets	19,724,774	17,443,579	2,281,195

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, 2006, did result in an increase in total net assets. It reflects a continued positive trend as did the fiscal year ending June 30, 2005, where net assets also increased. Strength came from the strong increase in capital assets. Other assets decreased largely due to the decrease in investments. 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 slightly increased. This was largely due to the increase in the accounts payable, 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 slightly decreased and overall expenditures decreased, contributing to the positive change in net assets at June 30, 2006.

Net program revenues increased, strength coming from charges for services and capital grants. Under charges for services, the primary government category of general government carried the majority of the increase; while under business-type activities Water Board and Sanitary Board maintained an increase due to their rate increase. All others (Parks, Library, and Parking) declined. Capital grant increases were found within governmental activities and business type activities. Operating grants decreased in both governmental and business types.

Overall expenses did decrease with the major changes being in highways and streets and social services for governmental activities. Program revenues are covering slightly more than 73 percent of the functions or activities of the City. General revenues are covering the other 27 percent. This is an improvement over fiscal year ending June 30, 2005, showing that the City has implemented and/or received new revenue sources, grant reimbursements, and is trying to reduce expenditures.

Analysis can now turn to the individual fund level.

Major Governmental Funds: As anticipated, the General Fund experienced a large reduction in the fund balance for the fiscal year ended June 30, 2006. Many projects were carried over from the prior fiscal year resulting in a large increase in expenditures at June 30, 2006. With the exception of social services, all expense categories increased. The General Fund, being a governmental type fund, reports capital outlays as expenditures. There were many additions made in the categories of infrastructures and machinery and equipment (see more under discussion of significant capital assets). Prior year social services expenditures included ARC grant expenditures for The Sheltered Workshop laundry project. Revenues decreased by slightly over 2.6 percent. This was due largely to decreases in B&O and excise tax on utilities resulting from the continued decline in manufacturing operations at the local steel mill.

Coal Severance Fund revenues slightly increased by June 30, 2006, as compared to the prior fiscal year. Expenditures closely matched revenues resulting in a slight increase to the fund balances.

Major Proprietary Funds: As discussed last fiscal year, water rate increases have been implemented in fiscal year 2005-06 and have impacted the revenues by approximately six months. Therefore,

revenues for the Water Fund, fees for services, did increase for fiscal year ending June 30, 2006. Revenues did increase more than expenditures increased, resulting in a much higher operating income. The Water Fund still experienced a slight loss before contributions and transfers, but ended the fiscal year with a positive change in net assets.

The Sanitary Fund also had a rate increase for fiscal year 2005-06 implemented, the same as the Water Fund. This increase in revenues along with a relatively small increase in expenditures resulted in a less negative operating loss as compared to fiscal year ending June 30, 2005. The fiscal year ended with a slightly negative change in net assets.

The Park Board Fund continues to experience large operating losses and losses before contributions and transfers. Without the continued contribution from the General Fund, the Park Board would not continue to be operational. It is becoming increasingly difficult for the General Fund to maintain the level of contributions; therefore, the Park Board must entertain thoughts of either future rate increases, expenditure reductions, or both.

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.

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. Also, reduced operations of the mill contributed to reductions in excise taxes.

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

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

Reimbursements—Unfavorable. First-time homebuyer program did not come in as anticipated.

Expenditures:

All categories–Favorable, but general government was most favorable due to interfund reimbursements, grant expenditures not made in the fiscal year, code enforcements 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. Also, a new street and the new state/municipal parking lot were completed, and several road slides were repaired. Various items under furniture, machinery, and equipment were purchased, such as carpeting, Public Works equipment, computers, software, radios, Fire Department

equipment, and Police vehicles. The overall capital asset net increase before depreciation was approximately \$4.2 million.

Business-type activities: The overall capital assets net increase before depreciation was over \$895,822. Construction in progress, infrastructure, buildings and improvements, and furniture, machinery, and equipment had the highest increases. In the utilities funds such things as pumps, meters, clarifiers, analyzers, pump stations equipment upgrades, new lines, and a backhoe 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 decreased from the prior fiscal year.

Currently known facts, decisions, and conditions.

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

As discussed in the fund level analysis, the City's General Fund continues in a state of uncertainty. Revenues are flat or declining, while the cost of providing steady or increasing levels of service to the citizens continues on an upswing. It is becoming increasingly difficult for City administration to continue providing these now "expected" levels of service. While in fiscal year ending June 30, 2006, the City was able to repair or create new infrastructure and replace some of its aging equipment through the General Fund expenditures, future fiscal years will not be able to make such claims. We are seeing more of the same in fiscal year 2006-07. Revenues remain flat. There are virtually no dollars appropriated for equipment replacements. The municipal service fee revenue is being used for regular street paving, but not for new infrastructure.

City administration continues to look for new sources of funding such as state and federal grants, but those sources are becoming increasingly more difficult and competitive to utilize. The City continuously reviews operations to take advantage of any cost saving measures or insightful ways to reduce expenditures. The City is committed to continue in these efforts.

The City Council will be finalizing its 2007-08 fiscal year budget in March 2007. Once again, it will be at a reduced level containing basic service operations and some street paving.

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, 2006

	Primary Government		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,477,189	\$ 2,729,199	\$ 5,206,388
Investments	388,512	344,487	732,999
Interest receivable	2,332	51	2,383
Taxes receivable, net	940,058	-0-	940,058
Accounts receivable, net	453,551	868,379	1,321,930
Grants receivable	69,358	-0-	69,358
Internal balances	11,305	(11,305)	-0-
Intergovernmental receivable	13,820	15,997	29,817
Inventories	-0-	98,620	98,620
Prepays	-0-	15,963	15,963
	<u>4,356,125</u>	<u>4,061,391</u>	<u>8,417,516</u>
TOTAL CURRENT ASSETS			
Non-current Assets			
Restricted assets:			
Cash and cash equivalents	-0-	1,025,062	1,025,062
Deferred debt expense, net	-0-	65,150	65,150
Deposits	135,111	303	135,414
Capital assets:			
Land and construction in progress	-0-	1,102,858	1,102,858
Other capital assets, net of accumulated depreciation	11,215,636	13,356,397	24,572,033
	<u>11,350,747</u>	<u>15,549,770</u>	<u>26,900,517</u>
TOTAL NON-CURRENT ASSETS			
	<u>15,706,872</u>	<u>19,611,161</u>	<u>35,318,033</u>
TOTAL ASSETS			

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2006

	Primary Government		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 412,534	\$ 437,052	\$ 849,586
Wages and benefits payable	178,863	71,561	250,424
Compensated absences, current	85,206	149,215	234,421
Lease obligations payable, current	384,598	-0-	384,598
Deferred revenue	296,579	115,264	411,843
Intergovernmental payable	12,859	-0-	12,859
Bond interest payable, current	-0-	67,561	67,561
Bonds payable, current	<u>-0-</u>	<u>304,015</u>	<u>304,015</u>
TOTAL CURRENT LIABILITIES	<u>1,370,639</u>	<u>1,144,668</u>	<u>2,515,307</u>
Non-current Liabilities			
Compensated absences, non-current	422,737	8,388	431,125
Lease obligations payable, non-current	447,180	106,565	553,745
Security deposit	25,000	-0-	25,000
Net pension obligation	7,481,387	-0-	7,481,387
Bonds payable, non-current	<u>-0-</u>	<u>4,586,695</u>	<u>4,586,695</u>
TOTAL NON-CURRENT LIABILITIES	<u>8,376,304</u>	<u>4,701,648</u>	<u>13,077,952</u>
TOTAL LIABILITIES	<u>9,746,943</u>	<u>5,846,316</u>	<u>15,593,259</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,383,858	9,660,257	20,044,115
Restricted for:			
Debt service	-0-	792,918	792,918
Maintenance	-0-	66,887	66,887
Other purposes	582,761	-0-	582,761
Unrestricted	<u>(5,006,690)</u>	<u>3,244,783</u>	<u>(1,761,907)</u>
TOTAL NET ASSETS	<u>\$ 5,959,929</u>	<u>\$ 13,764,845</u>	<u>\$ 19,724,774</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
General government	\$ 2,861,630	\$ 393,788	\$ 641,559	\$ 37,823	\$ (1,788,460)
Public safety	5,405,077	2,431,423	123,322	118,304	(2,732,028)
Highways and streets	2,004,983	937,316	314,443	966,000	212,776
Health and sanitation	848,904	973,183	79,885	-0-	204,164
Culture and recreation	139,153	-0-	7,823	84,991	(46,339)
Social services	6,893	-0-	15,643	-0-	8,750
Community development	396,362	-0-	574,362	-0-	178,000
Interest on long-term debt	<u>15,584</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(15,584)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>11,678,586</u>	<u>4,735,710</u>	<u>1,757,037</u>	<u>1,207,118</u>	<u>(3,978,721)</u>
Business-Type Activities:					
Water	3,063,183	2,996,920	-0-	243,993	177,730
Sewer	2,014,864	1,967,411	-0-	1,500	(45,953)
Parks	1,010,234	498,126	-0-	-0-	(512,108)
Library	692,325	9,613	158,128	-0-	(524,584)
Parking	<u>1,125</u>	<u>177</u>	<u>-0-</u>	<u>-0-</u>	<u>(948)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>6,781,731</u>	<u>5,472,247</u>	<u>158,128</u>	<u>245,493</u>	<u>(905,863)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 18,460,317</u>	<u>\$ 10,207,957</u>	<u>\$ 1,915,165</u>	<u>\$ 1,452,611</u>	<u>\$ (4,884,584)</u>

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2006**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGE IN NET ASSETS:			
Net (expense) revenue	\$ <u>(3,978,721)</u>	\$ <u>(905,863)</u>	\$ <u>(4,884,584)</u>
General Revenues:			
Taxes:			
Property taxes	2,721,148	-0-	2,721,148
B&O taxes	2,075,396	-0-	2,075,396
Excise tax on utilities	1,246,129	-0-	1,246,129
Other taxes	654,988	-0-	654,988
Unrestricted investment income	82,572	84,457	167,029
Other	113,894	187,195	301,089
Transfers	<u>(738,500)</u>	<u>738,500</u>	<u>-0-</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>6,155,627</u>	<u>1,010,152</u>	<u>7,165,779</u>
CHANGE IN NET ASSETS	2,176,906	104,289	2,281,195
NET ASSETS, BEGINNING	<u>3,783,023</u>	<u>13,660,556</u>	<u>17,443,579</u>
NET ASSETS, ENDING	\$ <u>5,959,929</u>	\$ <u>13,764,845</u>	\$ <u>19,724,774</u>

**CITY OF WEIRTON, WEST VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	Coal Severance <u>Tax</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,765,985	\$ 46,345	\$ 655,946	\$ 2,468,276
Investments	388,512	-0-	-0-	388,512
Taxes receivable, net	907,087	17,000	15,971	940,058
Accounts receivable, net	382,482	-0-	-0-	382,482
Grants receivable	7,208	-0-	62,150	69,358
Interest receivable	67,008	-0-	-0-	67,008
Due from other funds	13,820	-0-	-0-	13,820
Intergovernmental receivable	2,332	-0-	-0-	2,332
Deposits	<u>121,261</u>	<u>11,850</u>	<u>2,000</u>	<u>135,111</u>
TOTAL ASSETS	\$ <u>3,655,695</u>	\$ <u>75,195</u>	\$ <u>736,067</u>	\$ <u>4,466,957</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 203,219	\$ -0-	\$ 12,363	\$ 215,582
Wages and benefits payable	178,863	-0-	-0-	178,863
Compensated absences	85,206	-0-	-0-	85,206
Due to other funds	23,735	-0-	60,173	83,908
Intergovernmental payable	12,859	-0-	-0-	12,859
Security deposit	-0-	-0-	25,000	25,000
Deferred revenue	<u>390,269</u>	<u>17,000</u>	<u>133,772</u>	<u>541,041</u>
TOTAL LIABILITIES	<u>894,151</u>	<u>17,000</u>	<u>231,308</u>	<u>1,142,459</u>
Fund Balances				
Unreserved reported in:				
General fund	2,761,544	-0-	-0-	2,761,544
Special revenue funds	<u>-0-</u>	<u>58,195</u>	<u>504,759</u>	<u>562,954</u>
TOTAL FUND BALANCES	<u>2,761,544</u>	<u>58,195</u>	<u>504,759</u>	<u>3,324,498</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,655,695</u>	\$ <u>75,195</u>	\$ <u>736,067</u>	\$ <u>4,466,957</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**CITY OF WEIRTON, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balance - Total Governmental Funds \$ 3,324,498

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

Capital assets of \$21,763,548, net of accumulated depreciation of \$10,547,912, are not financial resources and, therefore, are not reported in the funds. 11,215,636

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 \$197,462, other taxes of \$30,000 and Coal Severance Tax of \$17,000. 244,462

An internal service fund is used by management to charge gasoline to individual funds. Assets and liabilities of the internal service fund of \$65,075 are included in governmental activities in the statement of net assets. 65,075

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include compensated absences of \$422,737 and an accounts payable of \$153,840. (576,577)

Long-term net pension obligations are not due and payable in the current period and are not reported in the funds. (7,481,387)

Capital lease obligations do not require the use of current financial resources and, therefore, are not reported in the funds. (831,778)

Net Assets of Governmental Activities \$ 5,959,929

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,525,785	\$ -0-	\$ 70,359	\$ 2,596,144
B&O taxes	2,075,396	-0-	-0-	2,075,396
Excise tax on utilities	1,246,129	-0-	-0-	1,246,129
Other taxes	580,727	-0-	-0-	580,727
Licenses, permits and fees	288,232	-0-	-0-	288,232
Fines and forfeitures	119,795	-0-	-0-	119,795
Investment income	82,050	296	-0-	82,346
Charges for services	4,222,031	-0-	-0-	4,222,031
Program income	-0-	-0-	10,918	10,918
Intergovernmental programs	2,235,092	68,261	563,444	2,866,797
Other	<u>253,960</u>	<u>-0-</u>	<u>22,685</u>	<u>276,645</u>
TOTAL REVENUES	<u>13,629,197</u>	<u>68,557</u>	<u>667,406</u>	<u>14,365,160</u>
EXPENDITURES				
Current:				
General government	5,106,786	64,002	18,111	5,188,899
Public safety	4,810,550	-0-	10,405	4,820,955
Highways and streets	2,795,016	-0-	-0-	2,795,016
Health and sanitation	939,337	-0-	-0-	939,337
Culture and recreation	108,903	-0-	-0-	108,903
Social services	6,893	-0-	-0-	6,893
Community development	-0-	-0-	396,362	396,362
Debt service:				
Capital leases - principal	222,764	-0-	141,000	363,764
Capital leases - interest	<u>15,584</u>	<u>-0-</u>	<u>-0-</u>	<u>15,584</u>
TOTAL EXPENDITURES	<u>14,005,833</u>	<u>64,002</u>	<u>565,878</u>	<u>14,635,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(376,636)</u>	<u>4,555</u>	<u>101,528</u>	<u>(270,553)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF WEIRTON, WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2006

	<u>General</u>	Coal Severance <u>Tax</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 30,000	\$ -0-	\$ 400,000	\$ 430,000
Transfers to other funds	(1,131,500)	-0-	(37,000)	(1,168,500)
Capital financing	<u>482,064</u>	<u>-0-</u>	<u>-0-</u>	<u>482,064</u>
NET OTHER FINANCING SOURCES (USES)	<u>(619,436)</u>	<u>-0-</u>	<u>363,000</u>	<u>(256,436)</u>
NET CHANGE IN FUND BALANCES	(996,072)	4,555	464,528	(526,989)
Fund Balance, Beginning	<u>3,757,616</u>	<u>53,640</u>	<u>40,231</u>	<u>3,851,487</u>
FUND BALANCE, ENDING	\$ <u><u>2,761,544</u></u>	\$ <u><u>58,195</u></u>	\$ <u><u>504,759</u></u>	\$ <u><u>3,324,498</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE 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
 YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (526,989)

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 \$4,192,979 exceeded depreciation of \$786,966 in the current period. 3,406,013

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. These include the increase in property taxes of \$125,004, coal severance taxes of \$4,500, and other taxes of \$1,500. 131,004

Capital lease obligations incurred provide current financial resources to governmental funds, but increases 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 \$482,064 exceeded capital lease principal payments of \$363,764. (118,300)

Net pension obligation represents long-term debt activity which is presented on the government-wide financial statements, not the fund financial statements. (670,865)

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 consist of net (increase) in compensated absences of \$46,730. (46,730)

An internal service fund is used by management to charge gasoline to individual funds. Net income of internal service funds of \$2,773 is reported with governmental activities. 2,773

Change in Net Assets of Governmental Activities \$ 2,176,906

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	<u>Water Board</u>	<u>Sanitary Board</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 913,573	\$ 588,362
Investments	-0-	-0-
Accounts receivable, net	493,763	360,867
Interest receivable	-0-	-0-
Grants and contributions receivable	-0-	-0-
Due from other funds	6,545	3,623
Intergovernmental receivable	-0-	-0-
Inventories	98,620	-0-
Prepays	<u>3,606</u>	<u>8,043</u>
TOTAL CURRENT ASSETS	<u>1,516,107</u>	<u>960,895</u>
Restricted Assets:		
Cash and cash equivalents	<u>992,933</u>	<u>32,129</u>
TOTAL RESTRICTED ASSETS	<u>992,933</u>	<u>32,129</u>
Non-current Assets:		
Deferred debt expense, net	65,150	-0-
Deposits	-0-	-0-
Capital assets:		
Land and construction in progress	324,012	410,816
Other capital assets, net of accumulated depreciation	<u>6,974,242</u>	<u>5,313,689</u>
TOTAL NON-CURRENT ASSETS	<u>7,363,404</u>	<u>5,724,505</u>
TOTAL ASSETS	<u>9,872,444</u>	<u>6,717,529</u>

<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund - Gasoline</u>
\$ 946,168	\$ 281,096	\$ 2,729,199	\$ 8,913
-0-	344,487	344,487	-0-
8,402	5,347	868,379	71,069
51	-0-	51	-0-
-0-	-0-	-0-	-0-
-0-	-0-	10,168	28,205
-0-	15,997	15,997	-0-
-0-	-0-	98,620	-0-
<u>-0-</u>	<u>4,314</u>	<u>15,963</u>	<u>-0-</u>
<u>954,621</u>	<u>651,241</u>	<u>4,082,864</u>	<u>108,187</u>
<u>-0-</u>	<u>-0-</u>	<u>1,025,062</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>1,025,062</u>	<u>-0-</u>
-0-	-0-	65,150	-0-
-0-	303	303	-0-
6,000	362,030	1,102,858	-0-
<u>892,578</u>	<u>175,888</u>	<u>13,356,397</u>	<u>-0-</u>
<u>898,578</u>	<u>538,221</u>	<u>14,524,708</u>	<u>-0-</u>
<u>1,853,199</u>	<u>1,189,462</u>	<u>19,632,634</u>	<u>108,187</u>

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2006

	<u>Water Board</u>	<u>Sanitary Board</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 324,166	\$ 72,389
Wages and benefits payable	21,406	19,215
Due to other funds	11,042	4,656
Compensated Absences, current	67,425	55,860
Deferred revenue	<u>-0-</u>	<u>-0-</u>
TOTAL CURRENT LIABILITIES	<u>424,039</u>	<u>152,120</u>
 Liabilities Payable From Restricted Assets:		
Bond interest payable, current	67,561	-0-
Bonds payable, current	<u>304,015</u>	<u>-0-</u>
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>371,576</u>	<u>-0-</u>
 Non-Current Liabilities:		
Compensated absences, non-current	-0-	-0-
Capital lease obligation, non-current	-0-	106,565
Bonds payable, non-current	<u>4,586,695</u>	<u>-0-</u>
TOTAL NON-CURRENT LIABILITIES	<u>4,586,695</u>	<u>106,565</u>
TOTAL LIABILITIES	<u>5,382,310</u>	<u>258,685</u>
 NET ASSETS		
Invested in capital assets, net of related debt	2,605,821	5,617,940
Restricted for debt service	792,918	-0-
Restricted for maintenance	66,887	-0-
Unrestricted	<u>1,024,508</u>	<u>840,904</u>
TOTAL NET ASSETS	<u>\$ 4,490,134</u>	<u>\$ 6,458,844</u>

<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund - Gasoline</u>
\$ 17,730	\$ 22,767	\$ 437,052	\$ 43,112
18,166	12,774	71,561	-0-
1,571	4,204	21,473	-0-
8,318	17,612	149,215	-0-
<u>10,000</u>	<u>105,264</u>	<u>115,264</u>	<u>-0-</u>
<u>55,785</u>	<u>162,621</u>	<u>794,565</u>	<u>43,112</u>
-0-	-0-	67,561	-0-
<u>-0-</u>	<u>-0-</u>	<u>304,015</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>371,576</u>	<u>-0-</u>
-0-	8,388	8,388	-0-
-0-	-0-	106,565	-0-
<u>-0-</u>	<u>-0-</u>	<u>4,586,695</u>	<u>-0-</u>
<u>-0-</u>	<u>8,388</u>	<u>4,701,648</u>	<u>-0-</u>
<u>55,785</u>	<u>171,009</u>	<u>5,867,789</u>	<u>43,112</u>
898,578	537,918	9,660,257	-0-
-0-	-0-	792,918	-0-
-0-	-0-	66,887	-0-
<u>898,836</u>	<u>480,535</u>	<u>3,244,783</u>	<u>65,075</u>
\$ <u>1,797,414</u>	\$ <u>1,018,453</u>	\$ <u>13,764,845</u>	\$ <u>65,075</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Water <u>Board</u>	Sanitary <u>Board</u>
OPERATING REVENUES		
Charges for services:		
Fees for services	\$ 2,957,084	\$ 1,967,411
Library fines	-0-	-0-
Parking fees	-0-	-0-
Concessions, merchandise sales and commissions	-0-	-0-
Internal service charges	-0-	-0-
TOTAL CHARGES FOR SERVICES	<u>2,957,084</u>	<u>1,967,411</u>
Lease and rental income	39,836	-0-
Other	-0-	5,478
TOTAL OPERATING REVENUES	<u>2,996,920</u>	<u>1,972,889</u>
OPERATING EXPENSES		
Personal services	1,330,998	983,075
Maintenance, operations, and contractual services	752,659	561,348
Materials and supplies	137,188	72,179
Depreciation	545,026	392,458
TOTAL OPERATING EXPENSES	<u>2,765,871</u>	<u>2,009,060</u>
Operating income (loss)	<u>231,049</u>	<u>(36,171)</u>
NON-OPERATING REVENUE (EXPENSES)		
Grant income	-0-	-0-
Investment income	48,535	16,043
Interest on bonds, notes and lease obligations	(295,439)	(5,804)
Amortization	(1,873)	-0-
Other revenue (expenses)	-0-	-0-
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(248,777)</u>	<u>10,239</u>
Income (loss) before contributions and transfers	(17,728)	(25,932)
Capital contributions, other	243,993	1,500
Transfers from other funds	-0-	-0-
Change in net assets	226,265	(24,432)
Total net assets, beginning	<u>4,263,869</u>	<u>6,483,276</u>
Total net assets, ending	\$ <u>4,490,134</u>	\$ <u>6,458,844</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund - Gasoline</u>
\$ 446,424	\$ -0-	\$ 5,370,919	\$ -0-
-0-	9,613	9,613	-0-
-0-	177	177	-0-
15,649	-0-	15,649	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>327,648</u>
462,073	9,790	5,396,358	327,648
36,053	-0-	75,889	-0-
<u>-0-</u>	<u>181,717</u>	<u>187,195</u>	<u>-0-</u>
<u>498,126</u>	<u>191,507</u>	<u>5,659,442</u>	<u>327,648</u>
520,857	355,251	3,190,181	-0-
281,658	173,247	1,768,912	-0-
43,632	122,703	375,702	352,102
<u>159,735</u>	<u>42,249</u>	<u>1,139,468</u>	<u>-0-</u>
<u>1,005,882</u>	<u>693,450</u>	<u>6,474,263</u>	<u>325,102</u>
<u>(507,756)</u>	<u>(501,943)</u>	<u>(814,821)</u>	<u>2,546</u>
-0-	158,128	158,128	-0-
6,358	13,521	84,457	226
-0-	-0-	(301,243)	-0-
-0-	-0-	(1,873)	-0-
<u>(4,352)</u>	<u>-0-</u>	<u>(4,352)</u>	<u>-0-</u>
<u>2,006</u>	<u>171,649</u>	<u>(64,883)</u>	<u>226</u>
(505,750)	(330,294)	(879,704)	2,772
-0-	-0-	245,493	-0-
<u>447,000</u>	<u>291,500</u>	<u>738,500</u>	<u>-0-</u>
(58,750)	(38,794)	104,289	2,772
<u>1,856,164</u>	<u>1,057,247</u>	<u>13,660,556</u>	<u>62,303</u>
\$ <u>1,797,414</u>	\$ <u>1,018,453</u>	\$ <u>13,764,845</u>	\$ <u>65,075</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Water Board</u>	<u>Sanitary Board</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,886,340	\$ 1,882,185
Cash payments to suppliers for goods and services	(646,647)	(570,633)
Cash payments to employees and professional contractors for services	(1,382,077)	(851,440)
Payments for internal services	(27,035)	(19,120)
Other operating revenues	<u>-0-</u>	<u>-0-</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>830,581</u>	<u>440,992</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating grants received	-0-	-0-
Transfers from other funds	<u>-0-</u>	<u>-0-</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>-0-</u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(273,393)	(486,834)
Proceeds from issue of bonds	63,875	-0-
Principal paid on bonds and notes	(287,594)	(53,535)
Interest paid on bonds and notes	(298,977)	(5,804)
Issue costs on bonds	(42,726)	-0-
Capital contributions	243,993	1,500
Capital grants received	<u>-0-</u>	<u>-0-</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(594,822)</u>	<u>(544,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-0-	-0-
Proceeds from sale of investments	-0-	-0-
Investment income	<u>48,535</u>	<u>16,044</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>48,535</u>	<u>16,044</u>
Net increase (decrease) in cash and cash equivalents	284,294	(87,637)
Cash and cash equivalents at July 1, 2005	<u>1,622,212</u>	<u>708,128</u>
Cash and cash equivalents at June 30, 2006	\$ <u>1,906,506</u>	\$ <u>620,491</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund - Gasoline</u>
\$ 502,120 (274,896)	\$ 8,872 (264,333)	\$ 5,279,517 (1,756,509)	\$ 320,253 (335,881)
(598,855)	(373,227)	(3,205,599)	-0-
(2,420)	(325)	(48,900)	-0-
<u>-0-</u>	<u>165,720</u>	<u>165,720</u>	<u>-0-</u>
<u>(374,051)</u>	<u>(463,293)</u>	<u>434,229</u>	<u>(15,628)</u>
-0-	181,638	181,638	-0-
<u>447,000</u>	<u>291,500</u>	<u>738,500</u>	<u>-0-</u>
<u>447,000</u>	<u>473,138</u>	<u>920,138</u>	<u>-0-</u>
(151,601)	-0-	(911,828)	-0-
-0-	-0-	63,875	-0-
-0-	-0-	(341,129)	-0-
-0-	-0-	(304,781)	-0-
-0-	-0-	(42,726)	-0-
(4,350)	-0-	241,143	-0-
<u>10,000</u>	<u>-0-</u>	<u>10,000</u>	<u>-0-</u>
<u>(145,951)</u>	<u>-0-</u>	<u>(1,285,446)</u>	<u>-0-</u>
-0-	(9,778)	(9,778)	-0-
16,579	-0-	16,579	-0-
<u>6,358</u>	<u>10,864</u>	<u>81,801</u>	<u>226</u>
<u>22,937</u>	<u>1,086</u>	<u>88,602</u>	<u>226</u>
(50,065)	10,931	157,523	(15,402)
<u>996,233</u>	<u>270,165</u>	<u>3,596,738</u>	<u>24,315</u>
\$ <u>946,168</u>	\$ <u>281,096</u>	\$ <u>3,754,261</u>	\$ <u>8,913</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

	<u>Water Board</u>	<u>Sanitary Board</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ <u>231,049</u>	\$ <u>(36,171)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	545,026	392,458
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(104,035)	(88,359)
(Increase) decrease due from other funds	(6,545)	(2,344)
(Increase) decrease inventories	(1,546)	-0-
(Increase) decrease in prepaids	(3,606)	(3,127)
(Increase) decrease deposits	9,746	167,372
Increase (decrease) in accounts payable	181,936	31,545
Increase (decrease) in wages and benefits payable	(34,107)	(27,979)
Increase (decrease) in due to other funds	5,108	1,153
Increase (decrease) in compensated absences	<u>7,555</u>	<u>6,444</u>
TOTAL ADJUSTMENTS	<u>599,532</u>	<u>477,163</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u>830,581</u>	\$ <u>440,992</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Net increase in fair value of investments	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund - Gasoline</u>
\$ <u>(507,756)</u>	\$ <u>(501,943)</u>	\$ <u>(814,821)</u>	\$ <u>2,546</u>
159,735	42,249	1,139,468	-0-
3,994	(16,915)	(205,315)	(13,645)
-0-	-0-	(8,889)	6,250
-0-	-0-	(1,546)	-0-
-0-	-0-	(6,733)	-0-
4,140	-0-	181,258	-0-
(12,292)	7,055	208,244	(10,779)
(22,736)	2,312	(82,510)	-0-
864	3,949	11,074	-0-
<u>-0-</u>	<u>-0-</u>	<u>13,999</u>	<u>-0-</u>
<u>133,705</u>	<u>38,650</u>	<u>1,249,050</u>	<u>(18,174)</u>
\$ <u>(374,051)</u>	\$ <u>(463,293)</u>	\$ <u>434,229</u>	\$ <u>(15,628)</u>
\$ <u><u>-0-</u></u>	\$ <u><u>2,658</u></u>	\$ <u><u>2,658</u></u>	\$ <u><u>-0-</u></u>

CITY OF WEIRTON, WEST VIRGINIA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2006

	Pension <u>Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 604,132	\$ 37,646
Interest receivable	45,969	-0-
Prepaid expenses	-0-	-0-
Investments, at fair value:		
U.S. government backed securities	4,053,038	-0-
Common stock	5,234,563	-0-
Other bonds	<u>1,504,323</u>	<u>-0-</u>
TOTAL INVESTMENTS	<u>10,791,924</u>	<u>-0-</u>
TOTAL ASSETS	<u>11,442,025</u>	<u>37,646</u>
LIABILITIES		
Unearned revenue	8,953	19,023
Due to other entities	<u>-0-</u>	<u>18,623</u>
TOTAL LIABILITIES	<u>8,953</u>	<u>37,646</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u>11,433,072</u>	\$ <u>-0-</u>

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 391,962
Plan members	176,957
Insurance premium tax allocation	<u>534,976</u>
TOTAL CONTRIBUTIONS	<u>1,103,895</u>
Investment income	237,929
Less: Investment expense	<u>(120,794)</u>
NET INVESTMENT INCOME	<u>117,135</u>
TOTAL ADDITIONS	<u>1,221,030</u>
DEDUCTIONS	
Benefits	1,322,178
Administrative expenses	<u>24,219</u>
TOTAL DEDUCTIONS	<u>1,346,397</u>
Change in net assets	(125,367)
Net assets held in trust for pension benefits:	
Beginning of year	<u>11,558,439</u>
End of year	\$ <u><u>11,433,072</u></u>

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 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 (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, 2006. A new reporting standard requires that net assets subject to enabling legislation be restricted. See Note 5.

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:

<u>Related Organizations</u>	<u>Brief Description of Activities and Relationship to the City</u>
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.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 Governmental 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. Reimbursement 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.

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, municipal service 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, municipal service 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, excise taxes on utilities, B&O taxes, hotel taxes, wine, liquor and private club taxes, refuse fees, municipal service 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Liabilities payable from restricted assets current in nature are reported with current liabilities in the government wide financial statements. See Note 5 for information describing restricted assets.

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.

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 - accounts 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 selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

securities. 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, expensed 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.

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 and 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 considered to be material by management.

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.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 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.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - BUDGETARY INFORMATION (CONTINUED)

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 bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

NOTE 3 - DEPOSITS AND INVESTMENTS

For discussion of deposit and investment policy and other related information see Note 1.

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. Deposited funds may be invested in 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. 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, 2006, \$867,578 of the City's bank balances of \$6,180,080 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>867,578</u>
Total	\$ <u>867,578</u>

The total amount of the custodial credit risk exposure is in the Board of Park Commissioners Fund.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

As of June 30, 2006, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Effective Duration (2)</u>	<u>Weighted Average Days To Maturity (2)</u>
PRIMARY GOVERNMENT					
Non-pooled Investments:					
Certificates of Deposit	\$ 407,293	\$ 407,781	N/A		110
Fixed Income Mutual Fund	<u>325,706</u>	<u>344,615</u>	N/A		N/A
Total Primary Government Investments (Non-fiduciary)	<u>732,999</u>	<u>752,396</u>			
FIDUCIARY FUNDS					
Common Stock:					
Domestic	5,234,563	4,891,905	N/A		N/A
Government Securities:					
U.S. Treasury Notes	1,498,675	1,525,275	N/A		1,078
U.S. Treasury Bonds	188,195	203,384	N/A		8,990
Federal Agency Notes	2,366,168	2,443,406	N/A		7,540
Corporate Obligations:					
Domestic	<u>1,504,323</u>	<u>1,554,265</u>	AAA/BBB		1,735
Total Fiduciary Investments	<u>10,791,924</u>	<u>10,618,235</u>			
Grand Total Investments	<u>\$ 11,524,923</u>	<u>\$ 11,370,631</u>			

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

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

The composition of pension trust fund investments at fair value is shown in 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	\$ 2,850,352	\$ 2,384,211	\$ 5,234,563
Government securities/ fixed income	1,795,268	2,257,770	4,053,038
Corporate bonds	<u>665,771</u>	<u>838,552</u>	<u>1,504,323</u>
Total investments	<u>\$ 5,311,391</u>	<u>\$ 5,480,533</u>	<u>\$ 10,791,924</u>

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

PENSION TRUST POLICY

The City's two pension trust are the Policemen's Pension and Relief and 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;

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

PENSION TRUST POLICY (CONTINUED)

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

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

PENSION TRUST POLICY (CONTINUED)

Both plans address custodial credit risk similarly with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the respective pension boards. The pension trust funds hold \$5,234,563 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.

NOTE 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:

	<u>Major Enterprise Funds</u>				<u>Total</u>
	<u>Water Board</u>	<u>Sanitary Board</u>	<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	
Accounts Receivable	\$ 648,331	\$ 475,309	\$ 8,625	\$ 5,347	\$ 1,137,612
Less: Allowance for Uncollectible Accounts	<u>(154,568)</u>	<u>(114,442)</u>	<u>(223)</u>	<u>-0-</u>	<u>(269,233)</u>
Net Accounts Receivable	<u>\$ 493,763</u>	<u>\$ 360,867</u>	<u>\$ 8,402</u>	<u>\$ 5,347</u>	<u>\$ 868,379</u>
Uncollectible Amounts Netted With Revenues	<u>\$ 943</u>	<u>\$ 889</u>	<u>\$ (1,167)</u>	<u>\$ -0-</u>	<u>\$ (665)</u>

The Board of Park Commissioners Fund and the Library Fund reported deferred revenue of \$10,000 and \$105,264, respectively for grant revenue received in advance of incurring qualifying expenses.

CITY OF WEIRTON, WEST VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

**NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE
 (CONTINUED)**

GOVERNMENTAL RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Significant receivables include amounts due from customers for sanitation services, municipal service fees, and police and fire service fees. These receivables are due within one year. Certain funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance is estimated using accounts receivable past due more than 90 days. Related amounts are shown in the following table:

		Major <u>Governmental Funds</u>
		<u>General Fund</u>
Accounts receivable	\$	740,127
Less: Allowance for Uncollectible Accounts		<u>(357,645)</u>
Net Accounts Receivable	\$	<u>382,482</u>
Uncollectible Amounts Netted with Revenues	\$	<u>9,832</u>

PROPERTY TAXES RECEIVABLE, UNCOLLECTIBLE TAXES, DEFERRED REVENUE, AND PROPERTY TAX CALENDAR

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a county may distraint 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.

CITY OF WEIRTON, WEST VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

**NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE
 (CONTINUED)**

**PROPERTY TAXES RECEIVABLE, UNCOLLECTIBLE TAXES, DEFERRED
 REVENUE, AND PROPERTY TAX CALENDAR (CONTINUED)**

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, 2006 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>
Class I	\$ 100,725	12.45¢
Class II	237,514,908	24.90¢
Class IV	389,794,141	49.80¢

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund and Tax Increment Financing 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 \$197,462. An allowance totaling \$29,586 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 and related revenue include all amounts due the City regardless of when cash is received.

**INTERGOVERNMENTAL RECEIVABLES, GRANTS RECEIVABLE AND
 DEFERRED REVENUE**

Intergovernmental receivables totaling \$29,817 are primarily comprised of amounts due from other governmental entities. Revenue is recorded as earned when eligibility requirements are met. Grants receivable totaling \$69,358 have been recorded for expenses incurred in excess of grant funds received in the General Fund and Community Development Block Grant Fund. 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 and intergovernment revenue received after 60 days in the General and Coal Severance Tax Funds totaling \$47,000 and other revenues received in advance of incurring qualifying expenditures in the General Fund and Public Safety and Development Fund totaling \$296,579. Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if eligibility requirements are met.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - RESTRICTED ASSETS AND RESTRICTED NET ASSETS

Certain proprietary fund assets are restricted for debt service and repair and replacement of capital assets. Total restricted assets, which consist of interest bearing checking accounts and deposits with the West Virginia Municipal Bond Commission, amounted to \$1,025,062.

Net assets restricted for debt service consists of cash on deposit with the Municipal Bond Commission restricted for debt service on revenue bonds. Net assets for maintenance consists of cash accounts restricted for repair and replacement of the water and wastewater facilities. Net assets of governmental funds restricted by enabling legislation for specific purposes include intergovernmental programs, contributions, property taxes from increment financing property, and financial stability funds together totaling \$582,761.

NOTE 6 - CAPITAL ASSETS

CHANGES IN CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED					Totals
	Land	Construction In Progress	Land Improvements	Buildings and Improvements	Infrastructure	General Plant	Furniture, Machinery, and Equipment	
Primary Government								
<i>Governmental Activities</i>								
Balance, June 30, 2005	\$ -0-	\$ 120,082	\$ 1,692,670	\$ 6,988,277	\$ 850,407	\$ -0-	\$ 7,927,933	\$ 17,579,369
Increases	-0-	-0-	146,671	93,928	2,957,164	-0-	1,115,298	4,313,061
Decreases	-0-	(120,082)	-0-	-0-	-0-	-0-	(8,800)	(128,882)
Balance, June 30, 2006	<u>-0-</u>	<u>-0-</u>	<u>1,839,341</u>	<u>7,082,205</u>	<u>3,807,571</u>	<u>-0-</u>	<u>9,034,431</u>	<u>21,763,548</u>
<i>Accumulated Depreciation</i>								
Balance, June 30, 2005	-0-	-0-	1,575,966	3,756,517	61,184	-0-	4,376,079	9,769,746
Increases	-0-	-0-	56,325	139,313	63,807	-0-	527,521	786,966
Decreases	-0-	-0-	-0-	-0-	-0-	-0-	(8,800)	(8,800)
Balance, June 30, 2006	<u>-0-</u>	<u>-0-</u>	<u>1,632,291</u>	<u>3,895,830</u>	<u>124,991</u>	<u>-0-</u>	<u>4,894,800</u>	<u>10,547,912</u>
<i>Governmental Activities</i>								
Capital Assets, Net	<u>-0-</u>	<u>-0-</u>	<u>207,050</u>	<u>3,186,375</u>	<u>3,682,580</u>	<u>-0-</u>	<u>4,139,631</u>	<u>11,215,636</u>
<i>Business-type Activities</i>								
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
Increases	6,982	417,293	-0-	136,709	133,376	-0-	275,372	969,732
Decreases	-0-	(57,907)	-0-	-0-	(16,003)	-0-	-0-	(73,910)
Balance, June 30, 2006	<u>535,383</u>	<u>567,476</u>	<u>134,947</u>	<u>7,987,370</u>	<u>32,472,026</u>	<u>1,300,499</u>	<u>3,336,455</u>	<u>46,334,156</u>
<i>Accumulated Depreciation</i>								
Balance, June 30, 2005	-0-	-0-	109,846	3,766,413	24,329,986	501,124	2,044,070	30,751,439
Increases	-0-	-0-	8,804	223,773	672,053	26,715	208,123	1,139,468
Decreases	-0-	-0-	-0-	-0-	(16,006)	-0-	-0-	(16,006)
Balance, June 30, 2006	<u>-0-</u>	<u>-0-</u>	<u>118,650</u>	<u>3,990,186</u>	<u>24,986,033</u>	<u>527,839</u>	<u>2,252,193</u>	<u>31,874,901</u>
<i>Business-type Activities</i>								
Capital Assets, Net	<u>535,383</u>	<u>567,476</u>	<u>16,297</u>	<u>3,997,184</u>	<u>7,485,993</u>	<u>772,660</u>	<u>1,084,262</u>	<u>14,459,255</u>
Primary Government								
Capital Assets, Net	<u>\$ 535,383</u>	<u>\$ 567,476</u>	<u>\$ 223,347</u>	<u>\$ 7,183,559</u>	<u>\$ 11,168,573</u>	<u>\$ 772,660</u>	<u>\$ 5,223,893</u>	<u>\$ 25,674,891</u>

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

COMMITMENTS

Active construction in progress is composed of the following:

	<u>Spent to June 30, 2006</u>	<u>Remaining Commitment</u>
Primary Government		
<i>Business-type Activities:</i>		
Water tank	\$ 206,136	\$ 2,712,864
Line extension	29,080	308,400
Plant improvements	326,860	4,094,968
Lift station upgrade	5,400	1,594,600

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

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

DEPRECIATION EXPENSE

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

Governmental Activities		Business-type Activities	
General government	\$ 266,822	Water	\$ 545,026
Public safety	229,325	Sewer	392,458
Highways and streets	130,280	Board of Park	
Health and sanitation	61,363	Commissioners	159,735
Culture and recreation	99,176	Library	41,124
		Parking Authority	1,125

NOTE 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 \$584,048, police cruisers at a cost of \$206,316, 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 are:

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Fund</u>		<u>Sanitary Board</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 384,598	\$ 18,451	\$ -0-	\$ -0-
2008	345,393	44,223	24,928	4,742
2009	101,787	1,918	26,037	3,633
2010	-0-	-0-	27,195	2,474
2011	<u>-0-</u>	<u>-0-</u>	<u>28,405</u>	<u>1,264</u>
Totals	\$ <u>831,778</u>	\$ <u>64,592</u>	\$ <u>106,565</u>	\$ <u>12,113</u>

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 7 - LEASE COMMITMENTS (CONTINUED)

CAPITAL LEASES (CONTINUED)

Interest rates on capital leases vary from 3.86% to 4.59% 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, 2006 amounted to \$15,584, for governmental activities and \$5,804 for business-type activities, all of which was expensed.

NOTE 8 - LONG-TERM DEBT

REVENUE BONDS

Revenue bonds outstanding as of June 30, 2006 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 was 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 did not constitute an indebtedness of the City. The remaining Series 1989 Bonds and the Series 2002 Bonds therefore were not recorded as an obligation of the City of Weirton, West Virginia in the accompanying financial statements. In December 2005, a liquidating payment was made in the amount of \$1,099,940, in complete satisfaction of the obligations.

The City of Weirton, West Virginia was 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

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

CONDUIT DEBT (CONTINUED)

a 10-unit multi-family housing independent living facility. The Bonds were limited obligations of the City, payable solely from the funds pledged for their payment in accordance with the indenture and did not constitute an indebtedness of the City. The Series 2000 Bonds, therefore, were not recorded as an obligation of the City of Weirton, West Virginia in the accompanying financial statements. In May 2006, a final payment was made in full on the outstanding balance of this obligation.

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

<u>Description and Purpose</u>	<u>Balance July 1, 2005</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
<i>Primary Government</i>					
<i>Governmental Activities</i>					
Compensated Absences	\$ 469,196	\$ 38,747	\$ -0-	\$ 507,943	\$ 85,206
Lease Obligations Payable	<u>713,478</u>	<u>482,064</u>	<u>363,764</u>	<u>831,778</u>	<u>384,598</u>
Total Governmental Activities	<u>1,182,674</u>	<u>520,811</u>	<u>363,764</u>	<u>1,339,721</u>	<u>469,804</u>
<i>Business-type Activities</i>					
Revenue Bonds:					
<u>Major Enterprise Funds</u>					
Water Board	<u>5,114,429</u>	<u>63,875</u>	<u>287,594</u>	<u>4,890,710</u>	<u>304,015</u>
Total Revenue Bonds	<u>5,114,429</u>	<u>63,875</u>	<u>287,594</u>	<u>4,890,710</u>	<u>304,015</u>
Revenue Bonds Interest Payable:					
<u>Major Enterprise Funds</u>					
Water Board	<u>71,099</u>	<u>295,439</u>	<u>298,977</u>	<u>67,561</u>	<u>67,561</u>
Total Revenue Bonds Interest Payable	<u>71,099</u>	<u>295,439</u>	<u>298,977</u>	<u>67,561</u>	<u>67,561</u>
Lease Obligations Payable:					
<u>Major Enterprise Funds</u>					
Sanitary Board	<u>160,100</u>	<u>-0-</u>	<u>53,535</u>	<u>106,565</u>	<u>-0-</u>
Total Lease Obligations Payable	<u>160,100</u>	<u>-0-</u>	<u>53,535</u>	<u>106,565</u>	<u>-0-</u>
Compensated Absences:					
<u>Major Enterprise Funds</u>					
Water Board	59,870	7,555	-0-	67,425	67,425
Sanitary Board	49,416	6,444	-0-	55,860	55,860
Board of Park Commissioners	8,318	-0-	-0-	8,318	8,318
<u>Other Enterprise Funds</u>					
Library	<u>26,000</u>	<u>-0-</u>	<u>-0-</u>	<u>26,000</u>	<u>17,612</u>
Total Compensated Absences	<u>143,604</u>	<u>13,999</u>	<u>-0-</u>	<u>157,603</u>	<u>149,215</u>
Total Business-type Activities	<u>5,489,232</u>	<u>373,313</u>	<u>640,106</u>	<u>5,222,439</u>	<u>520,791</u>
Total Primary Government Long-term Debt	\$ <u>6,671,906</u>	\$ <u>894,124</u>	\$ <u>1,003,870</u>	\$ <u>6,562,160</u>	\$ <u>990,595</u>

CITY OF WEIRTON, WEST VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

ADDITIONAL DEBT DISCLOSURE

Outstanding Bonds, Maturity Dates, and Interest Rates

<u>Description and purpose</u>	<u>Amount of Original Issue</u>	<u>Range of Final Maturity Dates</u>	<u>Range of Interest Rates</u>
Primary Government <i>Business-type activities</i> Revenue bonds: <u>Major Enterprise Funds</u> Water Board	\$ 7,253,875	2017 - 2028	0% - 8.10%

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, 2006 are as follows:

Primary Government

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 304,015	\$ 289,745
2008	321,644	272,116
2009	340,574	253,187
2010	360,905	232,854
2011	382,755	211,006
2012 - 2016	2,303,480	665,317
2017 - 2021	<u>813,462</u>	<u>46,551</u>
Totals	\$ <u>4,826,835</u>	\$ <u>1,970,776</u>

In May 2006, the city closed on \$2,555,000 water revenue bonds, series 2006A to fund the construction of its Bellview tank. As of June 30, 2006, \$63,875 had been drawn down on this issue and therefore, is not included in the above debt service presentation.

See Note 7 for debt service relating to leases.

Total interest expense for the fiscal year ended June 30, 2006 amounted to \$295,439, all of which was expensed.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 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.

NOTE 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 reporting entity at fiscal year-end:

	<u>Primary Government Governmental Activities</u>		<u>Business-type Activities</u>				
	<u>Major Governmental Funds</u>		<u>Major Enterprise Funds</u>				
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Water Board</u>	<u>Sanitary Board</u>	<u>Board of Park Commissioners</u>	<u>Other Enterprise Funds</u>	<u>Total Due From</u>
Governmental Activities:							
<u>Major Governmental Funds</u>							
General	\$ -0-	\$ 60,173	\$ 4,237	\$ 679	\$ -0-	\$ 1,919	\$ 67,008
<u>Internal Service Fund</u>	15,573	-0-	6,805	3,977	1,571	279	28,205
<u>Major Enterprise Funds</u>							
Water Board	6,545	-0-	-0-	-0-	-0-	-0-	6,545
Sanitary Board	<u>1,617</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,006</u>	<u>3,623</u>
Total Due To	\$ <u>23,735</u>	\$ <u>60,173</u>	\$ <u>11,042</u>	\$ <u>4,656</u>	\$ <u>1,571</u>	\$ <u>4,204</u>	\$ <u>105,381</u>

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 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. In addition, the Financial Stability Fund was established during the fiscal year ended June 30, 2006 by a transfer of funds from the General Fund. These payments are detailed in the schedule below.

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

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

Transfer From Primary Government	Transfers to		
	<u>Governmental Activities</u>		
	Major Government Funds	Other Governmental Funds	Total Transfers From
	<u>General</u>	<u>Funds</u>	<u>From</u>
Governmental Activities:			
<u>Major Governmental Funds</u>			
General Fund	\$ -0-	\$ 30,000	\$ 30,000
<u>Other Governmental Funds</u>	400,000	-0-	400,000
Business-type Activities:			
<u>Major Enterprise Funds</u>			
Board of Park Commissioners	440,000	7,000	447,000
<u>Other Enterprise Funds</u>	291,500	-0-	291,500
Total Transfers To	\$ <u>1,131,500</u>	\$ <u>37,000</u>	\$ <u>1,168,500</u>

NOTE 12 - REVENUES AND EXPENDITURES - BENEFITS FUNDED BY THE STATE OF WEST VIRGINIA

For fiscal year 2006, 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	\$ 355,926
City of Weirton Firemen's Pension and Relief Fund	<u>179,050</u>
Total	\$ <u>534,976</u>

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

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 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:

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, 2005 for the Firemen's Pension and Relief Fund.

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

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>
Memberships of the plans are as follows:		
Non-vested active members	28	13
Fully vested active members	11	9
Retirees and beneficiaries currently receiving benefits	42	15
Terminated plan members entitled to but not yet receiving benefits	<u>-0-</u>	<u>-0-</u>
Total	<u>81</u>	<u>37</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	20.95% of covered payroll	25.10% of covered payroll
Plan members	7% of covered payroll	7% of covered payroll
Funding of administrative costs	Investment earnings	Investment earnings
Period required to vest	5 years	5 years
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

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 13 - RETIREMENT PLANS

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>		
	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation(NPO)</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (NPO)</u>
2006 \$	676,035	39%	\$ 409,773	\$ 260,541	45%	\$ 143,622
2005	676,035	37%	427,192	281,384	42%	163,907
2004	676,076	34%	443,513	281,384	39%	171,592

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.

CITY OF WEIRTON, WEST VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 13 - RETIREMENT PLANS (CONTINUED)

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

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

<u>Fiscal</u> <u>Year</u>	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2006	\$ 408,606	100%
2005	379,677	100%
2004	416,959	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.

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 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.

NOTE 15 - CONCENTRATION OF CREDIT RISK

The General Fund bills the residents and businesses a police and fire service fee, a municipal 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 \$357,645 for the General Fund, \$154,568 for the Water Board, \$114,442 for the Sanitary Board and \$223 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.

NOTE 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 of construction is \$2,919,000. Costs incurred as of June 30, 2006 totaled \$206,136. The project is to be partially funded by the \$2,555,000 water revenue bonds, series 2006A which closed in May 2006.

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 construction costs to complete this upgrade is approximately \$3,800,000. No money had been expended in fiscal year ending June 30, 2006.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 16 - COMMITMENTS (CONTINUED)

Sanitary Board:

The Weirton Sanitary Board committed to a large line extension, namely the East Weirton line extension. The estimated total construction costs for the project is \$337,480. Construction costs incurred as of June 30, 2006, totaled \$29,080.

The Sanitary Board has also committed to life station upgrades. The total estimated construction costs is \$1,600,000. Construction costs incurred as of June 30, 2006, totaled \$5,400.

The Sanitary Board has also committed to major plant improvements, with an estimated construction cost of \$4,421,828. As of June 30, 2006, construction costs incurred totaled \$326,860. The project is to be partially funded by a \$4,199,404 state revolving loan fund bond issue.

NOTE 17 - SUBSEQUENT EVENTS

Board of Park Commissioners:

On September 11, 2006, the Board entered into a contract to replace the roof at Millsop Community Center at a cost of approximately \$258,000.

On January 10, 2007, the Board entered into a contract to replace the heating system at Millsop Community Center at a cost of approximately \$117,000. This project will be funded by grant revenues.

On February 2, 2007, the Board entered into a contract to replace windows at Millsop Community Center at a cost of approximately \$75,000.

Library:

On October 4, 2006, the library entered into a contract to replace its HVAC system at a cost of approximately \$259,000. The project is to be funded by grants totaling approximately \$213,000 with the remaining \$46,000 coming from operations.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS -
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006**

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
07/01/05	\$ 5,546,711	\$ 9,599,380	\$ 4,052,669	58%	\$ 951,732	426%
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	Policemen's Pension and Relief Fund		Firemen's Pension and Relief Fund	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2006	\$ 676,035	39%	\$ 260,541	45%
2005	676,035	37%	281,384	42%
2004	676,076	34%	281,384	39%
2003	676,076	32%	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, 2006**

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	7/1/05
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%	5.75%
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
 YEAR ENDED JUNE 30, 2006

	Original Budget	Revisions	Revised Budget	Actual	Variance
REVENUES					
Taxes:					
Property	\$ 2,433,582	\$ 97,000	\$ 2,530,582	\$ 2,525,785	\$ (4,797)
B&O	3,000,000	(700,000)	2,300,000	2,075,396	(224,604)
Excise tax on utilities	1,310,000	-0-	1,310,000	1,246,129	(63,871)
Other	<u>454,000</u>	<u>123,000</u>	<u>577,000</u>	<u>580,727</u>	<u>3,727</u>
TOTAL TAXES	7,197,582	(480,000)	6,717,582	6,428,037	(289,545)
Licenses and permits	330,000	32,000	362,000	288,232	(73,768)
Fines and forfeitures	82,000	40,000	122,000	119,795	(2,205)
Investment income	35,000	40,000	75,000	82,050	7,050
Charges for services	4,125,000	155,000	4,280,000	4,222,031	(57,969)
Intergovernmental programs	182,500	2,626,787	2,809,287	2,235,092	(574,195)
Charges to other funds	135,388	-0-	135,388	135,387	(1)
Reimbursements	348,000	40,000	388,000	145,244	(242,756)
Other	<u>102,434</u>	<u>-0-</u>	<u>102,434</u>	<u>253,960</u>	<u>151,526</u>
TOTAL REVENUES BEFORE PRIOR YEAR FUND BALANCE	12,537,904	2,453,787	14,991,691	13,909,828	(1,081,863)
Prior year fund balance (1)	<u>2,000,000</u>	<u>1,757,616</u>	<u>3,757,616</u>	<u>3,757,616</u>	<u>-0-</u>
TOTAL REVENUES AND PRIOR YEAR FUND BALANCE	<u>14,537,904</u>	<u>4,211,403</u>	<u>18,749,307</u>	<u>17,667,444</u>	<u>(1,081,863)</u>
EXPENDITURES					
General government	5,777,813	2,068,559	7,846,372	5,772,917	2,073,455
Public safety	4,685,932	761,632	5,447,564	4,808,993	638,571
Highways and streets	2,257,212	1,035,903	3,293,115	2,537,357	755,758
Health and sanitation	975,447	252,260	1,227,707	939,337	288,370
Culture and recreation	841,500	90,049	931,549	840,403	91,146
Social services	<u>5,000</u>	<u>3,000</u>	<u>8,000</u>	<u>6,893</u>	<u>1,107</u>
TOTAL EXPENDITURES	<u>14,542,904</u>	<u>4,211,403</u>	<u>18,754,307</u>	<u>14,905,900</u>	<u>3,848,407</u>
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	<u>(5,000)</u>	<u>-0-</u>	<u>(5,000)</u>	<u>2,761,544</u>	<u>2,766,544</u>

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
YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	\$ 5,000	\$ -0-	\$ 5,000	\$ -0-	\$ (5,000)
NET OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>-0-</u>	<u>5,000</u>	<u>-0-</u>	<u>(5,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-0-	-0-	-0-	2,761,544	2,761,544
Fund balance, beginning	2,000,000	1,757,616	3,757,616	3,757,616	-0-
Less prior year fund balance budgeted	<u>(2,000,000)</u>	<u>(1,757,616)</u>	<u>(3,757,616)</u>	<u>(3,757,616)</u>	<u>-0-</u>
Fund balance, ending	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,761,544</u>	\$ <u>2,761,544</u>

(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

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

	<u>Amount</u>
1) Contributions to the Board of Park Commissioners, Financial Stability and Library Funds reported as expenditures as opposed to transfers to other funds	\$ 1,131,500
2) Contributions from CDBG Fund reported as income as opposed to transfers from other funds.	(30,000)
3) Interfund reimbursements reported as charges to other funds (\$135,387) and reimbursements (\$145,244) as opposed to netting with the expenditures (general government \$266,131 and public safety \$14,500)	280,631

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
YEAR ENDED JUNE 30, 2006

ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

	<u>Amount</u>
4) Capital leases not recognized in accordance with generally accepted accounting principles. Payments not reported as debt service payments. The effect is as follows:	
Decrease in:	
Other financing sources - capital financing	\$ 482,064
Debt service - principal	(222,764)
Debt service - interest	(15,584)
Highways and Streets	(257,660)
Increase in:	
Public safety	13,944

CITY OF 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
YEAR ENDED JUNE 30, 2006

	Original <u>Budget</u>	<u>Revisions</u>	Revised <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Intergovernmental	\$ 45,000	\$ -0-	\$ 45,000	\$ 68,261	\$ 23,261
Investment income	<u>400</u>	<u>-0-</u>	<u>400</u>	<u>296</u>	<u>(104)</u>
TOTAL REVENUES BEFORE PRIOR YEAR FUND BALANCE	45,400	-0-	45,400	68,557	23,157
Prior year fund balance (1)	<u>55,000</u>	<u>(1,359)</u>	<u>53,641</u>	<u>53,641</u>	<u>-0-</u>
TOTAL REVENUES AND PRIOR YEAR FUND BALANCE	<u>100,400</u>	<u>(1,359)</u>	<u>99,041</u>	<u>122,198</u>	<u>23,157</u>
EXPENDITURES					
General government	<u>100,400</u>	<u>(1,359)</u>	<u>99,041</u>	<u>64,003</u>	<u>35,038</u>
TOTAL EXPENDITURES	<u>100,400</u>	<u>(1,359)</u>	<u>99,041</u>	<u>64,003</u>	<u>35,038</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	58,195	58,195
Fund balance, beginning	55,000	(1,359)	53,641	53,641	-0-
Less prior year fund balance budgeted	<u>(55,000)</u>	<u>1,359</u>	<u>(53,641)</u>	<u>(53,641)</u>	<u>-0-</u>
Fund balance, ending	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>58,195</u></u>	\$ <u><u>58,195</u></u>

(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

OTHER SUPPLEMENTARY INFORMATION

CITY OF WEIRTON, WEST VIRGINIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	<u>Youth Job Program</u>	<u>Community Development Block Grant</u>
ASSETS		
Cash and cash equivalents	\$ 284	\$ 2,807
Taxes receivable	-0-	-0-
Grants receivable	-0-	62,150
Deposits	<u>-0-</u>	<u>2,000</u>
TOTAL ASSETS	\$ <u>284</u>	\$ <u>66,957</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ -0-	\$ 6,784
Security deposit	-0-	-0-
Due to other funds	-0-	60,173
Deferred revenue	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>66,957</u>
 FUND BALANCES		
Unreserved	<u>284</u>	<u>-0-</u>
TOTAL FUND BALANCES	<u>284</u>	<u>-0-</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>284</u>	 \$ <u>66,957</u>

<u>Tax Increment Financing</u>	<u>Financial Stability</u>	<u>Public Safety and Development</u>	<u>Total</u>
\$ 47,185	\$ 399,990	\$ 205,680	\$ 655,946
15,971	-0-	-0-	15,971
-0-	-0-	-0-	62,150
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,000</u>
\$ <u>63,156</u>	\$ <u>399,990</u>	\$ <u>205,680</u>	\$ <u>736,067</u>
\$ -0-	\$ -0-	\$ 5,579	\$ 12,363
-0-	-0-	25,000	25,000
-0-	-0-	-0-	60,173
<u>2,807</u>	<u>-0-</u>	<u>130,965</u>	<u>133,772</u>
<u>2,807</u>	<u>-0-</u>	<u>161,544</u>	<u>231,308</u>
<u>60,349</u>	<u>399,990</u>	<u>44,136</u>	<u>504,759</u>
<u>60,349</u>	<u>399,990</u>	<u>44,136</u>	<u>504,759</u>
\$ <u>63,156</u>	\$ <u>399,990</u>	\$ <u>205,680</u>	\$ <u>736,067</u>

CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	<u>Youth Job Program</u>	<u>Community Development Block Grant</u>
REVENUES		
Property taxes	\$ -0-	\$ -0-
Program income	-0-	10,918
Intergovernmental programs	-0-	563,444
Other	<u>-0-</u>	<u>-0-</u>
TOTAL REVENUES	<u>-0-</u>	<u>574,362</u>
EXPENDITURES		
Current:		
General government	-0-	-0-
Public safety	-0-	-0-
Community development	-0-	396,362
Debt Service:		
Capital leases-principal	<u>-0-</u>	<u>141,000</u>
TOTAL EXPENDITURES	<u>-0-</u>	<u>537,362</u>
Excess of revenue over expenditures	<u>-0-</u>	<u>37,000</u>
OTHER FINANCING SOURCES (USES)		
Transfer from other funds	-0-	-0-
Transfer to other funds	<u>-0-</u>	<u>(37,000)</u>
NET OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>(37,000)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-
Fund balance, beginning	<u>284</u>	<u>-0-</u>
Fund balance, ending	\$ <u>284</u>	\$ <u><u>-0-</u></u>

<u>Tax Increment Financing</u>	<u>Financial Stability</u>	<u>Public Safety and Development</u>	<u>Total</u>
\$ 70,359	\$ -0-	\$ -0-	\$ 70,359
-0-	-0-	-0-	10,918
-0-	-0-	-0-	563,444
<u>-0-</u>	<u>-0-</u>	<u>22,685</u>	<u>22,685</u>
<u>70,359</u>	<u>-0-</u>	<u>22,685</u>	<u>667,406</u>
10,010	10	8,091	18,111
-0-	-0-	10,405	10,405
-0-	-0-	-0-	396,362
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>141,000</u>
<u>10,010</u>	<u>10</u>	<u>18,496</u>	<u>565,878</u>
<u>60,349</u>	<u>(10)</u>	<u>4,189</u>	<u>101,528</u>
-0-	400,000	-0-	400,000
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(37,000)</u>
<u>-0-</u>	<u>400,000</u>	<u>-0-</u>	<u>363,000</u>
60,349	399,990	4,189	464,528
<u>-0-</u>	<u>-0-</u>	<u>39,947</u>	<u>40,231</u>
\$ <u>60,349</u>	\$ <u>399,990</u>	\$ <u>44,136</u>	\$ <u>504,759</u>

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2006**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 280,739	\$ 357	\$ 281,096
Investments	344,487	-0-	344,487
Accounts receivable	5,347	-0-	5,347
Intergovernmental receivable	15,997	-0-	15,997
Prepays	<u>4,314</u>	<u>-0-</u>	<u>4,314</u>
TOTAL CURRENT ASSETS	<u>650,884</u>	<u>357</u>	<u>651,241</u>
Non-current assets:			
Deposits	303	-0-	303
Capital assets:			
Land	57,449	304,581	362,030
Other capital assets, net of accumulated depreciation	<u>172,569</u>	<u>3,319</u>	<u>175,888</u>
TOTAL NON-CURRENT ASSETS	<u>230,321</u>	<u>307,900</u>	<u>538,221</u>
TOTAL ASSETS	<u>881,205</u>	<u>308,257</u>	<u>1,189,462</u>
LIABILITIES			
Current liabilities:			
Accounts payable	22,767	-0-	22,767
Wages and benefits payable	12,774	-0-	12,774
Due to other funds	4,204	-0-	4,204
Compensated absences, current	17,612	-0-	17,612
Deferred revenue	<u>105,264</u>	<u>-0-</u>	<u>105,264</u>
TOTAL CURRENT LIABILITIES	<u>162,621</u>	<u>-0-</u>	<u>162,621</u>
Non-current liabilities:			
Compensated absences, non-current	<u>8,388</u>	<u>-0-</u>	<u>8,388</u>
TOTAL NON-CURRENT LIABILITIES	<u>8,388</u>	<u>-0-</u>	<u>8,388</u>
TOTAL LIABILITIES	<u>171,009</u>	<u>-0-</u>	<u>171,009</u>
NET ASSETS			
Invested in capital assets	230,018	307,900	537,918
Unrestricted	<u>480,178</u>	<u>357</u>	<u>480,535</u>
TOTAL NET ASSETS	<u>\$ 710,196</u>	<u>\$ 308,257</u>	<u>\$ 1,018,453</u>

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2006**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Library fines	\$ 9,613	\$ -0-	\$ 9,613
Parking fees	<u>-0-</u>	<u>177</u>	<u>177</u>
TOTAL CHARGES FOR SERVICES	9,613	177	9,790
Other	<u>181,717</u>	<u>-0-</u>	<u>181,717</u>
TOTAL OPERATING REVENUES	<u>191,330</u>	<u>177</u>	<u>191,507</u>
OPERATING EXPENSES			
Personal services	355,251	-0-	355,251
Maintenance, operations and contractual services	173,247	-0-	173,247
Materials and supplies	122,703	-0-	122,703
Depreciation	<u>41,124</u>	<u>1,125</u>	<u>42,249</u>
TOTAL OPERATING EXPENSES	<u>692,325</u>	<u>1,125</u>	<u>693,450</u>
Operating (loss)	<u>(500,995)</u>	<u>(948)</u>	<u>(501,943)</u>
NON-OPERATING REVENUE (EXPENSES)			
Grant income	158,128	-0-	158,128
Investment income	<u>13,521</u>	<u>-0-</u>	<u>13,521</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>171,649</u>	<u>-0-</u>	<u>171,649</u>
(Loss) before transfers	(329,346)	(948)	(330,294)
Transfers from other funds	<u>291,500</u>	<u>-0-</u>	<u>291,500</u>
Change in net assets	(37,846)	(948)	(38,794)
Total net assets, beginning	<u>748,042</u>	<u>309,205</u>	<u>1,057,247</u>
Total net assets, ending	\$ <u>710,196</u>	\$ <u>308,257</u>	\$ <u>1,018,453</u>

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2006**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 8,695	\$ 177	\$ 8,872
Cash payments to suppliers for goods and services	(264,333)	-0-	(264,333)
Cash payments to employees and contractors for services	(373,227)	-0-	(373,227)
Payments for internal services	(325)	-0-	(325)
Other operating revenues	<u>165,720</u>	<u>-0-</u>	<u>165,720</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(463,470)</u>	<u>177</u>	<u>(463,293)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating grants received	181,638	-0-	181,638
Transfers from other funds	<u>291,500</u>	<u>-0-</u>	<u>291,500</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>473,138</u>	<u>-0-</u>	<u>473,138</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(9,778)	-0-	(9,778)
Investment income	<u>10,864</u>	<u>-0-</u>	<u>10,864</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,086</u>	<u>-0-</u>	<u>1,086</u>
Net increase in cash and cash equivalents	10,754	177	10,931
Cash and cash equivalents at July 1, 2005	<u>269,985</u>	<u>180</u>	<u>270,165</u>
Cash and cash equivalents at June 30, 2006	\$ <u>280,739</u>	\$ <u>357</u>	\$ <u>281,096</u>

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2006**

	<u>Library</u>	<u>Parking Facility</u>	<u>Total</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating (loss)	\$ <u>(500,995)</u>	\$ <u>(948)</u>	\$ <u>(501,943)</u>
Adjustment to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation	41,124	1,125	42,249
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(16,915)	-0-	(16,915)
(Decrease) increase in accounts payable	7,055	-0-	7,055
(Decrease) increase in wages and benefits	2,312	-0-	2,312
(Decrease) increase in due to other funds	<u>3,949</u>	<u>-0-</u>	<u>3,949</u>
TOTAL ADJUSTMENTS	<u>37,525</u>	<u>1,125</u>	<u>38,650</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>(463,470)</u></u>	\$ <u><u>177</u></u>	\$ <u><u>(463,293)</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Net increase in fair value of investments	\$ <u><u>2,658</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>2,658</u></u>

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2006**

	<u>Pension Trust Funds</u>		
	Policemen's Pension and <u>Relief</u>	Firemen's Pension and <u>Relief</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 264,463	\$ 339,669	\$ 604,132
Interest receivable	18,816	27,153	45,969
Prepaid expenses	-0-	-0-	-0-
Investments, at fair value:			
U.S. government backed securities	1,795,268	2,257,770	4,053,038
Common stock	2,850,352	2,384,211	5,234,563
Other bonds	<u>665,771</u>	<u>838,552</u>	<u>1,504,323</u>
TOTAL INVESTMENTS	<u>5,311,391</u>	<u>5,480,533</u>	<u>10,791,924</u>
TOTAL ASSETS	<u>5,594,670</u>	<u>5,847,355</u>	<u>11,442,025</u>
LIABILITIES			
Accounts payable	<u>4,394</u>	<u>4,559</u>	<u>8,953</u>
TOTAL LIABILITIES	<u>4,394</u>	<u>4,559</u>	<u>8,953</u>
NET ASSET HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 5,590,276</u>	<u>\$ 5,842,796</u>	<u>\$ 11,433,072</u>

CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2006

	<u>Pension Trust Funds</u>		
	Policemen's Pension and <u>Relief</u>	Firemen's Pension and <u>Relief</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 266,262	\$ 125,700	\$ 391,962
Plan members	115,188	61,769	176,957
Insurance premium tax allocation	<u>355,926</u>	<u>179,050</u>	<u>534,976</u>
TOTAL CONTRIBUTIONS	<u>737,376</u>	<u>366,519</u>	<u>1,103,895</u>
Investment income:	130,208	107,721	237,929
Less: investment expense	<u>(61,725)</u>	<u>(59,069)</u>	<u>(120,794)</u>
NET INVESTMENT INCOME	<u>68,483</u>	<u>48,652</u>	<u>117,135</u>
TOTAL ADDITIONS	<u>805,859</u>	<u>415,171</u>	<u>1,221,030</u>
DEDUCTIONS			
Benefits	1,044,671	277,507	1,322,178
Administrative expenses	<u>7,640</u>	<u>16,579</u>	<u>24,219</u>
TOTAL DEDUCTIONS	<u>1,052,311</u>	<u>294,086</u>	<u>1,346,397</u>
Change in net assets	(246,452)	121,085	(125,367)
Net assets held in trust for pension benefits			
Beginning of year	<u>5,836,728</u>	<u>5,721,711</u>	<u>11,558,439</u>
End of year	\$ <u>5,590,276</u>	\$ <u>5,842,796</u>	\$ <u>11,433,072</u>

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Project Period</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:				
Federal Transit Authority	20.507	WV-90-X085-00	07/01/00 - 06/30/01	\$ 6,459
Federal Transit Authority	20.507	WV-90-X106-00	07/01/04 - 06/30/05	4,654
Federal Transit Authority	20.507	WV-90-X115-00	07/01/04 - 06/30/06	157,416
Federal Transit Authority	20.507	WV-90-X111-00	01/01/05 - 10/30/05	<u>66,029</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				<u>234,558</u>
 U.S. Department of Homeland Security:				
FEMA-Assistance to Firefighters	97.044	EMW-2003-FP-01165	07/26/04 - 07/25/05	10
FEMA-Assistance to Firefighters	97.044	EMW-2004-FG-02522	02/10/05 - 02/09/06	7,952
Pass-through program from:				
State of West Virginia Department of Military Affairs and Public Safety FY 2004 Homeland Security Grant Major WV Cities Grant Program				
	97.004	04-21CITIES-20	12/01/03 - 12/31/05	22,500
FEMA-Disaster Grants	97.036	FEMA-1558-DR-WV	09/01/04 - 03/20/06	87,788
FEMA-Disaster Grants	97.036	FEMA-1574-DR-WV	01/01/05 - 08/01/06	<u>151,867</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<u>270,117</u>
 U.S. Department of Commerce:				
Grants for Public Works and Economic Development Facilities				
	11.300	01-01-07895	10/01/03 - 03/31/06	<u>891,000</u>
TOTAL U.S. DEPARTMENT OF COMMERCE				<u>891,000</u>
 U.S. Department of Housing and Urban Development:				
Community Development Block Grant				
	14.218	B-04-MC-54-004	07/01/04 - 06/30/06	27,267
Community Development Block Grant				
	14.218	B-05-MC-54-004	07/01/05 - 06/30/06	536,177
Pass-through program from:				
Northern Panhandle Home Consortium First-time home buyer program				
	14.239	N/A	07/01/05 - 06/30/06	<u>70,033</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>633,477</u>

CITY OF WEIRTON, WEST VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Project Period</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency:				
Pass-through program from:				
West Virginia Department				
of Environmental Protection				
Capitalization Grants for				
Clean Water State Revolving Funds	66.458	N/A	05/01/06 - 06/30/06	\$ <u>63,875</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				<u>63,875</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ <u>2,093,027</u>

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

NOTE 1 - BASIS OF PRESENTATION

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

**INDEPENDENT AUDITOR'S REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

Ware & Hall, PLLC

Certified Public Accountants

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Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

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WV Society of Certified Public Accountants

Daniel J. Ware, CPA
William L. Hall, CPA

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

To the Honorable Mayor
and City Council
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 City of Weirton, West Virginia, as of and for the year ended June 30, 2006, which collectively comprise the City of Weirton, West Virginia's basic financial statements and have issued our report thereon dated March 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Weirton, West Virginia'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 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 City of Weirton, West Virginia'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*.

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

Ware & Hall PLLC

Huntington, West Virginia
March 16, 2007

Ware & Hall, PLLC

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INDEPENDENT AUDITOR'S 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 Honorable Mayor
and City Council
Weirton, West Virginia

Compliance

We have audited the compliance of 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, 2006. City of Weirton, West Virginia'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 City of Weirton, West Virginia's management. Our responsibility is to express an opinion on City of Weirton, West Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Weirton, West Virginia'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 City of Weirton, West Virginia's compliance with those requirements.

In our opinion, City of Weirton, West Virginia 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, 2006.

Internal Control Over Compliance

The management of City of Weirton, West Virginia 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 City of Weirton, West Virginia'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 internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of City Council, 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 specified parties.

Ware & Hall PLLC

Huntington, West Virginia
March 16, 2007

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS



CITY OF WEIRTON

200 Municipal Plaza
Weirton, West Virginia 26062

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Findings and questioned costs - fiscal year ended June 30, 2005, stated:

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.

Reportable Condition 2005-1: Corrective action has been taken.


Gary DuFour
City Manager

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF AUDITOR'S RESULTS

- 1) The independent auditor's report expresses an unqualified opinion on the financial statements of City of Weirton, West Virginia for the year ended June 30, 2006.
- 2) No reportable conditions were identified during the audit of the financial statements of City of Weirton, West Virginia for the year ended June 30, 2006.
- 3) No instances of noncompliance material to the financial statements of City of Weirton, West Virginia for the year ended June 30, 2006 were noted during the audit.
- 4) No reportable conditions were identified during the audit of the major federal award programs of City of Weirton, West Virginia for the year ended June 30, 2006.
- 5) The independent auditor's report on compliance for the major federal award programs for City of Weirton, West Virginia for the year ended June 30, 2006 expresses an unqualified opinion on all major federal programs.
- 6) No audit findings were identified which are required to be reported under § .510(a) of OMB Circular A-133.
- 7) The following programs were tested as major programs:

<u>Program</u>	<u>CFDA #</u>
U.S. Department of Homeland Security Pass-through State of West Virginia Department of Military Affairs and Public Safety FEMA-Disaster Grants	97.036
U.S Department of Commerce Grants for Public Works and Economic Development Facilities	11.300

- 8) The threshold for distinguishing Type A and B Programs was the greater of \$300,000 or 3% of total federal awards expended by City of Weirton, West Virginia for the year ended June 30, 2006.
- 9) City of Weirton, West Virginia has qualified as a low-risk auditee under § .530 of OMB Circular A-133 for the year ended June 30, 2006.

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

- Reportable Conditions

None

- Noncompliance Findings

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

- Reportable Conditions

None

- Noncompliance Findings

None