

CITY OF WEIRTON, WEST VIRGINIA

A CLASS II MUNICIPALITY

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

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

| | <u>Page</u> |
|--|-------------|
| MUNICIPAL OFFICIALS | 1 |
| INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS | 2-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4-8 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 9-10 |
| Statement of Activities | 11-12 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 13 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 15-16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 17 |
| Statement of Net Assets - Proprietary Funds | 18-21 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds | 22-23 |
| Statement of Cash Flows - Proprietary Funds | 24-27 |
| Statement of Fiduciary Net Assets - Fiduciary Funds | 28 |
| Statement of Changes in Fiduciary Net Assets - Fiduciary Funds | 29 |
| Notes to the Financial Statements | 30-57 |

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

REQUIRED SUPPLEMENTARY INFORMATION:

| | |
|--|-------|
| Defined Benefit Pension Trusts - Required Supplementary Information | 58-59 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund | 60-62 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Coal Severance Tax Fund | 63 |

OTHER SUPPLEMENTARY INFORMATION:

| | |
|--|-------|
| Combining Balance Sheet - Nonmajor Governmental Funds | 64-65 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds | 66-67 |
| Combining Statement of Net Assets - Nonmajor Proprietary Funds | 68 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Proprietary Funds | 69 |
| Combining Statement of Cash Flows - Nonmajor Proprietary Funds | 70-71 |
| Combining Statement of Fiduciary Net Assets - Fiduciary Funds | 72 |
| Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds | 73 |
| Schedule of Expenditures of Federal Awards | 74-75 |
| Notes to Schedule of Expenditures of Federal Awards | 76 |

INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE AND INTERNAL CONTROL

| | |
|---|-------|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 77-78 |
| Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 | 79-80 |

| | |
|--|----|
| SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS | 81 |
|--|----|

| | |
|--|-------|
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 82-83 |
|--|-------|

| | |
|-------------------------------|----|
| CORRECTIVE ACTION PLAN | 84 |
|-------------------------------|----|

**CITY OF WEIRTON, WEST VIRGINIA
MUNICIPAL OFFICIALS
YEAR ENDED JUNE 30, 2007**

| <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

The River Tower, Suite 601, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

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

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

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, 2007, 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, 2007, 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 20, 2008, 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 58 through 63, 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 20, 2008

CITY OF WEIRTON, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

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, 2007.

The fiscal year ending June 30, 2007, 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 6-30-07 | Fiscal Year Ending 6-30-06 | Change |
|-----------------------------|-------------------------------|-------------------------------|---------------------|
| Total Assets: | | | |
| Capital | \$ 32,423,958 | \$ 25,674,891 | \$ 6,749,067 |
| Other | 9,338,107 | 9,643,142 | (305,035) |
| | <u>41,762,065</u> | <u>35,318,033</u> | <u>6,444,032</u> |
| Total Liabilities: | | | |
| Current | 2,843,814 | 2,515,307 | 328,507 |
| Non-current | 15,887,730 | 13,077,952 | 2,809,778 |
| | <u>18,731,544</u> | <u>15,593,259</u> | <u>3,138,285</u> |
| Total Net Assets: | | | |
| Capital Net of Debt | 24,408,621 | 20,044,115 | 4,364,506 |
| Restricted | 2,115,610 | 1,442,566 | 673,044 |
| Unrestricted | (3,493,710) | (1,761,907) | (1,731,803) |
| | <u>23,030,521</u> | <u>19,724,774</u> | <u>3,305,747</u> |
| Program Revenues: | | | |
| Charges for Services | 10,255,098 | 10,207,957 | 47,141 |
| Operating Grants | 2,175,216 | 1,915,165 | 260,051 |
| Capital Grants | 640,256 | 1,452,611 | (812,355) |
| General Revenues: | | | |
| Property Taxes | 2,781,602 | 2,721,148 | 60,454 |
| B&O Taxes | 2,075,139 | 2,075,396 | (257) |
| Excise Tax on Utilities | 1,193,316 | 1,246,129 | (52,813) |
| Other Taxes | 769,984 | 654,988 | 114,996 |
| Other | 454,903 | 468,118 | (13,215) |
| Total Revenues | <u>20,345,514</u> | <u>20,741,512</u> | <u>(395,998)</u> |
| Expenses: | | | |
| General Government | 3,221,238 | 2,861,630 | 359,608 |
| Public Safety | 5,043,063 | 5,405,077 | (362,014) |
| Highways and Streets | 2,062,700 | 2,004,983 | 57,717 |
| Health and Sanitation | 856,117 | 848,904 | 7,213 |
| Culture and Recreation | 288,731 | 139,153 | 149,578 |
| Social Services | 6,230 | 6,893 | (663) |
| Community Development | 477,149 | 396,362 | 80,787 |
| Interest-LTD | 27,433 | 15,584 | 11,849 |
| Water Board | 3,191,659 | 3,063,183 | 128,476 |
| Sanitary Board | 1,915,188 | 2,014,864 | (99,676) |
| Park Board | 1,040,304 | 1,010,234 | 30,070 |
| Library Board | 624,017 | 692,325 | (68,308) |
| Parking Authority | 826 | 1,125 | (299) |
| Total Expenses | <u>18,754,655</u> | <u>18,460,317</u> | <u>294,338</u> |
| Change in Net Assets | 1,590,859 | 2,281,195 | (690,336) |
| Prior Period Adjustment | 1,714,888 | -0- | 1,714,888 |
| Ending Change in Net Assets | <u>3,305,747</u> | <u>2,281,195</u> | <u>1,024,552</u> |
| Ending Net Assets | \$ <u>23,030,521</u> | \$ <u>19,724,774</u> | \$ <u>3,305,747</u> |

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, 2007, did result in an increase in total net assets. It reflects a continued positive trend as did the fiscal year ending June 30, 2006, 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 business-type activities and the prior period adjustment relating to the retroactive capitalization of infrastructure and land acquired in prior years. (Detail of the prior period adjustment and 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 greatly increased. This was largely due to the increase in the accounts payable, the increases of governmental activities such as net pension obligations, and bonds payable for business-type activities.

Changes in net assets can further be analyzed by looking at government-wide revenues and expenditures. While overall revenues decreased and overall expenditures increased, the result was still a positive change in net assets at June 30, 2007.

Net program revenues decreased due to the reduction in capital grants. Under charges for services, the business-type activities Water Board and Sanitary Board maintained an increase due to their rate increase. Others (Parks and Parking) declined. Capital grant decreases were found within both governmental activities and business-type activities. Operating grants increased in both governmental and business-types.

Overall expenses did increase with the major changes being in general government, public safety, culture and recreation, and community development for governmental activities. Program revenues are covering slightly less than 70 percent of the functions or activities of the City. General revenues are covering the other 30 percent. This is a decline over fiscal year ending June 30, 2006, showing that the City once again has to utilize more general revenues to meet the expenditures.

Analysis can now turn to the individual fund level.

Major Governmental Funds: The General Fund experienced a moderate reduction in the fund balance for the fiscal year ended June 30, 2007. 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). Revenues decreased by 6 percent. This was largely due to decreases in charges for services and intergovernmental programs.

Coal Severance Fund revenues slightly increased by June 30, 2007, as compared to the prior fiscal year. Expenditures closely matched revenues resulting in a slight decrease to the fund balances.

Major Proprietary Funds: As discussed last fiscal year, water rate increases have been implemented. Therefore, revenues for the Water Fund, fees for services, did increase for fiscal year ending June 30, 2007. Revenues did increase, but expenditures increased more, resulting in a lower operating income. The Water Fund experienced loss before contributions and transfers, and ended the fiscal year with a negative change in net assets. The rate increase may not have been as effective as anticipated.

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 decrease in expenditures resulted in a positive operating income as compared to fiscal year ending June 30, 2006. The fiscal year ended with a positive 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 positive change in net assets, as did the Firemen’s Pension and Relief Fund.

Analysis of significant budget variations.

Revenues:

Total taxes– Unfavorable. Total taxes were anticipated to increase by 6.25% over the prior year. The actual increase was approximately 3.12%.

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

Intergovernmental programs–Unfavorable. Reduction in capital grants.

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

Expenditures:

All categories–Favorable.

Discussion of significant capital assets and long-term debt.

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

Capital assets–Governmental activities: Significant increases were noted in the categories of infrastructure and furniture, machinery, and equipment. Under infrastructure, multiple streets were paved and improved. Various items under furniture, machinery, and equipment were purchased. The overall capital asset net increase before depreciation was approximately \$2.37 million.

Business-type activities: The overall capital assets net increase before depreciation was over \$4.2 million. Construction in progress and buildings and improvements had the highest increase. 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 decrease 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 increased from the prior fiscal year due to the bond issues at the Water Board and Sanitary Board.

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. We are seeing more of the same in fiscal year 2007-08. 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 2008-09 fiscal year budget in March 2008. 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, 2007

| | Primary Government | | |
|---|-----------------------------------|------------------------------------|-------------------|
| | Governmental <u>Activities</u> | Business-type <u>Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 2,040,793 | \$ 2,474,976 | \$ 4,515,769 |
| Investments | 193,323 | 376,345 | 569,668 |
| Interest receivable | 904 | 51 | 955 |
| Taxes receivable, net | 1,037,212 | -0- | 1,037,212 |
| Accounts receivable, net | 448,372 | 883,173 | 1,331,545 |
| Grants receivable | 187,320 | -0- | 187,320 |
| Internal balances | 47,881 | (47,881) | -0- |
| Intergovernmental receivable | 4,934 | -0- | 4,934 |
| Inventories | -0- | 110,159 | 110,159 |
| Prepays | -0- | 46,411 | 46,411 |
| | <u>3,960,739</u> | <u>3,843,234</u> | <u>7,803,973</u> |
| TOTAL CURRENT ASSETS | | | |
| Non-current Assets | | | |
| Restricted assets: | | | |
| Cash and cash equivalents | -0- | 1,397,104 | 1,397,104 |
| Deferred debt expense, net | -0- | 63,276 | 63,276 |
| Deposits | 73,451 | 303 | 73,754 |
| Capital assets: | | | |
| Land and construction in progress | 855,697 | 4,615,124 | 5,470,821 |
| Other capital assets, net of accumulated depreciation | 13,932,573 | 13,020,564 | 26,953,137 |
| | <u>14,861,721</u> | <u>19,096,371</u> | <u>33,958,092</u> |
| TOTAL NON-CURRENT ASSETS | | | |
| | <u>18,822,460</u> | <u>22,939,605</u> | <u>41,762,065</u> |
| TOTAL ASSETS | | | |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2007

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 278,516 | \$ 951,333 | \$ 1,229,849 |
| Wages and benefits payable | 186,695 | 78,989 | 265,684 |
| Compensated absences, current | 107,469 | 154,011 | 261,480 |
| Lease obligations payable, current | 456,865 | 26,037 | 482,902 |
| Deferred revenue | 101,988 | 90,389 | 192,377 |
| Intergovernmental payable | 26,376 | -0- | 26,376 |
| Bond interest payable, current | -0- | 63,502 | 63,502 |
| Bonds payable, current | -0- | 321,644 | 321,644 |
| TOTAL CURRENT LIABILITIES | 1,157,909 | 1,685,905 | 2,843,814 |
| Non-current Liabilities | | | |
| Compensated absences, non-current | 351,184 | 10,700 | 361,884 |
| Lease obligations payable, non-current | 261,830 | 55,601 | 317,431 |
| Security deposit | 25,000 | -0- | 25,000 |
| Net pension obligation | 8,226,779 | -0- | 8,226,779 |
| Bonds payable, non-current | -0- | 6,956,636 | 6,956,636 |
| TOTAL NON-CURRENT LIABILITIES | 8,864,793 | 7,022,937 | 15,887,730 |
| TOTAL LIABILITIES | 10,022,702 | 8,708,842 | 18,731,544 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 14,069,575 | 10,339,046 | 24,408,621 |
| Restricted for: | | | |
| Debt service | -0- | 1,197,442 | 1,197,442 |
| Maintenance | -0- | 199,663 | 199,663 |
| Other purposes | 718,505 | -0- | 718,505 |
| Unrestricted | (5,988,322) | 2,494,612 | (3,493,710) |
| TOTAL NET ASSETS | \$ 8,799,758 | \$ 14,230,763 | \$ 23,030,521 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

| FUNCTIONS/PROGRAMS | <u>Expenses</u> | Program Revenues | | | Net (Expense) Revenue |
|---|--------------------------|-------------------------------------|---|---|---------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 3,180,964 | \$ 396,758 | \$ 545,122 | \$ 4,855 | \$ (2,234,229) |
| Public safety | 5,083,337 | 2,415,468 | 127,434 | 462,777 | (2,077,658) |
| Highways and streets | 2,062,700 | 886,359 | 276,432 | -0- | (899,909) |
| Health and sanitation | 856,117 | 939,025 | 112,477 | -0- | 195,385 |
| Culture and recreation | 288,731 | -0- | -0- | 1,915 | (286,816) |
| Social services | 6,230 | -0- | 27,837 | -0- | 21,607 |
| Community development | 477,149 | -0- | 794,567 | -0- | 317,418 |
| Interest on long-term debt | <u>27,433</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>(27,433)</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>11,982,661</u> | <u>4,637,610</u> | <u>1,883,869</u> | <u>469,547</u> | <u>(4,991,635)</u> |
| Business-Type Activities: | | | | | |
| Water | 3,191,659 | 3,045,951 | -0- | 12,563 | (133,145) |
| Sewer | 1,915,188 | 2,102,865 | -0- | 6,000 | 193,677 |
| Parks | 1,040,304 | 461,967 | -0- | 152,146 | (426,191) |
| Library | 624,017 | 6,554 | 291,347 | -0- | (326,116) |
| Parking | <u>826</u> | <u>151</u> | <u>-0-</u> | <u>-0-</u> | <u>(675)</u> |
| TOTAL BUSINESS-TYPE ACTIVITIES | <u>6,771,994</u> | <u>5,617,488</u> | <u>291,347</u> | <u>170,709</u> | <u>(692,450)</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 18,754,655</u> | <u>\$ 10,255,098</u> | <u>\$ 2,175,216</u> | <u>\$ 640,256</u> | <u>\$ (5,684,085)</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2007**

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| CHANGE IN NET ASSETS: | | | |
| Net (expense) revenue | \$ <u>(4,991,635)</u> | \$ <u>(692,450)</u> | \$ <u>(5,684,085)</u> |
| General Revenues: | | | |
| Taxes: | | | |
| Property taxes | 2,781,602 | -0- | 2,781,602 |
| B&O taxes | 2,075,139 | -0- | 2,075,139 |
| Excise tax on utilities | 1,193,316 | -0- | 1,193,316 |
| Other taxes | 769,984 | -0- | 769,984 |
| Unrestricted investment income | 109,850 | 154,416 | 264,266 |
| (Loss) on disposition of assets | (144,486) | (4,967) | (149,453) |
| Other | 52,318 | 287,772 | 340,090 |
| Transfers | <u>(721,147)</u> | <u>721,147</u> | <u>-0-</u> |
| TOTAL GENERAL REVENUES AND TRANSFERS | <u>6,116,576</u> | <u>1,158,368</u> | <u>7,274,944</u> |
| CHANGE IN NET ASSETS | 1,124,941 | 465,918 | 1,590,859 |
| NET ASSETS, BEGINNING, AS RESTATED | <u>7,674,817</u> | <u>13,764,845</u> | <u>21,439,662</u> |
| NET ASSETS, ENDING | \$ <u>8,799,758</u> | \$ <u>14,230,763</u> | \$ <u>23,030,521</u> |

**CITY OF WEIRTON, WEST VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | <u>General</u> | <u>Coal Severance Tax</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|-----------------------------------|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,200,967 | \$ 45,842 | \$ 774,128 | \$ 2,020,937 |
| Investments | 193,323 | -0- | -0- | 193,323 |
| Taxes receivable, net | 1,018,270 | 17,500 | 1,442 | 1,037,212 |
| Accounts receivable, net | 391,175 | -0- | -0- | 391,175 |
| Grants receivable | 144,239 | -0- | 43,081 | 187,320 |
| Interest receivable | 904 | -0- | -0- | 904 |
| Due from other funds | 65,023 | -0- | -0- | 65,023 |
| Intergovernmental receivable | 4,934 | -0- | -0- | 4,934 |
| Deposits and prepaids | <u>60,155</u> | <u>13,296</u> | <u>-0-</u> | <u>73,451</u> |
| TOTAL ASSETS | \$ <u>3,078,990</u> | \$ <u>76,638</u> | \$ <u>818,651</u> | \$ <u>3,974,279</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 136,401 | \$ 2,211 | \$ 27,225 | \$ 165,837 |
| Wages and benefits payable | 186,695 | -0- | -0- | 186,695 |
| Compensated absences | 107,469 | -0- | -0- | 107,469 |
| Due to other funds | 7,366 | -0- | 21,980 | 29,346 |
| Intergovernmental payable | 26,376 | -0- | -0- | 26,376 |
| Security deposit | -0- | -0- | 25,000 | 25,000 |
| Deferred revenue | <u>252,052</u> | <u>17,500</u> | <u>101,810</u> | <u>371,362</u> |
| TOTAL LIABILITIES | <u>716,359</u> | <u>19,711</u> | <u>176,015</u> | <u>912,085</u> |
| Fund Balances | | | | |
| Unreserved reported in: | | | | |
| General fund | 2,362,631 | -0- | -0- | 2,362,631 |
| Special revenue funds | <u>-0-</u> | <u>56,927</u> | <u>642,636</u> | <u>699,563</u> |
| TOTAL FUND BALANCES | <u>2,362,631</u> | <u>56,927</u> | <u>642,636</u> | <u>3,062,194</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>3,078,990</u> | \$ <u>76,638</u> | \$ <u>818,651</u> | \$ <u>3,974,279</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, 2007**

| | |
|---|---------------------|
| Total Fund Balance - Total Governmental Funds | \$ 3,062,194 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | |
| <p>Capital assets of \$26,670,973, net of accumulated depreciation of \$11,882,703, are not financial resources and, therefore, are not reported in the funds.</p> | 14,788,270 |
| <p>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 \$229,374, other taxes of \$22,500 and Coal Severance Tax of \$17,500.</p> | 269,374 |
| <p>An internal service fund is used by management to charge gasoline to individual funds. Assets and liabilities of the internal service fund of \$53,498 are included in governmental activities in the statement of net assets.</p> | 53,498 |
| <p>Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include compensated absences of \$351,184 and an accounts payable of \$76,920.</p> | (428,104) |
| <p>Long-term net pension obligations are not due and payable in the current period and are not reported in the funds.</p> | (8,226,779) |
| <p>Capital lease obligations do not require the use of current financial resources and, therefore, are not reported in the funds.</p> | <u>(718,695)</u> |
| <p>Net Assets of Governmental Activities</p> | \$ <u>8,799,758</u> |

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | <u>General</u> | Coal Severance <u>Tax</u> | Other Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|--|-------------------|---------------------------------|---------------------------------------|---------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 2,657,877 | \$ -0- | \$ 91,813 | \$ 2,749,690 |
| B&O taxes | 2,075,139 | -0- | -0- | 2,075,139 |
| Excise tax on utilities | 1,193,316 | -0- | -0- | 1,193,316 |
| Other taxes | 702,564 | 73,420 | -0- | 775,984 |
| Licenses, permits and fees | 288,037 | -0- | -0- | 288,037 |
| Fines and forfeitures | 106,584 | -0- | -0- | 106,584 |
| Investment income | 90,440 | 1,022 | 18,229 | 109,691 |
| Charges for services | 4,134,268 | -0- | -0- | 4,134,268 |
| Program income | -0- | -0- | 7,120 | 7,120 |
| Intergovernmental programs | 1,459,743 | -0- | 737,138 | 2,196,881 |
| Other | <u>140,773</u> | <u>-0-</u> | <u>61,920</u> | <u>202,693</u> |
| TOTAL REVENUES | <u>12,848,741</u> | <u>74,442</u> | <u>916,220</u> | <u>13,839,403</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,159,867 | 75,710 | 50,344 | 3,285,921 |
| Public safety | 5,052,670 | -0- | 8,883 | 5,061,553 |
| Highways and streets | 3,475,151 | -0- | -0- | 3,475,151 |
| Health and sanitation | 793,127 | -0- | -0- | 793,127 |
| Culture and recreation | 117,643 | -0- | -0- | 117,643 |
| Social services | 6,230 | -0- | -0- | 6,230 |
| Community development | -0- | -0- | 538,149 | 538,149 |
| Debt service: | | | | |
| Capital leases - principal | 312,709 | -0- | 141,000 | 453,709 |
| Capital leases - interest | <u>27,433</u> | <u>-0-</u> | <u>-0-</u> | <u>27,433</u> |
| TOTAL EXPENDITURES | <u>12,944,830</u> | <u>75,710</u> | <u>738,376</u> | <u>13,758,916</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(96,089)</u> | <u>(1,268)</u> | <u>177,844</u> | <u>80,487</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, 2007

| | <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- | \$ -0- | \$ 30,000 |
| Transfers to other funds | (711,180) | -0- | (39,967) | (751,147) |
| Capital financing | 340,626 | -0- | -0- | 340,626 |
| Sales of assets | <u>37,730</u> | <u>-0-</u> | <u>-0-</u> | <u>37,730</u> |
| NET OTHER FINANCING | | | | |
| SOURCES (USES) | <u>(302,824)</u> | <u>-0-</u> | <u>(39,967)</u> | <u>(342,791)</u> |
| NET CHANGE IN FUND | | | | |
| BALANCES | (398,913) | (1,268) | 137,877 | (262,304) |
| Fund Balance, Beginning | <u>2,761,544</u> | <u>58,195</u> | <u>504,759</u> | <u>3,324,498</u> |
| FUND BALANCE, ENDING | \$ <u>2,362,631</u> | \$ <u>56,927</u> | \$ <u>642,636</u> | \$ <u>3,062,194</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, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (262,304)

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 \$2,953,674 exceeded depreciation of \$1,095,928 in the current period. 1,857,746

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. These include the increases in property taxes of \$31,912 and coal severance taxes of \$500, and (decreases) in other taxes of \$(7,500). 24,912

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 principal payments of \$453,709 exceeded capital lease obligations incurred of \$340,626. 113,083

Net pension obligation represents long-term debt activity which is presented on the government-wide financial statements, not the fund financial statements. (745,392)

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 decreases in compensated absences of \$71,553 and an account payable of \$76,920. 148,473

An internal service fund is used by management to charge gasoline to individual funds. Net (loss) of internal service funds of \$(11,577) is reported with governmental activities. (11,577)

Change in Net Assets of Governmental Activities \$ 1,124,941

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

| | <u>Water Board</u> | <u>Sanitary Board</u> |
|--|--------------------------|---------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 683,561 | \$ 873,576 |
| Investments | -0- | -0- |
| Accounts receivable, net | 496,012 | 359,100 |
| Interest receivable | -0- | -0- |
| Due from other funds | 2,140 | 9,482 |
| Inventories | 110,159 | -0- |
| Prepays | <u>12,182</u> | <u>12,777</u> |
| TOTAL CURRENT ASSETS | <u>1,304,054</u> | <u>1,254,935</u> |
| Restricted Assets: | | |
| Cash and cash equivalents | <u>1,121,979</u> | <u>275,125</u> |
| TOTAL RESTRICTED ASSETS | <u>1,121,979</u> | <u>275,125</u> |
| Non-current Assets: | | |
| Deferred debt expense, net | 63,276 | -0- |
| Deposits | -0- | -0- |
| Capital assets: | | |
| Land and construction in progress | 2,281,315 | 1,884,311 |
| Other capital assets, net of accumulated depreciation | <u>6,523,919</u> | <u>4,974,532</u> |
| TOTAL NON-CURRENT ASSETS | <u>8,868,510</u> | <u>6,858,843</u> |
| TOTAL ASSETS | <u>11,294,543</u> | <u>8,388,903</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> |
|--|---------------------------------------|---------------------------------------|---|
| \$ 756,410 | \$ 161,429 | \$ 2,474,976 | \$ 19,856 |
| -0- | 376,345 | 376,345 | -0- |
| 8,971 | 19,090 | 883,173 | 57,197 |
| 51 | -0- | 51 | -0- |
| 1,400 | -0- | 13,022 | 12,204 |
| -0- | -0- | 110,159 | -0- |
| <u>17,138</u> | <u>4,314</u> | <u>46,411</u> | <u>-0-</u> |
| <u>783,970</u> | <u>561,178</u> | <u>3,904,137</u> | <u>89,257</u> |
| <u>-0-</u> | <u>-0-</u> | <u>1,397,104</u> | <u>-0-</u> |
| <u>-0-</u> | <u>-0-</u> | <u>1,397,104</u> | <u>-0-</u> |
| -0- | -0- | 63,276 | -0- |
| -0- | 303 | 303 | -0- |
| 87,468 | 362,030 | 4,615,124 | -0- |
| <u>1,059,525</u> | <u>462,588</u> | <u>13,020,564</u> | <u>-0-</u> |
| <u>1,146,993</u> | <u>824,921</u> | <u>17,699,267</u> | <u>-0-</u> |
| <u>1,930,963</u> | <u>1,386,099</u> | <u>23,000,508</u> | <u>89,257</u> |

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2007**

| | <u>Water Board</u> | <u>Sanitary Board</u> |
|---|------------------------|---------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | \$ 250,300 | \$ 667,995 |
| Wages and benefits payable | 30,246 | 23,030 |
| Due to other funds | 48,029 | 7,017 |
| Compensated absences, current | 72,490 | 57,903 |
| Capital lease obligation, current | -0- | 26,037 |
| Deferred revenue | <u>-0-</u> | <u>-0-</u> |
| TOTAL CURRENT LIABILITIES | <u>401,065</u> | <u>781,982</u> |
| Liabilities Payable From Restricted Assets: | | |
| Bond interest payable, current | 63,502 | -0- |
| Bonds payable, current | <u>321,644</u> | <u>-0-</u> |
| TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS | <u>385,146</u> | <u>-0-</u> |
| Non-Current Liabilities: | | |
| Compensated absences, non-current | -0- | -0- |
| Capital lease obligation, non-current | -0- | 55,601 |
| Bonds payable, non-current | <u>6,093,226</u> | <u>863,410</u> |
| TOTAL NON-CURRENT LIABILITIES | <u>6,093,226</u> | <u>919,011</u> |
| TOTAL LIABILITIES | <u>6,879,437</u> | <u>1,700,993</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 2,453,640 | 5,913,795 |
| Restricted for debt service | 940,388 | 257,054 |
| Restricted for maintenance | 181,592 | 18,071 |
| Unrestricted | <u>839,486</u> | <u>498,990</u> |
| TOTAL NET ASSETS | <u>\$ 4,415,106</u> | <u>\$ 6,687,910</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> |
|--|---------------------------------------|---------------------------------------|---|
| \$ 19,816 | \$ 13,222 | \$ 951,333 | \$ 35,759 |
| 11,255 | 14,458 | 78,989 | -0- |
| 1,779 | 4,078 | 60,903 | -0- |
| 8,318 | 15,300 | 154,011 | -0- |
| -0- | -0- | 26,037 | -0- |
| <u>32,654</u> | <u>57,735</u> | <u>90,389</u> | <u>-0-</u> |
| <u>73,822</u> | <u>104,793</u> | <u>1,361,662</u> | <u>35,759</u> |
| -0- | -0- | 63,502 | -0- |
| <u>-0-</u> | <u>-0-</u> | <u>321,644</u> | <u>-0-</u> |
| <u>-0-</u> | <u>-0-</u> | <u>385,146</u> | <u>-0-</u> |
| -0- | 10,700 | 10,700 | -0- |
| -0- | -0- | 55,601 | -0- |
| <u>-0-</u> | <u>-0-</u> | <u>6,956,636</u> | <u>-0-</u> |
| <u>-0-</u> | <u>10,700</u> | <u>7,022,937</u> | <u>-0-</u> |
| <u>73,822</u> | <u>115,493</u> | <u>8,769,745</u> | <u>35,759</u> |
| 1,146,993 | 824,618 | 10,339,046 | -0- |
| -0- | -0- | 1,197,442 | -0- |
| -0- | -0- | 199,663 | -0- |
| <u>710,148</u> | <u>445,988</u> | <u>2,494,612</u> | <u>53,498</u> |
| \$ <u>1,857,141</u> | \$ <u>1,270,606</u> | \$ <u>14,230,763</u> | \$ <u>53,498</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, 2007

| | <u>Water Board</u> | <u>Sanitary Board</u> |
|---|----------------------------|----------------------------|
| OPERATING REVENUES | | |
| Charges for services: | | |
| Fees for services | \$ 3,022,842 | \$ 2,102,865 |
| Library fines | -0- | -0- |
| Parking fees | -0- | -0- |
| Concessions, merchandise sales and commissions | -0- | -0- |
| Internal service charges | <u>-0-</u> | <u>-0-</u> |
| TOTAL CHARGES FOR SERVICES | 3,022,842 | 2,102,865 |
| Lease and rental income | 23,109 | -0- |
| Other | <u>-0-</u> | <u>6,703</u> |
| TOTAL OPERATING REVENUES | <u>3,045,951</u> | <u>2,109,568</u> |
| OPERATING EXPENSES | | |
| Personal services | 1,346,940 | 1,013,075 |
| Maintenance, operations, and contractual services | 778,244 | 470,552 |
| Materials and supplies | 242,697 | 46,677 |
| Depreciation | <u>543,990</u> | <u>380,142</u> |
| TOTAL OPERATING EXPENSES | <u>2,911,871</u> | <u>1,910,446</u> |
| Operating income (loss) | <u>134,080</u> | <u>199,122</u> |
| NON-OPERATING REVENUE (EXPENSES) | | |
| Grant income | -0- | -0- |
| Investment income | 65,970 | 25,460 |
| Interest on bonds, notes and lease obligations | (277,915) | (4,742) |
| Amortization | (1,873) | -0- |
| Gain (loss) on disposition of assets | <u>(7,853)</u> | <u>3,226</u> |
| TOTAL NON-OPERATING REVENUE (EXPENSES) | <u>(221,671)</u> | <u>23,944</u> |
| Income (loss) before contributions and transfers | (87,591) | 223,066 |
| Capital contributions, grants | -0- | -0- |
| Capital contributions, other | 12,563 | 6,000 |
| Transfers from other funds | <u>-0-</u> | <u>-0-</u> |
| Change in net assets | (75,028) | 229,066 |
| Total net assets, beginning | <u>4,490,134</u> | <u>6,458,844</u> |
| Total net assets, ending | \$ <u>4,415,106</u> | \$ <u>6,687,910</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> |
|--|---------------------------------------|---------------------------------------|---|
| \$ 396,241 | \$ -0- | \$ 5,521,948 | \$ -0- |
| -0- | 6,554 | 6,554 | -0- |
| -0- | 151 | 151 | -0- |
| 22,724 | -0- | 22,724 | -0- |
| <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>323,966</u> |
| 418,965 | 6,705 | 5,551,377 | 323,966 |
| 43,002 | -0- | 66,111 | -0- |
| 4,037 | <u>277,032</u> | <u>287,772</u> | <u>-0-</u> |
| <u>466,004</u> | <u>283,737</u> | <u>5,905,260</u> | <u>323,966</u> |
| 507,885 | 350,638 | 3,218,538 | -0- |
| 312,967 | 143,950 | 1,705,713 | -0- |
| 30,600 | 91,391 | 411,365 | 335,702 |
| <u>188,852</u> | <u>38,864</u> | <u>1,151,848</u> | <u>-0-</u> |
| <u>1,040,304</u> | <u>624,843</u> | <u>6,487,464</u> | <u>335,702</u> |
| <u>(574,300)</u> | <u>(341,106)</u> | <u>(582,204)</u> | <u>(11,736)</u> |
| -0- | 291,347 | 291,347 | -0- |
| 25,734 | 37,252 | 154,416 | 159 |
| -0- | -0- | (282,657) | -0- |
| -0- | -0- | (1,873) | -0- |
| <u>-0-</u> | <u>(340)</u> | <u>(4,967)</u> | <u>-0-</u> |
| <u>25,734</u> | <u>328,259</u> | <u>156,266</u> | <u>159</u> |
| (548,566) | (12,847) | (425,938) | (11,577) |
| 150,346 | -0- | 150,346 | -0- |
| 1,800 | -0- | 20,363 | -0- |
| <u>456,147</u> | <u>265,000</u> | <u>721,147</u> | <u>-0-</u> |
| 59,727 | 252,153 | 465,918 | (11,577) |
| <u>1,797,414</u> | <u>1,018,453</u> | <u>13,764,845</u> | <u>65,075</u> |
| \$ <u>1,857,141</u> | \$ <u>1,270,606</u> | \$ <u>14,230,763</u> | \$ <u>53,498</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, 2007**

| | <u>Water Board</u> | <u>Sanitary Board</u> |
|--|------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 3,043,702 | \$ 2,111,335 |
| Cash payments to suppliers for goods and services | (1,085,049) | (542,662) |
| Cash payments to employees and professional contractors for services | (1,295,738) | (1,007,217) |
| Payments for internal services | (25,778) | (20,509) |
| Other operating revenues | <u>-0-</u> | <u>-0-</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>637,137</u> | <u>540,947</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 | (2,058,822) | (884,287) |
| Proceeds from issue of bonds | 1,828,175 | 863,410 |
| Principal paid on bonds and notes and capital lease obligations | (304,015) | (24,927) |
| Interest paid on bonds and notes and capital lease obligations | (281,974) | (4,742) |
| Proceeds from disposals of capital assets | -0- | 6,349 |
| Capital contributions | 12,563 | 6,000 |
| Capital grants received | <u>-0-</u> | <u>-0-</u> |
| NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(804,073)</u> | <u>(38,197)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | -0- | -0- |
| Proceeds from sale of investments | -0- | -0- |
| Investment income | <u>65,970</u> | <u>25,460</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>65,970</u> | <u>25,460</u> |
| Net increase (decrease) in cash and cash equivalents | (100,966) | 528,210 |
| Cash and cash equivalents at July 1, 2006 | <u>1,906,506</u> | <u>620,491</u> |
| Cash and cash equivalents at June 30, 2007 | \$ <u>1,805,540</u> | \$ <u>1,148,701</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> |
|--|---------------------------------------|---------------------------------------|---|
| \$ 465,435 (352,358) | \$ 6,705 (244,184) | \$ 5,627,177 (2,224,253) | \$ 353,839 (343,055) |
| (514,796) | (348,954) | (3,166,705) | -0- |
| (7,453) | (828) | (54,568) | -0- |
| <u>-0-</u> | <u>233,289</u> | <u>233,289</u> | <u>-0-</u> |
| <u>(409,172)</u> | <u>(353,972)</u> | <u>414,940</u> | <u>10,784</u> |
| -0- | 289,815 | 289,815 | -0- |
| <u>456,147</u> | <u>265,000</u> | <u>721,147</u> | <u>-0-</u> |
| <u>456,147</u> | <u>554,815</u> | <u>1,010,962</u> | <u>-0-</u> |
| (437,267) | (325,904) | (3,706,280) | -0- |
| -0- | -0- | 2,691,585 | -0- |
| -0- | -0- | (328,942) | -0- |
| -0- | -0- | (286,716) | -0- |
| -0- | -0- | 6,349 | -0- |
| 1,800 | -0- | 20,363 | -0- |
| <u>173,000</u> | <u>-0-</u> | <u>173,000</u> | <u>-0-</u> |
| <u>(262,467)</u> | <u>(325,904)</u> | <u>(1,430,641)</u> | <u>-0-</u> |
| -0- | (15,400) | (15,400) | -0- |
| -0- | 200 | 200 | -0- |
| <u>25,734</u> | <u>20,594</u> | <u>137,758</u> | <u>159</u> |
| <u>25,734</u> | <u>5,394</u> | <u>122,558</u> | <u>159</u> |
| (189,758) | (119,667) | 117,819 | 10,943 |
| <u>946,168</u> | <u>281,096</u> | <u>3,754,261</u> | <u>8,913</u> |
| \$ <u>756,410</u> | \$ <u>161,429</u> | \$ <u>3,872,080</u> | \$ <u>19,856</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, 2007**

| | <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>134,080</u> | \$ <u>199,122</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 543,990 | 380,142 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (2,249) | 1,767 |
| (Increase) decrease due from other funds | 4,405 | (5,859) |
| (Increase) decrease inventories | (11,539) | -0- |
| (Increase) decrease in prepaids | (8,576) | (4,734) |
| Increase (decrease) in accounts payable | (73,866) | (37,710) |
| Increase (decrease) in wages and benefits payable | 8,840 | 3,815 |
| Increase (decrease) in due to other funds | 36,987 | 2,361 |
| Increase (decrease) in compensated absences | 5,065 | 2,043 |
| Increase (decrease) in deferred revenue | <u>-0-</u> | <u>-0-</u> |
| TOTAL ADJUSTMENTS | <u>503,057</u> | <u>341,825</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ <u>637,137</u> | \$ <u>540,947</u> |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Net increase in fair value of investments | \$ <u>-0-</u> | \$ <u>-0-</u> |
| Construction in progress financed through trade accounts payable | \$ <u>-0-</u> | \$ <u>633,316</u> |
| Net book value of other capital assets written off | \$ <u>-0-</u> | \$ <u>-0-</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> |
|--|---------------------------------------|---------------------------------------|---|
| \$ <u>(574,300)</u> | \$ <u>(341,106)</u> | \$ <u>(582,204)</u> | \$ <u>(11,736)</u> |
| 188,852 | 38,864 | 1,151,848 | -0- |
| (569) | (13,743) | (14,794) | 13,872 |
| (1,400) | -0- | (2,854) | 16,001 |
| -0- | -0- | (11,539) | -0- |
| (17,138) | -0- | (30,448) | -0- |
| 2,086 | (9,545) | (119,035) | (7,353) |
| (6,911) | 1,684 | 7,428 | -0- |
| 208 | (126) | 39,430 | -0- |
| -0- | -0- | 7,108 | -0- |
| <u>-0-</u> | <u>(30,000)</u> | <u>(30,000)</u> | <u>-0-</u> |
| <u>165,128</u> | <u>(12,866)</u> | <u>997,144</u> | <u>22,520</u> |
| \$ <u>(409,172)</u> | \$ <u>(353,972)</u> | \$ <u>414,940</u> | \$ <u>10,784</u> |
| \$ <u>-0-</u> | \$ <u>16,658</u> | \$ <u>16,658</u> | \$ <u>-0-</u> |
| \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>633,316</u> | \$ <u>-0-</u> |
| \$ <u>-0-</u> | \$ <u>340</u> | \$ <u>340</u> | \$ <u>-0-</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

| | Pension Trust | Agency |
|--|-----------------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 607,524 | \$ 52,912 |
| Interest receivable | <u>39,658</u> | <u>-0-</u> |
| | <u>647,182</u> | <u>52,912</u> |
| Investments, at fair value: | | |
| U.S. government backed securities | 4,221,577 | -0- |
| Common stock | 6,409,422 | -0- |
| Other bonds | <u>1,209,002</u> | <u>-0-</u> |
| TOTAL INVESTMENTS | <u>11,840,001</u> | <u>-0-</u> |
| TOTAL ASSETS | <u>12,487,183</u> | <u>52,912</u> |
| LIABILITIES | | |
| Accounts payable | 3,396 | -0- |
| Unearned revenue | -0- | 38,277 |
| Due to other entities | <u>-0-</u> | <u>14,635</u> |
| TOTAL LIABILITIES | <u>3,396</u> | <u>52,912</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | \$ <u>12,483,787</u> | \$ <u>-0-</u> |

**CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007**

| | <u>Pension Trust Funds</u> |
|--|------------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 419,400 |
| Plan members | 173,307 |
| Insurance premium tax allocation | <u>548,054</u> |
| TOTAL CONTRIBUTIONS | <u>1,140,761</u> |
| Investment income | 1,308,180 |
| Less: Investment expense | <u>(71,505)</u> |
| NET INVESTMENT INCOME | <u>1,236,675</u> |
| TOTAL ADDITIONS | <u>2,377,436</u> |
| DEDUCTIONS | |
| Benefits | 1,317,185 |
| Administrative expenses | <u>9,536</u> |
| TOTAL DEDUCTIONS | <u>1,326,721</u> |
| Change in net assets | 1,050,715 |
| Net assets held in trust for pension benefits: | |
| Beginning of year | <u>11,433,072</u> |
| End of year | \$ <u><u>12,483,787</u></u> |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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, 2007.

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 Redevelopment Authority. The Authority reports independently. |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (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 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.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 1980 with useful lives of more than one year are stated at historical cost, or estimated historical cost, if actual cost is unavailable, and are comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

In the current year the City, under the transition rules of GASB 34, has retroactively reported governmental fund infrastructure assets and land holdings acquired after June 30, 1980 in the accompanying government-wide financial statements as described in Note 6.

The City has not valued or capitalized all of its library books, reference material, and historical treasures. Generally accepted accounting principles require these assets be capitalized. The effect of this departure from generally accepted accounting principles is not 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, 2007

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, 2007

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 basis. 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, 2007, \$4,746,517 of the City's bank balances of \$6,211,043 were exposed to custodial credit risk as follows:

Bank balances not covered by depository insurance;
collateralized by securities held by the pledging
financial institution.

\$ 4,746,517

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

As of June 30, 2007, 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 | \$ 212,947 | \$ 213,624 | N/A | | 404 |
| Fixed Income Mutual Fund | 164,824 | 164,134 | N/A | | N/A |
| Equity Mutual Fund | <u>191,897</u> | <u>194,842</u> | N/A | | N/A |
| Total Primary Government Investments (Non-fiduciary) | <u>569,668</u> | <u>572,600</u> | | | |
| FIDUCIARY FUNDS | | | | | |
| Common Stock: | | | | | |
| Domestic | 6,409,422 | 5,219,650 | N/A | | N/A |
| Government Securities: | | | | | |
| U.S. Treasury Notes | 2,453,497 | 2,495,821 | N/A | | 1,747 |
| Federal Agency Notes | 1,768,080 | 1,830,026 | N/A | | 8,334 |
| Corporate Obligations: | | | | | |
| Domestic | <u>1,209,002</u> | <u>1,240,123</u> | AAA/BBB | | 2,010 |
| Total Fiduciary Investments | <u>11,840,001</u> | <u>10,785,620</u> | | | |
| Grand Total Investments | \$ <u>12,409,669</u> | \$ <u>11,358,220</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 | \$ 3,372,708 | \$ 3,036,714 | \$ 6,409,422 |
| Government securities/ fixed income | 1,855,468 | 2,366,109 | 4,221,577 |
| Corporate bonds | <u>516,763</u> | <u>692,239</u> | <u>1,209,002</u> |
| Total investments | \$ <u>5,744,939</u> | \$ <u>6,095,062</u> | \$ <u>11,840,001</u> |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2007

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 trusts 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, 2007**

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 sixty 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 sixty 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, 2007**

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 \$6,409,422 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 | \$ 720,856 | \$ 523,299 | \$ 9,097 | \$ 19,090 | \$ 1,272,342 |
| Less: Allowance for Uncollectible Accounts | <u>(224,844)</u> | <u>(164,199)</u> | <u>(126)</u> | <u>-0-</u> | <u>(389,169)</u> |
| Net Accounts Receivable | \$ <u>496,012</u> | \$ <u>359,100</u> | \$ <u>8,971</u> | \$ <u>19,090</u> | \$ <u>883,173</u> |
| Uncollectible Amounts Netted With Revenues | \$ <u>70,126</u> | \$ <u>49,395</u> | \$ <u>(96)</u> | \$ <u>-0-</u> | \$ <u>119,425</u> |

The Board of Park Commissioners Fund and the Library Fund reported deferred revenue of \$32,654 and \$57,735, respectively for grant revenue received in advance of incurring qualifying expenses.

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

**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:

| | <u>Major Governmental Funds</u> |
|---|-------------------------------------|
| | <u>General Fund</u> |
| Accounts receivable | \$ 798,988 |
| Less: Allowance for Uncollectible Accounts | <u>(407,813)</u> |
| Net Accounts Receivable | \$ <u>391,175</u> |
| Uncollectible Amounts Netted with Revenues | \$ <u>60,000</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 distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid. All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5¢); on Class II property, twenty-five cents (25.0¢); and on Class IV property, fifty cents (50.0¢). In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

**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, 2007 were as follows:

| <u>Class of Property</u> | <u>Assessed Valuations For Tax Purposes</u> | <u>Current Expense</u> |
|------------------------------|---|----------------------------|
| Class I | \$ 27,870 | 12.50¢ |
| Class II | 241,243,100 | 25.00¢ |
| Class IV | 416,712,684 | 50.00¢ |

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 \$229,374. An allowance totaling \$43,046 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 \$4,934 are primarily comprised of amounts due from other governmental entities. Revenue is recorded as earned when eligibility requirements are met. Grants receivable totaling \$187,320 have been recorded for expenses incurred in excess of grant funds received in the General Fund, Community Development Block Grant Fund and Public Safety and Development 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 \$40,000 and other revenues received in advance of incurring qualifying expenditures in the General Fund and Public Safety and Development Fund totaling \$101,988. 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, 2007**

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 \$1,397,104.

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 \$718,505.

NOTE 6 - CAPITAL ASSETS AND PRIOR PERIOD ADJUSTMENT

PRIOR PERIOD ADJUSTMENT

The City, in accordance with the transition rules of GASB 34, has retroactively reported governmental activities infrastructure assets and land purchased or constructed after June 30, 1980 in the accompanying government-wide financial statements. Beginning net assets for governmental activities have been restated in the accompanying government-wide financial statements as follows:

| | | |
|---|------------------|---------------------|
| Net assets, beginning of year, as previously reported | | \$ 5,959,929 |
| Prior Period Adjustment - | | |
| Capitalization of infrastructure assets | | |
| acquired in prior years | \$ 2,093,316 | |
| Accumulated depreciation as of beginning of year | <u>(823,178)</u> | |
| Net infrastructure assets acquired in prior years | 1,270,138 | |
| Capitalization of land acquired in prior years | <u>444,750</u> | <u>1,714,888</u> |
| Net assets, beginning of year, as restated | | \$ <u>7,674,817</u> |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 - CAPITAL ASSETS AND PRIOR PERIOD ADJUSTMENT (CONTINUED)

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, 2006 | \$ -0- | \$ -0- | \$ 1,839,341 | \$ 7,082,205 | \$ 3,807,571 | \$ -0- | \$ 9,034,431 | \$ 21,763,548 |
| Prior period adjustment | 444,750 | -0- | -0- | -0- | 2,093,316 | -0- | -0- | 2,538,066 |
| Balance, June 30, 2006, restated | 444,750 | -0- | 1,839,341 | 7,082,205 | 5,900,887 | -0- | 9,034,431 | 24,301,614 |
| Increases | 410,947 | -0- | 22,300 | 13,715 | 1,731,339 | -0- | 957,587 | 3,135,888 |
| Decreases | -0- | -0- | -0- | -0- | -0- | -0- | (766,528) | (766,528) |
| Balance, June 30, 2007 | <u>855,697</u> | <u>-0-</u> | <u>1,861,641</u> | <u>7,095,920</u> | <u>7,632,226</u> | <u>-0-</u> | <u>9,225,490</u> | <u>26,670,974</u> |
| Accumulated Depreciation | | | | | | | | |
| Balance, June 30, 2006 | -0- | -0- | 1,632,291 | 3,895,830 | 124,991 | -0- | 4,894,800 | 10,547,912 |
| Prior period adjustment | -0- | -0- | -0- | -0- | 823,178 | -0- | -0- | 823,178 |
| Balance, June 30, 2006, restated | -0- | -0- | 1,632,291 | 3,895,830 | 948,169 | -0- | 4,894,800 | 11,371,090 |
| Increases | -0- | -0- | 61,701 | 140,595 | 338,805 | -0- | 554,825 | 1,095,926 |
| Decreases | -0- | -0- | -0- | -0- | -0- | -0- | (584,312) | (584,312) |
| Balance, June 30, 2007 | <u>-0-</u> | <u>-0-</u> | <u>1,693,992</u> | <u>4,036,425</u> | <u>1,286,974</u> | <u>-0-</u> | <u>4,865,313</u> | <u>11,882,704</u> |
| <i>Governmental Activities</i> | | | | | | | | |
| Capital Assets, Net | <u>855,697</u> | <u>-0-</u> | <u>167,649</u> | <u>3,059,495</u> | <u>6,345,252</u> | <u>-0-</u> | <u>4,360,177</u> | <u>14,788,270</u> |
| <i>Business-type Activities</i> | | | | | | | | |
| Balance, June 30, 2006 | 535,383 | 567,476 | 134,947 | 7,987,370 | 32,472,026 | 1,300,499 | 3,336,455 | 46,334,156 |
| Increases | -0- | 3,512,265 | -0- | 670,544 | 57,428 | 2,774 | 97,522 | 4,340,533 |
| Decreases | -0- | -0- | -0- | (2,589) | (10,058) | -0- | (93,249) | (105,896) |
| Balance, June 30, 2007 | <u>535,383</u> | <u>4,079,741</u> | <u>134,947</u> | <u>8,655,325</u> | <u>32,519,396</u> | <u>1,303,273</u> | <u>3,340,728</u> | <u>50,568,793</u> |
| Accumulated Depreciation | | | | | | | | |
| Balance, June 30, 2006 | -0- | -0- | 118,650 | 3,990,186 | 24,986,033 | 527,839 | 2,252,193 | 31,874,901 |
| Increases | -0- | -0- | 8,804 | 260,284 | 650,129 | 26,785 | 205,846 | 1,151,848 |
| Decreases | -0- | -0- | -0- | (2,491) | (1,408) | -0- | (89,745) | (93,644) |
| Balance, June 30, 2007 | <u>-0-</u> | <u>-0-</u> | <u>127,454</u> | <u>4,247,979</u> | <u>25,634,754</u> | <u>554,624</u> | <u>2,368,294</u> | <u>32,933,105</u> |
| <i>Business-type Activities</i> | | | | | | | | |
| Capital Assets, Net | <u>535,383</u> | <u>4,079,741</u> | <u>7,493</u> | <u>4,407,346</u> | <u>6,884,642</u> | <u>748,649</u> | <u>972,434</u> | <u>17,635,688</u> |
| Primary Government | | | | | | | | |
| Capital Assets, Net | <u>\$ 1,391,080</u> | <u>\$ 4,079,741</u> | <u>\$ 175,142</u> | <u>\$ 7,466,841</u> | <u>\$ 13,229,894</u> | <u>\$ 748,649</u> | <u>\$ 5,332,611</u> | <u>\$ 32,423,958</u> |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 - CAPITAL ASSETS AND PRIOR PERIOD ADJUSTMENT (CONTINUED)

COMMITMENTS

Active construction in progress is composed of the following:

| | <u>Spent to</u> <u>June 30, 2007</u> | <u>Remaining</u> <u>Commitment</u> |
|----------------------------------|---|---------------------------------------|
| Primary Government | | |
| <i>Business-type Activities:</i> | | |
| Water tank | \$ 2,163,439 | \$ 755,561 |
| Line extension | 29,080 | 308,400 |
| Sewer plant improvements | 1,800,355 | 2,143,773 |
| Lift station upgrade | 5,400 | 1,594,600 |
| Community Center heating system | 81,468 | 46,458 |

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 | \$ 224,550 | Water | \$ 543,990 |
| Public safety | 254,796 | Sewer | 380,142 |
| Highways and streets | 351,705 | Board of Park | |
| Health and sanitation | 71,489 | Commissioners | 188,852 |
| Culture and recreation | 193,388 | Library | 38,038 |
| | | Parking Authority | 826 |

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 \$271,344, utility truck and fire trucks at a cost of \$951,595, general use machinery and equipment at a cost of \$97,269, and an excavator for the Sanitary Board at a cost of \$160,100. These leases qualify as capital leases.

The debt service for capital leases are:

| Year Ending <u>June 30,</u> | <u>Governmental Activities</u> <u>General Fund</u> | | <u>Business-Type Activities</u> <u>Sanitary Board</u> | |
|--------------------------------|---|------------------|--|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2008 | \$ 456,865 | \$ 57,410 | \$ 26,037 | \$ 3,633 |
| 2009 | 218,757 | 6,808 | 27,195 | 2,474 |
| 2010 | 43,073 | 545 | 28,406 | 1,264 |
| 2011 | -0- | -0- | -0- | -0- |
| 2012 | -0- | -0- | -0- | -0- |
| Totals | \$ <u>718,695</u> | \$ <u>64,763</u> | \$ <u>81,638</u> | \$ <u>7,371</u> |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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, 2007 amounted to \$27,433 for governmental activities and \$4,742 for business-type activities, all of which was expensed.

NOTE 8 - LONG-TERM DEBT

REVENUE BONDS

Revenue bonds outstanding as of June 30, 2007 consist of debt issued by the City for its water treatment and sewage treatment facilities. The debts are payable solely from and secured by a pledge of the gross revenues to be derived from the operation of the water treatment and sewage treatment plants.

Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. The general bond indentures and their supplements for the water system bonds and sewer 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.

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

| <u>Description and Purpose</u> | <u>Balance</u> <u>July 1, 2006</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance</u> <u>June 30, 2007</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|---------------------------------|---------------------------------------|------------------|----------------|--|--|
| <i>Primary Government</i> | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Compensated Absences | \$ 507,943 | \$ 6,246 | \$ 55,536 | \$ 458,653 | \$ 107,469 |
| Lease Obligations Payable | <u>831,778</u> | <u>340,626</u> | <u>453,709</u> | <u>718,695</u> | <u>456,865</u> |
| Total Governmental Activities | <u>1,339,721</u> | <u>346,872</u> | <u>509,245</u> | <u>1,177,348</u> | <u>564,334</u> |
| <i>Business-type Activities</i> | | | | | |
| Revenue Bonds: | | | | | |
| <u>Major Enterprise Funds</u> | | | | | |
| Water Board | 4,890,710 | 1,828,175 | 304,015 | 6,414,870 | 321,644 |
| Sanitary Board | -0- | <u>863,410</u> | <u>-0-</u> | <u>863,410</u> | <u>-0-</u> |
| Total Revenue Bonds | <u>4,890,710</u> | <u>2,691,585</u> | <u>304,015</u> | <u>7,278,280</u> | <u>321,644</u> |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 - LONG-TERM DEBT (CONTINUED)

CHANGES IN LONG-TERM DEBT (CONTINUED)

| | Balance <u>July 1, 2006</u> | <u>Issued</u> | <u>Retired</u> | Balance <u>June 30, 2007</u> | Due Within <u>One Year</u> |
|---|--------------------------------|---------------------|---------------------|---------------------------------|----------------------------------|
| Revenue Bonds Interest Payable: | | | | | |
| <u>Major Enterprise Funds</u> | | | | | |
| Water Board | \$ 67,561 | \$ 277,914 | \$ 281,973 | \$ 63,502 | \$ 63,502 |
| Total Revenue Bonds Interest Payable | <u>67,561</u> | <u>277,914</u> | <u>281,973</u> | <u>63,502</u> | <u>63,502</u> |
| Lease Obligations Payable: | | | | | |
| <u>Major Enterprise Funds</u> | | | | | |
| Sanitary Board | <u>106,565</u> | <u>-0-</u> | <u>24,927</u> | <u>81,638</u> | <u>26,037</u> |
| Total Lease Obligations Payable | <u>106,565</u> | <u>-0-</u> | <u>24,927</u> | <u>81,638</u> | <u>26,037</u> |
| Compensated Absences: | | | | | |
| <u>Major Enterprise Funds</u> | | | | | |
| Water Board | 67,425 | 5,065 | -0- | 72,490 | 72,490 |
| Sanitary Board | 55,860 | 2,043 | -0- | 57,903 | 57,903 |
| 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>15,300</u> |
| Total Compensated Absences | <u>157,603</u> | <u>7,108</u> | <u>-0-</u> | <u>164,711</u> | <u>154,011</u> |
| Total Business-type Activities | <u>5,222,439</u> | <u>2,976,607</u> | <u>610,915</u> | <u>7,588,131</u> | <u>565,194</u> |
| Total Primary Government Long-term Debt | \$ <u>6,562,160</u> | \$ <u>3,323,479</u> | \$ <u>1,120,160</u> | \$ <u>8,765,479</u> | \$ <u>1,129,528</u> |

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 | \$ 9,082,050 | 2017 - 2028 | 0% - 8.10% |
| Sanitary Board | <u>863,410</u> | 2028 | 2% plus 1% |
| | <u>\$ 9,945,460</u> | | administration fee |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 - LONG-TERM DEBT (CONTINUED)

ARBITRAGE COMPLIANCE

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

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity for bonded debt as of June 30, 2007 are as follows:

Primary Government

| | <i>Business-type Activities</i> | |
|-----------------|---------------------------------|---------------------|
| | Major Enterprise Funds | |
| | Revenue Bonds | |
| | Water Board | |
| Year Ending | <u>Principal</u> | <u>Interest</u> |
| <u>June 30,</u> | | |
| 2008 | \$ 321,644 | \$ 272,116 |
| 2009 | 340,574 | 253,187 |
| 2010 | 360,905 | 232,854 |
| 2011 | 382,755 | 211,006 |
| 2012 | 406,237 | 187,522 |
| 2013 - 2017 | 2,450,345 | 518,453 |
| 2018 - 2022 | <u>260,360</u> | <u>5,892</u> |
| Totals | \$ <u>4,522,820</u> | \$ <u>1,681,030</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, 2007, \$1,892,050 had been drawn down on this issue and therefore, is not included in the above debt service presentation. In April 2007, the city closed on \$4,199,404 sewer revenue bonds, series 2007A to fund the construction of sewer plant improvements. As of June 30, 2007, \$863,410 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, 2007 amounted to \$277,915, all of which was expensed.

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.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 9 - RISK MANAGEMENT (CONTINUED)

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>Due From</u> <u>Primary Government</u> | <u>Due to</u> <u>Governmental Activities</u> | | <u>Due to</u> <u>Business-type Activities</u> | | | | |
|--|---|---|--|---------------------------------|--|---|---|
| | <u>Major</u> <u>Governmental</u> <u>Funds</u> | | <u>Major Enterprise Funds</u> | | | | |
| | <u>General</u> | <u>Other</u> <u>Governmental</u> <u>Funds</u> | <u>Water</u> <u>Board</u> | <u>Sanitary</u> <u>Board</u> | <u>Park</u> <u>Board of</u> <u>Commissioners</u> | <u>Other</u> <u>Enterprise</u> <u>Funds</u> | <u>Total</u> <u>Due</u> <u>From</u> |
| Governmental Activities: | | | | | | | |
| <u>Major Governmental Funds</u> | | | | | | | |
| General | \$ -0- | \$ 21,980 | \$ 41,534 | \$ 597 | \$ 912 | \$ -0- | \$ 65,023 |
| <u>Internal Service Fund</u> | 238 | -0- | 6,495 | 4,280 | 867 | 324 | 12,204 |
| Business-type Activities: | | | | | | | |
| <u>Major Enterprise Funds</u> | | | | | | | |
| Water Board | -0- | -0- | -0- | 2,140 | -0- | -0- | 2,140 |
| Sanitary Board | 5,728 | -0- | -0- | -0- | -0- | 3,754 | 9,482 |
| Board of Park Commissioners | 1,400 | -0- | -0- | -0- | -0- | -0- | 1,400 |
| Total Due To | \$ 7,366 | \$ 21,980 | \$ 48,029 | \$ 7,017 | \$ 1,779 | \$ 4,078 | \$ 90,249 |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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. 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:

| <u>Transfer From Primary Government</u> | <u>Transfers to Governmental Activities</u> | | |
|---|---|---|-------------------------------------|
| | <u>Major Governmental Funds</u> | <u>Other Governmental Funds</u> | <u>Total Transfers From</u> |
| | <u>General</u> | | |
| Governmental Activities: | | | |
| <u>Major Governmental Funds</u> | | | |
| General Fund | \$ -0- | \$ 30,000 | \$ 30,000 |
| Business-type Activities: | | | |
| <u>Major Enterprise Funds</u> | | | |
| Board of Park Commissioners | 446,180 | 9,967 | 456,147 |
| Other Enterprise Funds | <u>265,000</u> | <u>-0-</u> | <u>265,000</u> |
| Total Transfers To | \$ <u>711,180</u> | \$ <u>39,967</u> | \$ <u>751,147</u> |

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

For fiscal year 2007, 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 | \$ 372,222 |
| City of Weirton Firemen's Pension and Relief Fund | <u>175,832</u> |
| Total | \$ <u>548,054</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, 2007**

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, 2006 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 | 29 | 13 |
| Fully vested active members | 10 | 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 contribution requirements | Statutory alternative funding method - actuarially determined contribution to retain solvency for 15 years, not less than the greatest of: <ul style="list-style-type: none"> • 107% of prior year contribution • the average of contributions for the five years beginning July 1, 1983 • the amount which, when added to member contributions and revenue from the state premium tax, equals the normal cost of the fund. Current year required contributions were \$284,893. | Statutory alternative funding method - actuarially determined contribution to retain solvency for 15 years, not less than the greatest of: <ul style="list-style-type: none"> • 107% of prior year contribution • the average of contributions for the five years beginning July 1, 1983 • the amount which, when added to member contributions and revenue from the state premium tax, equals the normal cost of the fund. Current year required contributions were \$134,499. |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 13 - RETIREMENT PLANS (CONTINUED)

SINGLE EMPLOYER PLANS

| | | |
|--|---|---|
| Plan members contribution requirements | 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 |

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.

Annual Pension Cost and Net Pension Obligation

Current year annual pension cost, employer contributions, and net pension obligations are as follows:

| | <u>Policemen's Pension and Relief Fund</u> | <u>Firemen's Pension and Relief Fund</u> |
|---|--|--|
| Annual Required Contribution (ARC) | \$ 823,683 | \$ 260,541 |
| Interest on net pension obligation | 395,295 | 66,508 |
| ARC adjustment | <u>(333,197)</u> | <u>(48,038)</u> |
| Annual pension cost | 885,781 | 279,011 |
| Less: employer contributions | <u>(284,901)</u> | <u>(134,499)</u> |
| Increase in net pension obligation | \$ <u>600,880</u> | \$ <u>144,512</u> |
| Net pension obligation at June 30, 2007 | \$ <u>6,925,599</u> | \$ <u>1,301,180</u> |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 13 - RETIREMENT PLANS (CONTINUED)

The following summarizes annual pension cost, percentage of annual pension cost contributed, and the net pension obligation at the end of the year for the current and preceding two years.

| Fiscal Year | <u>Policemen's Pension and Relief Fund</u> | | | <u>Firemen's Pension and Relief Fund</u> | | |
|----------------|--|---------------------------|-----------------------------------|--|---------------------------|------------------------------------|
| | Annual Pension Cost | Percentage Contributed | Net Pension Obligation(NPO) | Annual Pension Cost | Percentage Contributed | Net Pension Obligation (NPO) |
| 2007 | \$ 885,781 | 32% | \$ 6,925,599 | \$ 279,011 | 48% | \$ 1,301,180 |
| 2006 | 777,607 | 34% | 6,324,719 | 276,464 | 42% | 1,156,668 |
| 2005 | 768,527 | 32% | 5,813,375 | 295,100 | 40% | 997,123 |

COST SHARING, MULTI-EMPLOYER PLAN

West Virginia Public Employees Retirement System

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

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

| | |
|--|--|
| Eligibility to participate | All full time employees by a municipality other than uniformed employees |
| Authority establishing contribution obligations and benefit provisions | State statute |
| Plan members' contribution rate | 4.5% of covered payroll |
| City's contribution rate | 10.5% of covered payroll |
| Period required to vest | 5 years |
| Benefits and eligibility for distribution (full-time) | 2% of final average (highest 3 years out of the last 10 years) salary multiplied by years of service; 5 years age 60 or at least age 55 with age and service to equal 80 |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 13 - RETIREMENT PLANS (CONTINUED)

COST SHARING, MULTI-EMPLOYER PLAN (CONTINUED)

West Virginia Public Employees Retirement System (continued)

| | |
|--|--|
| 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 Year</u> | <u>Required Contribution</u> | <u>Percentage Contributed</u> |
|------------------------|----------------------------------|-----------------------------------|
| 2007 | \$ 404,759 | 100% |
| 2006 | 408,606 | 100% |
| 2005 | 379,677 | 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.

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.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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 \$407,813 for the General Fund, \$224,844 for the Water Board, \$164,199 for the Sanitary Board and \$126 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, 2007 totaled \$2,163,439. 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, 2007.

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 are \$337,480. Construction costs incurred as of June 30, 2007, totaled \$29,080.

The Sanitary Board has also committed to lift station upgrades. The total estimated construction costs are \$1,594,600. Construction costs incurred as of June 30, 2007, totaled \$5,400.

The Sanitary Board has also committed to major plant improvements, with an estimated construction cost of \$3,944,128. As of June 30, 2007, construction costs incurred totaled \$1,800,355. The project is to be partially funded by the \$4,199,404 sewer revenue bonds, series 2007A, which closed in April, 2007.

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 16 - COMMITMENTS (CONTINUED)

Board of Park Commissioners:

The Board has committed to replace the heating system at Millsop Community Center. Total estimated construction costs are \$127,926. Construction costs incurred as of June 30, 2007 totaled \$ 81,468.

NOTE 17 - SUBSEQUENT EVENTS

On August 13, 2007, council authorized acquisition of the following equipment:

- Vehicles for public works department, \$181,660, to be funded by general revenues.
- Vehicles for police department, \$65,196, to be funded by coal severance tax revenues.
- Equipment for fire department, \$137,500.

The above acquisitions will be financed through lease - purchase agreements.

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS -
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007**

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 |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|---|
| 07/01/06 | \$ 5,590,276 | \$ 21,929,940 | \$ 16,339,664 | 25% | \$ 1,587,560 | 1,029% |
| 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% |

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% |

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 |
| 2007 | \$ 823,683 | 35% | \$ 260,541 | 52% |
| 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, 2007**

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

| | <u>Policemen's Pension and Relief Fund</u> | <u>Firemen's Pension and Relief Fund</u> |
|---------------------------------------|--|---|
| Valuation date | 7/1/06 | 7/1/05 |
| Actuarial cost method | Projected unit credit | Projected unit credit |
| Amortization method | Level percentage open | Level percentage open |
| Amortization period | 30 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 |

REQUIRED SUPPLEMENTARY INFORMATION

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, 2007

| | <u>Original</u> <u>Budget</u> | <u>Revisions</u> | <u>Revised</u> <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------------|------------------|---------------------------------|-------------------|--------------------|
| REVENUES | | | | | |
| Taxes: | | | | | |
| Property | \$ 2,800,987 | \$ (70,000) | \$ 2,730,987 | \$ 2,657,877 | \$ (73,110) |
| B&O | 2,300,000 | (200,000) | 2,100,000 | 2,075,139 | (24,861) |
| Excise tax on utilities | 1,310,000 | (30,000) | 1,280,000 | 1,193,316 | (86,684) |
| Other | <u>567,000</u> | <u>152,000</u> | <u>719,000</u> | <u>702,564</u> | <u>(16,436)</u> |
| TOTAL TAXES | 6,977,987 | (148,000) | 6,829,987 | 6,628,896 | (201,091) |
| Licenses and permits | 325,000 | -0- | 325,000 | 288,037 | (36,963) |
| Fines and forfeitures | 97,000 | 23,500 | 120,500 | 106,584 | (13,916) |
| Investment income | 45,000 | 40,000 | 85,000 | 90,440 | 5,440 |
| Charges for services | 4,290,000 | 20,000 | 4,310,000 | 4,134,268 | (175,732) |
| Intergovernmental programs | 566,000 | 1,617,377 | 2,183,377 | 1,459,743 | (723,634) |
| Charges to other funds | 135,388 | -0- | 135,388 | 135,388 | -0- |
| Reimbursements | 162,000 | -0- | 162,000 | 145,199 | (16,801) |
| Other | <u>263,000</u> | <u>(10,000)</u> | <u>253,000</u> | <u>140,773</u> | <u>(112,227)</u> |
| TOTAL REVENUES BEFORE PRIOR YEAR FUND BALANCE | 12,861,375 | 1,542,877 | 14,404,252 | 13,129,328 | (1,274,924) |
| Prior year fund balance (1) | <u>1,230,000</u> | <u>1,531,544</u> | <u>2,761,544</u> | <u>2,761,544</u> | <u>-0-</u> |
| TOTAL REVENUES AND PRIOR YEAR FUND BALANCE | <u>14,091,375</u> | <u>3,074,421</u> | <u>17,165,796</u> | <u>15,890,872</u> | <u>(1,274,924)</u> |
| EXPENDITURES | | | | | |
| General government | 3,616,357 | 722,573 | 4,338,930 | 3,427,454 | 911,476 |
| Public safety | 5,058,712 | 302,560 | 5,361,272 | 4,863,984 | 497,288 |
| Highways and streets | 3,616,920 | 1,938,264 | 5,555,184 | 3,646,353 | 1,908,831 |
| Health and sanitation | 1,024,386 | (33,686) | 990,700 | 793,127 | 197,573 |
| Culture and recreation | 775,000 | 178,480 | 953,480 | 828,823 | 124,657 |
| Social services | <u>5,000</u> | <u>1,230</u> | <u>6,230</u> | <u>6,230</u> | <u>-0-</u> |
| TOTAL EXPENDITURES | <u>14,096,375</u> | <u>3,109,421</u> | <u>17,205,796</u> | <u>13,565,971</u> | <u>3,639,825</u> |
| (DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES | <u>(5,000)</u> | <u>(35,000)</u> | <u>(40,000)</u> | <u>2,324,901</u> | <u>2,364,901</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, 2007

| | <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 | \$ 35,000 | \$ 40,000 | \$ 37,730 | \$ (2,270) |
| NET OTHER FINANCING SOURCES (USES) | <u>5,000</u> | <u>35,000</u> | <u>40,000</u> | <u>37,730</u> | <u>(2,270)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | -0- | -0- | -0- | 2,362,631 | 2,362,631 |
| Fund balance, beginning | 1,230,000 | 1,531,544 | 2,761,544 | 2,761,544 | -0- |
| Less prior year fund balance budgeted | <u>(1,230,000)</u> | <u>(1,531,544)</u> | <u>(2,761,544)</u> | <u>(2,761,544)</u> | <u>-0-</u> |
| Fund balance, ending | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>2,362,631</u> | \$ <u>2,362,631</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 and Library Funds reported as expenditures as opposed to transfers to other funds | \$ 711,180 |
| 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 (\$135,388) and reimbursements (\$145,199) as opposed to netting with the expenditures (general government \$267,587 and public safety \$13,000) | 280,587 |

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, 2007

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 | \$ 340,626 |
| Debt service - principal | (312,709) |
| Debt service - interest | (27,433) |
| Public safety | (171,685) |
| Increase in: | |
| Highways and streets | 171,201 |

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, 2007

| | Original <u>Budget</u> | Revisions | Revised <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------------------|-----------------|--------------------------|------------------|------------------|
| REVENUES | | | | | |
| Intergovernmental | \$ 50,000 | \$ 15,000 | \$ 65,000 | \$ 73,420 | \$ 8,420 |
| Investment income | <u>300</u> | <u>-0-</u> | <u>300</u> | <u>1,022</u> | <u>722</u> |
| TOTAL REVENUES BEFORE PRIOR YEAR FUND BALANCE | 50,300 | 15,000 | 65,300 | 74,442 | 9,142 |
| Prior year fund balance (1) | <u>34,000</u> | <u>24,195</u> | <u>58,195</u> | <u>58,195</u> | <u>-0-</u> |
| TOTAL REVENUES AND PRIOR YEAR FUND BALANCE | <u>84,300</u> | <u>39,195</u> | <u>123,495</u> | <u>132,637</u> | <u>9,142</u> |
| EXPENDITURES | | | | | |
| General government | <u>84,300</u> | <u>39,195</u> | <u>123,495</u> | <u>75,710</u> | <u>47,785</u> |
| TOTAL EXPENDITURES | <u>84,300</u> | <u>39,195</u> | <u>123,495</u> | <u>75,710</u> | <u>47,785</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | -0- | -0- | -0- | 56,927 | 56,927 |
| Fund balance, beginning | 34,000 | 24,195 | 58,195 | 58,195 | -0- |
| Less prior year fund balance budgeted | <u>(34,000)</u> | <u>(24,195)</u> | <u>(58,195)</u> | <u>(58,195)</u> | <u>-0-</u> |
| Fund balance, ending | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>56,927</u> | \$ <u>56,927</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, 2007**

| | Youth Job Program | Community Development Block Grant |
|--|----------------------------------|--|
| ASSETS | | |
| Cash and cash equivalents | \$ 286 | \$ 930 |
| Taxes receivable | -0- | -0- |
| Grants receivable | <u>-0-</u> | <u>33,197</u> |
| TOTAL ASSETS | \$ <u>286</u> | \$ <u>34,127</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ -0- | \$ 12,147 |
| Security deposit | -0- | -0- |
| Due to other funds | -0- | 21,980 |
| Deferred revenue | <u>-0-</u> | <u>-0-</u> |
| TOTAL LIABILITIES | <u>-0-</u> | <u>34,127</u> |
| FUND BALANCES | | |
| Unreserved | <u>286</u> | <u>-0-</u> |
| TOTAL FUND BALANCES | <u>286</u> | <u>-0-</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>286</u> | \$ <u>34,127</u> |

| <u>Tax Increment Financing</u> | <u>Financial Stability</u> | <u>Public Safety and Development</u> | <u>Total</u> |
|--|--------------------------------|--|-------------------|
| \$ 155,276 | \$ 409,985 | \$ 207,651 | \$ 774,128 |
| 1,442 | -0- | -0- | 1,442 |
| <u>-0-</u> | <u>-0-</u> | <u>9,884</u> | <u>43,081</u> |
| \$ <u>156,718</u> | \$ <u>409,985</u> | \$ <u>217,535</u> | \$ <u>818,651</u> |
| | | | |
| \$ -0- | \$ -0- | \$ 15,078 | \$ 27,225 |
| -0- | -0- | 25,000 | 25,000 |
| -0- | -0- | -0- | 21,980 |
| <u>1,442</u> | <u>-0-</u> | <u>100,368</u> | <u>101,810</u> |
| | | | |
| <u>1,442</u> | <u>-0-</u> | <u>140,446</u> | <u>176,015</u> |
| | | | |
| <u>155,276</u> | <u>409,985</u> | <u>77,089</u> | <u>642,636</u> |
| | | | |
| <u>155,276</u> | <u>409,985</u> | <u>77,089</u> | <u>642,636</u> |
| | | | |
| \$ <u>156,718</u> | \$ <u>409,985</u> | \$ <u>217,535</u> | \$ <u>818,651</u> |

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007**

| | <u>Youth Job Program</u> | <u>Community Development Block Grant</u> |
|---|----------------------------------|--|
| REVENUES | | |
| Property taxes | \$ -0- | \$ -0- |
| Program income | -0- | 7,120 |
| Investment income | 2 | -0- |
| Intergovernmental programs | -0- | 711,996 |
| Other | <u>-0-</u> | <u>-0-</u> |
| TOTAL REVENUES | <u>2</u> | <u>719,116</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | -0- | -0- |
| Public safety | -0- | -0- |
| Community development | -0- | 538,149 |
| Debt Service: | | |
| Capital leases-principal | <u>-0-</u> | <u>141,000</u> |
| TOTAL EXPENDITURES | <u>-0-</u> | <u>679,149</u> |
| Excess of revenue over expenditures | <u>2</u> | <u>39,967</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfer to other funds | <u>-0-</u> | <u>(39,967)</u> |
| NET OTHER FINANCING SOURCES (USES) | <u>-0-</u> | <u>(39,967)</u> |
| NET CHANGE IN FUND BALANCE | 2 | -0- |
| Fund balance, beginning | <u>284</u> | <u>-0-</u> |
| Fund balance, ending | \$ <u>286</u> | \$ <u>-0-</u> |

| <u>Tax Increment Financing</u> | <u>Financial Stability</u> | <u>Public Safety and Development</u> | <u>Total</u> |
|--|--------------------------------|--|-------------------|
| \$ 91,813 | \$ -0- | \$ -0- | \$ 91,813 |
| -0- | -0- | -0- | 7,120 |
| 3,149 | 9,995 | 5,083 | 18,229 |
| -0- | -0- | 25,142 | 737,138 |
| <u>-0-</u> | <u>-0-</u> | <u>61,920</u> | <u>61,920</u> |
| | | | |
| <u>94,962</u> | <u>9,995</u> | <u>92,145</u> | <u>916,220</u> |
| | | | |
| 35 | -0- | 50,309 | 50,344 |
| -0- | -0- | 8,883 | 8,883 |
| -0- | -0- | -0- | 538,149 |
| | | | |
| <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>141,000</u> |
| | | | |
| <u>35</u> | <u>-0-</u> | <u>59,192</u> | <u>738,376</u> |
| | | | |
| <u>94,927</u> | <u>9,995</u> | <u>32,953</u> | <u>177,844</u> |
| | | | |
| <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>(39,967)</u> |
| | | | |
| <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>(39,967)</u> |
| | | | |
| 94,927 | 9,995 | 32,953 | 137,877 |
| <u>60,349</u> | <u>399,990</u> | <u>44,136</u> | <u>504,759</u> |
| \$ <u>155,276</u> | \$ <u>409,985</u> | \$ <u>77,089</u> | \$ <u>642,636</u> |

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2007**

| | <u>Library</u> | <u>Parking Facility</u> | <u>Total</u> |
|--|-------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 160,909 | \$ 520 | \$ 161,429 |
| Investments | 376,345 | -0- | 376,345 |
| Accounts receivable | 19,090 | -0- | 19,090 |
| Prepays | <u>4,314</u> | <u>-0-</u> | <u>4,314</u> |
| TOTAL CURRENT ASSETS | <u>560,658</u> | <u>520</u> | <u>561,178</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>460,095</u> | <u>2,493</u> | <u>462,588</u> |
| TOTAL NON-CURRENT ASSETS | <u>517,847</u> | <u>307,074</u> | <u>824,921</u> |
| TOTAL ASSETS | <u>1,078,505</u> | <u>307,594</u> | <u>1,386,099</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 13,222 | -0- | 13,222 |
| Wages and benefits payable | 14,458 | -0- | 14,458 |
| Due to other funds | 4,078 | -0- | 4,078 |
| Compensated absences, current | 15,300 | -0- | 15,300 |
| Deferred revenue | <u>57,735</u> | <u>-0-</u> | <u>57,735</u> |
| TOTAL CURRENT LIABILITIES | <u>104,793</u> | <u>-0-</u> | <u>104,793</u> |
| Non-current liabilities: | | | |
| Compensated absences, non-current | <u>10,700</u> | <u>-0-</u> | <u>10,700</u> |
| TOTAL NON-CURRENT LIABILITIES | <u>10,700</u> | <u>-0-</u> | <u>10,700</u> |
| TOTAL LIABILITIES | <u>115,493</u> | <u>-0-</u> | <u>115,493</u> |
| NET ASSETS | | | |
| Invested in capital assets | 517,544 | 307,074 | 824,618 |
| Unrestricted | <u>445,468</u> | <u>520</u> | <u>445,988</u> |
| TOTAL NET ASSETS | <u>\$ 963,012</u> | <u>\$ 307,594</u> | <u>\$ 1,270,606</u> |

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007**

| | <u>Library</u> | <u>Parking Facility</u> | <u>Total</u> |
|---|-------------------|-----------------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services: | | | |
| Library fines | \$ 6,554 | \$ -0- | \$ 6,554 |
| Parking fees | <u>-0-</u> | <u>151</u> | <u>151</u> |
| TOTAL CHARGES FOR SERVICES | 6,554 | 151 | 6,705 |
| Other | <u>277,032</u> | <u>-0-</u> | <u>277,032</u> |
| TOTAL OPERATING REVENUES | <u>283,586</u> | <u>151</u> | <u>283,737</u> |
| OPERATING EXPENSES | | | |
| Personal services | 350,638 | -0- | 350,638 |
| Maintenance, operations and contractual services | 143,950 | -0- | 143,950 |
| Materials and supplies | 91,391 | -0- | 91,391 |
| Depreciation | <u>38,038</u> | <u>826</u> | <u>38,864</u> |
| TOTAL OPERATING EXPENSES | <u>624,017</u> | <u>826</u> | <u>624,843</u> |
| Operating (loss) | <u>(340,431)</u> | <u>(675)</u> | <u>(341,106)</u> |
| NON-OPERATING REVENUE (EXPENSES) | | | |
| Grant income | 291,347 | -0- | 291,347 |
| Investment income | 37,240 | 12 | 37,252 |
| (Loss) on disposal of other capital assets | <u>(340)</u> | <u>-0-</u> | <u>(340)</u> |
| TOTAL NON-OPERATING REVENUE (EXPENSES) | <u>328,247</u> | <u>12</u> | <u>328,259</u> |
| (Loss) before transfers | (12,184) | (663) | (12,847) |
| Transfers from other funds | <u>265,000</u> | <u>-0-</u> | <u>265,000</u> |
| Change in net assets | 252,816 | (663) | 252,153 |
| Total net assets, beginning | <u>710,196</u> | <u>308,257</u> | <u>1,018,453</u> |
| Total net assets, ending | \$ <u>963,012</u> | \$ <u>307,594</u> | \$ <u>1,270,606</u> |

**CITY OF WEIRTON, WEST VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

| | <u>Library</u> | <u>Parking Facility</u> | <u>Total</u> |
|--|-------------------|-----------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 6,554 | \$ 151 | \$ 6,705 |
| Cash payments to suppliers for goods and services | (244,184) | -0- | (244,184) |
| Cash payments to employees and contractors for services | (348,954) | -0- | (348,954) |
| Payments for internal services | (828) | -0- | (828) |
| Other operating revenues | <u>233,289</u> | <u>-0-</u> | <u>233,289</u> |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>(354,123)</u> | <u>151</u> | <u>(353,972)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Operating grants received | 289,815 | -0- | 289,815 |
| Transfers from other funds | <u>265,000</u> | <u>-0-</u> | <u>265,000</u> |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | <u>554,815</u> | <u>-0-</u> | <u>554,815</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition and construction of capital assets | <u>(325,904)</u> | -0- | <u>(325,904)</u> |
| NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(325,904)</u> | <u>-0-</u> | <u>(325,904)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of investments | (15,400) | -0- | (15,400) |
| Proceeds from sale of investments | 200 | -0- | 200 |
| Investment income | <u>20,582</u> | <u>12</u> | <u>20,594</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>5,382</u> | <u>12</u> | <u>5,394</u> |
| Net (decrease) increase in cash and cash equivalents | (119,830) | 163 | (119,667) |
| Cash and cash equivalents at July 1, 2006 | <u>280,739</u> | <u>357</u> | <u>281,096</u> |
| Cash and cash equivalents at June 30, 2007 | \$ <u>160,909</u> | \$ <u>520</u> | \$ <u>161,429</u> |

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2007**

| | <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>(340,431)</u> | \$ <u>(675)</u> | \$ <u>(341,106)</u> |
| Adjustment to reconcile operating (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 38,038 | 826 | 38,864 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (13,743) | -0- | (13,743) |
| (Decrease) increase in accounts payable | (9,545) | -0- | (9,545) |
| (Decrease) increase in wages and benefits | 1,684 | -0- | 1,684 |
| (Decrease) increase in due to other funds | (126) | -0- | (126) |
| (Decrease) increase in deferred revenues | <u>(30,000)</u> | <u>-0-</u> | <u>(30,000)</u> |
| TOTAL ADJUSTMENTS | <u>(13,692)</u> | <u>826</u> | <u>(12,866)</u> |
| | | | |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | \$ <u>(354,123)</u> | \$ <u>151</u> | \$ <u>(353,972)</u> |
| | | | |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Net increase in fair value of investments | \$ <u>16,658</u> | \$ <u>-0-</u> | \$ <u>16,658</u> |
| | | | |
| Net book value of other capital assets written off | \$ <u>340</u> | \$ <u>-0-</u> | \$ <u>340</u> |

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2007**

| | <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 | \$ 212,774 | \$ 394,750 | \$ 607,524 |
| Interest receivable | <u>15,850</u> | <u>23,808</u> | <u>39,658</u> |
| | <u>228,624</u> | <u>418,558</u> | <u>647,182</u> |
| Investments, at fair value: | | | |
| U.S. government backed securities | 1,855,468 | 2,366,109 | 4,221,577 |
| Common stock | 3,372,708 | 3,036,714 | 6,409,422 |
| Other bonds | <u>516,763</u> | <u>692,239</u> | <u>1,209,002</u> |
| TOTAL INVESTMENTS | <u>5,744,939</u> | <u>6,095,062</u> | <u>11,840,001</u> |
| TOTAL ASSETS | <u>5,973,563</u> | <u>6,513,620</u> | <u>12,487,183</u> |
| LIABILITIES | | | |
| Accounts payable | <u>1,909</u> | <u>1,487</u> | <u>3,396</u> |
| TOTAL LIABILITIES | <u>1,909</u> | <u>1,487</u> | <u>3,396</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | <u>\$ 5,971,654</u> | <u>\$ 6,512,133</u> | <u>\$ 12,483,787</u> |

**CITY OF WEIRTON, WEST VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2007**

| | <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 | \$ 284,901 | \$ 134,499 | \$ 419,400 |
| Plan members | 110,225 | 63,082 | 173,307 |
| Insurance premium tax allocation | <u>372,222</u> | <u>175,832</u> | <u>548,054</u> |
| TOTAL CONTRIBUTIONS | <u>767,348</u> | <u>373,413</u> | <u>1,140,761</u> |
| Investment income | 681,710 | 626,470 | 1,308,180 |
| Less: investment expense | <u>(36,820)</u> | <u>(34,685)</u> | <u>(71,505)</u> |
| NET INVESTMENT INCOME | <u>644,890</u> | <u>591,785</u> | <u>1,236,675</u> |
| TOTAL ADDITIONS | <u>1,412,238</u> | <u>965,198</u> | <u>2,377,436</u> |
| DEDUCTIONS | | | |
| Benefits | 1,027,441 | 289,744 | 1,317,185 |
| Administrative expenses | <u>3,419</u> | <u>6,117</u> | <u>9,536</u> |
| TOTAL DEDUCTIONS | <u>1,030,860</u> | <u>295,861</u> | <u>1,326,721</u> |
| Change in net assets | 381,378 | 669,337 | 1,050,715 |
| Net assets held in trust for pension benefits | | | |
| Beginning of year | <u>5,590,276</u> | <u>5,842,796</u> | <u>11,433,072</u> |
| End of year | \$ <u>5,971,654</u> | \$ <u>6,512,133</u> | \$ <u>12,483,787</u> |

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

| <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 Commerce: | | | | |
| Pass-through program from: | | | | |
| Brooke-Hancock-Jefferson Metropolitan Planning Commission Economic Development Support for Planning Organizations | | | | |
| | 11.302 | N/A | 01/01/06-06/30/07 | \$ <u>25,142</u> |
| Pass-through program from: | | | | |
| Northern Panhandle Home Consortium First-time Home Buyer Program | | | | |
| | 14.239 | N/A | 07/01/06-06/30/07 | 44,229 |
| TOTAL U.S. DEPARTMENT OF COMMERCE | | | | <u>25,142</u> |
| U.S. Department of Housing and Urban Development: | | | | |
| Community Development Block Grant | | | | |
| | 14.218 | B-05-MC-54-0004 | 07/01/05 - 06/30/07 | 352,786 |
| Community Development Block Grant | | | | |
| | 14.218 | B-06-MC-54-0004 | 07/01/06 - 06/30/07 | <u>359,210</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | <u>756,225</u> |
| U.S. Department of Justice: | | | | |
| Pass-through program from: | | | | |
| West Virginia Department of Transportation Public Safety Partnerships and Community Policing Grants | | | | |
| | 16.710 | 9007-2007-0802-099-128 | 01/01/07 - 12/31/07 | <u>31,160</u> |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | | <u>31,160</u> |
| U.S. Department of Transportation: | | | | |
| Federal Transit Authority | | | | |
| | 20.507 | WV-90-X085-00 | 07/01/00 - 06/30/07 | 392 |
| Federal Transit Authority | | | | |
| | 20.507 | WV-90-X106-00 | 07/01/04 - 06/30/07 | 9,179 |
| Federal Transit Authority | | | | |
| | 20.507 | WV-90-X115-00 | 07/01/04 - 06/30/07 | 18,114 |
| Federal Transit Authority | | | | |
| | 20.507 | WV-90-X131-00 | 07/01/06 - 06/30/07 | 136,269 |
| Pass-through program from: | | | | |
| West Virginia Department of Transportation Highway Planning and Construction | | | | |
| | 20.205 | U315-WEIR/RT 1.00 | 07/01/06 - 06/30/08 | <u>4,495</u> |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | | <u>168,449</u> |

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

| <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 - 06/30/07 | \$ 1,828,175 |
| Capitalization Grants for Clean Water State Revolving Funds | | | | |
| | 66.458 | N/A | 04/01/07 - 06/30/07 | <u>863,410</u> |
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | <u>2,691,585</u> |
| U.S. Department of Homeland Security: | | | | |
| Pass-through program from: | | | | |
| State of West Virginia Department of Military Affairs and Public Safety | | | | |
| FEMA-Disaster Grants | | | | |
| | 97.036 | FEMA-1558-DR-WV | 09/01/04-06/30/07 | \$ 107,713 |
| FEMA-Disaster Grants | | | | |
| | 97.036 | FEMA-1574-DR-WV | 01/01/05 - 06/30/07 | 208,809 |
| FEMA-Hazard Mitigation Grant | | | | |
| | 97.039 | FEMA-1558-DR-WV | 09/01/04 - 07/31/07 | <u>261,514</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | | <u>478,260</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | \$ <u>4,150,821</u> |

COMBINED EXPENDITURES

| | |
|--------------------|------------|
| 1) CFDA No. 14.218 | \$ 711,996 |
| 2) CFDA No. 20,507 | 163,954 |
| 3) CFDA No. 66.458 | 2,691,585 |
| 4) CFDA No. 97.036 | 216,746 |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

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 AUDITORS' REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 601, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

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

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

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

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, 2007, which collectively comprise the City of Weirton, West Virginia's basic financial statements and have issued our report thereon dated March 20, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Weirton, West Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Weirton, West Virginia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Weirton, West Virginia's ability to initiate, authorize, record, process, or report

financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Weirton, West Virginia's financial statements that is more than inconsequential will not be prevented or detected by the City of Weirton, West Virginia's internal control. We consider deficiency number 2007-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Weirton, West Virginia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency number 2007-1 described above to be a material weakness.

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*.

City of Weirton, West Virginia's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit City of Weirton, West Virginia's response and, accordingly, we express no opinion on it.

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.

Wane & Hall PLLC

Huntington, West Virginia
March 20, 2008

Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 601, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

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

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

INDEPENDENT AUDITORS' 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, 2007. City of Weirton, West Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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, 2007.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Weirton, West Virginia's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employee's in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of 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 20, 2008

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**CITY OF WEIRTON, WEST VIRGINIA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

There were no findings or questioned costs for the year ended June 30, 2006.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

A. SUMMARY OF AUDITORS' 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, 2007.
- 2) One significant deficiency was identified during the audit of the financial statements of City of Weirton, West Virginia for the year ended June 30, 2007. The significant deficiency identified was considered to be a material weakness.
- 3) No instances of noncompliance material to the financial statements of City of Weirton, West Virginia for the year ended June 30, 2007 were noted during the audit.
- 4) No significant deficiencies were identified during the audit of the major federal award programs of City of Weirton, West Virginia for the year ended June 30, 2007.
- 5) The independent auditors' report on compliance for the major federal award programs for City of Weirton, West Virginia for the year ended June 30, 2007 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 Housing and and Urban Development Community Development Block Grants | 14.218 |
| U.S. Environmental Protection Agency Pass-through West Virginia Department of Environmental Protection Capitalization Grants for Clean Water State Revolving Funds | 66.458 |

- 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, 2007.
- 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, 2007.

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

■ Significant Deficiencies

2007-1 Reporting of Governmental Activities Infrastructure Assets and Land

Condition: For the year ended June 30, 2007, the City was required to report in its government-wide financial statements governmental activities infrastructure assets and land acquired after June 30, 1980 in accordance with the transition rules of GASB 34. While we noted that the required information had been identified and accumulated by the City, the information had not been incorporated into the City's financial statements and an audit adjusting entry was required to reflect such items. The amounts involved were considered material in relation to the financial statements, taken as a whole.

Criteria: Internal controls should be suitably designed and operated to ensure that transactions are properly reported in accordance with generally accepted accounting principles.

Effect: Management's financial statements were not presented in accordance with generally accepted accounting principles.

Recommendation: Review procedures should be strengthened to ensure that transactions are reported in the financial statements in accordance with generally accepted accounting principles.

■ Noncompliance Findings

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

■ Significant Deficiencies

None

■ Noncompliance Findings

None

CORRECTIVE ACTION PLAN



CITY OF WEIRTON

OFFICE OF THE CITY MANAGER

GARY J. DuFOUR
City Manager

200 Municipal Plaza
Weirton, West Virginia 26062
Telephone (304) 797-8503
Fax: (304) 797-8598
citymanager@cityofweirton.com

March 24, 2008

Ware & Hall, PLLC
1108 Third Avenue
P.O. Box 819
Huntington, WV 25712-0819

Re: Finding 2007-1

Gentlemen:

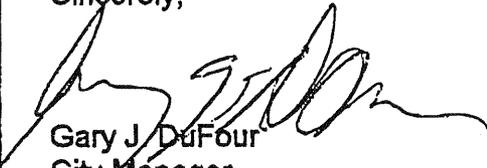
In response to the above-referenced finding in audited documentation prepared for the fiscal year ending June 30, 2007, the City of Weirton has previously undertaken all necessary documentation for full compliance for GASB 34, dealing with the inclusion of certain values of infrastructure items and land.

As was indicated in the finding, the only error the City made was in completing the actual entry relating to these items. As such, this was a problem since 2007, which was the year the City planned to fully bring forward values reaching back to 1980 for certain assets.

The above will not be a recurring situation. The City has continued to move forward in its GASB 34 compliance and should encounter no problem in incorporating other assets as they are acquired.

Should you have any additional questions regarding the above, please do not hesitate to contact my office.

Sincerely,



Gary J. DuFour
City Manager

GJD:kc

Cc: Debbie Swanson, Interim Finance Director