

City of Weirton, West Virginia

Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2016

Brooke and Hancock Counties

RFP#16-284

**CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2016**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax

NONMAJOR FUNDS

Youth Job Program
TIF
Public Safety
Library
CDBG

PROPRIETARY FUND TYPES

MAJOR FUNDS

Water
Sewerage
Board of Park Commissions

NONMAJOR FUNDS

Parking
Internal Service Fund-Gasoline

FIDUCIARY FUNDS

Agency
Policemen's Pension
Firemen's Pension

**CITY OF WEIRTON, WEST VIRGINIA
TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2016**

| | |
|---|----|
| Introductory Section | |
| City Officials | 1 |
| Financial Section | |
| Independent Auditor’s Report | 2 |
| Basic Financial Statements: | |
| <i>Government-wide Financial Statements:</i> | |
| Statement of Net Position | 5 |
| Statement of Activities | 7 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet – Governmental Funds..... | 8 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position..... | 9 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 10 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 11 |
| Statement of Net Position – Proprietary Funds | 12 |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds | 14 |
| Statement of Cash Flows – Proprietary Funds..... | 15 |
| Statement of Fiduciary Net Position – Fiduciary Funds..... | 17 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 18 |
| Notes to the Financial Statements | 19 |
| Required Supplementary Information | |
| Defined Benefit Pension Trusts | 53 |
| Notes to the Required Supplementary Information – Defined Benefit Pension Trusts | 58 |
| Cost Sharing Multi – Employer Plan | 60 |
| Notes to the Required Supplementary Information – Cost Sharing Multi – Employer Plan | 61 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 62 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Coal Severance Tax Fund..... | 63 |
| Supplementary Information | |
| Combining and Individual Fund Statements and Schedules | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 64 |
| Combining Statement of Revenues, Expenditures and Changs in Fund Balances – Nonmajor Governmental Funds | 65 |
| Combining Statement of Fiduciary Net Position – Fiduciary Funds..... | 66 |
| Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds..... | 67 |
| Schedule of Expenditures of State Awards..... | 68 |
| Schedule of Expenditures of Federal Awards..... | 69 |
| Notes to the Schedule of Expenditures of Federal Awards | 70 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 71 |
| Schedule of Findings and Responses | 73 |
| Summary Schedule of Prior Audit Findings | 74 |

Introductory Section

**CITY OF WEIRTON, WEST VIRGINIA
CITY OFFICIALS
For the Fiscal Year Ended June 30, 2016**

| OFFICE | NAME | TERM ENDS |
|------------------------------------|------------------------|-----------|
| <u>Elected</u> | | |
| Mayor: | Harold Miller | June 2019 |
| Council Members: | | |
| Ward 1: | Tim Connell | June 2019 |
| Ward 2: | Matthew Provenzano | June 2019 |
| Ward 3: | Fred Marsh | June 2019 |
| Ward 4: | George Ash | June 2019 |
| Ward 5: | Douglas Jackson | June 2019 |
| Ward 6: | Enzo Fracasso | June 2019 |
| Ward 7: | Terry Weigel | June 2019 |
| <u>Appointed</u> | | |
| City Manager: | Travis Blosser | |
| Chief Code Official: | Ken Fletcher | |
| City Attorney: | Vincent Gurrera | |
| City Clerk: | Kathy Mrvos | |
| City Judge: | Dean Makricostas | |
| Finance Director: | Diana Smoljanovich | |
| Fire Chief: | Jerry Shumate | |
| Library Director: | Richard Rekowski | |
| Planning and Development Director: | Mark Miller | |
| Police Chief: | Rob Alexander | |
| Public Works Director: | Rod Rosnick | |
| Utilities Director: | A.D. Butch Mastrantoni | |

Financial Section

Ferrari & Associates, PLLC

1340 Cain Street | Morgantown, WV 26505

Independent Auditor's Report

Honorable Mayor and City Council
City of Weirton
200 Municipal Plaza
Weirton, West Virginia 26062

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weirton, West Virginia (the City), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ferrari & Associates, PLLC

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Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of recording OPEB obligations as described in the preceding paragraph, 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, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The City has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require this presentation to include the schedule of defined benefit pension trusts, schedules of net pension liabilities and pension contributions, and required budgetary comparison schedules, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, GASB considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The combining statements, individual nonmajor fund financial statements, and schedule of expenditures of state awards present additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The statements and schedules are the responsibility of management and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the statements and schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Ferrari & Associates, PLLC

**Morgantown, West Virginia
April 27, 2017**

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

| | Primary Government | | Total |
|---|-----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | |
| Assets | | | |
| Cash and cash equivalents | \$ 6,586,235 | \$ 1,702,760 | \$ 8,288,995 |
| Investments | 484,867 | 407,560 | 892,427 |
| Receivables, net: | | | |
| Taxes | 1,543,259 | - | 1,543,259 |
| Charges for services | 645,592 | 1,766,901 | 2,412,493 |
| Intergovernmental | 34,196 | - | 34,196 |
| Other fees and proceeds | 16,976 | - | 16,976 |
| Internal balances | (76,215) | 76,215 | - |
| Inventories | - | 114,415 | 114,415 |
| Other assets | 28,390 | - | 28,390 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 4,050,253 | 4,050,253 |
| Capital assets: | | | |
| Land and construction in progress | 913,146 | 763,083 | 1,676,229 |
| Other capital assets, net of depreciation | 15,885,889 | 26,831,113 | 42,717,002 |
| | | | |
| Total assets | <u>26,062,335</u> | <u>35,712,300</u> | <u>61,774,635</u> |
| | | | |
| Deferred Outflows | | | |
| Net changes in employer proportion and differences between contributions and proportionate share of contributions | 2,288 | 102,267 | 104,555 |
| Changes in assumptions | 9,088,200 | - | 9,088,200 |
| Differences between expected and actual experience | 854,128 | 174,882 | 1,029,010 |
| Net differences between projected and actual investment earnings on pensions | 944,702 | - | 944,702 |
| Employer contributions to pension plan subsequent to the measurement date | 281,193 | 270,321 | 551,514 |
| | | | |
| Total deferred outflows of resources | <u>11,170,511</u> | <u>547,470</u> | <u>11,717,981</u> |
| | | | |
| Total assets and deferred outflows | <u>\$ 37,232,846</u> | <u>\$ 36,259,770</u> | <u>\$ 73,492,616</u> |

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| Liabilities | | | |
| Accounts payable | \$ 424,832 | \$ 344,610 | \$ 769,442 |
| Wages and benefits payable | 405,418 | 178,381 | 583,799 |
| Note payable | - | 12,170 | 12,170 |
| Capital lease obligations payable, current | 179,985 | - | 179,985 |
| Compensated absences | 516,277 | 151,577 | 667,854 |
| Unearned revenues | 196,763 | - | 196,763 |
| Security deposit | 25,000 | - | 25,000 |
| Grant advances | 1,279 | - | 1,279 |
| Liabilities payable from restricted assets: | | | |
| Bonds payable, current | - | 1,333,081 | 1,333,081 |
| Accrued interest payable | - | 37,561 | 37,561 |
| Capital lease obligations payable, non-current | 152,086 | - | 152,086 |
| Bonds payable, non-current | - | 14,340,190 | 14,340,190 |
| Net pension liability | 46,928,410 | 855,080 | 47,783,490 |
| | <u>48,830,050</u> | <u>17,252,650</u> | <u>66,082,700</u> |
| Total liabilities | | | |
| | <u>48,830,050</u> | <u>17,252,650</u> | <u>66,082,700</u> |
| Deferred Inflows | | | |
| Differences between expected and actual experience | 31,585 | - | 31,585 |
| Net differences between projected and actual investment earnings on pensions | 194,049 | 187,501 | 381,550 |
| Deferred difference in assumptions | 106,449 | 102,851 | 209,300 |
| | <u>332,083</u> | <u>290,352</u> | <u>622,435</u> |
| Total deferred inflows of resources | | | |
| | <u>332,083</u> | <u>290,352</u> | <u>622,435</u> |
| Net Position | | | |
| Net investment in capital assets | 16,466,964 | 11,908,754 | 28,375,718 |
| Restricted for: | | | |
| Capital projects | 1,600,126 | - | 1,600,126 |
| Debt service | - | 3,811,372 | 3,811,372 |
| Other purposes | 1,505,889 | 238,882 | 1,744,771 |
| Unrestricted | <u>(31,502,266)</u> | <u>2,757,760</u> | <u>(28,744,506)</u> |
| | <u>(11,929,287)</u> | <u>18,716,768</u> | <u>6,787,481</u> |
| Total net position | | | |
| | <u>(11,929,287)</u> | <u>18,716,768</u> | <u>6,787,481</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 37,232,846</u> | <u>\$ 36,259,770</u> | <u>\$ 73,492,616</u> |

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenues and Changes in Net Position | | |
|--------------------------------------|----------------------|----------------------|--------------------------|--------------------------|--|--------------------------|---------------------|
| | Expenses | Charges | Operating | Capital | Primary Government | | |
| | | for Services | Grants and Contributions | Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,861,798 | \$ 479,028 | \$ 432,865 | \$ - | \$ (1,949,905) | \$ - | \$ (1,949,905) |
| Public safety | 10,978,582 | 2,416,683 | 582,893 | 93,971 | (7,885,035) | - | (7,885,035) |
| Highway and streets | 3,250,186 | 899,358 | 229,526 | - | (2,121,302) | - | (2,121,302) |
| Health and sanitation | 1,030,170 | 1,312,872 | - | - | 282,702 | - | 282,702 |
| Culture and recreation | 941,083 | 11,940 | 215,821 | - | (713,322) | - | (713,322) |
| Social services | 45,364 | - | 32,259 | - | (13,105) | - | (13,105) |
| Interest | 7,797 | - | - | - | (7,797) | - | (7,797) |
| Total governmental activities | <u>19,114,980</u> | <u>5,119,881</u> | <u>1,493,364</u> | <u>93,971</u> | <u>(12,407,764)</u> | <u>-</u> | <u>(12,407,764)</u> |
| Business-type activities: | | | | | | | |
| Water board | 3,780,392 | 4,030,541 | - | 23,247 | - | 273,396 | 273,396 |
| Sanitary board | 3,041,396 | 3,278,743 | 23,381 | 1,000 | - | 261,728 | 261,728 |
| Board of park commissions | 1,167,048 | 482,905 | - | 10,707 | - | (673,436) | (673,436) |
| Total business-type activities | <u>7,988,836</u> | <u>7,792,189</u> | <u>23,381</u> | <u>34,954</u> | <u>-</u> | <u>(138,312)</u> | <u>(138,312)</u> |
| Total primary government | <u>\$ 27,103,816</u> | <u>\$ 12,912,070</u> | <u>\$ 1,516,745</u> | <u>\$ 128,925</u> | <u>(12,407,764)</u> | <u>(138,312)</u> | <u>(12,546,076)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 3,318,270 | - | 3,318,270 |
| B & O taxes | | | | | 5,102,815 | - | 5,102,815 |
| Excise tax on utilities | | | | | 1,165,734 | - | 1,165,734 |
| Other taxes | | | | | 587,022 | - | 587,022 |
| Video lottery and table gaming | | | | | 504,155 | - | 504,155 |
| Unrestricted investment earnings | | | | | 4,130 | 10,284 | 14,414 |
| Miscellaneous | | | | | 109,531 | 65,558 | 175,089 |
| Gain (loss) on sale of assets | | | | | - | (29,478) | (29,478) |
| Transfers | | | | | (514,000) | 514,000 | - |
| Total general revenues and transfers | | | | | <u>10,277,657</u> | <u>560,364</u> | <u>10,838,021</u> |
| Changes in net position | | | | | (2,130,107) | 422,052 | (1,708,055) |
| Net position- beginning | | | | | <u>(9,799,180)</u> | <u>18,294,716</u> | <u>8,495,536</u> |
| Net position- ending | | | | | <u>\$ (11,929,287)</u> | <u>\$ 18,716,768</u> | <u>\$ 6,787,481</u> |

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

CITY OF WEIRTON, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

| | General | Coal Severance Tax | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 3,992,212 | \$ 56,312 | \$ 2,171,999 | \$ 6,220,523 |
| Investments | - | - | 484,867 | 484,867 |
| Receivables, net | | | | |
| Taxes | 1,530,668 | 11,704 | 887 | 1,543,259 |
| Charges for services | 623,635 | - | - | 623,635 |
| Intergovernmental | 4,439 | - | 29,757 | 34,196 |
| Other fees and proceeds | 16,976 | - | - | 16,976 |
| Due from other funds | 198,547 | - | - | 198,547 |
| Prepaid expenses | 25,070 | - | 3,320 | 28,390 |
| | <u>6,391,547</u> | <u>68,016</u> | <u>2,690,830</u> | <u>9,150,393</u> |
| Total assets | <u>\$ 6,391,547</u> | <u>\$ 68,016</u> | <u>\$ 2,690,830</u> | <u>\$ 9,150,393</u> |
| Liabilities, Deferred Inflows and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 352,248 | \$ - | \$ 44,201 | \$ 396,449 |
| Wages and benefits payable | 395,106 | - | 10,312 | 405,418 |
| Compensated absences | 85,175 | - | 26,894 | 112,069 |
| Due to other funds | 284,827 | - | 32,403 | 317,230 |
| Security deposit | - | - | 25,000 | 25,000 |
| Unearned revenue | - | - | 197,045 | 197,045 |
| Grant Advances | - | - | 1,279 | 1,279 |
| | <u>1,117,356</u> | <u>-</u> | <u>337,134</u> | <u>1,454,490</u> |
| Total liabilities | <u>1,117,356</u> | <u>-</u> | <u>337,134</u> | <u>1,454,490</u> |
| Deferred Inflows | | | | |
| Unavailable revenue-taxes | 60,705 | - | - | 60,705 |
| | <u>60,705</u> | <u>-</u> | <u>-</u> | <u>60,705</u> |
| Fund balances | | | | |
| Non-spendable for: | | | | |
| Prepaid expenses | 25,070 | - | 3,320 | 28,390 |
| Restricted for: | | | | |
| Capital projects | - | - | 1,600,126 | 1,600,126 |
| Culture and recreation | 1,340,145 | - | - | 1,340,145 |
| Committed for: | | | | |
| Capital projects | 469,626 | - | - | 469,626 |
| Workers' compensation | 166,261 | - | - | 166,261 |
| General expenditures | 64,174 | - | - | 64,174 |
| Assigned for: | | | | |
| General expenditures | 6,720 | 68,016 | 750,250 | 824,986 |
| Unassigned for: | | | | |
| Unassigned | 3,141,490 | - | - | 3,141,490 |
| | <u>5,213,486</u> | <u>68,016</u> | <u>2,353,696</u> | <u>7,635,198</u> |
| Total fund balances | <u>5,213,486</u> | <u>68,016</u> | <u>2,353,696</u> | <u>7,635,198</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 6,391,547</u> | <u>\$ 68,016</u> | <u>\$ 2,690,830</u> | <u>\$ 9,150,393</u> |

CITY OF WEIRTON, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balance, governmental funds \$ 7,635,198

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets of \$39,808,608 net of accumulated depreciation of \$23,009,573, used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 16,799,035

Certain other long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds. These consist entirely of unearned property taxes. 60,705

The net position of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 402,158

The portion of compensated absences that are not due and payable in the current period and are not reported in the funds, but are included in the governmental activities of the Statement of Net Position. (404,330)

Deferred inflows and outflows related to pension activity are not required to be reported in the funds but are required to be reported at the government - wide level:

| | | |
|---|------------------|------------|
| Deferred outflows - Net changes in employer proportion and differences between contributions and proportionate share of contributions | 2,288 | |
| Deferred outflows - Changes in assumptions | 9,088,200 | |
| Deferred outflows - Differences between expected and actual experience | 854,128 | |
| Deferred outflows - Net differences between projected and actual investment earnings on pensions | 944,702 | |
| Deferred outflows - Employer contributions to pension plan subsequent to measurement date | 281,193 | |
| Deferred inflows - Differences between expected and actual experience | (31,585) | |
| Deferred inflows - Net differences between projected and actual investment earnings on pensions | (194,049) | |
| Deferred inflows - Deferred differences in assumptions | <u>(106,449)</u> | 10,838,428 |

Long-term net pension liabilities are not due and payable in the current period and not reported in the funds. (46,928,410)

Capital lease obligations do not require the use of current financial resources and therefore are reported only in the Statement of Net Position. (332,071)

Net position of governmental activities in the Statement of Net Position \$ (11,929,287)

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

| | General | Coal Severance Tax | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|---|--------------------------------|
| Revenues | | | | |
| Property taxes | \$ 2,815,643 | \$ - | \$ 533,843 | \$ 3,349,486 |
| B&O taxes | 5,114,210 | - | - | 5,114,210 |
| Excise tax on utilities | 1,165,734 | - | - | 1,165,734 |
| Other taxes | 541,276 | 45,745 | - | 587,021 |
| Fines and forfeitures | 129,009 | - | 11,940 | 140,949 |
| Licenses, permits, and fees | 221,557 | - | - | 221,557 |
| Intergovernmental | 1,054,214 | - | 315,937 | 1,370,151 |
| Charges for services | 4,628,913 | - | - | 4,628,913 |
| Video lottery and table gaming | 504,155 | - | - | 504,155 |
| Investment income | 13,748 | 135 | (9,754) | 4,129 |
| Contributions | - | - | 217,184 | 217,184 |
| Other | 105,881 | - | 3,650 | 109,531 |
| | <u>16,294,340</u> | <u>45,880</u> | <u>1,072,800</u> | <u>17,413,020</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,033,994 | - | 170,802 | 3,204,796 |
| Public safety | 6,687,064 | - | 36,551 | 6,723,615 |
| Highways and streets | 3,034,662 | - | 106,417 | 3,141,079 |
| Health and sanitation | 1,175,550 | - | - | 1,175,550 |
| Culture and recreation | 165,744 | - | 732,399 | 898,143 |
| Social services | 18,105 | - | 27,259 | 45,364 |
| Debt Service: | | | | |
| Capital leases - principal | 217,569 | 9,047 | - | 226,616 |
| Capital leases - interest | 7,771 | 26 | - | 7,797 |
| | <u>14,340,459</u> | <u>9,073</u> | <u>1,073,428</u> | <u>15,422,960</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | <u>1,953,881</u> | <u>36,807</u> | <u>(628)</u> | <u>1,990,060</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from capital leases | 314,516 | - | - | 314,516 |
| Transfers from other funds | - | - | 349,119 | 349,119 |
| Transfers to other funds | (863,119) | - | - | (863,119) |
| | <u>(548,603)</u> | <u>-</u> | <u>349,119</u> | <u>(199,484)</u> |
| Net other financing sources (uses) | | | | |
| Net changes in fund balances | 1,405,278 | 36,807 | 348,491 | 1,790,576 |
| Fund balances - beginning | <u>3,808,208</u> | <u>31,209</u> | <u>2,005,205</u> | <u>5,844,622</u> |
| Fund balances - ending | <u>\$ 5,213,486</u> | <u>\$ 68,016</u> | <u>\$ 2,353,696</u> | <u>\$ 7,635,198</u> |

CITY OF WEIRTON, WEST VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds: \$ 1,790,576

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlays as expense. The outlays are allocated over their estimated useful lives and reported as depreciation expense for the period. This is the amount by which capital outlays of \$1,542,684 exceeded depreciation expense of \$1,161,942 in the current period. 380,742

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This consists of increases in property taxes. (42,894)

Governmental funds report capital lease proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which new capital leases of \$314,516 exceeded capital lease payments of \$226,616. (87,900)

Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68:

| | | |
|--|-------------|-------------|
| Amount of pension expenditures at fund modified accrual level | 1,693,244 | |
| Amount of pension expenses recognized at government - wide level | (5,880,986) | (4,187,742) |

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. These result in a net increase in compensated absences of \$31,904. (31,904)

An internal service fund is used by management to charge the cost of gasoline to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 49,015

Change in net position of governmental activities \$ (2,130,107)

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

| | Enterprise Funds | | | | | Internal Service Fund-Gasoline |
|---|----------------------|----------------------|------------------------------|--|---------------------------|-----------------------------------|
| | Water Board | Sanitary Board | Board of Park Commissions | Nonmajor Enterprise Fund Parking | Total Enterprise Funds | |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 476,234 | \$ 986,666 | \$ 238,872 | \$ 988 | \$ 1,702,760 | \$ 365,714 |
| Investments | - | - | 407,560 | - | 407,560 | - |
| Accounts receivable, net | 976,979 | 785,850 | 4,072 | - | 1,766,901 | 21,958 |
| Due from other funds | - | 256,047 | 14,419 | - | 270,466 | 44,967 |
| Inventories | 114,415 | - | - | - | 114,415 | - |
| Total current assets | <u>1,567,628</u> | <u>2,028,563</u> | <u>664,923</u> | <u>988</u> | <u>4,262,102</u> | <u>432,639</u> |
| Restricted assets | | | | | | |
| Cash and cash equivalents | 3,584,984 | 465,269 | - | - | 4,050,253 | - |
| Total restricted assets | <u>3,584,984</u> | <u>465,269</u> | <u>-</u> | <u>-</u> | <u>4,050,253</u> | <u>-</u> |
| Non-current assets | | | | | | |
| Capital assets | | | | | | |
| Land and construction in progress | 399,891 | 49,476 | 9,135 | 304,581 | 763,083 | - |
| Other capital assets, net of accumulated depreciation | 11,960,646 | 13,586,947 | 1,283,520 | - | 26,831,113 | - |
| Total non-current assets | <u>12,360,537</u> | <u>13,636,423</u> | <u>1,292,655</u> | <u>304,581</u> | <u>27,594,196</u> | <u>-</u> |
| Total assets | <u>17,513,149</u> | <u>16,130,255</u> | <u>1,957,578</u> | <u>305,569</u> | <u>35,906,551</u> | <u>432,639</u> |
| Deferred outflows | | | | | | |
| Net changes in employer proportion and differences between contributions and proportionate share of contributions | | | | | | |
| | 62,362 | 31,352 | 8,553 | - | 102,267 | - |
| Differences between expected and actual experience | 81,418 | 69,748 | 23,716 | - | 174,882 | - |
| Employer contributions to pension plan subsequent to measurement date | 133,870 | 102,209 | 34,242 | - | 270,321 | - |
| Total deferred outflows of resources | <u>277,650</u> | <u>203,309</u> | <u>66,511</u> | <u>-</u> | <u>547,470</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$ 17,790,799</u> | <u>\$ 16,333,564</u> | <u>\$ 2,024,089</u> | <u>\$ 305,569</u> | <u>\$ 36,454,021</u> | <u>\$ 432,639</u> |

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

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

| | Enterprise Funds | | | | | Internal Service Fund-Gasoline |
|---|----------------------|----------------------|------------------------------|--|---------------------------|-----------------------------------|
| | Water Board | Sanitary Board | Board of Park Commissions | Nonmajor Enterprise Fund Parking | Total Enterprise Funds | |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | 321,803 | 8,010 | 14,797 | - | 344,610 | 27,982 |
| Wages and benefits payable | 81,536 | 69,273 | 27,572 | - | 178,381 | - |
| Due to other funds | 105,119 | 79,719 | 9,413 | - | 194,251 | 2,499 |
| Compensated absences | 68,089 | 71,842 | 11,646 | - | 151,577 | - |
| Notes payable | 12,170 | - | - | - | 12,170 | - |
| Total current liabilities | <u>588,717</u> | <u>228,844</u> | <u>63,428</u> | <u>-</u> | <u>880,989</u> | <u>30,481</u> |
| Liabilities payable from restricted assets | | | | | | |
| Bond interest payable, current | 23,680 | 13,881 | - | - | 37,561 | - |
| Bonds payable, current | 882,116 | 450,965 | - | - | 1,333,081 | - |
| Total liabilities payable from restricted assets | <u>905,796</u> | <u>464,846</u> | <u>-</u> | <u>-</u> | <u>1,370,642</u> | <u>-</u> |
| Non-current liabilities | | | | | | |
| Net pension liability | 398,094 | 341,028 | 115,958 | - | 855,080 | - |
| Bonds payable, non-current | 6,462,599 | 7,877,591 | - | - | 14,340,190 | - |
| Total non-current liabilities | <u>6,860,693</u> | <u>8,218,619</u> | <u>115,958</u> | <u>-</u> | <u>15,195,270</u> | <u>-</u> |
| Total liabilities | <u>8,355,206</u> | <u>8,912,309</u> | <u>179,386</u> | <u>-</u> | <u>17,446,901</u> | <u>30,481</u> |
| Deferred inflows | | | | | | |
| Net differences between projected and actual investment earnings on pensions | 87,293 | 74,781 | 25,427 | - | 187,501 | - |
| Deferred difference in assumptions | 47,883 | 41,020 | 13,948 | - | 102,851 | - |
| Total deferred inflows of resources | <u>135,176</u> | <u>115,801</u> | <u>39,375</u> | <u>-</u> | <u>290,352</u> | <u>-</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 5,003,652 | 5,307,867 | 1,292,654 | 304,581 | 11,908,754 | - |
| Restricted for: | | | | | | |
| Debt service | 3,409,906 | 401,466 | - | - | 3,811,372 | - |
| Other purposes | 175,079 | 63,803 | - | - | 238,882 | - |
| Unrestricted | 711,780 | 1,532,318 | 512,674 | 988 | 2,757,760 | 402,158 |
| Total net position | <u>9,300,417</u> | <u>7,305,454</u> | <u>1,805,328</u> | <u>305,569</u> | <u>18,716,768</u> | <u>402,158</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 17,790,799</u> | <u>\$ 16,333,564</u> | <u>\$ 2,024,089</u> | <u>\$ 305,569</u> | <u>\$ 36,454,021</u> | <u>\$ 432,639</u> |

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

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

| | Enterprise Funds | | | | | Internal Service Fund-Gasoline |
|---|---------------------|---------------------|------------------------------|--|---------------------------|-----------------------------------|
| | Water Board | Sanitary Board | Board of Park Commissions | Nonmajor Enterprise Fund Parking | Total Enterprise Funds | |
| Operating Revenues | | | | | | |
| Charges for services: | | | | | | |
| Fees for services | \$ 4,030,541 | \$ 3,278,743 | \$ 401,629 | \$ - | \$ 7,710,913 | \$ - |
| Concessions, merchandise sales and commissions | - | - | 81,276 | - | 81,276 | - |
| Internal service charges | - | - | - | - | - | 400,435 |
| Total charges for services | <u>4,030,541</u> | <u>3,278,743</u> | <u>482,905</u> | <u>-</u> | <u>7,792,189</u> | <u>400,435</u> |
| Operating grants and contributions | - | 23,381 | - | - | 23,381 | - |
| Total operating revenues | <u>-</u> | <u>23,381</u> | <u>-</u> | <u>-</u> | <u>23,381</u> | <u>-</u> |
| Operating Expenses | | | | | | |
| Personal services | 1,609,872 | 1,418,060 | 606,506 | - | 3,634,438 | - |
| Operations, maintenance, and contractual services | 1,448,439 | 850,186 | 306,930 | - | 2,605,555 | - |
| Materials and supplies | 139,617 | 119,461 | 57,323 | - | 316,401 | 351,420 |
| Depreciation | 433,915 | 487,968 | 196,289 | - | 1,118,172 | - |
| Total operating expenses | <u>3,631,843</u> | <u>2,875,675</u> | <u>1,167,048</u> | <u>-</u> | <u>7,674,566</u> | <u>351,420</u> |
| Operating income (loss) | <u>398,698</u> | <u>426,449</u> | <u>(684,143)</u> | <u>-</u> | <u>141,004</u> | <u>49,015</u> |
| Non-Operating Revenues (Expenses) | | | | | | |
| Investment income | 5,108 | 3,579 | 1,594 | 3 | 10,284 | - |
| Interest on bonds and note obligations | (148,549) | (165,721) | - | - | (314,270) | - |
| Gain (losses) on disposal of capital assets | (1,034) | (27,307) | (1,137) | - | (29,478) | - |
| Other revenue | 23,394 | 1,634 | 40,530 | - | 65,558 | - |
| Total non-operating revenue (expenses) | <u>(121,081)</u> | <u>(187,815)</u> | <u>40,987</u> | <u>3</u> | <u>(267,906)</u> | <u>-</u> |
| Income (loss) before contributions and transfers | 277,617 | 238,634 | (643,156) | 3 | (126,902) | 49,015 |
| Capital grants and contributions | 23,247 | 1,000 | 10,707 | - | 34,954 | - |
| Transfers from other funds | - | - | 514,000 | - | 514,000 | - |
| Change in net position | 300,864 | 239,634 | (118,449) | 3 | 422,052 | 49,015 |
| Total net position, beginning | <u>8,999,553</u> | <u>7,065,820</u> | <u>1,923,777</u> | <u>305,566</u> | <u>18,294,716</u> | <u>353,143</u> |
| Total net position, ending | <u>\$ 9,300,417</u> | <u>\$ 7,305,454</u> | <u>\$ 1,805,328</u> | <u>\$ 305,569</u> | <u>\$ 18,716,768</u> | <u>\$ 402,158</u> |

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

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

| | Enterprise Funds | | | | | Internal Service Fund-Gasoline |
|---|---------------------|---------------------|------------------------------|--|---------------------------|-----------------------------------|
| | Water Board | Sanitary Board | Board of Park Commissions | Nonmajor Enterprise Fund Parking | Total Enterprise Funds | |
| Cash Flows from Operating Activities | | | | | | |
| Cash received from customers | \$ 3,891,901 | \$ 3,115,439 | \$ 468,485 | \$ - | \$ 7,475,825 | \$ 67,629 |
| Cash received for internal services | - | - | - | - | - | 313,042 |
| Cash payments to suppliers for goods and services | (1,575,362) | (972,526) | (368,877) | - | (2,916,765) | (320,939) |
| Cash payments to employees and professional contractors for services | (1,662,668) | (1,472,210) | (628,774) | - | (3,763,652) | - |
| Payments for internal services | (2,472) | (1,232) | (602) | - | (4,306) | - |
| Other operating revenues | - | 23,381 | - | - | 23,381 | - |
| Net cash provided (used) by operating activities | <u>651,399</u> | <u>692,852</u> | <u>(529,768)</u> | <u>-</u> | <u>814,483</u> | <u>59,732</u> |
| Cash Flows from Non-Operating Activities | | | | | | |
| Other non-operating revenues | <u>23,394</u> | <u>1,633</u> | <u>40,530</u> | <u>-</u> | <u>65,557</u> | <u>-</u> |
| Net cash provided (used) by non-operating activities | <u>23,394</u> | <u>1,633</u> | <u>40,530</u> | <u>-</u> | <u>65,557</u> | <u>-</u> |
| Cash Flows from Non-Capital Financing Activities | | | | | | |
| Transfers from other funds | <u>-</u> | <u>-</u> | <u>514,000</u> | <u>-</u> | <u>514,000</u> | <u>-</u> |
| Net cash provided (used) by non-capital financing activities | <u>-</u> | <u>-</u> | <u>514,000</u> | <u>-</u> | <u>514,000</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | | |
| Acquisition and construction of capital assets | (335,895) | (644,027) | (78,381) | - | (1,058,303) | - |
| Disposition of capital assets | - | 4,950 | - | - | 4,950 | - |
| Proceeds from issue of bonds and notes | 2,900,000 | 614,334 | - | - | 3,514,334 | - |
| Principal paid on bonds and notes | (784,541) | (442,056) | - | - | (1,226,597) | - |
| Interest paid on bonds and notes | (148,478) | (166,458) | - | - | (314,936) | - |
| Capital contributions and grants received | <u>23,247</u> | <u>1,000</u> | <u>10,707</u> | <u>-</u> | <u>34,954</u> | <u>-</u> |
| Net cash provided (used) by capital and related financing activities | <u>1,654,333</u> | <u>(632,257)</u> | <u>(67,674)</u> | <u>-</u> | <u>954,402</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | | | | |
| Proceeds from sale of investments | - | - | 62,419 | - | 62,419 | - |
| Investment income | <u>5,108</u> | <u>3,579</u> | <u>1,645</u> | <u>3</u> | <u>10,335</u> | <u>-</u> |
| Net cash provided (used) by investing activities | <u>5,108</u> | <u>3,579</u> | <u>64,064</u> | <u>3</u> | <u>72,754</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | <u>2,334,234</u> | <u>65,807</u> | <u>21,152</u> | <u>3</u> | <u>2,421,196</u> | <u>59,732</u> |
| Cash and cash equivalents, beginning | <u>1,726,984</u> | <u>1,386,128</u> | <u>217,720</u> | <u>985</u> | <u>3,331,817</u> | <u>305,982</u> |
| Cash and cash equivalents, ending | <u>\$ 4,061,218</u> | <u>\$ 1,451,935</u> | <u>\$ 238,872</u> | <u>\$ 988</u> | <u>\$ 5,753,013</u> | <u>\$ 365,714</u> |

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

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

| | Enterprise Funds | | | | | Internal Service Fund-Gasoline |
|---|---------------------|---------------------|------------------------------|--|---------------------------|-----------------------------------|
| | Water Board | Sanitary Board | Board of Park Commissions | Nonmajor Enterprise Fund Parking | Total Enterprise Funds | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | | | |
| Operating income (loss) | \$ 398,698 | \$ 426,449 | \$ (684,143) | \$ - | \$ 141,004 | \$ 49,015 |
| Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | | |
| Depreciation | 433,915 | 487,968 | 196,289 | - | 1,118,172 | - |
| Changes in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | (138,640) | (107,558) | - | - | (246,198) | 4,948 |
| (Increase) decrease in due from other funds | - | (55,746) | (14,423) | - | (70,169) | (24,712) |
| (Increase) decrease in inventories | (15,804) | - | - | - | (15,804) | - |
| (Increase) decrease in net changes in employer proportion and differences between contributions and proportionate share of contributions | (10,084) | 15,041 | (2,369) | - | 2,588 | - |
| (Increase) decrease in employer contributions to pension plan subsequent to measurement date | 7,361 | 6,020 | 5,045 | - | 18,426 | - |
| (Increase) decrease in net difference between projected and actual investment earnings on pensions | (173,166) | (164,240) | (52,729) | - | (390,135) | - |
| (Increase) decrease in differences between expected and actual experience | (81,418) | (69,748) | (23,716) | - | (174,882) | - |
| Increase (decrease) in accounts payable | 33,963 | (10,059) | (3,073) | - | 20,831 | 27,982 |
| Increase (decrease) in wages and benefits payable | 405 | 1,130 | (1,232) | - | 303 | - |
| Increase (decrease) in due to other funds | (7,937) | 5,948 | (2,150) | - | (4,139) | 2,499 |
| Increase (decrease) in compensated absences | 4,342 | 1,546 | (3,292) | - | 2,596 | - |
| Increase (decrease) in net pension liability | 151,881 | 115,081 | 42,077 | - | 309,039 | - |
| Increase (decrease) in deferred difference in assumptions | 47,883 | 41,020 | 13,948 | - | 102,851 | - |
| Net cash provided (used) by operating activities: | <u>\$ 651,399</u> | <u>\$ 692,852</u> | <u>\$ (529,768)</u> | <u>\$ -</u> | <u>\$ 814,483</u> | <u>\$ 59,732</u> |
| Reconciliation of Cash and Cash Equivalents | | | | | | |
| Cash and cash equivalents | \$ 476,234 | \$ 986,666 | \$ 238,872 | \$ 988 | \$ 1,702,760 | \$ 365,714 |
| Restricted cash and cash equivalents | <u>3,584,984</u> | <u>465,269</u> | <u>-</u> | <u>-</u> | <u>4,050,253</u> | <u>-</u> |
| Total cash and cash equivalents | <u>\$ 4,061,218</u> | <u>\$ 1,451,935</u> | <u>\$ 238,872</u> | <u>\$ 988</u> | <u>\$ 5,753,013</u> | <u>\$ 365,714</u> |

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2016

| | <u>Pension</u> | <u>Agency</u> |
|-------------------------------|----------------------|---------------|
| | <u>Trust Funds</u> | <u>Fund</u> |
| Assets | | |
| Cash and cash equivalents | \$ 116,953 | \$ 36,996 |
| Investments, at fair value: | | |
| Money markets | 92,415 | - |
| Government agency obligations | 328,257 | - |
| Municipal obligations | 206,542 | - |
| Corporate obligations | 1,984,170 | - |
| Mutual funds | 2,570,866 | - |
| Common stock | 7,743,310 | - |
| | <u>12,925,560</u> | <u>-</u> |
| Total investments | | |
| | <u>12,925,560</u> | <u>-</u> |
| Total assets | <u>13,042,513</u> | <u>36,996</u> |
| Liabilities | | |
| Accounts payable | <u>-</u> | <u>36,996</u> |
| Total liabilities | <u>-</u> | <u>36,996</u> |
| Net Position | | |
| Net position held in trust | <u>\$ 13,042,513</u> | <u>\$ -</u> |

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2016

| | Pension Trust Funds |
|---|------------------------|
| | |
| Additions | |
| Contributions | |
| Employer | \$ 874,214 |
| Plan members | 245,556 |
| Insurance premium tax allocation | 553,581 |
| | 1,673,352 |
| Investment income | |
| Interest and dividends | 316,134 |
| Net realized and unrealized gains (losses) | (375,104) |
| Less: investment expense | (45,674) |
| | (104,644) |
| Total additions | 1,568,708 |
| Deductions | |
| Benefits | 2,167,066 |
| Administrative | 8,099 |
| | 2,175,165 |
| Change in net position | (606,458) |
| Net position held in trust for pension benefits | |
| Beginning of year | 13,648,971 |
| End of year | \$ 13,042,513 |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Weirton, West Virginia (the City) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2016.

A. Reporting Entity

The City 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).

B. Related Organizations

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

City of Weirton Housing Authority

Administers 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 Housing Authority reports independently.

City of Weirton Transit Authority

Administers 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 Transit Authority reports independently.

City of Weirton Redevelopment Authority

Administers 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 Redevelopment Authority reports independently.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financials. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely, to a significant extent on fees and charges to external customers for support.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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.

D. Basis of Presentation, Measurement Focus, and Basis of Accounting

1. Basis of Presentation – Government – Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and the internal service fund, while the business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

2. Basis of Presentation – Fund Financial Statements

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

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds in a single column.

The City reports the following major governmental funds:

General Fund - The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Coal Severance Fund - This special revenue fund accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

The City reports the following major enterprise funds:

Water Board Fund - This fund accounts for the revenues and expenses generated by water services provided to the residents of the City as well as other entities.

Sanitary Board Fund - This fund accounts for the revenues and expenses generated by sewage services provided to the residents of the City as well as other entities.

Board of Park Commissions Fund - This fund accounts for the revenues and expenses generated by recreational facilities and services provided to the residents of the City.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Additionally, the government reports the following fund types:

Internal Service Fund - The internal service fund is used to account for operations that provide, on a user charge basis, services to other departments. The City's only internal service fund is the Gasoline Fund. As a general rule, the effect of internal service activity has been eliminated from the governmental-wide financial statements. However, it is reported as a proprietary fund in the fund financial statements.

Special Revenue Fund - Special revenue funds are used to account for the specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes. As previously mentioned, the coal severance is considered a major governmental fund of the City. The nonmajor special revenue funds of the City are the Youth Job Program, TIF, Public Safety, Library, and Community Development Block Grant (CDBG), the detail of which is shown within the supplementary information.

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

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. Agency funds are accounted for using the accrual basis of accounting and do not present results of operation or have a measurement focus.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements.

Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pending litigation are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, business and occupation taxes, utility excise taxes, hotel/motel taxes, wine/liquor sales taxes, other miscellaneous tax revenue, video lottery proceeds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when the government receives cash.

The proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents in governmental funds includes cash on hand, deposits with financial institutions or fiscal agents, and money market deposits with trust departments.

2. Investments

The securities included in investments are stated at market value as determined primarily by quoted market prices and matrix pricing of similar debt securities. The investment policy for the City, including the Pension funds, follows the guidelines established under Section 8-22-22a of the West Virginia State Code. State statutes authorize the City to invest in the Municipal Bond Commission, obligations of the United States or any agency thereof, obligations of the state, and high graded debt of private corporations. In addition to the above, the Pension funds can also invest in equities and mutual funds. The City does not have a policy for concentration of credit, interest, and credit risk in addition to the state's governing statutes.

3. Property Taxes Receivables

Real property taxes attach as an enforceable lien on all real property on which taxes are assessed on July first. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distraint for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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.

The sheriff of each county, as ex officio county treasurer, collects all taxes levied in that particular county. Each month the sheriff is required to pay all monies collected for any municipal corporation into the respective treasury of that municipality, payment to be made on or before the tenth day of each month for all monies collected during the preceding month. After the sheriff has collected eighty-five percent of the combined total of all taxes assessed on real and personal property, the sheriff is allowed a commission of two and one-half percent, not to exceed \$15,000, on the remainder of the taxes actually collected, exclusive of interest and charges thereon. The commission so allowed is charged against the various funds for which the taxes are collected.

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: Class I property, twelve and five-tenths cents (12.5 cents); on Class II property, twenty-five cents (25.0 cents); and on class IV property, fifty cents (50.0 cents). In addition, counties may provide for an election to lay an excess levy, the rates not to exceed statutory limitations, provide that at least sixty percent of the votes cast ballots in favor of the excess levy.

The levy rates of the City for the fiscal year ended June 30, 2016 were assessed as follows:

| <u>Assessed class of property</u> | <u>Assessed valuation for tax purposes</u> | <u>Current expense</u> |
|---------------------------------------|--|------------------------|
| Class I | \$ - | 12.5 cents |
| Class II | 260,659,070 | 25.0 cents |
| Class IV | 427,307,188 | 50.0 cents |

4. Trade Receivables

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

5. Inventories

All funds, except the Water Board, consider inventories as expenditures at the time of purchase; therefore, they do not appear on the City's financial statements. Inventory for the Water Board is stated at cost.

6. Restricted Assets

Certain proceeds of the proprietary funds revenue bonds, as well as certain resources set aside for their bond repayment, maintenance and construction, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants and/or public service commission requirements.

Total restricted assets, which consist of interest bearing checking accounts and deposits with the West Virginia Municipal Bond Commission, amounted to \$4,050,253.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

7. 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 a cost of \$5,000 or more as acquisition and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Infrastructure recorded by the City includes roads/streets, alleys, bridges, trails, and trail bridges.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset-type</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Land Improvements | 5-70 |
| Building and improvements | 5-70 |
| Infrastructure | 10-50 |
| General plant | 20-50 |
| Furniture, machinery, and equipment | 4-45 |

8. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position and or fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

9. 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 absences liability payable from expendable, available financial resources in the fund financial statements.

10. Long – Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond discounts and premiums are amortized over the terms of the respective bonds using the straight line method. Debt discounts and premiums are netted against the respective portions of current and non-current bonds payable on the government-wide statement of net position. Gain or loss upon refunding of debt is reported as deferred inflows or deferred outflows and amortized over the term of the related debt. Bond issuance costs are expensed as incurred.

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

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

11. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position and or fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

12. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted sources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

13. Fund Balance

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

| | |
|--------------|---|
| Nonspendable | The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. |
| Restricted | A fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. |
| Committed | The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action. The City's highest level of decision-making authority is City Council. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is through an ordinance. |
| Assigned | Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts are intended uses established by City Council or a City official delegated with that authority. |
| Unassigned | Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. |

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

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

14. Pension

For purposes of measuring the net pension asset and liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Public Employee Retirement System (PERS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sanitary Board, Water Board, Board of Park Commissions Fund, and Internal Service Fund are charges to customers for sales and services. Operating expenses for the enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

G. Transfers

Transfers and payments within the reporting entity are primarily 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 Commissions. Such payments are reported as transfers in the accompanying financial statements. These payments are detailed in the schedule below.

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

The following schedule reports transfers and payments within the primary government reporting entity for the year ended June 30, 2016:

| | Major governmental funds |
|----------------------------|--------------------------|
| | General fund |
| Business – type activities | |
| Major enterprise funds | |
| Board of park commissions | \$ 514,000 |
| Total transfers | \$ 514,000 |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

H. Estimates

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

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund and Coal Severance Tax Fund appropriated budgets are 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.

B. Stabilization Fund

City Council has established, through ordinance, a stabilization fund to set aside amounts to be used in emergency situations or for short-term cash flow purposes. The City maintains the stabilization fund within the general fund. As of June 30, 2016, the balance of the stabilization fund is \$2,011,005.

NOTE III – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Custodial Credit Risk

Deposits - The City has \$9,757,586 in deposits with financial institutions collateralized by securities held by pledging financial institutions or their agents in the City's name as of June 30, 2016. The City has \$2,046,598 in deposits with financial institutions that are in excess of the Federal Deposit Insurance Corporation limitations and uncollateralized as of June 30, 2016.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

2. Investments

As of June 30, 2016, the City held the following investments:

| | Level | Governmental | Fiduciary | Business – type activities | Total |
|-------------------------------|-------|-------------------|----------------------|-------------------------------|----------------------|
| Money markets | 1 | \$ 1,171 | \$ 92,415 | \$ - | \$ 93,586 |
| Certificate of deposits | * | - | - | 407,560 | 407,560 |
| Government agency obligations | 2 | - | 328,257 | - | 328,257 |
| Corporate obligations | 2 | - | 1,984,170 | - | 1,984,170 |
| Municipal obligations | 2 | - | 206,542 | - | 206,542 |
| Mutual funds | 1 | 214,716 | 2,570,866 | - | 2,785,582 |
| Common stock | 1 | 268,980 | 7,743,310 | - | 8,012,290 |
| Municipal bond commission | ** | - | - | 1,251,138 | 1,251,138 |
| Total Investments | | \$ 484,867 | \$ 12,925,560 | \$ 1,658,698 | \$ 15,069,125 |

**Certificate of Deposits:* The City has determined that certificates of deposit held by the City do not meet the definition of a security as defined by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*, and are therefore not subject to the disclosure requirements.

***Municipal Bond Commission:* The City's investment in the West Virginia Board of Treasury Investments includes funds held at the West Virginia Municipal Bond Commission (Commission) for the Water and Sanitary revenue bond issuances. The West Virginia Legislature created this Commission to act as the fiscal agent/trustee for the bond issuances of the State and its political subdivisions. The oversight of the Commission is the State Treasurer's Office, the State Auditors' Office, and other financial professionals not associated with government. Since 1932, the Legislature has made a blanket appropriation annually to cover possible deficiencies that could arise in State and general obligation sinking fund accounts. Standard & Poor's has recognized this annual Legislative appropriation and the Commissions' management as a Credit Enhancement Program, and has awarded all West Virginia general obligations administered by the Commission a minimum rating of AA-. The City's fair value position is the same as the value of the pool shares.

3. Concentration of Credit, Interest Rate, and Credit Risks

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

| | Interest Rate and Credit Risk Ratings | |
|---|---------------------------------------|--------------------------------|
| | Maturity Range | Credit Quality Rating Range |
| Money markets and certificates of deposit | Less than 1 year | N/A |
| Bond mutual funds | Not available | Not rated |
| Municipal bond commission pool | Less than 1 year | Not rated |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

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

| | Level | Fair Value | Credit Risk Rating |
|------------------------------------|-------|--------------|--------------------|
| Wesbanco Bank Inc. Premium Yield | 1 | \$ 26,574 | |
| U.S. Government Agency Obligations | 2 | 126,390 | Aaa |
| Municipal Obligations | 2 | 103,271 | Aaa |
| Corporate Obligations – | | | |
| Johnson & Johnson | 2 | 53,357 | Aaa |
| Wal – Mart Stores | 2 | 51,738 | Aa2 |
| Colgate – Palmolive | 2 | 107,216 | Aa3 |
| IBM Corp | 2 | 50,030 | Aa3 |
| Oracle Corp | 2 | 51,479 | A1 |
| Merck & Co. | 2 | 76,764 | A1 |
| Boeing Capital | 2 | 51,943 | A2 |
| Anheuser – Busch | 2 | 57,846 | A3 |
| El Du Pont De Nemours | 2 | 58,064 | A3 |
| Bank of America | 2 | 112,504 | Baa1 |
| McDonald's | 2 | 53,470 | Baa1 |
| ConocoPhillips | 2 | 53,516 | Baa2 |
| Total Corporate Obligations | | 777,925 | |
| Total Mutual Funds | 1 | 530,680 | |
| Total Equities | 1 | 2,352,361 | |
| Total Investments | | \$ 3,917,201 | |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

| | Level | Fair Value | Credit Risk Rating |
|---------------------------------------|-------|--------------|-----------------------|
| Federated U.S. Treasury Cash Reserves | 1 | \$ 65,841 | |
| U.S. Government Agency Obligations | 2 | 201,867 | Aaa |
| Municipal Obligations | 2 | 103,271 | Aaa |
| Corporate Obligations – | | | |
| Wal – Mart Stores | 2 | 77,606 | Aa2 |
| Colgate – Palmolive | 2 | 107,216 | Aa3 |
| IBM Corp | 2 | 75,044 | Aa3 |
| Oracle Corp | 2 | 82,366 | A1 |
| Boeing Capital | 2 | 181,801 | A2 |
| Bristol – Myers Squibb | 2 | 110,400 | A2 |
| John Deere Capital | 2 | 75,287 | A2 |
| Emerson Electric | 2 | 69,031 | A2 |
| Wells Fargo | 2 | 104,883 | A2 |
| Anheuser – Busch | 2 | 86,768 | A3 |
| Eaton Corp | 2 | 75,365 | Baa1 |
| McDonald's | 2 | 80,204 | Baa1 |
| ConocoPhillips | 2 | 80,274 | Baa2 |
| Total Corporate Obligations | | 1,206,245 | |
| Total Mutual Funds | 1 | 2,040,186 | |
| Total Equities | 1 | 5,390,949 | |
| Total Investments | | \$ 9,008,359 | |

4. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Methodologies

The following is a description of the valuation methodologies used by the City. There have been no changes in the methodologies of the City's investments.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the City are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the City are actively traded.

Equities: Valued at the closing price in the active market in which the security is traded.

Government, Municipal and Corporate Bonds: Valued at closing price in the active market in which the security is traded.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

B. Receivables and Uncollectible Accounts

Governmental Funds

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

| <u>Receivable Type</u> | <u>General Fund</u> | <u>Coal Severance</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---|---------------------|---------------------------|-------------------------------------|---------------------|
| Taxes | \$ 1,620,727 | \$ 11,704 | \$ 887 | \$ 1,633,318 |
| Charges for services | 1,765,157 | - | - | 1,765,157 |
| Fees and other receivables | 16,976 | - | - | 16,976 |
| Intergovernmental | 4,439 | - | 29,757 | 34,196 |
| Less: Allowance for uncollectible accounts | <u>(1,231,581)</u> | <u>-</u> | <u>-</u> | <u>(1,231,581)</u> |
| Net accounts receivable | <u>\$ 2,175,718</u> | <u>\$ 11,704</u> | <u>\$ 30,644</u> | <u>\$ 2,218,066</u> |
| Uncollectible amounts netted with revenues | <u>\$ 76,260</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 76,260</u> |

Proprietary Funds

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>Water Board</u> | <u>Sanitary Board</u> | <u>Board of Park Commissions</u> | <u>Total</u> |
|---|--------------------|-----------------------|--------------------------------------|---------------------|
| Accounts receivable | \$ 1,058,049 | \$ 1,046,627 | \$ 4,072 | \$ 2,108,748 |
| Less: Allowance for uncollectible accounts | <u>(81,070)</u> | <u>(260,777)</u> | <u>-</u> | <u>(341,847)</u> |
| Net accounts receivable | <u>\$ 976,979</u> | <u>\$ 785,850</u> | <u>\$ 4,072</u> | <u>\$ 1,766,901</u> |
| Uncollectible amounts netted with revenues | <u>\$ 24,673</u> | <u>\$ 43,930</u> | <u>\$ -</u> | <u>\$ 68,603</u> |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

C. Minimum Lease Obligations

At June 30, 2016, the City has nine outstanding lease agreements which were made for the purchase of eleven police vehicles, one sanitation truck, and five street trucks. The cost and accumulated depreciation for assets under capital lease at June 30, 2016 were \$986,736 and \$212,118, respectively. The total lease payments less interest costs are as follows:

| | <u>Year Ending June 30</u> | |
|--|----------------------------|--------------------------|
| | 2017 | \$ 185,027 |
| | 2018 | 111,420 |
| | 2019 | <u>26,569</u> |
| Total capital leases payable | | 339,045 |
| Less: Interest costs | | <u>(6,974)</u> |
| Present value of future minimum lease payments | | 332,071 |
| Less: Current portion | | <u>(179,985)</u> |
| Capital leases, non-current | | <u><u>\$ 152,086</u></u> |

D. Capital Assets

Construction in progress

Active construction in progress is composed of the following:

| | <u>Expended at June 30, 2016</u> | <u>Remaining Commitment</u> |
|-----------------------------------|--------------------------------------|---------------------------------|
| Primary Government | | |
| <i>Business – Type Activities</i> | | |
| Water Fund | | |
| Valve Replacement | \$ 10,700 | \$ - |
| Water Plant Upgrade/ Line Upgrade | <u>\$ 271,314</u> | <u>\$ 6,628,686</u> |
| Board of Park Commissions | | |
| Building Improvements | <u>\$ 3,133</u> | <u>\$ -</u> |

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

Depreciation

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

| | | | |
|-------------------------|---------------------|----------------------------|---------------------|
| Governmental activities | | Business – type activities | |
| General Government | \$ 411,247 | Water Board | \$ 433,915 |
| Public Safety | 216,753 | Sanitary Board | 487,968 |
| Highways and Streets | 353,407 | Board of Park Commissions | <u>196,289</u> |
| Health and Sanitation | 51,794 | | <u>\$ 1,118,172</u> |
| Culture and Recreation | <u>128,741</u> | | |
| | <u>\$ 1,161,942</u> | | |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

A summary of changes in fixed assets for the fiscal year ended June 30, 2016 is as follows:

| | Balance 07/01/2015 | Additions | Deductions | Balance 06/30/2016 | Accumulated Depreciation Prior Years | Depreciation Expense Current Year | Deductions | Net Balance 6/30/2016 |
|---------------------------------------|-----------------------|---------------------|---------------------|-----------------------|--|---|--------------------|--------------------------|
| Governmental Activities | | | | | | | | |
| Non-Depreciable capital assets | | | | | | | | |
| Land | \$ 913,146 | \$ - | \$ - | \$ 913,146 | \$ - | \$ - | \$ - | \$ 913,146 |
| Depreciable capital assets | | | | | | | | |
| Land improvements | 1,873,098 | 27,000 | - | 1,900,098 | 1,862,928 | 5,291 | - | 31,879 |
| Infrastructure | 14,846,732 | 668,403 | - | 15,515,135 | 4,474,553 | 357,424 | - | 10,683,158 |
| Buildings and improvements | 8,438,926 | 26,826 | (1,361) | 8,464,391 | 6,014,809 | 165,388 | (290) | 2,284,484 |
| Vehicle and equipment | 12,283,512 | 820,455 | (88,129) | 13,015,838 | 9,584,831 | 633,839 | (89,200) | 2,886,368 |
| Total Governmental | <u>\$ 38,355,414</u> | <u>\$ 1,542,684</u> | <u>\$ (89,490)</u> | <u>\$ 39,808,608</u> | <u>\$ 21,937,121</u> | <u>\$ 1,161,942</u> | <u>\$ (89,490)</u> | <u>\$ 16,799,035</u> |
| Business- Type Activities | | | | | | | | |
| Non-Depreciable capital assets | | | | | | | | |
| Land | \$ 477,934 | \$ - | \$ - | \$ 477,934 | \$ - | \$ - | \$ - | \$ 477,934 |
| Construction in progress | 72,010 | 867,090 | (653,951) | 285,149 | - | - | - | 285,149 |
| Depreciable capital assets | | | | | | | | |
| Land improvements | 169,131 | 25,000 | - | 194,131 | 150,967 | 10,286 | - | 32,878 |
| Infrastructure | 46,144,292 | 17,571 | - | 46,161,863 | 29,035,529 | 551,789 | - | 16,574,545 |
| Buildings and improvements | 9,799,389 | 3,132 | (82,162) | 9,720,359 | 5,104,597 | 254,619 | (49,186) | 4,410,329 |
| Vehicle and equipment | 3,221,417 | 163,080 | (39,583) | 3,344,914 | 2,430,590 | 176,357 | (39,583) | 777,550 |
| General plant facilities | 5,887,891 | 636,382 | (1,984) | 6,522,289 | 1,362,924 | 125,121 | (1,567) | 5,035,811 |
| Total Business-Type | <u>\$ 65,772,064</u> | <u>\$ 1,712,255</u> | <u>\$ (777,680)</u> | <u>\$ 66,706,639</u> | <u>\$ 38,084,607</u> | <u>\$ 1,118,172</u> | <u>\$ (90,336)</u> | <u>\$ 27,594,196</u> |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

E. Long-term Debt

Revenue Bonds

Revenue bonds outstanding as of June 30, 2016 consist of debt issued by the City for its water and sewer treatment facilities. The debt is payable solely from and secured by a pledge of the gross revenues to be derived from the operation of the treatment facilities.

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 bonds require the use of revenue, depreciation, operations and maintenance, reserve, construction, renewal and replacement, rebate and sinking fund accounts.

The annual debt service requirements to maturity for bond debt as of June 30, 2016 are as follows:

| Year Ending June 30 | Water Board | | Sanitary Board | |
|---------------------|--------------|--------------|----------------|--------------|
| | Principal | Interest | Principal | Interest |
| 2017 | \$ 882,116 | \$ 213,488 | \$ 450,965 | \$ 163,203 |
| 2018 | 474,980 | 168,630 | 460,051 | 154,116 |
| 2019 | 486,250 | 157,359 | 469,322 | 144,846 |
| 2020 | 363,436 | 147,048 | 478,779 | 135,388 |
| 2021 | 372,827 | 137,656 | 488,425 | 125,739 |
| 2022-2026 | 2,010,262 | 542,152 | 2,593,789 | 477,047 |
| 2027-2031 | 1,838,840 | 285,567 | 2,010,875 | 230,321 |
| 2032-2036 | 916,004 | 84,190 | 1,376,350 | 59,224 |
| Total | \$ 7,344,715 | \$ 1,736,090 | \$ 8,328,556 | \$ 1,498,884 |

Additional Debt Disclosure

| | Amount of Original Issue | Ranges of Final Maturity Date | Ranges of Interest Rates |
|----------------|-----------------------------|-------------------------------------|---|
| Water Board | \$ 14,925,208 | 2017-2036 | 2% - 8.1% plus 1% administration fee |
| Sanitary Board | 10,103,404 | 2017-2035 | 2% plus 1% administration fee |
| Total | \$ 25,028,612 | | |

In October 2016, the City's Sanitary Board issued 2016 B bonds in the amount of \$4,000,000 to continue construction in progress on the water plant upgrade and additional line upgrades. The interest rate on the 2016 B bonds is 2.5% plus a .50% administration fee. Debt service payments will be required beginning September 2018 and will be paid over 20 years.

Notes Payable

The City's Water Board obtained a note with a local financial institution for an addition to the main water treatment plant. The note has an interest rate of 2.36%. At June 30, 2016, the principal and interest payments due from the City are as follows:

| Year Ending June 30 | Principal | Interest |
|---------------------|-----------|----------|
| 2017 | \$ 12,170 | \$ 126 |
| Total | \$ 12,170 | \$ 126 |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The following is a summary of changes in long – term debt for the year ended June 30, 2016:

| | Payable at June 30, 2015 | Additions | Deductions | Payable at June 30, 2016 |
|---|-----------------------------|----------------------|-----------------------|-----------------------------|
| Governmental Activities | | | | |
| Capital leases payable | \$ 244,171 | \$ 314,516 | \$ (226,616) | \$ 332,071 |
| Net pension liability | 33,454,841 | 14,758,021 | (1,284,452) | 46,928,410 |
| Total Governmental Activities | \$ 33,699,012 | \$ 15,072,537 | \$ (1,511,068) | \$ 47,260,481 |
| | Payable at June 30, 2015 | Additions | Deductions | Payable at June 30, 2016 |
| Business – Type Activities | | | | |
| <i>Notes Payable</i> | | | | |
| Water Board | \$ 32,848 | \$ - | \$ (20,678) | \$ 12,170 |
| Total Notes Payable | \$ 32,848 | \$ - | \$ (20,678) | \$ 12,170 |
| <i>Revenue Bonds</i> | | | | |
| Water Board | \$ 5,207,539 | \$ 2,900,000 | \$ (762,824) | \$ 7,344,715 |
| Sanitary Board | 8,346,990 | 423,622 | (442,056) | 8,328,556 |
| Total Revenue Bonds | \$ 13,554,529 | \$ 3,323,622 | \$ (1,204,880) | \$ 15,673,271 |
| Net pension liability | \$ 546,041 | \$ 599,766 | \$ (290,727) | \$ 855,080 |
| Total Business – Type Activities | \$ 14,133,418 | \$ 3,923,388 | \$ (1,516,285) | \$ 16,540,521 |

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

For the year ended June 30, 2016, the State of West Virginia contributed payments on behalf of City employees as follows:

| | |
|---|-------------------|
| City of Weirton Policemen’s Pension and Relief Fund | \$ 345,588 |
| City of Weirton Firemen’s Pension and Relief Fund | 207,993 |
| Total | <u>\$ 553,581</u> |

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

G. Interfund Receivables and Payables

Generally, outstanding balances between funds reported as “due to/from other funds” are related to miscellaneous receivables/payables between funds.

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

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

| | Government activities | Business-type activities | | | Total due from |
|---------------------------------|--------------------------|--------------------------|-------------------|------------------------------|-------------------|
| | General fund | Internal service fund | Sanitary board | Board of park commissions | |
| Governmental activities | | | | | |
| Major governmental funds | | | | | |
| General fund | \$ - | \$ 42,044 | \$ 242,7863 | \$ - | \$ 284,827 |
| Non-major governmental funds | | | | | |
| CDBG | 17,000 | - | - | 9,701 | 26,701 |
| Library | 5,702 | - | - | - | 5,702 |
| Business-type activities | | | | | |
| Internal service fund | | | | | |
| Gasoline fund | - | - | 2,499 | - | 2,499 |
| Major enterprise funds | | | | | |
| Water board | 91,431 | 2,923 | 10,765 | - | 105,119 |
| Sanitary board | 75,001 | - | - | 4,718 | 79,719 |
| Board of park commissions | 9,413 | - | - | - | 9,413 |
| Total due to | <u>\$ 198,547</u> | <u>\$ 44,967</u> | <u>\$ 256,047</u> | <u>\$ 14,419</u> | <u>\$ 513,980</u> |

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

I. Retirement Plans

The City reporting entity participates in two single-employer, defined benefit, public employee retirement plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans.

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

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Aggregate Defined Benefit Pension Expense and Expenditures

The City recognized government-wide pension expense of \$5,880,986 and governmental expenditures of \$1,693,244 for the year ended June 30, 2016 related to its defined benefit plans.

Actuarially Determined Contribution

Actuarial assumptions and other information used to determine the actuarially determined contribution for the two single-employer plans are located in the Required Supplementary Information section of the report.

Defined Benefit Plans

Policemen's Pension and Relief Fund

Plan Description:

Unless otherwise indicated, The Policemen's Pension and Relief Fund information in this Note is provided as of the latest actuarial valuation, July 01, 2015 and GASB Statement Nos. 67 and 68 Plan Reporting and Accounting Schedules at measurement date of June 30, 2016.

All permanent full-time police department personnel are covered by this plan which is being funded in accordance with Chapter 8, Article 22 of the West Virginia Code.

Members are eligible for normal retirement at the earlier of age 50 with 20 years of credited service or age 65. Annual retirement pension benefits commence upon retirement or upon the member attaining age fifty, whichever is later, payable in twelve monthly installments. The annual retirement benefit equals 60% of average annual compensation, not less than \$6,000, plus an additional percentage of average annual compensation for service over 20 years equal to 2% for each year of service between 20 and 25 years and 1% for each year of service between 25 and 30 years. Employees serving in the military are eligible for an additional 1% of average annual compensation for each year of military service up to 4 years. The maximum benefit is limited to 75% of average annual compensation. Benefits continue for life.

Members are eligible for disability retirement after earning five years of service. No service requirement if disability is service related. The monthly disability benefit equals the greater of 60% of monthly salary at disability or \$500. Employees serving in the military are eligible for an additional benefit of 1% of monthly salary at disability for each year of military service up to four years. Disability benefits, when aggregated with monthly state workers compensation benefits, shall not exceed 100% of the member's monthly compensation at the time of disability. Benefits continue for life or until recovery.

Members are eligible for death benefits after earning five years of service. No service requirement if disability is service related. Retirees and terminated vested participants are also eligible. The benefit is equal to 60% of the participant's benefit, but not less than \$300 per month, payable to the spouse until death or remarriage. Other dependents (children, parents, brothers and sisters) are also eligible for death benefits. To each child, twenty percent of the participant's benefit until the child attains eighteen or marries; to each dependent orphaned child, twenty-five percent of the participant's benefit until the child attains eighteen or marries; to each dependent parent, ten percent of the participant's benefit for life, and to each dependent brother or sister, the sum of fifty dollars per month (but a total not to exceed \$100 per month) until such individual attains the age of eighteen or marries. In no case shall the payments to the surviving spouse and children be reduced below sixty-five percent of the total amount paid to all dependents.

All retirees, surviving beneficiaries and disability pensioners are eligible for automatic cost-of-living benefits commencing on the first day of July following two years of retirement. The benefit equals the percentage increase in the Consumer Price Index, limited to 4% (2% for some disability retirees), and multiplied by the sum of the allowable amount which is the first \$15,000 of the total annual benefits paid and the accumulated supplemental pension amounts for prior years.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Any member who terminates employment prior to retirement will be entitled to a refund of contributions without interest.

As of July 01, 2015, membership of the plan is as follows:

| | |
|----------------------------|----|
| Retirees and Beneficiaries | 51 |
| Active Members | 32 |
| Total | 83 |

Funding Policies:

Eligible policemen hired prior to January 1, 2010 contribute 9% of their monthly salary. Eligible policemen hired after January 1, 2010 contribute 9.5% of their monthly salary. The total covered payroll for fiscal year ended June 30, 2016 was \$1,658,979. The total employee contribution was \$163,095.

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

The minimum required contribution of the City and State, according to the July 01, 2015 actuarial report, was \$2,228,433. Actual contributions were \$972,529 for the year ended June 30, 2016.

The components of net pension liability for the Policemen's Pension and Relief Fund at June 30, 2016 are as follows:

| | | |
|--|----|------------|
| Total pension liability | \$ | 44,109,689 |
| Less – Plan fiduciary net position | | 4,028,172 |
| Plan net pension liability | \$ | 40,081,517 |
| | | |
| Plan fiduciary net position as a percentage of total pension liability | | 9.13% |
| Single discount rate | | 3.0528% |

Single Discount Rate - A single discount rate of 3.0528% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 4.000%, and the municipal bond rate of 2.850%. The projection of cash flows used to determine this single discount rate assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members, until plan year end 2024. Therefore, the single discount rate of 3.0528% was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 3.0528%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| 1% Decrease 2.0528% | Discount Rate Assumption 3.0528% | 1% Increase 4.0528% |
|------------------------|-------------------------------------|------------------------|
| \$ 47,977,067 | \$ 40,081,517 | \$ 33,888,650 |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Changes in Net Pension Liability:

At fiscal year-end, the government reported the following net pension liability related to the Policemen's Pension and Relief Fund. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability were determined by an actuarial valuation as of July 01, 2015 and rolled forward to June 30, 2016 using the actuarial assumptions and methods described in the appropriate section of this note.

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a - b) |
|---|--------------------------------|------------------------------------|----------------------------------|
| Balances at June 30, 2015 | \$ 34,486,917 | \$ 4,465,807 | \$ 30,021,110 |
| Service costs | 855,645 | | 855,645 |
| Interest on total pension liability | 1,411,041 | | 1,411,041 |
| Difference between expected and actual experience | 52,844 | | 52,844 |
| Changes of assumptions | 8,829,277 | | 8,829,277 |
| Employer contributions | | 626,941 | (626,941) |
| State contributions | | 345,588 | (345,588) |
| Employee contributions | | 163,095 | (163,095) |
| Net investment income | | (46,782) | 46,782 |
| Benefit payments, including employee refunds | (1,526,035) | (1,523,831) | (2,204) |
| Administrative expense | | (2,646) | 2,646 |
| Balances at June 30, 2016 | <u>\$ 44,109,689</u> | <u>\$ 4,028,172</u> | <u>\$ 40,081,517</u> |

For the fiscal year ended June 30, 2016, the City recognized government-wide pension expense related to the Policemen's Pension and Relief Fund of \$4,683,202. The City also recognized contribution revenue of \$345,588 during the year for support provided to the plan by the State of West Virginia.

The government reported deferred outflows of resources related to the Policemen's Pension and Relief Fund from the following sources:

| | Deferred Outflows of Resources |
|--|-----------------------------------|
| Difference between expected and actual experience | \$ 359,274 |
| Changes in assumptions | 7,433,223 |
| Net difference between projected and actual earnings on pension plan investments | 225,480 |
| | <u>\$ 8,017,977</u> |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Amounts reported as deferred outflows of resources related to the Policemen's Pension and Relief Fund will be recognized in pension expense as follows:

Year ended June 30:

| | | |
|-------|----|---------------------|
| 2017 | \$ | 2,796,308 |
| 2018 | | 2,665,292 |
| 2019 | | 2,203,011 |
| 2020 | | <u>353,366</u> |
| Total | | <u>\$ 8,017,977</u> |

The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

| Asset Class | Target Allocation Percentage | Expected Annualized Returns |
|---------------------------|---------------------------------|-----------------------------------|
| Common Stocks – Large Cap | 40.00% | 7.00% |
| Common Stocks – Mid Cap | 5.00% | 8.00% |
| Common Stocks – Small Cap | 5.00% | 8.00% |
| International Equity | 10.00% | 8.00% |
| Fixed Income | 40.00% | 4.00% |

Actuarial Methods and Assumptions:

The net pension liability is the actuarial present value of credited projected benefits. It is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. According to the most recent actuarial report as of July 01, 2015, the average annual salary for benefits was \$51,843. There were 51 pensioners as of June 30, 2016 receiving an average of \$29,879 in pension benefits with expected cost-of-living increases up to 2.75%.

The actuarial assumptions and other information used to determine the net pension liability are as follows:

Investment rate of return:

| | |
|--------------|------|
| July 1, 2015 | 5.0% |
| July 1, 2014 | 4.0% |

General inflation rate: 2.75%

Expected salary increase: 3.75% general and wage inflation adjustment plus service-based increase of 20.0% for one year of service, 6.5% for two years of service, 3.5% for three years of service, 2.75% for four years of service, 2.5% for five to nine years of service, 2.0% for ten to twenty-nine years of service, 1.25% for thirty to thirty-four years of service, and 0% thereafter

Post – retirement COLA: 2.75% on first \$15,000 of annual benefit and on the accumulated supplemental pension for prior year

Increase in state insurance premium tax allocation: 2.75% on and after year 1

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Cost method: Entry Age Normal, Level-Percentage-of-Pay

The sponsor finances benefits using the Alternative policy as defined by state statute. This policy does not directly amortize the unfunded actuarial liability. The policy is projected to result in a depletion of plan assets for the closed plan by 2024.

30-Year Closed Level-Percentage-of-Pay Amortization for Actuarially Determined Contribution (from July 1, 2010). 25 years remaining as of July 01, 2015.

Asset method: Market Value

Turnover: Sample Rates:
 Age 25 – 9% Age 35 – 4% Age 45 – 2% Age 50 – 0%

Retirement: Sample Rates:
 Age 50 – 45% Age 51-55 – 30% Age 56-59 – 35% Age 60 – 100%

Mortality: Active: RP-2014 Blue Collar Healthy Employee
 Post – Retirement: RP-2014 Blue Collar Healthy Annuitant
 Disabled: RP-2014 Blue Collar Health Annuitant set forward four years

Tables above incorporate generational mortality improvement using MP-2014 two-dimensional mortality improvement scales

Disability: Sample Rates:
 Age – 30 0.22% Age 40 – 0.50% Age 50 – 0.79%
Rates assuming 60% duty related and 40% non – duty related.

Percent married: 90%

Spouse age: Females 3 years younger than males

Discount Rate: The following table outlines the factors used to determine the discount rate:

| Funded Ratio as of Valuation Date (1) | Liquidity Ratio (2) | Equity Exposure (3) | Projected Funded Ratio after 15 years | Discount Rate |
|---------------------------------------|---------------------|---------------------|---------------------------------------|---------------|
| 60% or more | 10 | 50% or more | 70% or more | 6.5% |
| 40% or more | 8 | 40% or more | 60% or more | 6.0% |
| 30% or more | 6 | 30% or more | 50% or more | 5.5% |
| 15% or more | 4 | N/A | 40% or more | 5.0% |
| Less than 15% | N/A | N/A | 15% or more | 4.5% |
| Less than 15% | N/A | N/A | Less than 15% | 4.0% |

- (1) Funded ratios based on a 6.0% investment return assumption for plans using an actuarially sound policy (standard or optional) and a 5.5% investment return assumption for other plans (alternative or conservation).
- (2) Liquidity ratio equals assets as of the valuation date divided by expected benefits for the year.
- (3) Based on investment policy.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Discount Rate 4.000%

As of June 30, 2015*

| | |
|--|--------------|
| Assets | \$4,464,863 |
| Liabilities using a 5.5% discount rate | \$30,279,879 |
| Funded Ratio | 15% |
| Expected Benefit Payments | \$1,531,705 |
| Liquidity Ratio | 2.91 |
| Equity Exposure | 59% |
| Projected Funded Ratio after 15 years | 2% |

*Based on funding valuation results as of June 30, 2015

Money Weighted Rate of Return:

The Policemen's Pension and Relief Fund's money weighted rate of return for the twelve months period ending June 30, 2016 is (1.2)%.

Firemen's Pension and Relief Fund

Plan Description:

Unless otherwise indicated, The Firemen's Pension and Relief Fund information in this Note is provided as of the latest actuarial valuation, July 01, 2015 and GASB Statement Nos. 67 and 68 Plan Reporting and Accounting Schedules at measurement date of June 30, 2016.

All permanent full-time fire department personnel are covered by this plan which is being funded in accordance with Chapter 8, Article 22 of the West Virginia Code.

Members are eligible for normal retirement at the earlier of age 50 with 20 years of credited service or age 65. Annual retirement pension benefits commence upon retirement or upon the member attaining age fifty, whichever is later, payable in twelve monthly installments. The annual retirement benefit equals 60% of average annual compensation, not less than \$6,000, plus an additional percentage of average annual compensation for service over 20 years equal to 2% for each year of service between 20 and 25 years and 1% for each year of service between 25 and 30 years. Employees serving in the military are eligible for an additional 1% of average annual compensation for each year of military service up to 4 years. The maximum benefit is limited to 75% of average annual compensation. Benefits continue for life.

Members are eligible for disability retirement after earning five years of service. No service requirement if disability is service related. The monthly disability benefit equals the greater of 60% of monthly salary at disability or \$500. Employees serving in the military are eligible for additional benefit of 1% of monthly salary at disability for each year of military service up to four years. Disability benefits, when aggregated with monthly state workers compensation benefits, shall not exceed 100% of the member's monthly compensation at the time of disability. Benefits continue for life or until recovery.

Members are eligible for death benefits after earning five years of service. No service requirement if disability is service related. Retirees and terminated vested participants are also eligible. The benefit is equal to 60% of the participant's benefit, but not less than \$300 per month, payable to the spouse until death or remarriage. Other dependents (children, parents, brothers and sisters) are also eligible for death benefits. To each child, twenty percent of the participant's benefit until the child attains eighteen or marries; to each dependent orphaned child, twenty-five percent of the participant's benefit until the child attains eighteen or marries; to each dependent parent, ten percent of the participant's benefit for life, and to each dependent brother or sister, the sum of fifty dollars per month (but a total not to exceed \$100 per month) until such individual attains the age of eighteen or marries. In no case shall the payments to the surviving spouse and children be reduced below sixty-five percent of the total amount paid to all dependents.

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

All retirees, surviving beneficiaries and disability pensioners are eligible for automatic cost-of-living benefits commencing on the first day of July following two years of retirement. The benefit equals the percentage increase in the Consumer Price Index, limited to 4% (2% for some disability retirees), and multiplied by the sum of the allowable amount which is the first \$15,000 of the total annual benefits paid and the accumulated supplemental pension amounts for prior years.

Any member who terminates employment prior to retirement will be entitled to a refund of contributions without interest.

As of July 01, 2015 membership of the plan is as follows:

| | |
|----------------------------|------------------|
| Retirees and Beneficiaries | 20 |
| Active Members | <u>23</u> |
| Total | <u><u>43</u></u> |

Funding Policies:

Eligible firemen hired prior to January 1, 2010 contribute 7% of their monthly salary. Eligible firemen hired after January 1, 2010 contribute 9.5% of their monthly salary. The total covered payroll for fiscal year ended June 30, 2016 was \$1,115,043. The total employee contribution was \$82,461.

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

The minimum required contribution of the City and State, according to the July 01, 2015 actuarial report, was \$613,070. Actual contributions were \$455,266 for the year ended June 30, 2016.

Net Pension Liability:

The components of net pension liability for the Policemen's Pension and Relief Fund at June 30, 2016 are as follows:

| | | |
|--|-----------|-------------------------|
| Total pension liability | \$ | 14,976,253 |
| Less – Plan fiduciary net position | | <u>9,014,341</u> |
| Plan net pension liability | <u>\$</u> | <u><u>5,961,912</u></u> |
| | | |
| Plan fiduciary net position as a percentage of total pension liability | | 60.19% |
| Single discount rate | | 6.000% |

Single Discount Rate - A single discount rate of 6.000% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 6.000%, and the municipal bond rate of 2.850%. The projection of cash flows used to determine this single discount rate assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members, for all future plan years. Therefore, the single discount rate of 6.000% was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.000%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| 1% Decrease 5.000% | Discount Rate Assumption 6.000% | 1% Increase 7.000% |
|-----------------------|------------------------------------|-----------------------|
| \$ 8,038,053 | \$ 5,961,912 | \$ 4,284,642 |

Changes in Net Pension Liability:

At fiscal year-end, the government reported the following net pension liability related to the Policemen's Pension and Relief Fund. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability were determined by an actuarial valuation as of July 1, 2015 and rolled forward to June 30, 2016 using the actuarial assumptions and methods described in the appropriate section of this note.

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a - b) |
|---|--------------------------------|------------------------------------|----------------------------------|
| Balances at June 30, 2015 | \$ 12,017,720 | \$ 9,183,164 | \$ 2,834,556 |
| Service costs | 305,455 | - | 305,455 |
| Interest on total pension liability | 856,444 | - | 856,444 |
| Difference between expected and actual experience | 390,283 | - | 390,283 |
| Changes of assumptions | 2,057,993 | - | - |
| Employer contributions | - | 247,273 | (247,273) |
| State contributions | - | 207,993 | (207,993) |
| Employee contributions | - | 82,461 | (82,461) |
| Net investment income | - | (57,862) | 57,862 |
| Benefit payments, including employee refunds | (651,642) | (643,235) | (8,407) |
| Administrative expense | - | (5,453) | 5,453 |
| Balances at June 30, 2016 | \$ 14,976,253 | \$ 9,014,341 | \$ 5,961,912 |

For the fiscal year ended June 30, 2016, the City recognized government-wide pension expense related to the Firemen's Pension and Relief Fund of \$1,092,710. The City also recognized contribution revenue of \$207,993 during the year for support provided to the plan by the State of West Virginia.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The government reported deferred outflows of resources and deferred inflows of resources related to the Firemen's Pension and Relief Fund from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 313,854 | \$ (31,585) |
| Changes in assumptions | 1,654,977 | - |
| Net difference between projected and actual earnings on pension plan investments | 719,222 | - |
| | \$ 2,688,053 | \$ (31,585) |

Amounts reported as deferred outflows of resources related to the Firemen's Pension and Relief Fund will be recognized in pension expense as follows:

Year ended June 30:

| | |
|-------|--------------|
| 2017 | \$ 672,631 |
| 2018 | 672,631 |
| 2019 | 672,631 |
| 2020 | 619,107 |
| 2021 | 51,053 |
| Total | \$ 2,688,053 |

Amounts reported as deferred inflows of resources related to the Firemen's Pension and Relief Fund will be recognized in pension expense as follows:

Year ended June 30:

| | |
|-------|-------------|
| 2017 | \$ (13,224) |
| 2018 | (13,224) |
| 2019 | (5,137) |
| Total | \$ (31,585) |

The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

| Asset Class | Target Allocation Percentage | Expected Annualized Returns |
|---------------------------|---------------------------------|-----------------------------------|
| Common Stocks – Large Cap | 40.00% | 7.00% |
| Common Stocks – Mid Cap | 5.00% | 8.00% |
| Common Stocks – Small Cap | 5.00% | 8.00% |
| International Equity | 10.00% | 8.00% |
| Fixed Income | 40.0% | 4.00% |

Actuarial Methods and Assumptions:

The net pension liability is the actuarial present value of credited projected benefits. It is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. According to the most recent actuarial report as of July 1, 2015, the average annual salary for benefits was \$48,480. There were 20 pensioners as of June 30, 2016 receiving an average of \$32,162 in pension benefits with expected cost-of-living increases up to 2.75%.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

The actuarial assumptions and other information used to determine the net pension liability are as follows:

| | | | | | | | | | |
|---|--|-----------------|---------------|---------------|----------------|-----------------|-----------------|-----------------|---------------|
| Investment rate of return: | <table border="0"> <tr> <td style="padding-left: 20px;">July 01, 2015</td> <td style="padding-left: 20px;">7.0%</td> </tr> <tr> <td style="padding-left: 20px;">July 01, 2014</td> <td style="padding-left: 20px;">6.0%</td> </tr> </table> | July 01, 2015 | 7.0% | July 01, 2014 | 6.0% | | | | |
| July 01, 2015 | 7.0% | | | | | | | | |
| July 01, 2014 | 6.0% | | | | | | | | |
| General inflation rate: | 2.75% | | | | | | | | |
| Expected salary increase: | 3.75% general and wage inflation adjustment plus service-based increase of 20.0% for one year of service, 6.5% for two years of service, 3.5% for three years of service, 2.75% for four years of service, 2.5% for five to nine years of service, 2.0% for ten to twenty-nine years of service, 1.25% for thirty to thirty-four years of service, and 0% thereafter | | | | | | | | |
| Post – retirement COLA: | 2.75% on first \$15,000 of annual benefit and on the accumulated supplemental pension for prior year | | | | | | | | |
| Increase in state insurance premium tax allocation: | 2.75% on and after year 1 | | | | | | | | |
| Cost method: | Entry Age Normal, Level-Percentage-of-Pay | | | | | | | | |
| | <p>The sponsor finances benefits using the Alternative policy as defined by state statute. This policy does not directly amortize the unfunded actuarial liability. The policy is projected to fully finance the closed group actuarial liability by 2044.</p> <p>30-Year Closed Level-Percentage-of-Pay Amortization for Actuarially Determined Contribution (from July 1, 2010). 25 years remaining as of July 01, 2015.</p> | | | | | | | | |
| Asset method: | Market Value | | | | | | | | |
| Turnover: | <table border="0"> <tr> <td colspan="4" style="padding-left: 20px;">Sample Rates:</td> </tr> <tr> <td style="padding-left: 20px;">Age 25 - 9%</td> <td style="padding-left: 20px;">Age 35 - 4%</td> <td style="padding-left: 20px;">Age 45 - 2%</td> <td style="padding-left: 20px;">Age 50 - 0%</td> </tr> </table> | Sample Rates: | | | | Age 25 - 9% | Age 35 - 4% | Age 45 - 2% | Age 50 - 0% |
| Sample Rates: | | | | | | | | | |
| Age 25 - 9% | Age 35 - 4% | Age 45 - 2% | Age 50 - 0% | | | | | | |
| Retirement: | <table border="0"> <tr> <td colspan="4" style="padding-left: 20px;">Sample Rates:</td> </tr> <tr> <td style="padding-left: 20px;">Age 50-51 - 45%</td> <td style="padding-left: 20px;">Age 51-55 - 30%</td> <td style="padding-left: 20px;">Age 56-59 - 45%</td> <td style="padding-left: 20px;">Age 60 - 100%</td> </tr> </table> | Sample Rates: | | | | Age 50-51 - 45% | Age 51-55 - 30% | Age 56-59 - 45% | Age 60 - 100% |
| Sample Rates: | | | | | | | | | |
| Age 50-51 - 45% | Age 51-55 - 30% | Age 56-59 - 45% | Age 60 - 100% | | | | | | |
| Mortality: | <p>Active: RP-2014 Blue Collar Healthy Employee Post – Retirement: RP-2014 Blue Collar Healthy Annuitant Disabled: RP-2014 Blue Collar Health Annuitant set forward four years</p> <p>Tables above incorporate generational mortality improvement using MP-2014 two-dimensional mortality improvement scales</p> | | | | | | | | |
| Disability: | <table border="0"> <tr> <td colspan="3" style="padding-left: 20px;">Sample Rates:</td> </tr> <tr> <td style="padding-left: 20px;">Age 30 - 0.22%</td> <td style="padding-left: 20px;">Age 40 - 0.50%</td> <td style="padding-left: 20px;">Age 50 - 0.79%</td> </tr> </table> <p><i>Rates assuming 60% duty related and 40% non – duty related.</i></p> | Sample Rates: | | | Age 30 - 0.22% | Age 40 - 0.50% | Age 50 - 0.79% | | |
| Sample Rates: | | | | | | | | | |
| Age 30 - 0.22% | Age 40 - 0.50% | Age 50 - 0.79% | | | | | | | |
| Percent married: | 90% | | | | | | | | |
| Spouse age: | Females 3 years younger than males | | | | | | | | |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Discount Rate

The following table outlines the factors used to determine the discount rate:

| Funded Ratio as of Valuation Date (1) | Liquidity Ratio (2) | Equity Exposure (3) | Projected Funded Ratio after 15 years | Discount Rate |
|---------------------------------------|---------------------|---------------------|---------------------------------------|---------------|
| 60% or more | 10 | 50% or more | 70% or more | 6.5% |
| 40% or more | 8 | 40% or more | 60% or more | 6.0% |
| 30% or more | 6 | 30% or more | 50% or more | 5.5% |
| 15% or more | 4 | N/A | 40% or more | 5.0% |
| Less than 15% | N/A | N/A | 15% or more | 4.5% |
| Less than 15% | N/A | N/A | Less than 15% | 4.0% |

- (1) Funded ratios based on a 6.0% investment return assumption for plans using an actuarially sound policy (standard or optional) and a 5.5% investment return assumption for other plans (alternative or conservation).
(2) Liquidity ratio equals assets as of the valuation date divided by expected benefits for the year.
(3) Based on investment policy.

Discount Rate 6.0000%

As of June 30, 2015*

| | |
|--|--------------|
| Assets | \$9,183,163 |
| Liabilities using a 5.5% discount rate | \$15,285,477 |
| Funded Ratio | 60% |
| Expected Benefit Payments | \$671,758 |
| Liquidity Ratio | 13.67 |
| Equity Exposure | 60% |
| Projected Funded Ratio after 15 years | 61% |

*Based off funding valuations as of June 30, 2015

Money Weighted Rate of Return:

The Firemen's Pension and Relief Fund's money weighted rate of return for the twelve months period ending June 30, 2016 is (0.8)%.

Investment Details

The following represents the investment details for the Policemen's and Firemen's Pension and Relief Funds:

Investment Policy – The investment policy covering the allocation of invested assets for the City is established by the Board of Trustees and is subject to the limitations defined in West Virginia Code 8-22-22 and 8-22-22a.

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

Credit Risk – The City's investment policy does not specify that investments must be rated at a specified level. As of June 30, 2016, the City's investments were rated using Moody's Investor Services, when available.

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

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

West Virginia Public Employees Retirement System (PERS)

Plan Description, Contribution Information, and Funding Policies:

The City participates in the Public Employees Retirement System (PERS), a state-wide, cost-sharing, multiple-employer defined benefit plan, on behalf of City employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

The cost-sharing multiple employer plan is administered by the Consolidated Public Retirement Board (CPRB), which acts as a common investment and administrative agent for all of the participating employers. CPRB issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com. The following is a summary of eligibility factors, contributions methods and benefit provisions:

Eligibility to participate All City of Weirton full-time employees, except those covered by other pension plans.

Authority establishing contribution obligations and benefit provisions State Statute

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------|-------------|-------------|
| Plan member's contribution rate | 4.50% | 4.50% | 4.50% |
| City of Weirton's contribution rate | 13.50% | 14.50% | 14.00% |

Period required to vest Five years

Benefits and eligibility for distribution A member who has attained age 60 and had earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.

Deferred retirement portion No

Provisions for:
 Cost of living No
 Death benefits Yes

Trend Information:

| <u>Fiscal Year</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> |
|--------------------|----------------------------|-------------------------------|
| 2016 | \$ 551,514 | 100% |
| 2015 | \$ 599,952 | 100% |
| 2014 | \$ 602,018 | 100% |

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the West Virginia Consolidated Retirement Board, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:

At fiscal year-end, the City reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2014 and rolled forward to June 30, 2015 using the actual assumptions and methods described in the appropriate section of this note. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the City reported the following proportion and increases/decreases from its proportion measured as of June 30, 2014:

| | | |
|---|----|-----------|
| Amount for proportionate share of net pension liability | \$ | 1,740,061 |
| Percentage for proportionate share of net pension liability | | .3116% |
| Increase / (decrease) % from prior proportion measured | | .0050% |

For the year ended June 30, 2016, the government recognized the following pension expense:

| | <u>Government Activities</u> | <u>Business-Type Activities</u> |
|-----------------------------------|----------------------------------|-------------------------------------|
| Government – wide pension expense | <u>\$ 105,074</u> | <u>\$ 140,312</u> |

The City reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

| | <u>Governmental activities</u> | | <u>Business-type activities</u> | |
|---|---|--|---|--|
| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> |
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ (194,049) | \$ - | \$ (187,501) |
| Net changes in employer proportion and differences between contributions and proportionate share of contributions | 2,288 | - | 102,267 | - |
| Changes in assumptions | - | (106,449) | - | (102,851) |
| Differences between expected and actual experience with regard to economic or demographic factors | 181,000 | | 174,882 | |
| Employer contributions to pension plan subsequent to the measurement date | <u>281,193</u> | <u>-</u> | <u>270,321</u> | <u>-</u> |
| | <u>\$ 464,481</u> | <u>\$ (300,498)</u> | <u>\$ 547,470</u> | <u>\$ (290,352)</u> |

The amount reported as deferred outflows of resources related to the pension plan resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

| Year ended June 30, | Governmental activities | | Business-type activities | |
|---------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| | Pension expense | Pension expense | Pension expense | Pension expense |
| 2017 | \$ 63,546 | \$ (123,548) | \$ 100,186 | \$ (117,262) |
| 2018 | 63,546 | (123,548) | 100,183 | (117,262) |
| 2019 | 56,196 | (123,548) | 76,777 | (117,262) |
| 2020 | - | 70,146 | - | 61,434 |
| Total | <u>\$ 183,288</u> | <u>\$ (300,498)</u> | <u>\$ 277,149</u> | <u>\$ (290,352)</u> |

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of July 01, 2014 and rolled forward to June 30, 2015 for the pension plan, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---------------------------|---|
| Inflation rate | 3.00% |
| Salary increases | 4.25% - 6.0%, average, including inflation |
| Investment rate of return | 7.50%, net of pension plan investment expense |
| Mortality rates | Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males – 1971 GAM Disabled females – Revenue ruling 96-7 |

The actuarial assumptions used in the July 01, 2014 PERS valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2009.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates or return by the target asset allocation percentage and by adding the expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included are summarized in the following chart:

| Investment | Long – term Expected Real Rate of Return | PERS Target Asset Allocation |
|-----------------------------------|---|---------------------------------|
| US Equity (Russell 3000) | 7.6% | 27.5% |
| International Equity (ACWI ex US) | 8.5% | 27.5% |
| Fixed Income | 2.9% | 15.0% |
| High Yield | 4.8% | 0.0% |
| TPS | 2.9% | 0.0% |
| Real Estate | 6.8% | 10.0% |
| Private Equity | 9.9% | 10.0% |
| Hedge Funds | 5.0% | 10.0% |
| Inflation (CPI) | 2.2% | 0% |
| | | <u>100%</u> |

**CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for the pension plan. The projection of the cash flows used to determine the discount rate assumed that employer contributions will continue to follow in the current funding policies. Based on those assumptions, the fiduciary net position for the pension plan was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the plan.

The following table presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|--|-------------------|-----------------------------------|-------------------|
| City's proportionate share of PERS's net pension liability | \$ 4,013,037 | \$ 1,740,061 | \$ (180,262) |

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

J. Other Post-Employment Benefits

Because the City participates in the PERS, retirees have the option of choosing to participate in the WV Public Employees Insurance Agency (PEIA). The plan provides medical and prescription drug coverage and retiree group insurance coverage to participants. The retiree's insurance premium is dependent on the number of years worked. Since the City is not a participant in PEIA, a fee is charged to the City for each of the retirees who choose this option. The fee charged to the City is determined by PEIA. The expense for the year ended June 30, 2016 totaled \$248,175.

Further benefit, trend, and other information regarding this plan is presented in the Retirement Health Benefit Trust (RHBT) annual financial report, which may be obtained by writing to the WV Public Employees Insurance Agency, 601 57th Street, South East, Charleston, WV 25304.

GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) was required to be implemented by the City. However, the City did not have an actuarial valuation performed to determine the annually required contribution (ARC) in accordance with the GASB requirements. As a result, the OPEB liability and related expense have not been recorded within the governmental activities of the statement of net position and activities, respectively, and the required disclosures have not been made. The amount by which this departure would increase the liabilities and expenses and decrease net position of the governmental activities is not reasonably determinable.

NOTE IV – OTHER INFORMATION

A. 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 THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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.

B. Contingencies

1. Litigation

The City is a 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 attorney aggressively defends each case filed against the City.

2. 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.

C. Concentration of Credit Risk

The General Fund bills Weirton residents and businesses a police and fire service fee and a refuse fee. The Water and Sanitary Boards are suppliers of water and sewer services to the residents and businesses of Weirton, West Virginia. The Board of Park Commissions 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. At June 30, 2016, the City's accounts receivable on the statement of net position pertaining to these services were \$2,176,393.

D. Risks and Uncertainties

The City's Pension Trust Funds invest in various investment securities and mutual funds. Investment securities and mutual funds are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of fiduciary net position.

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

NOTE V – SUBSEQUENT EVENTS

The City's management has evaluated the effect that subsequent events would have on the City's financial statements through April 27, 2017, which is the date the financial statements were available to be released.

Required Supplementary Information

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

**Employer Defined Benefit Plans
Policemen's Pension and Relief Fund**

I. Schedules of Changes in the Net Pension Liability and Related Ratios - Multiyear

| Fiscal year end June 30 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service cost | \$ 855,645 | \$ 774,528 | \$ 692,087 |
| Interest on the total pension liability | 1,411,041 | 1,423,372 | 1,409,584 |
| Benefit changes | - | - | - |
| Difference between expected and actual experience | 52,844 | 678,004 | - |
| Assumption changes | 8,829,277 | 1,564,166 | 1,226,117 |
| Benefit payments | (1,526,035) | (1,453,587) | (1,368,711) |
| Refunds | - | - | - |
| Net change in total pension liability | 9,622,772 | 2,986,483 | 1,959,077 |
| Total Pension Liability- beginning | 34,486,917 | 31,500,434 | 29,541,357 |
| Total Pension Liability- ending (a) | <u>\$ 44,109,689</u> | <u>\$ 34,486,917</u> | <u>\$ 31,500,434</u> |
| Plan Fiduciary Net Position | | | |
| Employer contributions | \$ 972,529 | \$ 841,146 | \$ 876,690 |
| Employee contributions | 163,095 | 166,071 | 158,156 |
| Pension plan net investment income | (46,782) | 192,027 | 641,466 |
| Benefit payments | (1,523,831) | (1,456,339) | (1,368,711) |
| Refunds | - | - | - |
| Pension plan administrative expense | (2,646) | (3,140) | (2,764) |
| Other | - | 204,304 | - |
| Net change in plan fiduciary net position | (437,635) | (55,931) | 304,837 |
| Plan fiduciary net position- beginning | 4,465,807 | 4,521,738 | 4,216,901 |
| Plan fiduciary net position- ending (b) | <u>\$ 4,028,172</u> | <u>\$ 4,465,807</u> | <u>\$ 4,521,738</u> |
| Net pension liability (a) - (b) | <u>\$ 40,081,517</u> | <u>\$ 30,021,110</u> | <u>\$ 26,978,696</u> |
| Plan fiduciary net position as a percentage of total pension liability | 9.13% | 12.95% | 14.35% |
| Covered employee payroll | 1,658,979 | 1,607,962 | 1,622,175 |
| Net pension liability as a percentage of covered employee payroll | 2416.04% | 1867.03% | 1663.12% |

II. Schedule of Net Pension Liability - Multiyear

| Fiscal Year Ending June 30 | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position as a % of Total Pension Liability | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|-------------------------------|----------------------------|-------------------|--------------------------|---|-----------------|---|
| 2016 | \$ 44,109,689 | \$ 4,028,172 | \$ 40,081,517 | 9.13% | \$ 1,658,979 | 2416.04% |
| 2015 | \$ 34,486,917 | \$ 4,465,807 | \$ 30,021,110 | 12.95% | \$ 1,607,962 | 1867.03% |
| 2014 | \$ 31,500,434 | \$ 4,521,738 | \$ 26,978,696 | 14.35% | \$ 1,622,175 | 1633.12% |

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

**Employer Defined Benefit Plans
Policemen's Pension and Relief Fund**

III. Schedule of Contributions - Last 10 Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|---------------------|-------------------|-------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 2,228,433 | \$ 1,639,294 | \$ 1,536,682 | \$ 1,477,051 | \$ | \$ | \$ | \$ | \$ | \$ |
| City contributions in relation to the actuarially determined contribution | (626,941) | (501,814) | (514,687) | (546,064) | | | | | | |
| State contributions in relation to the actuarially determined contribution | (345,588) | (339,332) | (362,002) | (363,021) | | | | | | |
| Contribution deficiency (excess) | <u>\$ 1,255,904</u> | <u>\$ 798,148</u> | <u>\$ 659,993</u> | <u>\$ 567,966</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Government's covered-employee payroll | \$ 1,658,979 | \$ 1,670,962 | \$ 1,622,175 | \$ 1,593,506 | \$ | \$ | \$ | \$ | \$ | \$ |
| Employer contributions as a percentage of covered-employee payroll | 37.79% | 30.03% | 31.73% | 34.27% | | | | | | |
| City and state contributions as a percentage of covered-employee payroll | 58.62% | 50.34% | 54.04% | 57.05% | | | | | | |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

**Employer Defined Benefit Plans
Firemen's Pension and Relief Fund**

I. Schedules of Changes in the Net Pension Liability and Related Ratios - Multiyear

| Fiscal year end June 30 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service cost | \$ 305,455 | \$ 262,275 | \$ 275,216 |
| Interest on the total pension liability | 856,444 | 797,673 | 780,380 |
| Benefit changes | - | - | - |
| Difference between expected and actual experience | 390,283 | (58,032) | - |
| Assumption changes | 2,057,993 | - | - |
| Benefit payments | (651,642) | (612,845) | (600,032) |
| Refunds | - | - | - |
| Net change in total pension liability | 2,958,533 | 389,071 | 455,564 |
| Total Pension Liability- beginning | 12,017,720 | 11,628,649 | 11,173,085 |
| Total Pension Liability- ending (a) | <u>\$ 14,976,253</u> | <u>\$ 12,017,720</u> | <u>\$ 11,628,649</u> |
| Plan Fiduciary Net Position | | | |
| Employer contributions | \$ 455,266 | \$ 431,213 | \$ 563,823 |
| Employee contributions | 82,461 | 84,967 | 80,120 |
| Pension plan net investment income | (57,862) | 347,248 | 1,162,109 |
| Benefit payments | (643,235) | (615,116) | (600,032) |
| Refunds | - | - | - |
| Pension plan administrative expense | (5,453) | (2,396) | (8,950) |
| Other | - | 264,114 | - |
| Net change in plan fiduciary net position | (168,823) | 510,030 | 1,197,070 |
| Plan fiduciary net position- beginning | 9,183,164 | 8,673,134 | 7,476,064 |
| Plan fiduciary net position- ending (b) | <u>\$ 9,014,341</u> | <u>\$ 9,183,164</u> | <u>\$ 8,673,134</u> |
| Net pension liability (a) - (b) | <u>\$ 5,961,912</u> | <u>\$ 2,834,556</u> | <u>\$ 2,955,515</u> |
| Plan fiduciary net position as a percentage of total pension liability | 60.19% | 76.41% | 74.58% |
| Covered employee payroll | 1,115,043 | 958,555 | 983,476 |
| Net pension liability as a percentage of covered employee payroll | 534.68% | 295.71% | 300.52% |

II. Schedule of Net Pension Liability - Multiyear

| Fiscal Year Ending June 30 | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position as a % of Total Pension Liability | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|-------------------------------|----------------------------|-------------------|--------------------------|---|-----------------|---|
| 2016 | \$ 14,976,253 | \$ 9,014,341 | \$ 5,961,912 | 60.19% | \$ 1,115,043 | 534.68% |
| 2015 | \$ 12,017,720 | \$ 9,183,164 | \$ 2,834,556 | 76.41% | \$ 958,555 | 295.71% |
| 2014 | \$ 11,628,649 | \$ 8,673,134 | \$ 2,955,515 | 74.58% | \$ 983,476 | 300.52% |

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

**Employer Defined Benefit Plans
Firemen's Pension and Relief Fund**

III. Schedule of Contributions - Last 10 Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------------------|--------------------|---------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 613,070 | \$ 354,731 | \$ 396,427 | \$ 518,823 | \$ | \$ | \$ | \$ | \$ | \$ |
| City contributions in relation to the actuarially determined contribution | (247,273) | (231,096) | (215,978) | (201,850) | | | | | | |
| State contributions in relation to the actuarially determined contribution | (207,993) | (200,118) | (347,845) | (206,660) | | | | | | |
| Contribution deficiency (excess) | <u>\$ 157,804</u> | <u>\$ (76,483)</u> | <u>\$ (167,396)</u> | <u>\$ 110,313</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Government's covered-employee payroll | \$ 1,115,043 | \$ 958,555 | \$ 983,476 | \$ 918,877 | \$ | \$ | \$ | \$ | \$ | \$ |
| Employer contributions as a percentage of covered-employee payroll | 22.18% | 24.11% | 21.96% | 21.97% | | | | | | |
| City and state contributions as a percentage of covered-employee payroll | 40.83% | 44.99% | 57.33% | 44.46% | | | | | | |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

**Employer Defined Benefit Plans
Policemen's and Firemen's Pension and Relief Fund
IV Money-Weighted Rates of Return**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------------------|---------|-------|--------|------|------|------|------|------|------|------|
| Policemen's Pension and Relief Fund | (1.20)% | 4.10% | 15.80% | | | | | | | |
| Firemen's Pension and Relief Fund | (0.80)% | 4.00% | 15.70% | | | | | | | |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

Notes to the Required Supplementary Information- Defined Benefit Pension Trusts

Policemen's Pension and Relief Fund

The information provided in the required supplementary information schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Measurement date | June 30, 2016, measurement date based on actuarial liabilities as of July 1, 2015. |
| Actuarial cost method | Entry Age Normal, Level-Percentage-of-Pay |
| Actuarial value of assets | Market value used for GASB Nos. 67 and 68 reporting |
| Contribution policy and amortization method | The sponsor finances benefits using the Alternative funding policy as defined in state statute. Sponsor contributions are equal to 107 percent of the prior year contribution. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. This funding policy does not directly amortize the unfunded actuarial liability. However, projected sponsor, state and member contributions along with projected investment earnings, are not expected to fully fund the projected actuarial liability for current plan members, and assets for the closed plan are projected to be depleted by 2024. |
| Actuarial assumptions: | |
| Investment rate of return | 4.000% per year |
| GASB 67/68 discount rate | 3.0528% per year at June 30, 2016, and 4.125% at June 30, 2015 |
| Projected salary increases | Service-based increases: 20.00% in year 1, 6.50% in year 2, reducing over years of service down to 1.25% in years 30-34. 0% increases for service over 34. |
| Cost of living increases | 2.75% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years. |

**CITY OF WEIRTON, WEST VIRGINIA
DEFINED BENEFIT PENSION TRUSTS
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

Notes to the Required Supplementary Information- Defined Benefit Pension Trusts (Continued)

Firemen's Pension and Relief Fund

The information provided in the required supplementary information schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|--|
| Measurement date | June 30, 2016, measurement date based on actuarial liabilities as of July 1, 2015. |
| Actuarial cost method | Entry Age Normal, Level-Percentage-of-Pay |
| Actuarial value of assets | Market value used for GASB Nos. 67 and 68 reporting |
| Contribution policy and amortization method | The sponsor finances benefits using the Alternative funding policy as defined in state statute. Sponsor contributions are equal to 107 percent of the prior year contribution. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. This funding policy does not directly amortize the unfunded actuarial liability. However, projected sponsor, state and member contributions along with projected investment earnings, are expected to fully fund the projected actuarial liability for current plan members by 2044. |
| Actuarial assumptions: | |
| Investment rate of return | 6.000% per year |
| GASB 67/68 discount rate | 6.000% per year at June 30, 2016, and 7.000% at June 30, 2015 |
| Projected salary increases | Service-based increases: 20.00% in year 1, 6.50% in year 2, reducing over years of service down to 1.25% in years 30-34. 0% increases for service over 34. |
| Cost of living increases | 2.75% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years. |

**CITY OF WEIRTON, WEST VIRGINIA
COST SHARING MULTI - EMPLOYER PLAN
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

Cost Sharing Multi - Employer Plan

West Virginia Public Employee Retirement System (PERS)

I. Schedule of Government's Proportionate Share of the Net Pension Liability - Last 10 Fiscal Years *

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|--------------|--------------|--------------|------|------|------|------|------|------|------|
| Government's proportion of the net pension liability (asset) (percentage) | 0.3116% | 0.3100% | 0.2903% | | | | | | | |
| Government's proportionate share of the net pension liability (asset) | 1,740,061 | 1,144,273 | 2,646,569 | | | | | | | |
| Government's covered-employee payroll | \$ 4,085,289 | \$ 4,285,371 | \$ 4,151,848 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Government's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 42.59% | 26.70% | 63.74% | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 91.29% | 93.98% | 79.70 | | | | | | | |

II. Schedule of Government Contributions - Last 10 Fiscal Years *

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution. | \$ 551,514 | \$ 599,952 | \$ 602,018 | \$ 543,987 | \$ 576,628 | \$ 478,704 | \$ 407,381 | \$ 413,502 | \$ 401,784 | \$ 405,075 |
| Contributions in relation to the contractually required contribution | (551,514) | (599,952) | (602,018) | (543,987) | (576,628) | (478,704) | (407,381) | (413,502) | (401,784) | (405,075) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Government's covered-employee payroll | \$ 4,085,289 | \$ 4,285,371 | \$ 4,151,848 | \$ 3,885,621 | \$ 3,976,745 | \$ 3,829,632 | \$ 3,703,464 | \$ 3,938,114 | \$ 3,826,514 | \$ 3,857,857 |
| Contributions as a percentage of covered-employee payroll | 13.50% | 14.00% | 14.50% | 14.00% | 14.50% | 12.50% | 11.00% | 10.50% | 10.50% | 10.50% |

* - The amounts presented for each fiscal year were determined as of June 30th .

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF WEIRTON, WEST VIRGINIA
COST SHARING MULTI - EMPLOYER PLAN
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

Notes to the Required Supplementary Information-Cost Sharing Multi - Employer Plan

West Virginia Public Employees Retirement System

Changes of benefit terms

Amounts reported reflect an increase in disability benefits to be equivalent to retirement benefits. Amounts reported in Government's proportionate share of the net pension liability (asset) reflect a modification to the benefit terms to incorporate a new definition of base compensation.

Changes of assumptions

Amounts reported in Government's proportionate share of the net pension liability (asset) reflect an adjustment of the expectation of life after disability to more closely reflect actual experience. For amounts reflected in Government's proportionate share of the net pension liability (asset) and later, the expectation of retired life mortality was based on RP-2000 Mortality Tables rather than on the 1983 Group Annuity Mortality Table, which was used to determine amounts reported prior to Government's proportionate share of the net pension liability (asset). Amounts reported in Government's proportionate share of the net pension liability (asset) reflect an adjustment of expected retirement ages to more closely reflect actual experience. Amounts reported in Government's proportionate share of the net pension liability (asset) reflect an adjustment of assumed life expectancies to more closely reflect actual experience.

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BLANACE - BUDGET AND ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|-----------------------------------|-------------------------------|---------------------------------|--|
| Revenues | | | | | | |
| Taxes: | | | | | | |
| Property taxes | \$ 2,677,517 | \$ 2,722,517 | \$ 2,815,643 | \$ - | \$ 2,815,643 | \$ (93,126) |
| B&O | 3,784,000 | 4,710,956 | 5,114,210 | - | 5,114,210 | (403,254) |
| Excise tax on utilities | 1,250,000 | 1,250,000 | 1,165,734 | - | 1,165,734 | 84,266 |
| Other taxes | 573,500 | 602,392 | 541,276 | - | 541,276 | 61,116 |
| Total taxes: | 8,285,017 | 9,285,865 | 9,636,863 | - | 9,636,863 | (350,998) |
| Fines and forfeitures | 112,500 | 112,500 | 129,009 | - | 129,009 | (16,509) |
| Licenses, permits, and fees | 230,000 | 230,000 | 221,557 | - | 221,557 | 8,443 |
| Intergovernmental | 821,644 | 858,169 | 1,054,214 | - | 1,054,214 | (196,045) |
| Charges for services | 4,617,947 | 4,617,947 | 4,628,913 | - | 4,628,913 | (10,966) |
| Video lottery and table gaming proceeds | 605,000 | 605,000 | 504,155 | - | 504,155 | 100,845 |
| Charges to other funds | 178,806 | 78,806 | 78,816 | (78,816) | - | (10) |
| Investment income | 7,500 | 7,500 | 13,748 | - | 13,748 | (6,248) |
| Reimbursements | 50,000 | 50,000 | 53,730 | (53,730) | - | (3,730) |
| Other | 76,500 | 145,000 | 105,881 | - | 105,881 | 39,119 |
| Total revenues before prior year fund balance | 14,984,914 | 15,990,787 | 16,426,886 | (132,546) | 16,294,340 | (436,099) |
| Prior year fund balance (1) | 2,037,561 | 2,773,490 | - | - | - | 2,773,490 |
| Total revenues and prior year fund balance | 17,022,475 | 18,764,277 | 16,426,886 | (132,546) | 16,294,340 | 2,337,391 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 4,982,100 | 6,167,180 | 3,140,962 | (106,968) | 3,033,994 | 3,026,218 |
| Public safety | 6,358,126 | 6,578,745 | 6,776,349 | (89,285) | 6,687,064 | (197,604) |
| Highway and streets | 3,462,946 | 3,698,451 | 3,120,406 | (85,744) | 3,034,662 | 578,045 |
| Health and sanitation | 1,138,685 | 1,146,783 | 1,251,445 | (75,895) | 1,175,550 | (104,662) |
| Culture and recreation | 1,073,118 | 1,143,118 | 1,028,863 | (863,119) | 165,744 | 114,255 |
| Social services | 7,500 | 30,000 | 18,105 | - | 18,105 | 11,895 |
| Debt Service: | | | | | | |
| Principal | - | - | - | 217,569 | 217,569 | - |
| Interest and other charges | - | - | - | 7,771 | 7,771 | - |
| Total expenditures | 17,022,475 | 18,764,277 | 15,336,130 | (995,671) | 14,340,459 | 3,428,147 |
| Excess of revenues over expenditures | - | - | 1,090,756 | 863,125 | 1,953,881 | (1,090,756) |
| Other Financing Sources (Uses) | | | | | | |
| Proceeds from capital leases | - | - | - | 314,516 | 314,516 | - |
| Transfers out | - | - | - | (863,119) | (863,119) | - |
| Net other financing sources (uses) | - | - | - | (548,603) | (548,603) | - |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | - | - | 1,090,756 | 314,522 | 1,405,278 | |
| Fund balances - beginning | 2,037,561 | 2,773,490 | 3,808,208 | - | 3,808,208 | |
| Less prior year fund balance budgeted | (2,037,561) | (2,773,490) | - | - | - | |
| Fund balances - ending | \$ - | \$ - | \$ 4,898,964 | \$ 314,522 | \$ 5,213,486 | |

(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 budgeting purposes. Beginning budgetary fund balance, as restated has been reduced for carryover to reflect the budgetary ending fund balance projected.

ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

- Contributions to the Board of Park Commissioners, Financial Stability and Library Funds,

Adjustments to Generally Accepted Accounting Principals

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

- Contributions to the Board of Park Commissions and Library funds, reported as expenditures as opposed to transfers to other funds. 863,119
- Other reimbursements reported as reimbursements as opposed to netting with general government expenditures. 132,546
- Capital leases not recognized in accordance with generally accepted accounting principles. Payments are not reported as debt service payments. Proceeds from new leases are also not recognized. The effect is as follows:

| | | |
|---|----------|--|
| Net increases in (reduced by debt payments | | |
| while, being increased by expenses for new leases): | | |
| Debt service - principal | 217,569 | |
| Debt service - interest | 7,771 | |
| Net decreases in (reduced by debt payments | | |
| while, being increased by expenses for new leases): | | |
| Highway and streets | (85,744) | |
| Health and Sanitation | (75,895) | |
| Public safety | (63,707) | |

CITY OF WEIRTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-----------------|-----------------------------------|-------------------------------|---------------------------------|--|
| Revenues | | | | | | |
| Other taxes | \$ 76,000 | \$ 76,000 | \$ 45,745 | \$ - | \$ 45,745 | \$ (30,255) |
| Investment income | 300 | 300 | 135 | - | 135 | (165) |
| Total revenues before prior year fund balance | 76,300 | 76,300 | 45,880 | - | 45,880 | (30,420) |
| Prior year fund balance (1) | 40,000 | 40,000 | - | - | - | (40,000) |
| Total revenues and prior year fund balance | 116,300 | 116,300 | 45,880 | - | 45,880 | (70,420) |
| Expenditures | | | | | | |
| General government | 105,444 | 105,444 | | - | - | 105,444 |
| Highway and streets | 10,856 | 10,856 | 9,073 | (9,073) | - | 10,856 |
| Debt Service: | | | | | | |
| Principal | - | - | - | 9,047 | 9,047 | (9,047) |
| Interest and other charges | - | - | - | 26 | 26 | (26) |
| Total expenditures | 116,300 | 116,300 | 9,073 | - | 9,073 | 107,227 |
| Excess of revenues over expenditures | - | - | 36,807 | - | 36,807 | 36,807 |
| Fund balance, beginning | 40,000 | 40,000 | 31,209 | - | 31,209 | |
| Less prior year fund balance budgeted | (40,000) | (40,000) | - | - | - | |
| Fund balance, ending | \$ - | \$ - | \$ 68,016 | \$ - | \$ 68,016 | |

(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

- 1) Capital leases not recognized in accordance with generally accepted accounting principles. Payments not reported as debt service payments. The effect is as follows:

| | |
|--------------------------|---------|
| Increases in: | |
| Debt service - principal | 9,047 |
| Debt service - interest | 26 |
| Decrease in: | |
| Highway and streets | (9,073) |

Supplementary Information

CITY OF WEIRTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

| | Youth Job Program | TIF | Public Safety | Library | CDBG | Total |
|--------------------------------------|----------------------|---------------------|-------------------|-------------------|------------------|---------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 302 | \$ 1,599,239 | \$ 207,178 | \$ 364,001 | \$ 1,279 | \$ 2,171,999 |
| Investments | - | - | - | 484,867 | - | 484,867 |
| Receivables, net | | | | | | |
| Taxes | - | 887 | - | - | - | 887 |
| Due from other funds | | | | | | |
| Intergovernmental | - | - | - | - | 29,757 | 29,757 |
| Prepaid expenses | - | - | - | 3,320 | - | 3,320 |
| | <u>302</u> | <u>1,600,126</u> | <u>207,178</u> | <u>852,188</u> | <u>31,036</u> | <u>2,690,830</u> |
| Total assets | <u>\$ 302</u> | <u>\$ 1,600,126</u> | <u>\$ 207,178</u> | <u>\$ 852,188</u> | <u>\$ 31,036</u> | <u>\$ 2,690,830</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 22,715 | \$ 18,430 | \$ 3,056 | \$ 44,201 |
| Wages and benefits payable | - | - | - | 10,312 | - | 10,312 |
| Compensated absences | - | - | - | 26,894 | - | 26,894 |
| Due to other funds | - | - | - | 5,702 | 26,701 | 32,403 |
| Security deposit | - | - | 25,000 | - | - | 25,000 |
| Unearned revenue | - | - | 122,843 | 74,202 | - | 197,045 |
| Grant advances | - | - | - | - | 1,279 | 1,279 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>170,558</u> | <u>135,540</u> | <u>31,036</u> | <u>337,134</u> |
| Fund Balances | | | | | | |
| Non-spendable for: | | | | | | |
| Prepaid expenses | - | - | - | 3,320 | - | 3,320 |
| Restricted for: | | | | | | |
| Capital projects | - | 1,600,126 | - | - | - | 1,600,126 |
| Assigned for: | | | | | | |
| General expenditures | <u>302</u> | <u>-</u> | <u>36,620</u> | <u>713,328</u> | <u>-</u> | <u>750,250</u> |
| Total fund balances | <u>302</u> | <u>1,600,126</u> | <u>36,620</u> | <u>716,648</u> | <u>-</u> | <u>2,353,696</u> |
| Total liabilities and fund balances | <u>\$ 302</u> | <u>\$ 1,600,126</u> | <u>\$ 207,178</u> | <u>\$ 852,188</u> | <u>\$ 31,036</u> | <u>\$ 2,690,830</u> |

CITY OF WEIRTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

| | Youth Job Program | TIF | Public Safety | Library | CDBG | Total |
|---|----------------------|---------------------|------------------|-------------------|----------------|---------------------|
| Revenues | | | | | | |
| Property taxes | \$ - | \$ 390,399 | \$ - | \$ 143,444 | \$ - | \$ 533,843 |
| Fees and fines | - | - | - | 11,940 | - | 11,940 |
| Intergovernmental | - | - | 68,340 | - | 247,597 | 315,937 |
| Investment income | 2 | 4,340 | 643 | (14,739) | - | (9,754) |
| Contributions | - | - | 1,363 | 215,821 | - | 217,184 |
| Other | - | - | - | 3,650 | - | 3,650 |
| Total revenues | <u>2</u> | <u>394,739</u> | <u>70,346</u> | <u>360,116</u> | <u>247,597</u> | <u>1,072,800</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | - | 21,461 | 60,998 | - | 88,343 | 170,802 |
| Public safety | - | - | 10,973 | - | 25,578 | 36,551 |
| Highway and streets | - | - | - | - | 106,417 | 106,417 |
| Culture and recreation | - | - | - | 732,399 | - | 732,399 |
| Social services | - | - | - | - | 27,259 | 27,259 |
| Total expenditures | <u>-</u> | <u>21,461</u> | <u>71,971</u> | <u>732,399</u> | <u>247,597</u> | <u>1,073,428</u> |
| Excess (deficiency) of revenues over expenditures | <u>2</u> | <u>373,278</u> | <u>(1,625)</u> | <u>(372,283)</u> | <u>-</u> | <u>(628)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers from other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>349,119</u> | <u>-</u> | <u>349,119</u> |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>349,119</u> | <u>-</u> | <u>349,119</u> |
| Net changes in fund balances | 2 | 373,278 | (1,625) | (23,164) | - | 348,491 |
| Fund balances, beginning | <u>300</u> | <u>1,226,848</u> | <u>38,245</u> | <u>739,812</u> | <u>-</u> | <u>2,005,205</u> |
| Fund balances, ending | <u>\$ 302</u> | <u>\$ 1,600,126</u> | <u>\$ 36,620</u> | <u>\$ 716,648</u> | <u>\$ -</u> | <u>\$ 2,353,696</u> |

CITY OF WEIRTON, WEST VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

| | Pension Trust Funds | | Total Pension Trust Funds |
|--|----------------------|----------------------|------------------------------|
| | Policemen's Funds | Firemen's Pension | |
| Assets | | | |
| Cash and cash equivalents | \$ 110,971 | \$ 5,982 | \$ 116,953 |
| Investments, at fair value: | | | |
| Money markets | 26,574 | 65,841 | 92,415 |
| Government agency obligations | 126,390 | 201,867 | 328,257 |
| Municipal obligations | 103,271 | 103,271 | 206,542 |
| Corporate obligations | 777,925 | 1,206,245 | 1,984,170 |
| Mutual funds | 530,680 | 2,040,186 | 2,570,866 |
| Common stock | 2,352,361 | 5,390,949 | 7,743,310 |
| Total investments | <u>3,917,201</u> | <u>9,008,359</u> | <u>12,925,560</u> |
| Total assets | <u>4,028,172</u> | <u>9,014,341</u> | <u>13,042,513</u> |
| Net Position | | | |
| Net position held in trust for pension benefits | <u>\$ 4,028,172</u> | <u>\$ 9,014,341</u> | <u>\$ 13,042,513</u> |

CITY OF WEIRTON, WEST VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2016

| | Policemen's Pension | Firemen's Pension | Total Pension Trust |
|---|------------------------|----------------------|------------------------|
| Additions | | | |
| Contributions | | | |
| Employer | \$ 626,941 | \$ 247,273 | \$ 874,214 |
| Plan members | 163,095 | 82,461 | 245,556 |
| Insurance premium tax allocation | 345,588 | 207,993 | 553,581 |
| | <u>1,135,624</u> | <u>537,727</u> | <u>1,673,351</u> |
| Total contributions | | | |
| Investment income: | | | |
| Interest and dividends | 107,607 | 208,527 | 316,134 |
| Net realized and unrealized gains (losses) | (136,657) | (238,447) | (375,104) |
| Less: investment expense | (17,732) | (27,942) | (45,674) |
| | <u>(46,782)</u> | <u>(57,862)</u> | <u>(104,644)</u> |
| Net investment income | | | |
| Total additions | <u>1,088,842</u> | <u>479,865</u> | <u>1,568,707</u> |
| Deductions | | | |
| Benefits | 1,523,831 | 643,235 | 2,167,066 |
| Administrative | 2,646 | 5,453 | 8,099 |
| | <u>1,526,477</u> | <u>648,688</u> | <u>2,175,165</u> |
| Total deductions | | | |
| Change in net position | (437,635) | (168,823) | (606,458) |
| Net position held in trust for pension benefits | | | |
| Beginning of year | <u>4,465,807</u> | <u>9,183,164</u> | <u>13,648,971</u> |
| End of year | <u>\$ 4,028,172</u> | <u>\$ 9,014,341</u> | <u>\$ 13,042,513</u> |

CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2016

| <u>State Grantor/Program Title</u> | <u>Identification Number</u> | <u>State Expenditures</u> |
|---|----------------------------------|-------------------------------|
| West Virginia Development Office | | |
| Legislative Digest | 15LEDA0052 | \$ 5,000 |
| <i>Total West Virginia Development Office</i> | | <u>5,000</u> |
| Total Expenditures of State Awards | | <u><u>\$ 5,000</u></u> |

CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Expenditures to Subrecipients</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|--|---------------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| <i>Direct Programs:</i> | | | | |
| Community Development Block Grant | 14.218 | N/A | \$ - | \$ 269,849 |
| <i>Total U.S. Department of H.U.D.</i> | | | <u>\$ -</u> | <u>\$ 269,849</u> |
| U.S. Department of Justice | | | | |
| <i>Pass-Through Programs From:</i> | | | | |
| <u>West Virginia Department of Military Affairs and Public Safety</u> | | | | |
| Edward Byrne Memorial Formula Grant | 16.579 | 14-JAG | \$ - | \$ 45,000 |
| <i>Total U.S. Department of Justice</i> | | | <u>\$ -</u> | <u>\$ 45,000</u> |
| U.S. Department of Transportation | | | | |
| <i>Direct Programs:</i> | | | | |
| Federal Transit Formula Grant | 20.507 | N/A | \$ 123,113 | \$ - |
| <i>Total U.S. Department of Transportation</i> | | | <u>\$ 123,113</u> | <u>\$ -</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 123,113</u></u> | <u><u>\$ 314,849</u></u> |

CITY OF WEIRTON, WEST VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Weirton, West Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Weirton, West Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Weirton, West Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City of Weirton, West Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Ferrari & Associates, PLLC

1340 Cain Street | Morgantown, WV 26505

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Weirton
200 Municipal Plaza
Weirton, West Virginia 26062

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of Weirton, West Virginia (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 27, 2017 wherein we qualified our opinion because the City elected not to adopt GASB 45 OPEB liability and expense as of and for the year ended June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses (finding 2016-01) that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Ferrari & Associates, PLLC

1340 Cain Street | Morgantown, WV 26505

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ferrari & Associates, PLLC

Morgantown, West Virginia

April 27, 2017

CITY OF WEIRTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2016

2016-01 Other Post-Employment Benefits Obligated

Condition – We noted during the audit that the City failed to record the Other Post-Employment Benefits obligation payable in the City’s financial statements in accordance with GASB Statement Number 45 and generally accepted accounting standards.

Criteria – GASB Statement Number 45 requires that state and local government employers report the costs and obligation associated with post-employment healthcare and other non-pension benefits known as other post-employment benefits. The requirements of this statement are effective in three phases based on a governments total annual revenues in the first fiscal year ending after June 15, 1999. Governments with annual revenues of \$100 million or more (Phase 1 governments) are required to implement in the periods beginning after December 15, 2006. Governments with annual revenues between \$10 million and \$100 million (Phase 2 governments) are required to implement in the periods after December 15, 2007. Governments with revenues less than \$10 million (Phase 3 governments) are required to implement in the periods after December 15, 2008. Component units are required to implement GASB 45 the same fiscal year as the primary government.

Cause – Officials did not obtain the actuarial study to determine a correct calculation of the annual required contributions which were necessary to reflect this liability in the financial statements and failed to account for the Other Post-employment Benefits obligation.

Effect – The liabilities and expenditures are substantially understated which necessitates a qualification of opinion on the financial statements.

Recommendation – We recommend that the City complete the necessary actuarial study to determine the calculation to be used to reflect the OPEB liability.

City’s Response – In future years the City anticipates completing the necessary actuarial study to determine the calculation to be used to reflect the OPEB liability.

**CITY OF WEIRTON, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016**

Status of Prior Year Audit Findings

| <u>Finding Number</u> | <u>Title</u> | <u>Status</u> |
|---------------------------|--|--------------------------------|
| 2015-01 | Other Post-Employment Benefits Obligated | Not resolved |
| 2015-02 | Timely Submission of Single Audit | Resolved – N/A in current year |