

**CITY OF FAIRMONT, WEST VIRGINIA
A CLASS II MUNICIPALITY IN MARION COUNTY**

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	Page
Municipal Officials	1
Index of Funds	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-12
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	13
Statement of Activities	14
FUND FINANCIAL STATEMENTS:	
Balance Sheets – Governmental Funds	15
Reconciliation of Fund Balance Sheets of Governmental Funds to Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Balance Sheets – Proprietary Funds	19-20
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22-23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – Budgetary Basis	24-25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Coal Severance Fund – Budgetary Basis	26
Statement of Fiduciary Net Assets	27
Statement of Fiduciary Changes in Net Assets	28
Notes to Financial Statements	29-68
SUPPLEMENTARY INFORMATION:	
Required Supplementary Information – Schedule of Funding Progress – Policemen's Pension and Relief Fund (PPRF) and Firemen's Pension and Relief Fund (FPRF)	69
Combining Balance Sheets – Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	71
Combining Fund Balance Sheets – Nonmajor Governmental Funds – Special Revenue Funds	72

TABLE OF CONTENTS (CONT'D)

	Page
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Special Revenue Funds	73
Combining Fund Balance Sheets – Nonmajor Governmental Funds – Capital Project Funds	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Project Funds	75
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76-77
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	78-79
Schedule of Findings and Questioned Costs	80-81
Schedule of Expenditures and Federal Awards	82-83
Summary Schedule of Prior Audit Findings	84

**CITY OF FAIRMONT, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2008**

Office	Name	Term
	<i>Elective</i>	
Mayor:	S. Scott Sears	01/01/05 – 12/31/08
Council Member:		
1 st District	John Dahlia	01/01/07 – 12/31/10
2 nd District	Robert Sapp	01/01/08 – 12/31/08
3 rd District	Deborah Seifrit	01/01/07 – 12/31/10
4 th District	William Burdick	01/10/08 – 12/31/09
5 th District	Chuck Warner	01/01/07 – 12/31/10
6 th District	De'Andrea Bussey	01/01/05 – 12/31/08
7 th District	S. Scott Sears	01/01/05 – 12/31/08
8 th District	Robin Smith	01/01/07 – 12/31/10
9 th District	Matt Delligatti	01/01/07 – 12/31/10
	<i>Appointive</i>	
City Manager:	James W. Snider	
Finance Director:	Eileen Layman	
City Clerk:	Janet Keller	
Municipal Judge:	Anthony Julian	

CITY OF FAIRMONT, WEST VIRGINIA
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

Coal Severance Tax
Economic Development Grant Fund
Special Purpose Grant Program
Emergency Shelter Grant Program
Police Fund
Bureau of Justice Fund
Boards and Commissions Fund
Workers Compensation Fund
Police Investigation Fund
Urban Renewal Authority
Municipal Financial Stabilization Rainy Day Fund
Other Post Employment Benefits Fund

Capital Project Funds

Capital Reserve Fund
Sharon Steel Redevelopment Fund

PROPRIETARY FUND TYPE

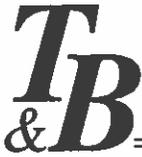
Enterprise Funds

Water
Sanitary Sewer Board
Parking
Building Commission Fund
Park Commission

FIDUCIARY FUND TYPE

Trust Funds

Policemen's Pension and Relief
Firemen's Pension and Relief



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fairmont, West Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fairmont, West Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairmont, West Virginia, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2008, on our consideration of the City of Fairmont, West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 12 and schedules of funding progress for the Policemen's Pension and Relief Fund and the Fireman's Pension and Relief Fund on page 69 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairmont, West Virginia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Fairmont, West Virginia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 6 to the financial statements, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2008.

Detrick . Bartlett , Phd

December 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Fairmont's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The City's Statement of Net Assets is included in the Government-wide financial statements. Net assets of our business-type activities account for 83.7 percent of gross assets and 93.3 percent of total net assets which include the Building Commission, Parks Commission, and parking facilities, a water filtration plant and distribution system, and a waste water collection system and treatment plant with related debt. The net assets of our governmental activities account for 16.3 percent of gross assets and 6.7 percent of total net assets. The increased proportion of net assets in our business-type activities relates to a fiscal 2007 reclassification from governmental to business-type for the Building Commission's activities which includes \$3.6 million in net capital assets. In addition, fiscal 2008 saw the establishment of a Parks Commission to oversee activities at Palatine Park. Net assets of our business-type activities increased \$4,900,000 in fiscal 2007 and an additional \$1,396,000 in fiscal 2008. The most significant increase in fiscal 2008 was in the Sanitary Sewer Board operations. Net assets of the water fund continued to decline with decreases of \$114,000 in fiscal 2007, and \$323,000 in fiscal 2008. The City increased water rates in the beginning of fiscal 2006 and again in the beginning of fiscal 2007 to meet debt service requirements and offset operating cost increases. In fiscal 2007 and fiscal 2008 the water fund incurred significant costs related to corrective actions at the water filtration plant. The decrease in net assets in the water fund was offset with net asset increases of \$1,554,000 in the Sanitary Sewer Board and \$163,000 in the newly established Parks Commission. The parking fund used \$165,000 in transfers from general funds of the City to meet operating and debt service needs as in fiscal 2007 and therefore reports a decrease of only \$2,500 in net assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the water and sewer system, the building commission, the parks commission and the parking authority.
- Fiduciary fund statements provide information about the financial relationships—like the retirement plan for the City's fire and police employees—in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include other notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Figure A-1 below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain.

Figure A-1 Major Features of City of Fairmont's Government-wide and Fund Financial Statements				
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system, and the parking facilities	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City Fire and Police employees
Required financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	An revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statement

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's tax base.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD)

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities**—Most of the City's basic services are included here, such as the police, fire, public works, sanitation, and parks departments, and general administration. Business and Occupation taxes, property taxes, and sanitation and fire fees finance most of these activities. In addition to the general fund of the City, additional special revenue funds such as coal severance fund, grant funds, and financial stability funds have been established as part of governmental activities due to the nature of each type of activity and/or legal requirements. These are combined as non-major governmental funds in the financial statement presentation.
- **Business-type activities**—The City charges fees to customers to cover the costs of certain services it provides. The City's water and sewer system and parking facilities are included here.
- **Component units**—The City does not include other, legally separated entities in its report because the City is not financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the city as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants (like aid from the U.S. Department of Housing and Urban Development).

The City has three kinds of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary funds**—The City is the trustee, or fiduciary, for its fire and police employees' pension plans. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following condensed financial information is derived from the government-wide financial statements and compares the current year ended June 30, 2008 results to the prior year ending June 30, 2007. This information should be used in conjunction with the accompanying financial statements and notes to the financial statements.

Condensed financial information from the Statement of Net Assets for the years ended June 30, 2008 and June 30, 2007 are as follows:

	2008	2007		2008	2007
<u>Total Assets:</u>			<u>Total Assets:</u>		
<u>Governmental Activities:</u>			<u>Business-Type Activities:</u>		
Capital Assets	\$ 7,538,096	\$ 6,632,604	Capital Assets	\$ 64,307,650	\$ 62,170,682
Other Assets	\$ 6,546,695	\$ 8,418,838	Other Assets	\$ 8,216,830	\$ 8,255,899
Total Assets	\$ 14,084,791	\$ 15,051,442	Total Assets	\$ 72,524,480	\$ 70,426,581
 <u>Total Liabilities:</u>			 <u>Total Liabilities:</u>		
<u>Governmental Activities:</u>			<u>Business-Type Activities:</u>		
Long-Term Liabilities	\$ 11,080,796	\$ 9,784,261	Long-Term Liabilities	\$ 46,535,619	\$ 45,297,711
Other Liabilities	\$ 1,455,791	\$ 3,153,554	Other Liabilities	\$ 4,554,538	\$ 5,090,645
Total Liabilities	\$ 12,536,587	\$ 12,937,815	Total Liabilities	\$ 51,090,157	\$ 50,388,356
 <u>Total Net Assets:</u>			 <u>Total Net Assets:</u>		
<u>Governmental Activities:</u>			<u>Business-Type Activities:</u>		
Capital Assets, net of Rel Debt	\$ 6,194,056	\$ 6,275,837	Capital Assets, net of Rel Debt	\$ 17,630,904	\$ 14,796,512
Restricted Net Assets			Restricted Net Assets	\$ 5,210,994	\$ 4,936,939
Unrestricted Net Assets	\$ (4,645,852)	\$ (4,162,210)	Unrestricted Net Assets	\$ (1,407,575)	\$ 304,774
Total Net Assets	\$ 1,548,204	\$ 2,113,627	Total Net Assets	\$ 21,434,323	\$ 20,038,225

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD)

	2008	2007
<u>Total Combined Assets:</u>		
Capital Assets	\$ 71,845,746	\$ 68,803,286
Other Assets	<u>\$ 14,763,525</u>	<u>\$ 16,674,737</u>
Total Assets	<u>\$ 86,609,271</u>	<u>\$ 85,478,023</u>
 <u>Total Combined Liabilities:</u>		
Long-Term Liabilities	\$ 57,616,415	\$ 55,081,972
Other Liabilities	<u>\$ 6,010,329</u>	<u>\$ 8,244,199</u>
Total Liabilities	<u>\$ 63,626,744</u>	<u>\$ 63,326,171</u>
 <u>Total Combined Net Assets:</u>		
Capital Assets, net of Rel Debt	\$ 23,824,960	\$ 21,072,349
Restricted Net Assets	\$ 5,210,994	\$ 4,936,939
Unrestricted Net Assets	<u>\$ (6,053,427)</u>	<u>\$ (3,857,436)</u>
Total Net Assets	<u>\$ 22,982,527</u>	<u>\$ 22,151,852</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD)

Change in Net Assets

<u>Governmental Activities:</u>	2008	2007
Change in Net Assets before transfers	\$ (87,627)	\$ 315,257
Transfers between activities	\$ (477,796)	\$ (489,223)
Change in Net Assets after transfers	\$ (565,423)	\$ (173,966)
 Net Assets - beginning	 \$ 2,113,627	 \$ 2,287,593
 Net Assets - ending	 \$ 1,548,204	 \$ 2,113,627
 <u>Business-Type Activities:</u>		
Change in Net Assets before transfers	\$ 918,302	\$ 647,139
Transfers between activities	\$ 477,796	\$ 489,223
Change in Net Assets after transfers	\$ 1,396,098	\$ 1,136,362
 Net Assets - beginning	 \$ 20,038,225	 \$ 18,901,863
 Net Assets - ending	 \$ 21,434,323	 \$ 20,038,225
 <u>Total Combined Change in Net Assets:</u>		
Change in Net Assets before transfers	\$ 830,675	\$ 962,396
Transfers between activities	\$ -	\$ -
Change in Net Assets after transfers	\$ 830,675	\$ 962,396
 Net Assets - beginning	 \$ 22,151,852	 \$ 21,189,456
 Net Assets - ending	 \$ 22,982,527	 \$ 22,151,852

The City's combined net assets increased \$830,000 from June 30, 2007 to June 30, 2008 with a decrease of \$565,000 in the City's governmental activities and a compensating increase of \$1.4 million in the City's business-type activities. In fiscal 2008, general revenues of the City remained consistent with fiscal 2007 but program revenues such as fines revenues decreased by \$217,000. Benefits paid increased in fiscal 2008 \$150,000 with the inclusion of Other Post Employment benefit accruals begun in fiscal 2008. There is more information on the City's accounting of this in the notes to the financial statements. Revenues increased in the City's business-type activities by \$770,000 with a water rate increase effective in August, 2007 and a continued increase in revenue from a sewer rate increase in September, 2006. Expenses also continued to increase by \$550,000 in the City's water fund and \$342,000 in the sewer operations. Capital grant revenue increased \$434,000 in the sewer operations while decreasing \$4.7 million in the governmental activities with an offsetting decrease in expenditures due to project completion at West Virginia High Technology Park.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$5.2 million, which was consistent with last year's level. The City's general fund reported an operating deficit of \$182,000 after transfers of \$1.6 million to the capital reserve fund and the stabilization fund. The capital reserve fund is used to meet debt service on financing the construction of the public safety building and the parking garage, as well as all other capital leases and capital asset purchases from the general funds of the City. The stabilization fund was established in fiscal 2008 and \$684,000 was transferred from general fund investments to be reported as investments for "rainy day" needs of the City. It is the intention of the City's management to keep these funds separated and attempt to increase the amount in future years. In addition, these other changes in fund balances should be noted:

- The City's coal severance fund received \$72,000 in distributions from the state treasurer's office in fiscal 2008, which is consistent with fiscal 2007's receipts of \$69,000. Cost of snow removal totaled \$81,000 and so the fund balance at the end of fiscal 2008 was reduced by \$8,000.
- The fund balance of the City's workers compensation fund, while increasing \$94,000 in fiscal 2007, decreased \$27,000 in fiscal 2008. Benefits and expenses paid exceeded the City's contributions into the self-insured program this year due to one employee's extensive injuries. It is expected that fiscal 2009 will see reduced benefit costs.
- As part of the construction Business and Occupation tax reserve, Council has directed management to reserve separately, the tax collected on construction at Fairmont State University to be used exclusively to replace, maintain, or improve the City's infrastructure in the area of Locust Avenue. In fiscal 2008, \$325,000 was paid. Council, in fiscal 2005, also directed management to reserve separately, the tax collected on construction at Fairmont Middle School to be used exclusively to replace, maintain, or improve the City's infrastructure in the area of 10th Street and Beltline. Fifty percent is to be distributed to Marion County Schools for their East/West Stadium projects and fifty percent is to be used for the City's 10th Street and Beltline projects. As of June 30, 2008 \$325,000 had been collected and disbursed to the school board and \$157,000 had been reserved for the City's needs. Council, in fiscal 2008, also directed management to reserve separately, the tax collected from sub-contractors on construction at the second building at West Virginia High Tech Consortium to be used exclusively to replace, maintain, or improve the City's infrastructure in the technology park. As of June 30, 2008 \$156,000 had been collected and \$130,000 had been paid.

General Fund Budgetary Highlights

Over the course of the year, City Council revised the City budget several times. These budget amendments fall into two categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances (correcting the estimated amounts in the budget revision adopted in May, 2008).
- Changes made in the second quarter, and fourth quarter to account for additional revenues received and to increase appropriations to prevent budget overruns.

With these adjustments to the original budget, actual expenditures were \$869,000 favorable to budgeted amounts. Resources available for appropriation were \$247,000 below the final budgeted amount because of lower than expected fourth quarter Business and Occupation Tax revenue. However, expenditures for transfers to capital project funds was also significantly less than expected with the reduced level of revenues, so reduced expenditures of \$1.1 million offset the under-budgeted revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the City had invested \$71.8 million in a broad range of net capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer plants and lines and construction in progress on new projects. This amount represents a net increase (including additions and deductions) of \$3,042,000 or 4% over fiscal 2007 with the most significant increases in the sanitary sewer operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Long-term Debt

At year-end the City had \$46.5 million in long-term bonds and long-term lease obligations outstanding from business-type activities and \$11.1 million from governmental activities for long-term employee benefit obligations and long-term lease obligations. This is an increase of \$2.5 million over last year primarily due to new construction projects funded by debt in the sanitary sewer operations in that amount and a new lease in amount of \$528,000 for the purchase of a fleet of vehicles for the sanitary sewer operations. The City also entered into a lease agreement for the purchase of an aerial platform fire truck in amount of \$718,000 and a fleet of twelve (12) vehicles for the police department in amount of \$294,000. More information on outstanding debt can be found in Note 5 to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Budgeted expenditures are expected to increase slightly for fiscal 2009 with supply cost increases, professional expenses, and continued support needed for mediation with vendors and corrective actions related to the water filtration plant. Fiscal 2009 budget was built without a cost-of-living adjustment to the wage base but with a one-time payment in lieu of a COLA increase to be paid to employees in amount of \$750 fiscal 2009. The City expects current general fund revenues to remain consistent in fiscal 2009 and will reduce capital spending to offset the increase. The Water Fund will also reduce capital spending to offset the increase in expenditures and management will present a rate increase to Council to increase revenues sufficient to maintain going level expenses and complete a corrective action project at the filtration plant. The Parking Fund should remain at fiscal 2008 levels of revenue. The Sanitary Sewer Board will implement a rate increase in fiscal 2009, upon substantial completion of the current project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Fairmont, Finance Director's Office at 200 Jackson Street, Fairmont, WV 26554.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 1,430,308	\$ 864,983	\$ 2,295,291
Investments	2,277,404	705,097	2,982,501
Receivables	1,821,142	1,233,699	3,054,841
Internal balances	976,925	(976,925)	-0-
Inventory	14,424	153,428	167,852
Prepaid expenses	5,200	2,435	7,635
Restricted assets	21,292	5,210,994	5,232,286
Capital assets, net	7,538,096	64,307,650	71,845,746
Unamortized bond discount and issue cost	-0-	1,023,119	1,023,119
Total assets	<u>14,084,791</u>	<u>72,524,480</u>	<u>86,609,271</u>
Liabilities			
Accounts payable	272,813	990,724	1,263,537
Claims payable	258,607	-0-	258,607
Other accrued expenses	265,530	145,870	411,400
Deferred revenue	222,271	-0-	222,271
Customer deposits	9,060	48,750	57,810
Accrued interest payable	-0-	868,777	868,777
Long-term liabilities			
Due within one year	427,510	2,500,417	2,927,927
Due in more than one year	<u>11,080,796</u>	<u>46,535,619</u>	<u>57,616,415</u>
Total liabilities	<u>12,536,587</u>	<u>51,090,157</u>	<u>63,626,744</u>
Net Assets			
Invested in capital assets, net of related debt	6,194,056	17,630,904	23,824,960
Restricted for debt retirement	-0-	5,210,994	5,210,994
Unrestricted	<u>(4,645,852)</u>	<u>(1,407,575)</u>	<u>(6,053,427)</u>
Total Net Assets	<u>\$ 1,548,204</u>	<u>\$ 21,434,323</u>	<u>\$ 22,982,527</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 2,102,822	\$ 36,940	\$ 226,789	\$ -0-	\$ (1,839,093)	\$ -0-	\$ (1,839,093)
Public safety	6,029,335	1,397,109	103,234	-0-	(4,528,992)	-0-	(4,528,992)
Highways and streets	1,664,535	-0-	-0-	-0-	(1,664,535)	-0-	(1,664,535)
Sanitation	1,058,178	1,050,689	-0-	-0-	(7,489)	-0-	(7,489)
Culture and recreation	144,054	-0-	-0-	-0-	(144,054)	-0-	(144,054)
Social services	3,694	-0-	-0-	-0-	(3,694)	-0-	(3,694)
Community development	3,283,551	-0-	137,040	2,855,769	(290,742)	-0-	(290,742)
Benefits paid	272,127	-0-	272,099	-0-	(28)	-0-	(28)
Total governmental activities	<u>14,558,296</u>	<u>2,484,738</u>	<u>739,162</u>	<u>2,855,769</u>	<u>(8,478,627)</u>	<u>-0-</u>	<u>(8,478,627)</u>
Business-Type Activities							
Water	6,658,039	6,048,922	-0-	24,500	-0-	(584,617)	(584,617)
Sanitary sewer board	3,702,519	4,431,734	-0-	755,815	-0-	1,485,030	1,485,030
Building commission	475,063	100	-0-	-0-	-0-	(474,963)	(474,963)
Parking	108,541	112,965	-0-	-0-	-0-	4,424	4,424
Park commission	18,259	-0-	155,690	-0-	-0-	137,431	137,431
Total business-type activities	<u>\$ 10,962,421</u>	<u>\$ 10,593,721</u>	<u>\$ 155,690</u>	<u>\$ 780,315</u>	<u>-0-</u>	<u>567,305</u>	<u>567,305</u>
General Revenues							
Taxes					7,550,754	-0-	7,550,754
Licenses and permits					142,694	-0-	142,694
Investment income					142,351	232,922	375,273
Franchise fees					269,488	-0-	269,488
Miscellaneous					285,713	118,075	403,788
Total general revenues					<u>8,391,000</u>	<u>350,997</u>	<u>8,741,997</u>
Change in net assets before transfers					(87,627)	918,302	830,675
Transfers between activities					(477,796)	477,796	-0-
Change in net assets after transfers between activities					(565,423)	1,396,098	830,675
Net assets – beginning					2,113,627	20,038,225	22,151,852
Net assets – ending					<u>\$ 1,548,204</u>	<u>\$ 21,434,323</u>	<u>\$ 22,982,527</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>Economic Development Grant Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 831,156	\$ 2,941	\$ 179,854	\$ 416,357	\$ 1,430,308
Investments	54,600	-0-	300,147	1,922,657	2,277,404
Receivables, net of allowances:					
Taxes	1,059,812	-0-	-0-	-0-	1,059,812
Accounts	370,698	-0-	-0-	51,398	422,096
Other	84,526	61,358	-0-	-0-	145,884
Interest	-0-	-0-	-0-	605	605
Due from (to):					
Other funds	891,035	(2,939)	97,893	(9,064)	976,925
Other governments	47,125	-0-	-0-	-0-	47,125
Prepaid expenses	5,200	-0-	-0-	-0-	5,200
Inventory	14,424	-0-	-0-	-0-	14,424
Restricted:					
Customer deposits	<u>21,292</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>21,292</u>
TOTAL ASSETS	\$ <u>3,379,868</u>	\$ <u>61,360</u>	\$ <u>577,894</u>	\$ <u>2,381,953</u>	\$ <u>6,401,075</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 105,404	\$ 61,358	\$ 31,739	\$ 74,312	\$ 272,813
Claims payable	-0-	-0-	-0-	258,607	258,607
Other accrued expenses	265,530	-0-	-0-	-0-	265,530
Accrued compensated absences	216,418	-0-	-0-	-0-	216,418
Deferred revenue	222,271	-0-	-0-	-0-	222,271
Customer deposits	<u>9,060</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,060</u>
Total liabilities	<u>818,683</u>	<u>61,358</u>	<u>31,739</u>	<u>332,919</u>	<u>1,244,699</u>
Fund Balances					
Unreserved	<u>2,561,185</u>	<u>2</u>	<u>546,155</u>	<u>2,049,034</u>	<u>5,156,376</u>
Total fund balance	<u>2,561,185</u>	<u>2</u>	<u>546,155</u>	<u>2,049,034</u>	<u>5,156,376</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,379,868</u>	\$ <u>61,360</u>	\$ <u>577,894</u>	\$ <u>2,381,953</u>	\$ <u>6,401,075</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
RECONCILIATION OF FUND BALANCE SHEETS OF
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balance, fund level statement June 30, 2008	\$ 5,156,376
<p>The total fund balance of the City of Fairmont's governmental funds differs from net assets of the governmental activities reported on the Statement of Net Assets as follows:</p>	
<p>Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:</p>	
Obligations under capital leases	(1,344,040)
Unfunded pension and post retirement obligation	(9,083,207)
Accrued compensated absences	(864,641)
<p>Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in the governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation.</p>	
	7,538,096
<p>Some assets do not provide current financial resources and are not reported as assets in the fund level statements:</p>	
Additional receivables – June 30, 2008	<u>145,620</u>
Net assets of governmental activities	\$ <u>1,548,204</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Economic Development Grant Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes (including interest and penalties)	\$ 7,420,142	\$ -0-	\$ -0-	\$ -0-	\$ 7,420,142
Licenses and permits	142,694	-0-	-0-	-0-	142,694
Intergovernmental:					
Federal	-0-	462,661	-0-	57,170	519,831
State	56,000	2,393,108	-0-	72,245	2,521,353
Charges for services	2,107,513	-0-	-0-	-0-	2,107,513
Contributions:					
From employer	-0-	-0-	-0-	497,388	497,388
Fines and forfeits	-0-	-0-	-0-	377,225	377,225
Donations	1,500	-0-	-0-	127,104	128,604
Investment income	46,588	1,048	16,511	61,555	125,702
Franchise fees	269,488	-0-	-0-	-0-	269,488
Gain (loss) on investments	-0-	-0-	-0-	16,649	16,649
Miscellaneous	285,713	-0-	-0-	-0-	285,713
Total revenues	<u>10,329,638</u>	<u>2,856,817</u>	<u>16,511</u>	<u>1,209,336</u>	<u>14,412,302</u>
Expenditures					
General government	1,741,217	-0-	-0-	105,988	1,847,205
Public safety	5,342,895	-0-	-0-	113,843	5,456,738
Highways and streets	865,868	63,120	-0-	81,303	1,010,291
Sanitation	1,058,178	-0-	-0-	-0-	1,058,178
Culture and recreation	135,820	-0-	-0-	-0-	135,820
Social services	3,694	-0-	-0-	-0-	3,694
Community development	-0-	2,872,554	2,270,928	137,845	5,281,327
Police refunds and remittances	-0-	-0-	-0-	83,883	83,883
Benefit payments	-0-	-0-	-0-	272,127	272,127
Total expenditures	<u>9,147,672</u>	<u>2,935,674</u>	<u>2,270,928</u>	<u>794,989</u>	<u>15,149,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,181,966</u>	<u>(78,857)</u>	<u>(2,254,417)</u>	<u>414,347</u>	<u>(736,961)</u>
Other Financing Sources (Uses)					
Operating transfers in	201,674	79,904	804,769	688,947	1,775,294
Proceeds from debt service	-0-	-0-	1,117,408	-0-	1,117,408
Operating transfers (out)	<u>(1,565,192)</u>	<u>(1,183)</u>	<u>(434,348)</u>	<u>(252,367)</u>	<u>(2,253,090)</u>
Total other financing sources (uses)	<u>(1,363,518)</u>	<u>78,721</u>	<u>1,487,829</u>	<u>436,580</u>	<u>639,612</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	<u>(181,552)</u>	<u>(136)</u>	<u>(766,588)</u>	<u>850,927</u>	<u>(97,349)</u>
Fund balance at beginning of year	<u>2,742,737</u>	<u>138</u>	<u>1,312,743</u>	<u>1,198,107</u>	<u>5,253,725</u>
Fund balance at end of year	\$ <u>2,561,185</u>	\$ <u>2</u>	\$ <u>546,155</u>	\$ <u>2,049,034</u>	\$ <u>5,156,376</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances – total governmental funds	\$ (97,349)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	905,490
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds at June 30, 2008.	
Change in accounts receivable	50,319
Governmental funds report proceeds from debt service as other financing sources.	(1,117,408)
Capital leases and bonds provide current financial resources to governmental funds, but entering into capital leases increases long-term liabilities in the Statement of Net Assets. Repayment of capital lease obligations and bonds are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Acquisition of capital assets by capital leases	(46,744)
Repayment of obligation under capital lease	176,879
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in net pension and post retirement obligations	(536,866)
Change in accrued compensated absences	<u>100,256</u>
Change in Net Assets of Governmental Activities	\$ (<u>565,423</u>)

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
FUND BALANCE SHEETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	<u>Business Type Activities</u>					<u>Total</u>
	<u>Water</u>	<u>Sanitary Sewer Board</u>	<u>Building Commission</u>	<u>Parking</u>	<u>Park Commission</u>	
ASSETS						
Current Assets						
Cash	\$ 133,661	\$ 265,581	\$ 335,564	\$ 9,323	\$ 120,854	\$ 864,983
Investments	-0-	515,497	189,600	-0-	-0-	705,097
Receivables, net of allowances:						
Accounts	518,046	452,141	-0-	13,184	-0-	983,371
Other	22,397	119,542	97,444	-0-	-0-	239,383
Interest	-0-	-0-	10,945	-0-	-0-	10,945
Due from (to) other funds	(1,189,396)	216,176	-0-	(3,705)	-0-	(976,925)
Prepaid expenses	-0-	2,435	-0-	-0-	-0-	2,435
Inventory, at cost	<u>128,539</u>	<u>24,889</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>153,428</u>
Total current assets	<u>(386,753)</u>	<u>1,596,261</u>	<u>633,553</u>	<u>18,802</u>	<u>120,854</u>	<u>1,982,717</u>
Noncurrent Assets						
Restricted assets	<u>4,630,238</u>	<u>580,756</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,210,994</u>
Capital Assets						
Land	227,647	312,455	744,740	-0-	-0-	1,284,842
Buildings	-0-	-0-	3,770,144	137,440	44,595	3,952,179
Structures and improvements	6,972,515	277,499	4,579,293	-0-	-0-	11,829,307
Transmission and distribution	41,236,153	30,840,885	-0-	-0-	-0-	72,077,038
Machinery and equipment	6,098,650	2,693,558	16,193	139,412	-0-	8,947,813
Construction in progress	426,226	4,330,975	-0-	-0-	-0-	4,757,201
Less: Accumulated depreciation	<u>(19,937,365)</u>	<u>(17,826,512)</u>	<u>(634,407)</u>	<u>(142,058)</u>	<u>(388)</u>	<u>(38,540,730)</u>
Total capital assets	<u>35,023,826</u>	<u>20,628,860</u>	<u>8,475,963</u>	<u>134,794</u>	<u>44,207</u>	<u>64,307,650</u>
Other Assets						
Unamortized bond discount and issue costs	<u>548,780</u>	<u>474,339</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,023,119</u>
TOTAL ASSETS	\$ <u>39,816,091</u>	\$ <u>23,280,216</u>	\$ <u>9,109,516</u>	\$ <u>153,596</u>	\$ <u>165,061</u>	\$ <u>72,524,480</u>

	Business Type Activities					Total
	Water	Sanitary Sewer Board	Building Commission	Parking	Park Commission	
LIABILITIES AND NET ASSETS						
Current Liabilities (payable from current assets)						
Current portion obligation under capital lease	\$ 157,897	\$ 3,345	\$ -0-	\$ -0-	\$ -0-	\$ 161,242
Notes payable	76,801	141,265	100,000	-0-	-0-	318,066
Accounts payable	589,411	383,265	6,282	9,572	2,194	990,724
Other accrued expenses	106,568	38,407	-0-	895	-0-	145,870
Accrued compensated absences	<u>76,255</u>	<u>56,789</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>133,044</u>
Total current liabilities (payable from current assets)	<u>1,006,932</u>	<u>623,071</u>	<u>106,282</u>	<u>10,467</u>	<u>2,194</u>	<u>1,748,946</u>
Current Liabilities (payable from restricted assets)						
Revenue bonds payable	875,000	828,065	185,000	-0-	-0-	1,888,065
Accrued revenue bond interest payable	850,693	-0-	-0-	-0-	-0-	850,693
Accrued interest payable	781	-0-	17,303	-0-	-0-	18,084
Customer deposits	<u>48,750</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>48,750</u>
Total current liabilities (payable from restricted assets)	<u>1,775,224</u>	<u>828,065</u>	<u>202,303</u>	<u>-0-</u>	<u>-0-</u>	<u>2,805,592</u>
Long-Term Liabilities (net of current portion)						
Revenue bonds payable	33,256,668	5,963,674	4,672,836	-0-	-0-	43,893,178
Obligation under capital lease	682,871	-0-	-0-	-0-	-0-	682,871
Notes payable	602,032	352,654	300,000	-0-	-0-	1,254,686
Customer advances	-0-	337,355	-0-	-0-	-0-	337,355
Accrued compensated absences	<u>185,718</u>	<u>181,573</u>	<u>-0-</u>	<u>238</u>	<u>-0-</u>	<u>367,529</u>
Total long-term liabilities (net of current portion)	<u>34,727,289</u>	<u>6,835,256</u>	<u>4,972,836</u>	<u>238</u>	<u>-0-</u>	<u>46,535,619</u>
Total liabilities	<u>37,509,445</u>	<u>8,286,392</u>	<u>5,281,421</u>	<u>10,705</u>	<u>2,194</u>	<u>51,090,157</u>
Net Assets						
Invested in capital assets, net of related debt	-0-	13,833,776	3,618,127	134,794	44,207	17,630,904
Restricted	4,630,238	580,756	-0-	-0-	-0-	5,210,994
Unrestricted	(2,323,592)	<u>579,292</u>	<u>209,968</u>	<u>8,097</u>	<u>118,660</u>	(1,407,575)
Total net assets	<u>2,306,646</u>	<u>14,993,824</u>	<u>3,828,095</u>	<u>142,891</u>	<u>162,867</u>	<u>21,434,323</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>39,816,091</u>	\$ <u>23,280,216</u>	\$ <u>9,109,516</u>	\$ <u>153,596</u>	\$ <u>165,061</u>	\$ <u>72,524,480</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business Type Activities					Total
	Water	Sanitary Sewer Board	Building Commission	Parking	Park Commission	
Operating Revenues						
Charges for services	\$ 5,945,242	\$ 4,430,566	\$ 100	\$ 112,965	\$ -0-	\$ 10,488,873
Miscellaneous	<u>103,680</u>	<u>1,168</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>104,848</u>
Total operating revenues	<u>6,048,922</u>	<u>4,431,734</u>	<u>100</u>	<u>112,965</u>	<u>-0-</u>	<u>10,593,721</u>
Operating Expenses						
Purchases and materials	23,497	-0-	-0-	-0-	-0-	23,497
Pumping	239,834	498,808	-0-	-0-	-0-	738,642
Treatment and disposal	1,965,993	1,337,278	-0-	-0-	-0-	3,303,271
Billing and collection	549,431	163,532	-0-	-0-	-0-	712,963
General and administrative	540,306	797,414	1,089	-0-	17,871	1,356,680
Operating expenses	-0-	-0-	-0-	103,522	-0-	103,522
Depreciation	<u>1,503,515</u>	<u>723,186</u>	<u>243,803</u>	<u>5,019</u>	<u>388</u>	<u>2,475,911</u>
Total operating expenses	<u>4,822,576</u>	<u>3,520,218</u>	<u>244,892</u>	<u>108,541</u>	<u>18,259</u>	<u>8,714,486</u>
Operating income (loss)	<u>1,226,346</u>	<u>911,516</u>	<u>(244,792)</u>	<u>4,424</u>	<u>(18,259)</u>	<u>1,879,235</u>
Nonoperating Revenues (Expenses)						
Investment income	168,003	44,410	18,632	1,466	411	232,922
Miscellaneous income	92,698	24,352	-0-	-0-	25	117,075
Donations	-0-	-0-	-0-	-0-	155,690	155,690
Gain on disposal of capital assets	1,000	-0-	-0-	-0-	-0-	1,000
Interest and fiscal charges	(1,786,920)	(171,743)	(230,171)	-0-	-0-	(2,188,834)
Amortization of bond discount and issue costs	<u>(48,543)</u>	<u>(10,558)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(59,101)</u>
Total nonoperating revenues (expenses)	<u>(1,573,762)</u>	<u>(113,539)</u>	<u>(211,539)</u>	<u>1,466</u>	<u>156,126</u>	<u>(1,741,248)</u>
Income (loss) before nonoperating grants and capital contributions	(347,416)	797,977	(456,331)	5,890	137,867	137,987
Contribution from other funds	-0-	-0-	461,215	165,144	25,000	651,359
Contributions to other funds	-0-	-0-	-0-	(173,563)	-0-	(173,563)
Nonoperating grants and capital contributions	<u>24,500</u>	<u>755,815</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>780,315</u>
Change in net assets	(322,916)	1,553,792	4,884	(2,529)	162,867	1,396,098
Total net assets – beginning	<u>2,629,562</u>	<u>13,440,032</u>	<u>3,823,211</u>	<u>145,420</u>	<u>-0-</u>	<u>20,038,225</u>
Total net assets – ending	<u>\$ 2,306,646</u>	<u>\$ 14,993,824</u>	<u>\$ 3,828,095</u>	<u>\$ 142,891</u>	<u>\$ 162,867</u>	<u>\$ 21,434,323</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Business Type Activities</u>					<u>Total</u>
	<u>Water</u>	<u>Sanitary Sewer Board</u>	<u>Building Commission</u>	<u>Parking</u>	<u>Park Commission</u>	
Cash Flows From Operating Activities						
Receipts from customers	\$ 2,855,365	\$ 4,407,227	\$ 100	\$ 116,531	\$ -0-	\$ 7,379,223
Receipts from other sources	-0-	755,815	501,272	-0-	181,101	1,438,188
Payments to suppliers	-0-	(1,715,917)	(13,785)	(63,430)	(16,063)	(1,809,195)
Payments to employees	-0-	(897,789)	-0-	(38,490)	-0-	(936,279)
Net cash provided by operating activities	<u>2,855,365</u>	<u>2,549,336</u>	<u>487,587</u>	<u>14,611</u>	<u>165,038</u>	<u>6,071,937</u>
Cash Flows From Capital and Related Financing Activities						
(Increase) decrease in restricted assets	(437,388)	(19,314)	-0-	-0-	-0-	(456,702)
Increase (decrease) in restricted liabilities	(3,450)	-0-	-0-	-0-	-0-	(3,450)
Repayment of obligation under capital leases	-0-	(30,015)	-0-	-0-	-0-	(30,015)
Repayment of revenue bonds	(835,000)	(110,882)	(174,342)	-0-	-0-	(1,120,224)
Proceeds from revenue bonds	91,668	2,589,232	-0-	-0-	-0-	2,680,900
Proceeds from notes payable	527,508	-0-	-0-	-0-	-0-	527,508
Repayment of notes payable	(882,727)	(12,000)	-0-	-0-	-0-	(894,727)
Decrease in customer advances	-0-	(5,239)	-0-	-0-	-0-	(5,239)
Interest expense	(1,807,586)	(170,948)	(226,605)	-0-	-0-	(2,205,139)
Net cash (used in) provided by capital and related financing activities	<u>(3,346,975)</u>	<u>2,240,834</u>	<u>(400,947)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,507,088)</u>
Cash Flows From Investing Activities						
(Increase) decrease in investments	-0-	(502,453)	(6,953)	-0-	-0-	(509,406)
Acquisition of capital assets	(358,550)	(4,781,543)	(85,153)	(12,854)	(44,595)	(5,282,695)
Interest on investments	<u>168,003</u>	<u>44,410</u>	<u>15,097</u>	<u>1,466</u>	<u>411</u>	<u>229,387</u>
Net cash (used in) investing activities	<u>(190,547)</u>	<u>(5,239,586)</u>	<u>(77,009)</u>	<u>(11,388)</u>	<u>(44,184)</u>	<u>(5,562,714)</u>
Net (decrease) increase in cash	(682,157)	(449,416)	9,631	3,223	120,854	(997,865)
Cash at beginning of year	<u>815,818</u>	<u>714,997</u>	<u>325,933</u>	<u>6,100</u>	<u>-0-</u>	<u>1,862,848</u>
Cash at end of year	\$ <u>133,661</u>	\$ <u>265,581</u>	\$ <u>335,564</u>	\$ <u>9,323</u>	\$ <u>120,854</u>	\$ <u>864,983</u>

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Business Type Activities</u>					<u>Total</u>
	<u>Water</u>	<u>Sanitary Sewer Board</u>	<u>Building Commission</u>	<u>Parking</u>	<u>Park Commission</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 1,226,346	\$ 911,516	\$(244,792)	\$ 4,424	\$(18,259)	\$ 1,879,235
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,503,515	723,186	243,803	5,019	388	2,475,911
Contributions (to) from other funds	-0-	-0-	461,215	(8,419)	25,000	477,796
Nonoperating miscellaneous income	93,698	24,352	-0-	-0-	155,715	273,765
Nonoperating grants and contributions	24,500	755,815	-0-	-0-	-0-	780,315
(Increase) decrease in:						
Accounts receivable	5,573	(24,507)	40,057	3,566	-0-	24,689
Other receivables	(8,974)	(119,542)	-0-	-0-	-0-	(128,516)
Grants receivable	26,852	-0-	-0-	-0-	-0-	26,852
Due from (to) other funds	357,597	(30,778)	-0-	452	-0-	327,271
Prepaid expenses	-0-	(1,052)	-0-	-0-	-0-	(1,052)
Inventory	520	(159)	-0-	-0-	-0-	361
Increase (decrease) in:						
Accounts payable	(450,001)	351,356	(12,696)	9,468	2,194	(99,679)
Other accrued expenses	73,526	2,348	-0-	130	-0-	76,004
Accrued compensated absences	2,213	(43,199)	-0-	(29)	-0-	(41,015)
Net cash provided by operating activities	<u>\$ 2,855,365</u>	<u>\$ 2,549,336</u>	<u>\$ 487,587</u>	<u>\$ 14,611</u>	<u>\$ 165,038</u>	<u>\$ 6,071,937</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Difference</u>	<u>GAAP</u>	<u>Budget</u>
					<u>Basis</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Taxes (including interest and penalties)	\$ 7,917,308	\$ 7,759,563	\$ 7,420,142	\$ 126,369	\$ 7,546,511	\$ (339,421)
Licenses and permits	180,000	174,600	142,694	-0-	142,694	(31,906)
Charges for services	2,044,500	2,130,702	2,107,513	-0-	2,107,513	(23,189)
Donations	-0-	1,500	1,500	-0-	1,500	-0-
Interest	3,700	53,700	46,588	-0-	46,588	(7,112)
Franchise fees	250,000	267,000	269,488	-0-	269,488	2,488
Intergovernmental:						
State	34,700	58,652	56,000	-0-	56,000	(2,652)
Miscellaneous	<u>109,500</u>	<u>130,528</u>	<u>285,713</u>	<u>-0-</u>	<u>285,713</u>	<u>155,185</u>
Total revenues	<u>10,539,708</u>	<u>10,576,245</u>	<u>10,329,638</u>	<u>126,369</u>	<u>10,456,007</u>	<u>(246,607)</u>
Expenditures						
General government	1,689,336	2,505,785	1,741,217	264,036	2,005,253	764,568
Public safety	5,391,826	5,580,498	5,342,895	575,297	5,918,192	237,603
Highways and streets	893,415	959,785	865,868	654,244	1,520,112	93,917
Sanitation	967,584	1,058,616	1,058,178	-0-	1,058,178	438
Culture and recreation	188,024	154,484	135,820	8,234	144,054	18,664
Social services	<u>4,331</u>	<u>4,331</u>	<u>3,694</u>	<u>-0-</u>	<u>3,694</u>	<u>637</u>
Total expenditures	<u>9,134,516</u>	<u>10,263,499</u>	<u>9,147,672</u>	<u>1,501,811</u>	<u>10,649,483</u>	<u>1,115,827</u>
(Deficiency) excess of revenues (under) over expenditures	<u>1,405,192</u>	<u>312,746</u>	<u>1,181,966</u>	<u>(1,375,442)</u>	<u>(193,476)</u>	<u>869,220</u>
Other Financing Sources (Uses)						
Operating transfers in	160,000	202,711	201,674	-0-	201,674	(1,037)
Operating transfers (out)	<u>(1,565,192)</u>	<u>(1,565,192)</u>	<u>(1,565,192)</u>	<u>-0-</u>	<u>(1,565,192)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(1,405,192)</u>	<u>(1,362,481)</u>	<u>(1,363,518)</u>	<u>-0-</u>	<u>(1,363,518)</u>	<u>(1,037)</u>
Net change in fund balance	-0-	(1,049,735)	(181,552)	(1,375,442)	(1,556,994)	868,183
Fund balance at beginning of year	<u>-0-</u>	<u>1,049,735</u>	<u>2,742,737</u>	<u>(3,140,093)</u>	<u>(397,356)</u>	<u>1,693,002</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,561,185</u>	\$ <u>(4,515,535)</u>	\$ <u>(1,954,350)</u>	\$ <u>2,561,185</u>

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Explanation of Differences:

- (1) The City budgets for capital expenditures as a current period expenditure rather than a capital expenditure on the accrual basis of accounting.
- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund balances because of the cumulative effect of transactions such as those described above.

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
COAL SEVERANCE FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Difference</u>	<u>GAAP</u>	<u>Budget</u>
					<u>Basis</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Interest	\$ 800	\$ 800	\$ 733	\$ -0-	\$ 733	\$ (67)
Intergovernmental:						
State	<u>65,600</u>	<u>65,600</u>	<u>72,245</u>	<u>5,479</u>	<u>77,724</u>	<u>6,645</u>
Total revenues	<u>66,400</u>	<u>66,400</u>	<u>72,978</u>	<u>5,479</u>	<u>78,457</u>	<u>6,578</u>
Expenditures						
Highways and streets	<u>66,400</u>	<u>108,988</u>	<u>81,303</u>	<u>-0-</u>	<u>81,303</u>	<u>27,685</u>
Total expenditures	<u>66,400</u>	<u>108,988</u>	<u>81,303</u>	<u>-0-</u>	<u>81,303</u>	<u>27,685</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>(42,588)</u>	<u>(8,325)</u>	<u>5,479</u>	<u>(2,846)</u>	<u>34,263</u>
Other Financing Sources (Uses)						
Operating transfers in	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Operating transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	<u>-0-</u>	<u>(42,588)</u>	<u>(8,325)</u>	<u>5,479</u>	<u>(2,846)</u>	<u>34,263</u>
Fund balance at beginning of year	<u>-0-</u>	<u>42,588</u>	<u>42,588</u>	<u>17,740</u>	<u>60,328</u>	<u>-0-</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>34,263</u>	\$ <u>23,219</u>	\$ <u>57,482</u>	\$ <u>34,263</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
 FIDUCIARY RESONSIBILITIES
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
Assets			
Cash	\$ 61,267	\$ 117,030	\$ 178,297
Investments	3,713,852	2,354,580	6,068,432
Receivables:			
Other	1,534	1,534	3,068
Interest	<u>9,458</u>	<u>10,639</u>	<u>20,097</u>
Total assets	<u>3,786,111</u>	<u>2,483,783</u>	<u>6,269,894</u>
Liabilities			
Accounts payable	<u>23</u>	<u>35</u>	<u>58</u>
Net Assets			
Held in trust for pension benefits	\$ <u>3,786,088</u>	\$ <u>2,483,748</u>	\$ <u>6,269,836</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 414,047	\$ 562,358	\$ 976,405
Employees	103,592	134,507	238,099
Insurance premium tax allocation	<u>362,277</u>	<u>454,360</u>	<u>816,637</u>
Net contributions	<u>879,916</u>	<u>1,151,225</u>	<u>2,031,141</u>
Investment income:			
Net appreciation in fair value of investments	29,824	(147,233)	(117,409)
Interest income and dividends	149,605	101,875	251,480
Capital gains	(341,873)	<u>1,693</u>	(340,180)
Net investment income	(162,444)	(43,665)	(206,109)
Miscellaneous	<u>-0-</u>	<u>32</u>	<u>32</u>
Total additions	<u>717,472</u>	<u>1,107,592</u>	<u>1,825,064</u>
Deductions			
General and administrative	8,808	22,520	31,328
Benefit payments	<u>961,314</u>	<u>1,438,443</u>	<u>2,399,757</u>
Total deductions	<u>970,122</u>	<u>1,460,963</u>	<u>2,431,085</u>
Net increase (decrease)	(252,650)	(353,371)	(606,021)
Net assets – beginning of year	<u>4,038,738</u>	<u>2,837,119</u>	<u>6,875,857</u>
Net assets – end of year	<u>\$ 3,786,088</u>	<u>\$ 2,483,748</u>	<u>\$ 6,269,836</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1. Summary of Significant Accounting Policies

The City of Fairmont, West Virginia complies with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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, 2008.

The City of Fairmont, West Virginia is incorporated under the provisions of the State of West Virginia. The City operates under a Council - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, water, waste, recreation, education, public improvements, planning and zoning, and general administrative services.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operation.

- Financial statements prepared using the full accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section, a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

In June 2001, GASB issued Statement No. 37 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus" which amends Statement No. 34. The amendments clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application and modifies other provisions that GASB believes may have unintended consequences in some circumstances.

Also in June 2001, GASB issued Statement No. 38 "Certain Financial Statement Note Disclosures." Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements. Existing disclosures that are modified include interfund balances, debt service requirements, short-term debt activity, lease disclosures and expanded definitions and activity descriptions. Additional not disclosures established include certain interest rate disclosures, major components of receivables and payables and descriptions of interfund transfers.

The adoption of Statement 37 and 38 had no effect on the basic financial statements except for expanded disclosures for interfund activity.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has elected to implement the general provisions of the Statement in the year ended June 30, 2003.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Basic Financial Statements – Government Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, public works and general administrative services are classified as governmental activities. The City's water, sewer, parking, building commission and park commission services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

A summary of the significant accounting policies of the City of Fairmont, West Virginia, is presented below.

(a) Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

(b) Government-Wide Financial Statements

The government-wide financial statements report information on all the nonfiduciary activities of the government. For the most part, the effect of internal activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants whose purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the governmental-wide statements. Major individual funds are reported as separate columns in the fund statements.

**(c) Measurement Focus and Financial Statement Presentation – Government-Wide
Financial Statements**

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for governmental activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public through service charges or user fees. Fiduciary funds are used to account for assets held by the City in a trustee or agency capacity. The fund types used by the City of Fairmont are described as follows:

Governmental Fund Types

General Fund: The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Capital Project Funds: Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

Proprietary Fund Types

Enterprise Funds: Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City of Fairmont reports the following major governmental funds:

The General Fund, Economic Development Grant Fund and Capital Reserve Fund.

General Fund: The General Fund is the general operating fund of the municipality.

The City of Fairmont reports the following major proprietary funds:

The Water Fund, the Sanitary Sewer Board, the Parking Fund, the Building Commission and the Park Commission.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

(d) Funds and Account Groups – Fund Financial Statements

The accounts of the City are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups for the fund financial statements are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

General Fund: The General Fund is the general operating fund of the municipality. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Capital Project Funds: Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

(e) Cash

For purposes of the statement of cash flows, the City considers cash to be cash and cash equivalents.

(f) Receivables

All receivables are shown net of allowance for uncollectibles.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

(g) Capital Assets

Fund Financial Statements

The accounting and reporting treatment applied to capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The City of Fairmont records the purchase of capital assets used in governmental fund type operations as expenditures in the governmental funds and capitalized at cost in the General Fixed Asset Account Group. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Infrastructure	20 - 65 years
Machinery and equipment	5 - 20 years
Vehicles	8 - 10 years

All proprietary funds and pension trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheets. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible capital assets used by the proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	3 - 10 years

Long-term debt financed by general obligation bonds is accounted for in the general long-term debt group of accounts, as prescribed by accounting principles generally accepted in the United States of America.

Government-Wide Financial Statements

The government-wide financial statements of the City of Fairmont are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net assets.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net assets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Governmental Funds

Buildings and improvements	20 - 50 years
Infrastructure	20 - 65 years
Machinery and equipment	5 - 20 years
Vehicles	8 - 10 years

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Proprietary Funds

Buildings	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	3 - 10 years

(h) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

The City used the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means that amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: business & occupation tax, hotel/motel tax, wine tax, liquor tax, property taxes, fire service fees, intergovernmental revenues, and investment income.

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types and the pension trust funds. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred. Plan member contributions to the pension trust funds are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds (when appropriate) and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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 after 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 are recorded only when payment is due.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Taxes, grants 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

(i) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balance represents tentative management plans that are subject to change.

(j) Budgets and Budgetary Accounting

All municipalities within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms for the General and Coal Severance Funds and submit these for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

1. The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.
2. The budget is then forthwith submitted to the State Tax Commissioner for approval.
3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

A) Unused appropriations for all of the above annually budgeted funds lapse at the year end.

B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

(k) Encumbrances – Fund Financial Statements

Encumbrance accounting is used for the General Fund and special revenue funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

(l) Cash, Cash Equivalents and Investments

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash and cash equivalent in the accompanying financial statements.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: (a) obligations of the United States or any agency thereof, (b) certificates of deposit (which mature in less than one year), (c) general and direct obligations of the State of West Virginia, (d) obligations of the Federal National Mortgage Association, (e) indebtedness secured by first lien deed of trust for property situated within the State if the

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

payment is substantially insured or guaranteed by the federal government, (f) pooled mortgage trusts (subject to limitations), (g) indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, (h) interest earning deposits which are fully insured or collateralized, and (i) mutual funds registered with the Security and Exchange Commission which have fund assets over three hundred million dollars. State statute limitations concerning the aforementioned investments include the following:

- (1) at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporations nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year.
- (2) at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association.
- (3) at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

Investment risk is categorized as follows:

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk – The risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

(m) Inventories

The municipality considers inventories of materials and supplies utilized in governmental fund types operations as expended at the time of purchase therefore, they do not appear in the municipality's financial statements. Inventories of materials and supplies utilized in the proprietary fund type operation, are considered expended at the time of consumption; therefore, balances on hand at year end, valued at cost (first-in, first-out) are presented in the municipality's financial statements.

(n) Amortization

Debt discount and expense on bonds is amortized on the straight-line method from the date of issuance to the date of maturity. Amortization of debt discount and issue costs for fiscal year ended June 30, 2008 was \$59,101.

(o) Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual sick and accrued vacations. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payment upon termination are included.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

(p) Pension Plans

The City provides separate defined benefit pension plans for uniformed police and fire department personnel. It is the City's policy to fund the normal cost and amortization of the unfunded prior service cost.

All other eligible employees are covered under the West Virginia Public Employee Retirement System due to the City's electing to be a participating public employer.

(q) Equity Classification

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(r) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

(t) Restricted Assets

Certain proceeds of the water and sewer enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported on the government-wide statement of net assets. The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government – wide statement of activities. The individual elements of those reconciliations are included with the statements.

3. Deposits and Investments

The City reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include the City of Fairmont, West Virginia's Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund which classify only cash as cash equivalents in order to appropriately report investment activity.

Deposits

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2008. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized.

<u>Non-Pooled Deposits</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
General Fund	\$ 1,646,942	\$ 54,563	\$ 1,592,379	\$ -0-	\$ 836,495
Special Revenue Funds	413,189	13,689	399,500	-0-	419,298
Capital Project Funds	179,854	5,959	173,895	-0-	179,854
Enterprise Funds	<u>798,489</u>	<u>45,819</u>	<u>752,670</u>	<u>-0-</u>	<u>886,161</u>
Total deposits	\$ <u>3,038,474</u>	\$ <u>120,030</u>	\$ <u>2,918,444</u>	\$ <u>-0-</u>	\$ <u>2,321,808</u>

	<u>Bank Balance</u>	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>
Fiduciary Funds	\$ <u>178,297</u>	\$ <u>178,297</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>178,297</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Investments

Investment pools are under the custody of the City. Investing is performed in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in the State Investment Pool or the Municipal Bond Commission for investment purposes, or invested in the following classes of securities: Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements. The pension trust fund is also authorized to invest in corporate bonds rated AA or better by Standard & Poor's Corporation or AA or better by Moody's Bond Rating.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2008. The categories are described as follows:

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments made by the City are summarized below. The investments that are presented by specific identifiable investment securities are classified as to credit risk by the three categories.

Category 1 – Insured or registered, securities held by the City or its agent in the entity's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

<u>Type of Investments</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>
Cash equivalents	\$ 1,495,390	\$ -0-	\$ -0-	\$ 1,495,390	\$ 1,495,390
Certificates of deposit	768,231	-0-	-0-	768,231	768,000
Mutual funds	403,793	-0-	-0-	403,793	413,472
U.S. Treasury obligations	<u>574,101</u>	<u>-0-</u>	<u>-0-</u>	<u>574,101</u>	<u>575,000</u>
Total investments	<u>\$ 3,241,515</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>3,241,515</u>	<u>3,251,862</u>
Investments in municipal bond commission				<u>4,946,755</u>	<u>4,946,755</u>
Total investments				8,188,270	\$ <u>8,198,617</u>
Total deposits				<u>2,321,808</u>	
Total investments and deposits				\$ <u>10,510,078</u>	

Deposits and investments are presented in the statement of net assets as follows:

Cash	\$ 2,295,291
Investments	2,982,501
Restricted assets	<u>5,232,286</u>
Total investments	\$ <u>10,510,078</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code Chapter 8. As of June 30, 2008, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 1,495,390	N/A	N/A
Certificates of deposit	\$ 768,231	N/A	N/A
Mutual funds	\$ 403,793	AAA	AAA
U.S. Treasury obligations	\$ 574,101	AAA	AAA

Interest Rate Risk

As of June 30, 2008, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Treasury obligations	\$ 574,101	\$ -0-	\$ 273,820	\$ 300,281	\$ -0-
Certificates of deposit	\$ 768,231	\$ 768,231	\$ -0-	\$ -0-	\$ -0-

Fiduciary Funds

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Money Market	\$ 27,680	\$ -0-	\$ -0-	\$ 27,680	\$ 27,680
Mutual funds	3,584,572	-0-	-0-	3,584,572	3,308,355
Certificates of deposit	1,121,726	-0-	-0-	1,121,726	1,115,000
Corporate bonds and notes	877,810	-0-	-0-	877,810	987,000
Corporate stocks	257,788	-0-	-0-	257,788	403,544
U.S. Government obligations	<u>198,856</u>	<u>-0-</u>	<u>-0-</u>	<u>198,856</u>	<u>237,978</u>
Total investments	\$ 6,068,432	\$ -0-	\$ -0-	\$ 6,068,432	\$ 6,079,557

Credit Risk: State law limits investments in corporate debt to commercial paper rated AA or better by Standard & Poor's Corporation or AA or better by Moody's Bond Rating.

Interest Risk: The pension investments are at risk of declines in market value due to interest rate risk.

Custodial Credit Risk: The City's investments were 100% insured by brokerage insurance and were not subject to custodial credit risk.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code Chapter 8. As of June 30, 2008, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 27,680	AAA	AAA
Mutual funds	\$ 3,584,572	AAA	AAA
Certificates of deposit	\$ 1,121,726	N/A	N/A
Corporate bonds and notes	\$ 877,810	AAA	AAA
Corporate stocks	\$ 257,788	N/A	N/A
U.S. Government obligations	\$ 198,856	AAA	AAA

Interest Rate Risk

As of June 30, 2008, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Government obligations	\$ 198,856	\$ 731	\$ 90,116	\$ 105,285	\$ 2,724
Certificates of deposit	\$ 1,121,726	\$ 280,812	\$ 840,914	\$ -0-	\$ -0-
Corporate bonds and notes	\$ 877,810	\$ 114,070	\$ 458,846	\$ 304,894	\$ -0-

3. Property Taxes

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a county may distraint for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

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

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

The levy rates levied by the City of Fairmont, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2008 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>
Class I	\$ 20,979	10.66¢
Class II	\$ 220,596,600	21.32¢
Class IV	\$ 284,301,853	42.64¢

4. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Non-depreciable Assets</i>				
Land	\$ -0-	\$ 51,399	\$ -0-	\$ 51,399
Construction in progress	<u>-0-</u>	<u>8,048</u>	<u>-0-</u>	<u>8,048</u>
Total non-depreciable assets	<u>-0-</u>	<u>59,447</u>	<u>-0-</u>	<u>59,447</u>
<i>Depreciable Assets</i>				
Buildings	990,752	20,389	39,883	971,258
Land improvements	109,256	421,650	-0-	530,906
Machinery and equipment	1,336,780	61,159	-0-	1,397,939
Building improvements	100,404	25,823	-0-	126,227
Office furniture and equipment	480,008	34,954	-0-	514,962
Vehicles	3,354,801	886,730	-0-	4,241,531
Infrastructure	<u>29,550,123</u>	<u>427,346</u>	<u>-0-</u>	<u>29,977,469</u>
Totals at historical cost	<u>35,922,124</u>	<u>1,878,051</u>	<u>39,883</u>	<u>37,760,292</u>
Less: Accumulated depreciation				
Buildings	675,709	13,813	39,883	649,639
Land improvements	21,423	28,146	-0-	49,569
Machinery and equipment	748,067	103,702	-0-	851,769
Building improvements	25,675	7,445	-0-	33,120
Office furniture and equipment	286,989	37,898	-0-	324,887
Vehicles	2,742,586	210,684	-0-	2,953,270
Infrastructure	<u>24,789,069</u>	<u>630,320</u>	<u>-0-</u>	<u>25,419,389</u>
Total accumulated depreciation	<u>29,289,518</u>	<u>1,032,008</u>	<u>39,883</u>	<u>30,281,643</u>
Total depreciable assets	<u>6,632,606</u>	<u>846,043</u>	<u>-0-</u>	<u>7,478,649</u>
Governmental activities capital assets, net	<u>\$ 6,632,606</u>	<u>\$ 905,490</u>	<u>\$ -0-</u>	<u>\$ 7,538,096</u>

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities				
<i>Non-depreciable Assets</i>				
Land	\$ 1,284,842	\$ -0-	\$ -0-	\$ 1,284,842
Construction in progress	<u>1,064,549</u>	<u>3,692,652</u>	<u>-0-</u>	<u>4,757,201</u>
Total non-depreciable assets	<u>2,349,391</u>	<u>3,692,652</u>	<u>-0-</u>	<u>6,042,043</u>
<i>Depreciable Assets</i>				
Buildings	3,907,584	44,595	-0-	3,952,179
Structures and improvements	11,686,995	142,312	-0-	11,829,307
Transmission and distribution	71,899,241	187,552	9,755	72,077,038
Machinery and equipment	<u>8,824,799</u>	<u>123,014</u>	<u>-0-</u>	<u>8,947,813</u>
Totals at historical cost	<u>96,318,619</u>	<u>497,473</u>	<u>9,755</u>	<u>96,806,337</u>
Less: Accumulated depreciation				
Buildings	122,070	89,248	-0-	211,318
Structures and improvements	1,868,500	307,573	-0-	2,176,073
Transmission and distribution	31,135,007	1,768,154	9,755	32,893,406
Machinery and equipment	<u>2,948,997</u>	<u>310,936</u>	<u>-0-</u>	<u>3,259,933</u>
Total accumulated depreciation	<u>36,074,574</u>	<u>2,475,911</u>	<u>9,755</u>	<u>38,540,730</u>
Total depreciable assets	<u>60,244,045</u>	<u>(1,978,438)</u>	<u>-0-</u>	<u>58,265,607</u>
Business type activities capital assets, net	\$ <u>62,593,436</u>	\$ <u>1,714,214</u>	\$ <u>-0-</u>	\$ <u>64,307,650</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 74,201
Public safety	291,024
Highways and streets	658,517
Culture and recreation	<u>8,266</u>
Total depreciation expense	\$ <u>1,032,008</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

5. Long-Term Debt

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
Governmental Activities						
Obligation under capital lease	\$ 356,767	\$ 1,164,152	\$ 176,879	\$ 1,344,040	\$ 211,092	\$ 1,132,948
Compensated absences	1,320,885	-0-	239,826	1,081,059	216,418	864,641
Net pension obligation	<u>8,546,341</u>	<u>536,866</u>	<u>-0-</u>	<u>9,083,207</u>	<u>-0-</u>	<u>9,083,207</u>
Governmental activities long-term liabilities	<u>\$ 10,223,993</u>	<u>\$ 1,701,018</u>	<u>\$ 416,705</u>	<u>\$ 11,508,306</u>	<u>\$ 427,510</u>	<u>\$ 11,080,796</u>

The General Fund of the City of Fairmont entered into a lease agreement on November 26, 2001 to refinance a lease from September 2000 for the acquisition of a fire rescue unit. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

2009	\$ 18,938
2010	<u>15,782</u>
	34,720
Less: Amount representing interest	<u>2,240</u>
Present value of future minimum lease payments	<u>\$ 32,480</u>

The General Fund of the City of Fairmont entered into a lease agreement to finance the acquisition of a copier. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

2009	\$ 1,238
2010	<u>1,239</u>
	2,477
Less: Amount representing interest	<u>-0-</u>
Present value of future minimum lease payments	<u>\$ 2,477</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

The General Fund of the City of Fairmont entered into a lease agreement to finance the acquisition of a car. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

	\$ 5,921
2009	\$ 5,921
2010	<u>1,467</u>
	7,388
Less: Amount representing interest	<u>217</u>
Present value of future minimum lease payments	\$ <u>7,171</u>

The General Fund of the City of Fairmont entered into a lease agreement to finance the acquisition of a Smeal Class A Pumper. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

	\$ 41,987
2009	\$ 41,987
2010	41,987
2011	41,987
2012	41,987
2013	41,987
2014	41,987
2015	<u>41,987</u>
	293,909
Less: Amount representing interest	<u>52,611</u>
Present value of future minimum lease payments	\$ <u>241,298</u>

The General Fund of the City of Fairmont entered into a lease agreement on August 10, 2007 for the acquisition of a copier for the police and fire departments. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

	\$ 2,954
2009	\$ 2,954
2010	2,954
2011	2,954
2012	2,954
2013	<u>245</u>
	12,061
Less: Amount representing interest	<u>-0-</u>
Present value of future minimum lease payments	\$ <u>12,061</u>

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

The General Fund of the City of Fairmont entered into a lease agreement on July 25, 2007 for the acquisition of a Pierce Aerial Platform Fire Truck. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

2009		\$ 99,364
2010		99,364
2011		99,364
2012		99,364
2013		99,364
2014		99,364
2015		99,364
2016		99,364
2017		<u>99,364</u>
		894,276
Less: Amount representing interest		<u>176,232</u>
Present value of future minimum lease payments		\$ <u>718,044</u>

The General Fund of the City of Fairmont entered into a lease agreement on March 1, 2008 for the acquisition of a Pitney Bowes Stuffer D1245. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

2009		\$ 5,652
2010		5,652
2011		5,652
2012		5,652
2013		<u>3,769</u>
		26,377
Less: Amount representing interest		<u>-0-</u>
Present value of future minimum lease payments		\$ <u>26,377</u>

The General Fund of the City of Fairmont entered into a lease agreement on June 13, 2008 for the acquisition of police department vehicles. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2008:

Fiscal Year Ending June 30,

2009		\$ 79,986
2010		79,986
2011		79,986
2012		<u>73,321</u>
		313,279
Less: Amount representing interest		<u>19,147</u>
Present value of future minimum lease payments		\$ <u>294,132</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

The following is a schedule of all future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,

2009	\$ 256,040
2010	248,431
2011	229,943
2012	223,278
2013	145,365
2014	141,351
2015	141,351
2016	99,364
2017	<u>99,364</u>
	1,584,487
Less: Amount representing interest	<u>250,447</u>
Present value of future minimum lease payments	\$ <u>1,334,040</u>

The following is a summary of bonds payable at June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Business-Type Activities						
Bonds and notes payable:						
1988 Sewerage Bonds	\$ 3,785,000	\$ -0-	\$ 755,000	\$ 3,030,000	\$ 755,000	\$ 2,275,000
1997 Waterworks Refunding Bonds	5,865,000	-0-	715,000	5,150,000	750,000	4,400,000
1998 Water Revenue Bonds	9,065,000	-0-	120,000	8,945,000	125,000	8,820,000
1999 Water Revenue Bonds	19,945,000	-0-	-0-	19,945,000	-0-	19,945,000
2003 Sewerage Bonds	441,024	-0-	16,186	424,838	16,188	408,650
2007 Sewerage Bonds	747,669	2,589,232	-0-	3,336,901	56,877	3,280,024
2008A Water Revenue Bonds	-0-	91,668	-0-	91,668	-0-	91,668
Veterans Plaza Parking Garage Series 1999	434,133	-0-	51,131	383,002	56,150	326,852
Municipal Building Lease Revenue Bonds Series B	404,234	-0-	45,405	358,829	47,253	311,576
Municipal Building Lease Revenue Bonds Series A	2,948,473	-0-	32,387	2,916,086	34,387	2,881,699
Municipal Building Lease Revenue Bonds Series 2005	1,244,550	-0-	44,631	1,199,919	47,210	1,152,709
Chase Bank	718,363	-0-	60,199	658,164	62,933	595,231
Chase Bank	-0-	527,508	51,837	475,671	129,219	346,452
West Virginia Housing Development Fund	100,000	-0-	-0-	100,000	100,000	-0-
West Virginia Housing Development Fund	300,000	-0-	-0-	300,000	-0-	300,000
Monongahela Valley Bank	3,851	-0-	3,851	-0-	-0-	-0-
Monongahela Valley Bank	8,515	-0-	7,855	660	660	-0-
Monongahela Valley Bank	62,432	-0-	24,175	38,257	25,254	13,003
Total bonds and notes payable	<u>46,073,244</u>	<u>3,208,408</u>	<u>1,927,657</u>	<u>47,353,995</u>	<u>2,206,131</u>	<u>45,147,864</u>
Other Long-Term Debt						
Obligation under capital lease	1,024,996	-0-	180,883	844,113	161,242	682,871
Customer advances	342,594	-0-	5,239	337,355	-0-	337,355
Accrued compensated absences	541,588	-0-	41,015	500,573	133,044	367,529
Total other long-term debt	<u>1,909,178</u>	<u>-0-</u>	<u>227,137</u>	<u>1,682,041</u>	<u>294,286</u>	<u>1,387,755</u>
Total long-term debt	\$ <u>47,982,422</u>	\$ <u>3,208,408</u>	\$ <u>2,154,794</u>	\$ <u>49,036,036</u>	\$ <u>2,500,417</u>	\$ <u>46,535,619</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

a. 1988 Series - Sewerage System Refunding Revenue Capital Appreciation Bonds

Series 1988 Sewerage System Refunding Revenue Capital Appreciation Bonds in the amount of \$11,065,000 were issued pursuant to an ordinance enacted by the City of Fairmont on October 25, 1988 and supplemented by a resolution adopted on October 25, 1988. The bonds dated November 30, 1988 and sold as of November 30, 1988 mature serially through 2011 with effective yields from 6.60% to 7.75% per the following schedule.

<u>Year</u>	<u>Amount</u>	<u>Effective Yield</u>
2009	\$ 755,000	7.75
2010	760,000	7.75
2011	755,000	7.75
2012	<u>760,000</u>	7.75
	<u>\$ 3,030,000</u>	

The 1988 bonds were issued by the City in order to: (1) advance refund a portion of the City's existing Sewerage System Revenue Refunding Bonds, Series 1985; (2) pay the costs of certain additions and improvements to the City's Sewerage System and; (3) pay all costs and expenses associated with such refunding and the issuance of the Series 1988 Bonds.

The 1988 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the system. These bonds are insured by the AMBAC Indemnity Corporation unconditionally guaranteeing the timely payment of principal and interest on the 1988 Series Bonds.

The Series 1988 Bonds are not subject to optional redemption prior to maturity.

As required by the 1988 Revenue Bond Ordinance, a Sinking Fund has been established with the West Virginia Municipal Bond Commission. Moneys in the Sinking Fund are to be used only for the purpose of paying principal of and interest on the bonds. Beginning 13 months prior to the first principal payment of the Series 1988 Bonds, monthly payments are required to be made into the Sinking Fund in amounts equaling 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30 2008 was \$556,631.

No additional payments are required to be made into the Sinking Fund when the aggregate amount in the Sinking Fund is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

b. 1997 Series - Waterworks Refunding Revenue Bonds

Series 1997, Waterworks Refunding Revenue Bonds in the amount of \$10,260,000 were issued pursuant to an ordinance enacted by the City of Fairmont on April 8, 1997 and supplemented by a resolution adopted on June 5, 1997 and sold as of June 19, 1997 mature serially through 2013 and bear interest from 4.25% to 5.375% per the following schedule.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$ 750,000	5.100%	2012	\$ 875,000	5.300%
2010	790,000	5.300	2013	925,000	5.500
2011	830,000	5.350	2014	<u>980,000</u>	5.375
				<u>\$ 5,150,000</u>	

The 1997 bonds were issued by the City in order to: (1) currently refund all of the Issuer's outstanding Waterworks Refunding Revenue Bonds, Series 1987, dated January 15, 1987; (2) fund a portion of the reserve account for the Bonds and to pay the initial premium for a debt service reserve account letter of credit for the balance thereof; and (3) pay costs of issuance thereof and other costs in connection with such refunding.

The 1997 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System. These bonds are insured by the Municipal Bond Insurance Association unconditionally guaranteeing the timely payment of principal and interest on the 1997 Series Bonds.

The Series 1997 bonds shall be redeemable prior to their stated dates of maturity at the option of the Issuer, as a whole at any time, or in part on any interest payment date, in inverse order of their maturities and by lot within a maturity, at the respective redemption prices as set forth in the bond ordinance.

As required by the 1997 Revenue Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Monthly payments are required to be made into the sinking fund of amounts equaling 1/6th of the amount of interest due on the next semiannual interest date plus 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30, 2008 was \$895,355.

No additional payments are required to be made into the sinking fund when the aggregate amount in the sinking fund, including the reserve account, is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

c. 1998 Series - Water Revenue Bonds

Series 1998, Water Revenue Bonds in the amount of \$9,600,000 were issued pursuant to an ordinance enacted by the City of Fairmont on November 10, 1998 and sold as of December 30, 1998. The bonds mature serially through 2029 and bear interest from 3.60% to 4.90% per the following schedule.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$ 125,000	4.05%
2010	130,000	4.10%
2011	135,000	4.20%
2012	140,000	4.25%
2013	145,000	4.30%
2014	145,000	4.35%
2018	1,625,000	4.75%
2023	3,055,000	4.90%
2029	<u>3,445,000</u>	4.75%
	 \$ <u>8,945,000</u>	

The 1998 bonds were issued by the City in order to: (1) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing water system of the City, including capitalized interest on the Bonds; (2) to fund a reserve account in each of the sinking funds; and (3) to pay certain costs of issuance of the Bonds and related costs.

The 1998 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System. These bonds are insured by the Municipal Bond Insurance Association unconditionally guaranteeing the timely payment of principal and interest on the 1998 Series Bonds.

The Series 1998 bonds shall be redeemable prior to their stated dates of maturity at the option of the Issuer, as a whole at any time, or in part on any interest payment date, in inverse order of their maturities and by lot within a maturity, at the respective redemption prices as set forth in the bond ordinance.

As required by the 1998 Revenue Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Monthly payments are required to be made into the sinking fund of amounts equaling 1/6th of the amount of interest due on the next semiannual interest date plus 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30, 2008 was \$1,126,709.

No additional payments are required to be made into the sinking fund when the aggregate amount in the sinking fund, including the reserve account, is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

d. 1999 Series - Water Revenue Bonds

Series 1999 Water Revenue Bonds in the amount of \$19,945,000 were issued pursuant to an ordinance enacted by the City of Fairmont on November 10, 1998 and sold as of December 30, 1998. The bonds mature serially through 2029 and bear interest from 4.50% to 5.25% per the following schedule.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$ 1,825,000	5.25%
2017	2,020,000	5.25%
2019	2,235,000	5.00%
2022	3,000,000	5.25%
2024	2,500,000	4.50%
2029	<u>8,365,000</u>	5.00%
	<u>\$ 19,945,000</u>	

The 1999 bonds were issued by the City in order to: (1) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing water system of the City, including capitalized interest on the Bonds; (2) to fund a reserve account in each of the sinking funds; and (3) to pay certain costs of issuance of the Bonds and related costs.

The 1999 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System. These bonds are insured by the Municipal Bond Insurance Association unconditionally guaranteeing the timely payment of principal and interest on the 1999 Series Bonds.

The Series 1999 bonds shall be redeemable prior to their stated dates of maturity at the option of the Issuer, as a whole at any time, or in part on any interest payment date, in inverse order of their maturities and by lot within a maturity, at the respective redemption prices as set forth in the bond ordinance.

As required by the 1999 Revenue Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Monthly payments are required to be made into the sinking fund of amounts equaling 1/6th of the amount of interest due on the next semiannual interest date plus 1/12th of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30, 2008 was \$2,255,660.

No additional payments are required to be made into the sinking fund when the aggregate amount in the sinking fund, including the reserve account, is equal to the aggregate principal amount of bonds outstanding plus the amount of interest due or thereafter to become due on the bonds outstanding.

e. Sewer Revenue Bond Series 2003A

Series 2003A Sewer Revenue Bonds in the amount of \$600,000 are being issued pursuant to an ordinance enacted by the City of Fairmont on May 13, 2003. The bonds mature serially through September 1, 2034 and bear interest at 0%.

The 2003A bonds were issued by the City of Fairmont in order to: (1) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing sewerage system of the City; (2) to fund a reserve account in the sinking fund; and (3) to pay certain costs of issuance of the Bonds and related costs.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

The 2003A bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 16,188	\$ -0-	\$ 16,188
2010	16,188	-0-	16,188
2011	16,188	-0-	16,188
2012	16,188	-0-	16,188
2013	16,188	-0-	16,188
2014 – 2018	80,920	-0-	80,920
2019 – 2023	80,920	-0-	80,920
2024 – 2028	80,920	-0-	80,920
2029 – 2033	80,920	-0-	80,920
2034 – 2036	<u>20,218</u>	<u>-0-</u>	<u>20,218</u>
Total	\$ <u>424,838</u>	\$ <u>-0-</u>	\$ <u>424,838</u>

f. Sewer Revenue Bonds Series 2007

Series 2007 Sewer Revenue Bonds in the amount of \$5,577,760 are being issued pursuant to an ordinance enacted by the City of Fairmont. The bonds mature serially through March 1, 2029 and bear interest at 2%.

The 2007 bonds were issued by the City of Fairmont in order to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing sewerage system of the City.

The 2007 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System.

At June 30, 2008 the City had only drawn down \$3,336,901 of the bond proceeds.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 56,877	\$ 27,889	\$ 84,766
2010	230,365	108,697	339,062
2011	235,006	104,056	339,062
2012	245,742	99,320	345,062
2013	244,633	94,488	339,121
2014 – 2018	1,298,805	396,504	1,695,309
2019 – 2023	<u>1,025,473</u>	<u>219,577</u>	<u>1,245,050</u>
Total	\$ <u>3,336,901</u>	\$ <u>1,050,531</u>	\$ <u>4,387,432</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

g. Water Revenue Bonds Series 2008A

Series 2008A Water Revenue Bonds in the amount of \$2,750,000 are being issued through a Drinking Water Treatment Revolving Loan. The loan bears interest of 0% plus a 1% administrative fee. The loan matures over a thirty year period with monthly payments of \$8,794. The first installment is due September 1, 2009.

The bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System.

At June 30, 2008 the City had only drawn down \$91,668 of the proceeds.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -0-	\$ -0-	\$ -0-
2010	<u>91,668</u>	<u>-0-</u>	<u>91,668</u>
Total	<u>\$ 91,668</u>	<u>\$ -0-</u>	<u>\$ 91,668</u>

h. 2005 Monongahela Valley Bank Note Payable

On July 1, 2004 the Water Fund of the City of Fairmont purchased a 2004 Ford with loan proceeds from Monongahela Valley Bank. The loan bears interest at a rate of 3.33% and is payable in monthly installments of \$668. The loan is secured by the vehicle.

Future debt retirement based on current financing arrangements at June 30, 2008 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>660</u>	\$ <u>8</u>	\$ <u>668</u>

i. Veterans Plaza Parking Garage Bond Series 1999

Series 1999 Veterans Plaza Parking Garage Bonds in the amount of \$750,000 were issued pursuant to an ordinance enacted by the City of Fairmont.

The bonds were issued by the City in order to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to a parking garage.

The 1999 bonds are secured by the rental income payable to the City pursuant to a lease agreement between the City and the Fairmont Building Commission dated June 29, 1999. The bonds pay interest at a rate of 5.75%.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 56,150	\$ 18,610	\$ 74,760
2010	55,347	19,413	74,760
2011	60,733	14,027	74,760
2012	64,319	10,441	74,760
2013	68,116	6,644	74,760
2014 – 2015	<u>78,337</u>	<u>2,653</u>	<u>80,990</u>
Total	<u>\$ 383,002</u>	<u>\$ 71,788</u>	<u>\$ 454,790</u>

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008

j. Municipal Building Lease Revenue Bonds Series B

On March 28, 2005, the Building Commission issued Municipal Building Lease Revenue Bonds, Series B in the amount of \$500,000 with Huntington Capital Corp as the holder. The bonds have an interest rate of 4% with principal and interest payable monthly for a term of 10 years. The proceeds of this financing, along with the USDA financing, were used to complete renovation of the Public Safety Building site at 500 Quincy Street.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 47,253	\$ 13,494	\$ 60,747
2010	49,180	11,567	60,747
2011	51,182	9,565	60,747
2012	53,269	7,478	60,747
2013	55,438	5,309	60,747
2014 - 2015	<u>102,507</u>	<u>3,800</u>	<u>106,307</u>
Total	\$ <u>358,829</u>	\$ <u>51,213</u>	\$ <u>410,042</u>

k. Municipal Building Lease Revenue Bonds Series A

On March 28, 2005, the Building Commission issued Municipal Building Lease Revenue Bonds, Series A in the amount of \$2,999,450 with USDA Rural Development as the holder. The bonds have an interest rate of 4.25% with principal and interest payable monthly for a term of 40 years. The proceeds of this financing, along with the Huntington Capital Corp financing, were used for the purchase of the property at 500 Quincy Street for the new Public Safety Building and to complete the renovation of the site.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 34,387	\$ 123,269	\$ 157,656
2010	35,877	121,779	157,656
2011	37,432	120,224	157,656
2012	39,054	118,602	157,656
2013	40,747	116,909	157,656
2014 - 2018	231,804	556,476	788,280
2019 - 2023	286,580	501,700	788,280
2024 - 2028	354,298	433,982	788,280
2029 - 2033	438,021	350,259	788,280
2034 - 2038	541,525	246,755	788,280
2039 - 2043	669,489	118,791	788,280
2044 - 2045	<u>206,872</u>	<u>6,363</u>	<u>213,235</u>
Total	\$ <u>2,916,086</u>	\$ <u>2,815,109</u>	\$ <u>5,731,195</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

l. Municipal Building Lease Revenue Bonds Series 2005

The Building Commission owns property situated at the corner of Adams and Madison Streets in Fairmont, West Virginia as conveyed by the City of Fairmont known as Elks Lot. On January 18, 2008 the Building Commission issued 20 year revenue bonds in the amount of \$1,345,000 to add to a \$2,000,000 State of West Virginia EDA grant to build a 250 space parking garage on this site. Monongahela Valley Bank is the registered owner of the Series 2005 lease revenue bonds. The bonds are subject to mandatory redemption on the eighteenth day of each month until and including January 18, 2025 in the amount of \$8,982 which includes a principal amount plus accrued interest to the date of mandatory redemption set forth in a debt service schedule. This bond is payable solely from the rent payable by the City pursuant to a lease agreement between the City and the Building Commission dated January 18, 2005. Upon expiration of the lease, the City has the option to purchase the property from the Building Commission for \$1. The bonds pay interest at the rate of 5.14%.

The following is a schedule of future debt retirement based on current financing arrangements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 47,210	\$ 60,574	\$ 107,784
2010	49,695	58,089	107,784
2011	52,310	55,474	107,784
2012	55,063	52,721	107,784
2013	57,961	49,823	107,784
2014 – 2018	338,902	200,018	538,920
2019 – 2023	437,975	100,945	538,920
2024 – 2025	<u>160,803</u>	<u>6,862</u>	<u>167,665</u>
Total	\$ <u>1,199,919</u>	\$ <u>584,506</u>	\$ <u>1,784,425</u>

m. West Virginia Housing Development Fund

On February 24, 2004 the Building Commission entered into a loan and pledge agreement and signed a promissory note with the West Virginia Housing Development Fund to participate in its demolition loan program. The Building Commission received \$100,000 in loan proceeds to be repaid on or before April 1, 2009 with interest as per the following schedule:

<u>Anniversary Date</u>	<u>Percent</u>
02/25/04 – 02/24/05	0.00%
02/25/05 – 02/24/06	2.00%
02/25/06 – 02/24/07	3.00%
02/25/07 – 02/24/08	4.00%
02/25/08 – 02/24/09	5.00%

These funds have been made available to businesses and individuals for their demolition needs. Currently, the Building Commission holds three notes totaling \$98,378.34 with interest accruing at 3% or 4% on each note. A deed of trust accompanies each note and all notes are due the sooner of the sale or transfer of the property or March 1, 2009.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

On February 23, 2007 the Building Commission entered into a loan and pledge agreement and signed a promissory note with the West Virginia Housing Development Fund for additional participation in its demolition loan program. The Building Commission received \$300,000 in loan proceeds to be repaid on or before September 1, 2013 with interest as per the following schedule:

<u>Anniversary Date</u>	<u>Percent</u>
02/24/07 – 02/23/08	0.00%
02/24/08 – 02/23/09	2.00%
02/24/09 – 09/01/13	3.00%

These funds have been made available to businesses and individuals for their demolition needs.

n. Chase Bank Note Payable

On March 30, 2007, the Water Fund of the City of Fairmont purchased a water filtration system with loan proceeds from Chase Bank. The loan bears interest at a rate of 4.45% and is payable in monthly installments of \$7,579. The loan is secured by equipment.

Future debt retirement based on current financing arrangements at June 30, 2008 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 62,933	\$ 28,015	\$ 90,948
2010	65,792	25,156	90,948
2011	68,780	22,168	90,948
2012	71,904	19,044	90,948
2013	75,170	15,778	90,948
2014 – 2017	<u>313,585</u>	<u>27,472</u>	<u>341,057</u>
Total	\$ <u>658,164</u>	\$ <u>137,633</u>	\$ <u>795,797</u>

On January 31, 2008 the Sewer Fund of the City of Fairmont purchased vehicles with loan proceeds from Chase Bank. The loan bears interest at a rate of 3.22% and is payable in monthly installments of \$11,887. The loan is secured by vehicles.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 129,219	\$ 13,421	\$ 142,640
2010	133,442	9,198	142,640
2011	137,803	4,837	142,640
2012	<u>75,207</u>	<u>739</u>	<u>75,946</u>
Total	\$ <u>475,671</u>	\$ <u>28,195</u>	\$ <u>503,866</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

o. 2006 Monongahela Valley Bank Note Payable

On December 15, 2005, the Water and Sewer Funds of the City of Fairmont purchased vehicles with loan proceeds from Monongahela Valley Bank. The loan bears interest at a rate of 4.40% and is payable in monthly installments of \$2,203. The loan is secured by vehicles.

Future debt retirement based on current financing arrangements at June 30, 2008 for the Water Fund is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 13,208	\$ 616	\$ 13,824
2010	<u>6.801</u>	<u>87</u>	<u>6.888</u>
Total	\$ <u>20.009</u>	\$ <u>703</u>	\$ <u>20.712</u>

Future debt retirement based on current financing arrangements at June 30, 2008 for the Sewer Fund is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,046	\$ 562	\$ 12,608
2010	<u>6.202</u>	<u>80</u>	<u>6.282</u>
Total	\$ <u>18.248</u>	\$ <u>642</u>	\$ <u>18.890</u>

Future debt retirement based on current financing arrangements at June 30, 2008 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,254	\$ 1,178	\$ 26,432
2010	<u>13.003</u>	<u>167</u>	<u>13.170</u>
Total	\$ <u>38.257</u>	\$ <u>1.345</u>	\$ <u>39.602</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

p. Obligation Under Capital Lease

On January 14, 2003 the City of Fairmont entered into a capital lease for the acquisition of water treatment equipment. The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2008:

Year ending June 30,

2009	\$ 188,654
2010	188,654
2011	188,654
2012	188,654
2013	<u>172,933</u>
Minimum required lease payments	927,549
Less: Amount representing interest	<u>86,781</u>
 Present value of minimum lease payment	 \$ <u>840,768</u>
 Current portion	 \$ 157,897
Non-current portion	<u>682,871</u>
	 \$ <u>840,768</u>

On October 14, 2005, the Sanitary Sewer Board of the City of Fairmont entered into a capital lease for the acquisition of equipment. The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2008:

Year ending June 30,

2009	\$ 3,402
Less: Amount representing interest	<u>57</u>
 Present value of minimum lease payments	 \$ <u>3,345</u>
 Current portion	 \$ 3,345
Non-current portion	<u>-0-</u>
	 \$ <u>3,345</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

The following is a schedule of all future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2008:

Year ending June 30,

2009	\$ 192,056
2010	188,654
2011	188,654
2012	188,654
2013	<u>172,933</u>
Minimum required lease payments	930,951
Less: Amount representing interest	<u>86,838</u>
 Present value of minimum lease payment	 \$ <u>844,113</u>
 Current portion	 \$ 161,242
Non-current portion	<u>682,871</u>
	 \$ <u>844,113</u>

6. Employees Retirement System

Plan Descriptions Contribution Information and Funding Policies

Public Employees' Retirement System (PERS)

The Municipality of Fairmont, West Virginia, participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general Municipality 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 following is a summary of eligibility factors, contribution methods, and benefit provisions:

<u>Public Employees' Retirement System (PERS)</u>	
Eligibility to participate	All Municipality full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Municipality's contribution rate	10.50%
Period required to vest	5 years

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Public Employees' Retirement System (PERS)

Benefits and eligibility for distribution	A member who has attained age 50 and has 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 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for: Cost of Living Death Benefits	No Yes

Trend Information

Public Employees' Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2008	\$ 377,897	100%
2007	\$ 226,090	100%
2006	\$ 335,267	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 Public Employees' Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305

Other Post Employment Benefits

Plan Description:

The City of Fairmont, West Virginia contributes to the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefit post-employment health care plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. Eligibility is primarily established through participation in certain defined benefit plans. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0170.

Authority Establishing the Plan and Fund Policy:

Chapter 5, Article 16D of the West Virginia State Code assigns the authority to establish and amend benefits and provisions to the RHBT. Plan members are currently required to contribute \$461.06 per month per active health policy. Participating employers are contractually required to contribute at a rate assessed each year by RHBT. The RHBT board sets the employer contribution rate based on the annual required contributions of the plan (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Funding Policy: The City's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008, the City contributed \$549,754 to the plan. Employees are not required to make contributions for basic life insurance.

Annual OPEB Cost: The City's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information follow in the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table shows the components of the Municipality's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the Municipality's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation for the covered active and retired employees.

Annual required contribution	\$ 792,625
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	<u>(17,582)</u>
Annual OPEB cost	775,043
Contributions made	<u>549,754</u>
Increase (decrease) in net OPEB obligation	225,289
Net OPEB obligation (asset) beginning of year	<u>-0-</u>
Net OPEB obligation (asset) end of year	\$ <u>225,289</u>
Actuarial valuation date	6/30/2007
Actuarial cost method	Entry age
Amortization method	Level dollar
Asset valuation method	Smoothed market approach

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.50%
Projected rate increase	4.60% - 5.60%
Health care inflation rate	9.3% in 2008, grading to 6% in 2027

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2008	\$ 775,043	71%	\$ 225,289
June 30, 2007	N/A	N/A	N/A
June 30, 2006	N/A	N/A	N/A

N/A – Not Applicable, 2008 is the implementation year for GASB Statement No. 45.

GASB Statement No. 45 was applied prospectively.

Defined Benefit Pension Plans

The municipality has established and maintains the following employees retirement and benefits funds, as authorized by West Virginia Code §8-22-1, et seq., for all eligible employees.

- (1) Policemen's Pension and Relief Fund
- (2) Firemen's Pension and Relief Fund

Plan Descriptions

At July 1, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:

Firemen (July 1, 2008)	60
Policemen (July 1, 2008)	<u>50</u>
Total	<u>110</u>

Current employees:

Vested and nonvested:	
Firemen	41
Policemen	<u>34</u>
Total	<u>75</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Policemen's Pension Plan</u>	<u>Firemen's Pension Plan</u>
Other plan details:		
Eligibility	All paid members of the Police Department.	All paid members of the Fire Department.
Rate of employee contribution	7% of salary.	7% of salary.
Vesting period for normal retirement	20 years of service but no later than the date the participant reaches age 65.	20 years of service but no later than the date the participant reaches age 65.
Benefits	60% of average compensation, but not less than \$6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 2% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.	60% of average compensation, but not less than \$6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 1% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.

Funding Status and Progress

The amount shown on the following page as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of July 1, 2008.

Significant actuarial assumptions used in determining the pension benefit obligation included: (1) a rate of return on the investment of present and future assets of 6.0 percent per year compounded annually for both the fire pension plan and the police pension plans, (2) the assumption that benefits will increase 3.0 percent per year after retirement, and (3) projected salary increases of 4.0 percent per year for the police plan and 4.0 percent for year for the fire plan.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

The unfunded pension benefit obligations for the policemen's and firemen's pensions were \$15,207,298 and \$21,865,650, respectively.

	<u>Policemen's</u> <u>(7/1/08)</u>	<u>Firemen's</u> <u>(7/1/08)</u>
<u>Pension Benefits Earned</u>		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 14,269,500	\$ 19,100,539
<u>Current Employees</u>		
Accumulated employee contributions including allocated investment earnings	<u>4,723,886</u>	<u>5,248,858</u>
Total pension benefits obligations	18,993,386	24,349,397
Net assets available for benefits, at market	<u>3,786,088</u>	<u>2,483,747</u>
Unfunded pension benefits earned	\$ <u>15,207,298</u>	\$ <u>21,865,650</u>

(a) Policemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund of the municipality covers all eligible employees of the police department paid on a full-time basis from public funds. The municipality's contribution for the fiscal year ended June 30, 2008, was \$388,651 and \$362,277 was provided by the insurance premium tax allocation, for a total contribution of \$750,928.

According to the latest actuarial study of the municipality's Policemen's Pension and Relief Fund, conducted by The Phoenix Benefits Group, Inc., the unfunded past service liability as of July 1, 2008, was \$15,207,298.

As required by West Virginia Code §8-22-20, in no event will the municipality be allowed to contribute less than the greater of:

- (1) The average of the amounts contributed in the five fiscal years beginning fiscal year ending June 30, 1984.
- (2) One hundred and seven percent (107%) of the prior year's required city contribution.
- (3) The amount which, when added to the member contribution and the revenue from the state premium tax, equals the overall plans normal cost.

It was determined during this examination that the municipality did comply with the minimum required contribution per West Virginia Code §8-22-20 for the fiscal year ended June 30, 2008.

In presenting these recommended funding levels, The Phoenix Benefits Group, Inc., assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

(b) Firemen's Pension and Relief Fund

The Firemen's Pension and Relief Fund of the municipality covers all eligible employees of the fire department paid on a full-time basis from public funds. The municipality's contribution for the fiscal year ended June 30, 2008, was \$536,962 and \$454,360 was provided by the insurance premium tax allocation, for a total contribution of \$991,322.

According to the latest actuarial study of the municipality's Firemen's Pension and Relief Fund, conducted by Hallett Associates, Inc., the unfunded past service liability as of July 1, 2008 was \$21,865,650.

As required by West Virginia Code §8-22-20, in no event will the municipality be allowed to contribute less than the greater of:

- (1) The average of the amounts contributed in the five fiscal years beginning fiscal year ending June 30, 1984.
- (2) One hundred and seven percent (107%) of the prior year's required city contribution.
- (3) The amount which, when added to the member contribution and the revenue from the state premium tax, equals the overall plans normal cost.

It was determined during this examination that the municipality did comply with the minimum required contribution per West Virginia Code §8-22-20 for the fiscal year ended June 30, 2008.

In presenting these recommended funding levels, Hallett Associates, Inc., assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

7. Workers' Compensation Fund

On July 5, 1983, the City of Fairmont adopted Ordinance No. 600 authorizing self-insured status for Workers' Compensation. This Ordinance provides for the payment to the West Virginia Workers' Compensation for costs of administering the fund, and the required amounts into a surplus fund for the coverage of catastrophe and second injury liability, and to pay all Workers' Compensation benefits anticipated to be payable that year. In addition, the Ordinance authorized all necessary procedures to insure that all Workers' Compensation payments are paid promptly to eligible employees. It further directed the purchase of excess insurance for the purpose of indemnifying the City against losses per accident in excess of a specific retention level and for the purpose of indemnifying the City against annual losses in the aggregate in excess of a specific retention level.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

8. Lease

City of Fairmont is the lessor of land under an operating lease with an original lease term of 30 years expiring in 2,014. The lease includes the option to renew for two (2) subsequent periods of ten years each, by giving notice of at least 30 days prior to the expiration of the lease. Minimum lease payments to be received as of June 30, 2008 for each of the next five years are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2009	\$ 12,000
2010	12,000
2011	12,000
2012	12,000
2013	12,000
Thereafter	<u>12,000</u>
Total	\$ <u>72,000</u>

9. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2008 for fund financial:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 891,035	\$ -0-
Special Revenue Funds		
Bureau of Justice Fund	2,963	-0-
Police Fund	-0-	10,629
Economic Development Grant Fund	-0-	2,939
Capital Project Funds		
Capital Reserve Fund	97,893	-0-
Sharon Steel Redevelopment Fund	-0-	1,398
Enterprise Funds		
Water Fund	-0-	1,189,396
Sanitary Sewer Fund	216,176	-0-
Parking Fund	<u>-0-</u>	<u>3,705</u>
	\$ <u>1,208,067</u>	\$ <u>1,208,067</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

10. Debt Service Coverage

The debt service coverage factor for the Sanitary Sewer Board Fund has been calculated as follows for the year ended June 30, 2008:

Operating revenues	\$ 4,431,734
Operating expenses	<u>3,520,218</u>
Operating income	911,516
Add: Depreciation expense	723,186
Interest income	44,410
Miscellaneous income	<u>24,532</u>
Amount available for debt service and capital expenditures	\$ <u>1,703,644</u>
Maximum annual debt service	\$ <u>1,099,062</u>
Calculated debt service coverage factor	1.55
Required debt service coverage factor	1.25

Based on this calculation, it appears that the Sanitary Sewer Board was in compliance with the provisions set forth in its bond ordinances as of June 30, 2008.

The debt service coverage factor for the Water Fund has been calculated as follows for the year ended June 30, 2008:

Operating revenues	\$ 6,048,922
Operating expenses	<u>4,822,576</u>
Operating income	1,226,346
Add: Depreciation expense	1,503,515
Interest income	168,003
Miscellaneous income	<u>93,698</u>
Amount available for debt service and capital expenditures	\$ <u>2,991,562</u>
Maximum annual debt service	\$ <u>2,556,663</u>
Calculated debt service coverage factor	1.17
Required debt service coverage factor	1.20

Based on this calculation, it appears that the Water Fund was not in compliance with the provisions set forth in its bond ordinances as of June 30, 2008.

Although the Water Fund was in technical default on its bond ordinance compliance requirements the bond holders have not indicated that the bonds will be called early.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

11. Pending Litigation

The City of Fairmont has been name defendant in several cases which in the opinion of the municipality's attorney will have no material adverse effect to the City.

12. Restricted Assets

Certain enterprise fund assets are restricted for repayment of long-term debt. Restricted net assets include the excess of assets over certain liabilities restricted for the debt service on revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FAIRMONT, WEST VIRGINIA
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. Schedules of Funding Progress

Policemen's Pension and Relief Fund (PPFR)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2001	\$ 2,664,788	\$ 13,852,571	\$ 11,156,783	19.24%	\$ 1,207,014	924%
7/1/2004	\$ 3,100,970	\$ 16,044,620	\$ 12,943,650	19.33%	\$ 1,312,786	986%
7/1/2008	\$ 4,038,740	\$ 18,155,269	\$ 14,116,529	22.25%	\$ 1,356,042	954%

Firemen's Pension and Relief Fund (FPFR)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2002	\$ 3,353,845	\$ 21,031,260	\$ 17,677,415	15.95%	\$ 1,476,041	1198%
7/1/2005	\$ 2,986,375	\$ 22,414,167	\$ 19,427,792	13.32%	\$ 1,480,774	1312%
7/1/2008	\$ 2,483,747	\$ 24,349,397	\$ 21,865,650	10.20%	\$ 1,568,485	1394%

CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	<u>Special Revenue</u> <u>Funds</u>	<u>Capital Project</u> <u>Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 416,357	\$ -0-	\$ 416,357
Investments	1,922,657	-0-	1,922,657
Interest receivable	605	-0-	605
Receivables:			
Accounts	-0-	51,398	51,398
Due from (to):			
Other funds	(7,666)	(1,398)	(9,064)
TOTAL ASSETS	\$ <u>2,331,953</u>	\$ <u>50,000</u>	\$ <u>2,381,953</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 24,312	\$ 50,000	\$ 74,312
Claims payable	<u>258,607</u>	<u>-0-</u>	<u>258,607</u>
Total liabilities	<u>282,919</u>	<u>50,000</u>	<u>332,919</u>
Fund Balances			
Unreserved	<u>2,049,034</u>	<u>-0-</u>	<u>2,049,034</u>
Total fund balances	<u>2,049,034</u>	<u>-0-</u>	<u>2,049,034</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,331,953</u>	\$ <u>50,000</u>	\$ <u>2,381,953</u>

The accompanying notes are an integral part of the combining financial statements.

**CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Special Revenue</u> <u>Funds</u>	<u>Capital Project</u> <u>Funds</u>	<u>Total</u>
Revenues			
Intergovernmental:			
Federal	\$ 57,170	\$ -0-	\$ 57,170
State	72,245	-0-	72,245
Contributions:			
From employer	497,388	-0-	497,388
Fines and forfeits	377,225	-0-	377,225
Donations	4,024	123,080	127,104
Investment income	61,555	-0-	61,555
Gain (loss) on investments	<u>16,649</u>	<u>-0-</u>	<u>16,649</u>
Total revenues	<u>1,086,256</u>	<u>123,080</u>	<u>1,209,336</u>
Expenditures			
General government	105,988	-0-	105,988
Public safety	113,843	-0-	113,843
Highways and streets	81,303	-0-	81,303
Community development	14,765	123,080	137,845
Police refunds and remittances	83,883	-0-	83,883
Benefit payments	<u>272,127</u>	<u>-0-</u>	<u>272,127</u>
Total expenditures	<u>671,909</u>	<u>123,080</u>	<u>794,989</u>
(Deficiency) excess of revenues (under) over expenditures	<u>414,347</u>	<u>-0-</u>	<u>414,347</u>
Other Financing Sources (Uses)			
Operating transfers in	688,947	-0-	688,947
Operating transfers (out)	<u>(252,367)</u>	<u>-0-</u>	<u>(252,367)</u>
Total other financing sources (uses)	<u>436,580</u>	<u>-0-</u>	<u>436,580</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	850,927	-0-	850,927
Fund balance beginning of year	<u>1,198,107</u>	<u>-0-</u>	<u>1,198,107</u>
Fund balance end of year	\$ <u>2,049,034</u>	\$ <u>-0-</u>	\$ <u>2,049,034</u>

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 JUNE 30, 2008

		Coal Severance Fund	Special Purpose Grant Program	Bureau of Justice Fund	Boards and Commissions Fund	Municipal Financial Stabilization Rainy Day Fund	Workers Compensation Fund	Police Fund	Police Investigative Fund	Urban Renewal Authority	Other Post Employment Benefits Fund	Total
Cash		\$ 40,570	\$ -0-	\$ -0-	\$ 4,460	\$ -0-	\$ 293,310	\$ 20,903	\$ 57,109	\$ 5	\$ -0-	\$ 416,357
Investments		-0-	-0-	-0-	3,876	688,081	1,006,061	-0-	-0-	-0-	224,639	1,922,657
Interest receivable		-0-	-0-	-0-	-0-	-0-	605	-0-	-0-	-0-	-0-	605
Due from (to):												
Other funds		-0-	-0-	2,963	-0-	-0-	-0-	(10,629)	-0-	-0-	-0-	(7,666)
TOTAL ASSETS		\$ 40,570	\$ -0-	\$ 2,963	\$ 8,336	\$ 688,081	\$ 1,299,976	\$ 10,274	\$ 57,109	\$ 5	\$ 224,639	\$ 2,331,953
LIABILITIES AND FUND BALANCES												
Liabilities												
Accounts payable		\$ 6,307	\$ -0-	\$ 2,963	\$ -0-	\$ -0-	\$ 5,932	\$ 8,106	\$ 1,004	\$ -0-	\$ -0-	\$ 24,312
Claims payable		-0-	-0-	-0-	-0-	-0-	258,607	-0-	-0-	-0-	-0-	258,607
Total liabilities		<u>6,307</u>	<u>-0-</u>	<u>2,963</u>	<u>-0-</u>	<u>-0-</u>	<u>264,539</u>	<u>8,106</u>	<u>1,004</u>	<u>-0-</u>	<u>-0-</u>	<u>282,919</u>
Fund Balances												
Unreserved		34,263	-0-	-0-	8,336	688,081	1,035,437	2,168	56,105	5	224,639	2,049,034
Total fund balances		<u>34,263</u>	<u>-0-</u>	<u>-0-</u>	<u>8,336</u>	<u>688,081</u>	<u>1,035,437</u>	<u>2,168</u>	<u>56,105</u>	<u>5</u>	<u>224,639</u>	<u>2,049,034</u>
TOTAL LIABILITIES AND FUND BALANCES		\$ 40,570	\$ -0-	\$ 2,963	\$ 8,336	\$ 688,081	\$ 1,299,976	\$ 10,274	\$ 57,109	\$ 5	\$ 224,639	\$ 2,331,953

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Coal Severance Fund	Special Purpose Grant Program	Bureau of Justice Fund	Boards and Commissions Fund	Municipal Financial Stabilization Rainy Day Fund	Workers Compensation Fund	Police Fund	Police Investigative Fund	Urban Renewal Authority	Other Post Employment Benefits Fund	Total
Revenues											
Intergovernmental:											
Federal	\$ 72,245	\$ 12,000	\$ 45,170	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 57,170
State	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	72,245
Contributions:											
From employer	-0-	-0-	-0-	-0-	-0-	272,099	-0-	-0-	-0-	225,289	497,388
Fines and forfeits	-0-	-0-	-0-	-0-	-0-	-0-	43,964	-0-	-0-	-0-	377,225
Donations	-0-	-0-	-0-	1,960	-0-	-0-	2,064	-0-	-0-	-0-	4,024
Investment income	733	-0-	223	14	10,599	48,564	574	843	5	-0-	61,555
Gain (loss) on investments	-0-	-0-	-0-	(1,244)	-0-	17,180	-0-	-0-	-0-	(407)	16,649
Total revenues	<u>72,978</u>	<u>12,000</u>	<u>45,393</u>	<u>1,850</u>	<u>10,599</u>	<u>337,843</u>	<u>335,899</u>	<u>44,807</u>	<u>5</u>	<u>224,882</u>	<u>1,086,256</u>
Expenditures											
General government	-0-	-0-	-0-	-0-	465	92,944	1,336	-0-	11,000	243	105,988
Public safety	-0-	-0-	45,393	-0-	-0-	-0-	13,208	55,242	-0-	-0-	113,843
Highways and streets	81,303	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	81,303
Community development	-0-	12,000	-0-	2,765	-0-	-0-	-0-	-0-	-0-	-0-	14,765
Police refunds and remittances	-0-	-0-	-0-	-0-	-0-	-0-	83,883	-0-	-0-	-0-	83,883
Benefit payments	-0-	-0-	-0-	-0-	-0-	272,127	-0-	-0-	-0-	-0-	272,127
Total expenditures	<u>81,303</u>	<u>12,000</u>	<u>45,393</u>	<u>2,765</u>	<u>465</u>	<u>365,071</u>	<u>98,427</u>	<u>55,242</u>	<u>11,000</u>	<u>243</u>	<u>671,909</u>
(Deficiency) excess of revenues (under) over expenditures	(8,325)	-0-	-0-	(915)	10,134	(27,228)	237,472	(10,435)	(10,995)	224,639	414,347
Other Financing Sources (Uses)											
Operating transfers in	-0-	-0-	-0-	-0-	677,947	-0-	-0-	-0-	11,000	-0-	688,947
Operating transfers (out)	-0-	-0-	-0-	-0-	-0-	-0-	(252,367)	-0-	-0-	-0-	(252,367)
Total other financing sources (uses)	-0-	-0-	-0-	-0-	<u>677,947</u>	-0-	<u>(252,367)</u>	-0-	<u>11,000</u>	-0-	<u>436,580</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	(8,325)	-0-	-0-	(915)	688,081	(27,228)	(14,895)	(10,435)	5	224,639	850,927
Fund balance beginning of year	42,588	-0-	-0-	9,251	-0-	1,062,665	17,063	66,540	-0-	-0-	1,198,107
Fund balance end of year	<u>\$ 34,263</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,336</u>	<u>\$ 688,081</u>	<u>\$ 1,035,437</u>	<u>\$ 2,168</u>	<u>\$ 56,105</u>	<u>\$ -0-</u>	<u>\$ 224,639</u>	<u>\$ 2,049,034</u>

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS -
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2008

Sharon Steel
 Redevelopment
 Fund

ASSETS

Cash	\$ -0-
Investments	-0-
Accounts receivable	51,398
Due from (to):	
Other funds	(1,398)
TOTAL ASSETS	\$ <u>50,000</u>

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	\$ <u>50,000</u>
Total liabilities	<u>50,000</u>
Fund Balances	
Unreserved	<u>-0-</u>
Total fund balances	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>50,000</u>

The accompanying notes are an integral part of the combining financial statements.

CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Sharon Steel Redevelopment Fund</u>
Revenues	
Donations	\$ 123,080
Interest	<u>-0-</u>
Total revenues	<u>123,080</u>
Expenditures	
Community development	<u>123,080</u>
Total expenditures	<u>123,080</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>
Other Financing Sources (Uses)	
Proceeds from debt	-0-
Operating transfers in	-0-
Operating transfers (out)	<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	-0-
Fund balance beginning of year	<u>-0-</u>
Fund balance end of year	\$ <u>-0-</u>

The accompanying notes are an integral part of the combining financial statements.



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

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fairmont, West Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City of Fairmont, West Virginia's basic financial statements and have issued our report thereon dated December 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fairmont, West Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairmont, West Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairmont, West Virginia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Fairmont, West Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Fairmont, West Virginia's financial statements that is more than inconsequential will not be prevented or detected by the City of Fairmont, West Virginia's internal control.

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

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

Compliance and Other Matters

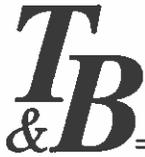
As part of obtaining reasonable assurance about whether the City of Fairmont, West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

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

This report is intended solely for the information and use of Municipal Officials of the City of Fairmont, West Virginia, federal and state awarding agencies and pass-through entities and the West Virginia State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Detrick S. Bartlett, Ph.D.

December 23, 2008



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

The Honorable Mayor and Council
City of Fairmont
Fairmont, West Virginia

We have audited the compliance of the City of Fairmont, West Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Fairmont, West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Fairmont, West Virginia's management. Our responsibility is to express an opinion on the City of Fairmont, West Virginia's compliance based on our audit.

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

In our opinion, the City of Fairmont, West Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Fairmont, West Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit we considered the City of Fairmont, West Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fairmont, West Virginia's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the Municipal Officials of the City of Fairmont, West Virginia, federal and state awarding agencies and pass-through entities and the West Virginia State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Detrick + Baithel, PLLC

December 23, 2008

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Fairmont, West Virginia.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. Two instances of noncompliance material to the financial statements of the City of Fairmont, West Virginia were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with the requirements applicable to each major program and internal control over compliance in accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for the City of Fairmont, West Virginia expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Fairmont, West Virginia are disclosed in Section C of this schedule.
7. The programs tested as major programs are the United States Environmental Protection Agency, Capitalization Grants for Clean Water State Revolving Fund CFDA Number 66.458, the United States Environmental Protection Agency, Congressionally Mandated Projects CFDA Number 66.202 and the United States Department of Transportation Federal Highway Administration, Highway Planning and Construction CFDA Number 20.205.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The entity does not qualify as a low risk auditee.

B. Findings - Financial Statements Audit

Reportable Conditions

2008-1 Subsidizing Operation of Water Fund through Loans from General Fund

Condition: It was determined during our examination that the officials of the Municipality of Fairmont paid certain expenses of the Water fund through loans from the General Fund. The total amount of the loans due to the General Fund is \$979,598 as of June 30, 2008.

Criteria: Water systems should be self sufficient to cover operating expenses through user charges. Any loans made between funds should be paid in full the following fiscal year. In addition an opinion of the State Attorney General rendered April 3, 1979, (380. Att'y Gen. 60 (1979) states in part that:

"...It is the opinion that

- (1) a municipal corporation may not loan monies to its utility systems no matter what the source of the funds..."

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2008**

Effect: The Water fund is not operating as an independent fund and is being subsidized through loans by the General Fund.

Recommendation: The municipal officials are directed to evaluate the user charges to increase rates to insure the Water fund is self sufficient. All loans made to the Water Fund should be paid in full in the next fiscal year.

Entity's Response: On January 27, 2009, a rate ordinance will be introduced to council which will allow for revenues sufficient to cover increased O&M costs and project costs and also allow for the repayment of the General Fund.

Finding 2008-2 Compliance with Bond Debt Coverage

Condition: It was determined during our audit that the Water Fund failed to comply with the 120% bond debt coverage.

Criteria: The Water Fund's bond ordinance required that the Water Fund have adequate revenues to maintain a 120% bond debt coverage.

Effect: The failure of the Water Fund to charge adequate rates has resulted in the Water Fund not having adequate revenue to maintain a 120% bond debt coverage.

Recommendation: The City should charge adequate rates to permit the Water Fund to maintain a 120% bond debt coverage.

Entity's Response: On January 27, 2009, a rate ordinance will be introduced to council which will allow for revenues sufficient to cover increased O&M costs and project costs and also allow for the repayment of the General Fund.

C. Findings and Questioned Costs - Major Federal Award Program Audit

United States Environmental Protection Agency – Office of Water – Capitalization Grants for Clean Water State Revolving Funds – CFDA Number 66.458 for the fiscal year ended June 30, 2008; United States Environmental Protection Agency – Congressionally Mandated Projects – CFDA Number 66.202 for the fiscal year ended June 30, 2008; United States Department of Transportation – Federal Highway Administration – Highway Planning and Construction – CFDA Number 20.205 for the fiscal year ended June 30, 2008.

There were no findings related to the major federal award programs audit.

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>
United States Department of Justice/Office of Justice Programs/Bureau of Justice Assistance					
<i>State of West Virginia Division of Criminal Justice Services</i>					
Edward Byrne Memorial Formula Grant Program	16.579	2007-DJ-BX-0073	\$ 84,000	\$ 56,000	\$ 56,000
Edward Byrne Memorial Formula Grant Program	16.579	2007-DJ-BX-1077	11,477	11,477	11,477
United States Environmental Protection Agency Office of Brownfields and Land Revitalization, Office of Solid Waste and Emergency Response					
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97333401-1	200,000	25,763	25,763
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97333501-1	200,000	25,762	25,762
United States Environmental Protection Agency Office of Water					
<i>State of West Virginia Environmental Protection and West Virginia Water Development Authority</i>					
Capitalization Grants for Clean Water State Revolving Funds	66.458		5,577,760	3,336,901	3,336,901
<i>State of West Virginia Environmental Protection</i>					
Congressionally Mandated Projects	66.202	XP-97355901-1	962,200	755,815	755,815

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>
United States Department of Housing and Urban Development, Community Planning and Development					
<i>State of West Virginia Office of Economic Opportunity</i>					
Emergency Shelter Grants Program	14.231	S-07-DC-54-0001	\$ 76,000	\$ 54,179	\$ 54,179
Emergency Shelter Grants Program	14.231	S-06-DC-54-0001	72,000	21,594	21,594
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	B03DC540001	1,025,000	54,153	54,153
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228			10,000	10,000
United States Department of Transportation Federal Highway Administration					
<i>West Virginia Department of Transportation Division of Highways</i>					
Highway Planning and Construction	20.205	HUBT-2005(058)E	200,000	63,120	63,120
Highway Planning and Construction	20.205	TEA-OQ22(001)E	300,000	270,243	270,243
United States Department of Homeland Security					
<i>State of West Virginia Department of Military Affairs and Public Safety Homeland Security State Administrative Agency</i>					
Homeland Security Grant Program	97.067	2005-GE-T5-0045	295,204	39,431	39,431

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of federal awards is a summary of the activity of the City of Fairmont, West Virginia's federal award programs and presents transactions that would be included in financial statements of the City presented on the accrual basis of accounting as contemplated by accounting principles generally accepted in the United States of America.

The accompanying independent auditor's report is an integral part of the above schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

United States Department of Housing and Urban Development – Community Development Block Grants – State's Program and Non-Entitlement Grants in Hawaii – CFDA Number 14.228 – for the fiscal year ended June 30, 2007.

There were no prior year audit findings related to the major federal award programs.