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

****

INDEPENDENT AUDITOR'S REPORT AND RELATED FINANCIAL STATEMENTS

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FOR THE YEAR ENDED JUNE 30, 2010

RFP #10-129 (Marion County)

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CITY OF FAIRMONT, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2010

Office	Name	Term
	Elective	
Mayor:	Matthew Delligatti	01/01/07 – 12/31/10
Council Member:		
1st District	Robert Gribben	01/13/09 – 11/02/12
2nd District	Robert Sapp	01/01/08 – 12/31/12
3rd District	Deborah Seifrit	01/01/07 – 12/31/10
4th District	William Burdick	01/01/09 – 12/31/12
5th District	Chuck Warner	01/01/07 – 12/31/10
6th District	Daniel Weber	01/01/09 – 12/31/12
7th District	Robert Garcia	01/01/09 – 12/31/12
8th District	Robin Smith	01/01/07 – 12/31/10
9th District	Matthew Delligatti	01/01/07 – 12/31/10
	Appointive	
City Manager:	Jay Rogers, III	
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, 2010

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

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2011, 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 should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress – Policemen's Pension and Relief Fund (PPRF) and Firemen's Pension and Relief Fund (FPRF) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is require by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairmont, West Virginia's financial statements as a whole. The combining and individual Nonmajor fund financial statements are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Patrick • Bartlett, PLLC

January 31, 2011

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 2,278,874	$ 637,977	$ 2,916,851
Investments	2,946,337	1,117,274	4,063,611
Receivables	1,947,741	1,326,672	3,274,413
Internal balances	846,835	(846,835)	-0-
Inventory	13,668	176,783	190,451
Prepaid expenses	2,382	225	2,607
Restricted assets	7,174	8,123,232	8,130,406
Capital assets, net	6,469,235	69,238,617	75,707,852
Unamortized bond discount and issue cost	-0-	596,941	596,941
Total assets	14,512,246	80,370,886	94,883,132
Liabilities			
Accounts payable	196,909	1,246,347	1,443,256
Claims payable	172,185	-0-	172,185
Other accrued expenses	336,872	478,180	815,052
Accrued other post employment benefits	1,674,523	-0-	1,674,523
Deferred revenue	117,000	-0-	117,000
Customer deposits	6,960	44,850	51,810
Accrued interest payable	-0-	875,668	875,668
Long-term liabilities			
Due within one year	482,578	2,964,553	3,447,131
Due in more than one year	13,612,359	48,240,872	61,853,231
Total liabilities	16,599,386	53,850,470	70,449,856
Net Assets			
Invested in capital assets, net of related debt	5,377,374	18,477,792	23,855,166
Restricted	7,174	8,123,232	8,130,406
Unrestricted	(7,471,688)	(80,608)	(7,552,296)
Total Net Assets	$ (2,087,140)	$ 26,520,416	$ 24,433,276

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	$ 1,840,051	$ 19,815	$ 3,294	$ -0-	$(1,816,942)	$ -0-	$(1,816,942)
Public safety	7,796,083	1,379,118	209,221	-0-	(6,207,744)	-0-	(6,207,744)
Highways and streets	2,189,340	83,258	-0-	2,964	(2,103,118)	-0-	(2,103,118)
Sanitation	1,159,200	1,140,692	-0-	-0-	(18,508)	-0-	(18,508)
Culture and recreation	168,280	26,326	-0-	-0-	(141,954)	-0-	(141,954)
Social services	1,926	-0-	-0-	-0-	(1,926)	-0-	(1,926)
Community development	249,978	-0-	215,753	-0-	(34,225)	-0-	(34,225)
Benefits paid	37,123	-0-	269,153	-0-	232,030	-0-	232,030
Total governmental activities	13,441,981	2,649,209	697,421	2,964	(10,092,387)	-0-	(10,092,387)
Business-Type Activities							
Water	6,993,853	8,543,252	-0-	286,707	-0-	1,836,106	1,836,106
Sanitary sewer board	4,145,850	4,542,623	-0-	45,832	-0-	442,605	442,605
Building commission	475,650	100	-0-	-0-	-0-	(475,550)	(475,550)
Parking	102,712	132,450	-0-	-0-	-0-	29,738	29,738
Park commission	24,007	2,100	-0-	18,509	-0-	(3,398)	(3,398)
Total business-type activities	$ 11,742,072	$ 13,220,525	$ -0-	$ 351,048	-0-	1,829,501	1,829,501
General Revenues							
Taxes					8,134,707	-0-	8,134,707
Licenses and permits					227,851	-0-	227,851
Investment income					76,138	144,188	220,326
Franchise fees					282,695	-0-	282,695
Miscellaneous					213,486	570,370	783,856
Total general revenues					8,934,877	714,558	9,649,435
Change in net assets before transfers					(1,157,510)	2,544,059	1,386,549
Transfers between activities					(412,879)	412,879	-0-
Change in net assets after transfers between activities					(1,570,389)	2,956,938	1,386,549
Net assets – beginning					(516,751)	23,563,478	23,046,727
Net assets – ending					$(2,087,140)	$ 26,520,416	$ 24,433,276

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 1,327,494	$ 456,075	$ 495,305	$ 2,278,874
Investments	93,589	-0-	2,852,748	2,946,337
Receivables, net of allowances:				
Taxes	1,364,577	-0-	-0-	1,364,577
Accounts	295,705	-0-	-0-	295,705
Other	122,457	-0-	105,427	227,884
Interest	23	-0-	2,908	2,931
Due from (to):				
Other funds	589,005	298,168	(40,338)	846,835
Other governments	56,644	-0-	-0-	56,644
Prepaid expenses	2,382	-0-	-0-	2,382
Inventory	13,668	-0-	-0-	13,668
Restricted:				
Customer deposits	7,174	-0-	-0-	7,174
TOTAL ASSETS	$ 3,872,718	$ 754,243	$ 3,416,050	$ 8,043,011
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 107,456	$ -0-	$ 89,453	$ 196,909
Claims payable	-0-	-0-	172,185	172,185
Other accrued expenses	310,872	26,000	-0-	336,872
Accrued compensated absences	227,893	-0-	-0-	227,893
Accrued other post employment benefits	596,507	-0-	1,078,016	1,674,523
Deferred revenue	321,235	-0-	-0-	321,235
Customer deposits	6,960	-0-	-0-	6,960
Total liabilities	1,570,923	26,000	1,339,654	2,936,577
Fund Balances				
Unreserved	2,301,795	728,243	2,076,396	5,106,434
Total fund balance	2,301,795	728,243	2,076,396	5,106,434
TOTAL LIABILITIES AND FUND BALANCES	$ 3,872,718	$ 754,243	$ 3,416,050	$ 8,043,011

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, 2010

Fund balance, fund level statement June 30, 2010	$ 5,106,434
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:	
Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:	
Obligations under capital leases	(1,091,861)
Unfunded pension and post retirement obligation	(11,848,201)
Accrued compensated absences	(926,982)
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.	6,469,235
Some assets do not provide current financial resources and are not reported as assets in the fund level statements:	
Reduction in deferred revenue at June 30, 2010	204,235
Net assets of governmental activities	$ (2,087,140)

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, 2010

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes (including interest and penalties)	$ 8,035,442	$ -0-	$ -0-	$ 8,035,442
Licenses and permits	227,851	-0-	-0-	227,851
Intergovernmental:				
Federal	91,901	-0-	302,016	393,917
State	-0-	-0-	118,124	118,124
Charges for services	2,258,554	-0-	-0-	2,258,554
Contributions:				
From employer	-0-	-0-	272,447	272,447
Fines and forfeits	-0-	-0-	400,466	400,466
Donations	-0-	2,938	3,936	6,874
Investment income	1,942	-0-	55,659	57,601
Franchise fees	282,695	-0-	-0-	282,695
Gain (loss) on investments	-0-	255	18,282	18,537
Miscellaneous	215,208	-0-	-0-	215,208
Total revenues	11,113,593	3,193	1,170,930	12,287,716
Expenditures				
General government	1,760,534	-0-	1,632	1,762,166
Public safety	6,000,464	-0-	303,239	6,303,703
Highways and streets	1,114,287	-0-	110,698	1,224,985
Sanitation	1,159,200	-0-	-0-	1,159,200
Culture and recreation	161,400	-0-	-0-	161,400
Social services	1,926	-0-	-0-	1,926
Community development	-0-	211,057	219,538	430,595
Police refunds and remittances	-0-	-0-	9,811	9,811
Retirement of debt service	-0-	300,808	-0-	300,808
Benefit payments	-0-	-0-	37,123	37,123
Total expenditures	10,197,811	511,865	682,041	11,391,717
Excess (deficiency) of revenues over (under) expenditures	915,782	(508,672)	488,889	895,999
Other Financing Sources (Uses)				
Operating transfers in	194,643	1,382,852	4,710	1,582,205
Proceeds from debt service	-0-	-0-	-0-	-0-
Operating transfers (out)	(1,382,852)	(398,944)	(213,288)	(1,995,084)
Total other financing sources (uses)	(1,188,209)	983,908	(208,578)	(412,879)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(272,427)	475,236	280,311	483,120
Fund balance at beginning of year	2,574,222	253,007	1,796,085	4,623,314
Fund balance at end of year	$ 2,301,795	$ 728,243	$ 2,076,396	$ 5,106,434

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, 2010

Net change in fund balances – total governmental funds	$ 483,120
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 depreciation exceeded capital assets in the current period.	(821,811)
Governmental funds do not report loss on disposal of capital assets while governmental activities report loss on disposal of capital assets. This is the loss on disposal of capital assets in the current period	(1,720)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds at June 30, 2010.	
Recognition of deferred income	8,288
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.	
Repayment of obligation under capital lease	262,234
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	(1,497,407)
Change in accrued compensated absences	(3,093)
Change in Net Assets of Governmental Activities	$ (1,570,389)

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
FUND BALANCE SHEETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities					
	Water	Sanitary Sewer Board	Building Commission	Parking	Park Commission	Total
ASSETS						
Current Assets						
Cash	$ 128,061	$ 419,229	$ 34,994	$ 52,042	$ 3,651	$ 637,977
Investments	1,152,651	918,216	199,058	-0-	-0-	2,269,925
Receivables, net of allowances:						
Accounts	693,482	425,221	109,116	4,915	-0-	1,232,734
Other	79,230	9,826	-0-	-0-	3,921	92,977
Interest	737	-0-	224	-0-	-0-	961
Due from (to) other funds	(1,106,613)	265,944	-0-	(2,269)	(3,897)	(846,835)
Prepaid expenses	-0-	225	-0-	-0-	-0-	225
Inventory, at cost	154,346	22,437	-0-	-0-	-0-	176,783
Total current assets	1,101,894	2,061,098	343,392	54,688	3,675	3,564,747
Noncurrent Assets						
Restricted assets	6,155,941	814,640	-0-	-0-	-0-	6,970,581
Capital Assets						
Land	227,647	321,592	744,740	-0-	-0-	1,293,979
Buildings	-0-	-0-	3,770,144	137,440	205,594	4,113,178
Structures and improvements	7,005,781	278,763	4,593,393	-0-	-0-	11,877,937
Transmission and distribution	45,482,069	36,674,479	-0-	-0-	-0-	82,156,548
Machinery and equipment	6,678,765	3,905,735	16,193	139,412	-0-	10,740,105
Construction in progress	2,625,876	-0-	-0-	-0-	-0-	2,625,876
Less: Accumulated depreciation	(23,054,656)	(19,179,332)	(1,153,107)	(155,012)	(26,899)	(43,569,006)
Total capital assets	38,965,482	22,001,237	7,971,363	121,840	178,695	69,238,617
Other Assets						
Unamortized bond discount and issue costs	451,695	145,246	-0-	-0-	-0-	596,941
TOTAL ASSETS	$ 46,675,012	$ 25,022,221	$ 8,314,755	$ 176,528	$ 182,370	$ 80,370,886

	Business-Type Activities					
	Water	Sanitary Sewer Board	Building Commission	Parking	Park Commission	Total
LIABILITIES AND NET ASSETS						
Current Liabilities (payable from current assets)						
Current portion obligation under capital lease	$ 177,992	$ -0-	$ -0-	$ -0-	$ -0-	$ 177,992
Notes payable	151,719	135,734	100,000	-0-	-0-	387,453
Accounts payable	985,307	251,073	-0-	9,327	640	1,246,347
Other accrued expenses	156,859	320,165	-0-	1,156	-0-	478,180
Deferred revenue	-0-	-0-	-0-	-0-	-0-	-0-
Accrued compensated absences	81,493	53,230	-0-	-0-	-0-	134,723
Total current liabilities (payable from current assets)	1,553,370	760,202	100,000	10,483	640	2,424,695
Current Liabilities (payable from restricted assets)						
Revenue bonds payable	1,056,668	1,006,194	201,523	-0-	-0-	2,264,385
Accrued revenue bond interest payable	851,036	-0-	-0-	-0-	-0-	851,036
Accrued interest payable	65	-0-	24,567	-0-	-0-	24,632
Customer deposits	44,850	-0-	-0-	-0-	-0-	44,850
Total current liabilities (payable from restricted assets)	1,952,619	1,006,194	226,090	-0-	-0-	3,184,903
Long-Term Liabilities (net of current portion)						
Revenue bonds payable	36,050,577	6,094,668	4,280,227	-0-	-0-	46,425,472
Obligation under capital lease	340,549	-0-	-0-	-0-	-0-	340,549
Notes payable	758,345	81,218	-0-	-0-	-0-	839,563
Customer advances	-0-	325,411	-0-	-0-	-0-	325,411
Accrued compensated absences	156,743	152,748	-0-	386	-0-	309,877
Total long-term liabilities (net of current portion)	37,306,214	6,654,045	4,280,227	386	-0-	48,240,872
Total liabilities	40,812,203	8,420,441	4,606,317	10,869	640	53,850,470
Net Assets						
Invested in capital assets, net of related debt	429,632	14,683,423	3,389,613	121,840	178,695	18,803,203
Restricted	7,308,592	814,640	-0-	-0-	-0-	8,123,232
Unrestricted	(1,875,415)	1,103,717	318,825	43,819	3,035	(406,019)
Total net assets	5,862,809	16,601,780	3,708,438	165,659	181,730	26,520,416
TOTAL LIABILITIES AND NET ASSETS	$ 46,675,012	$ 25,022,221	$ 8,314,755	$ 176,528	$ 182,370	$ 80,370,886

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, 2010

	Business-Type Activities					
	Water	Sanitary Sewer Board	Building Commission	Parking	Park Commission	Total
Operating Revenues						
Charges for services	$ 8,340,531	$ 4,541,923	$ 100	$ 132,450	$ 2,100	$ 13,017,104
Miscellaneous	202,721	700	-0-	-0-	-0-	203,421
Total operating revenues	8,543,252	4,542,623	100	132,450	2,100	13,220,525
Operating Expenses						
Purchases and materials	27,838	-0-	-0-	-0-	-0-	27,838
Pumping	324,607	642,236	-0-	-0-	-0-	966,843
Treatment and disposal	2,165,669	1,679,469	-0-	-0-	-0-	3,845,138
Billing and collection	580,682	248,348	-0-	-0-	-0-	829,030
General and administrative	445,158	547,496	1,586	-0-	3,792	998,032
Operating expenses	-0-	-0-	-0-	96,235	-0-	96,235
Depreciation	1,626,063	797,072	260,246	6,477	20,215	2,710,073
Total operating expenses	5,170,017	3,914,621	261,832	102,712	24,007	9,473,189
Operating income (loss)	3,373,235	628,002	(261,732)	29,738	(21,907)	3,747,336
Nonoperating Revenues (Expenses)						
Investment income	125,843	10,316	7,998	28	3	144,188
Miscellaneous income	570,370	-0-	-0-	-0-	-0-	570,370
Donations	-0-	-0-	-0-	-0-	-0-	-0-
Gain on disposal of capital assets	-0-	-0-	-0-	-0-	-0-	-0-
Interest and fiscal charges	(1,775,293)	(219,277)	(213,818)	-0-	-0-	(2,208,388)
Amortization of bond discount and issue costs	(48,543)	(11,952)	-0-	-0-	-0-	(60,495)
Total nonoperating revenues (expenses)	(1,127,623)	(220,913)	(205,820)	28	3	(1,554,325)
Income (loss) before nonoperating grants and capital contributions	2,245,612	407,089	(467,552)	29,766	(21,904)	2,193,011
Contributions from other funds	-0-	-0-	415,048	180,376	-0-	595,424
Contributions to other funds	-0-	-0-	-0-	(182,545)	-0-	(182,545)
Nonoperating grants and capital contributions	286,707	45,832	-0-	-0-	18,509	351,048
Change in net assets	2,532,319	452,921	(52,504)	27,597	(3,395)	2,956,938
Total net assets – beginning	3,330,490	16,148,859	3,760,942	138,062	185,125	23,563,478
Total net assets – ending	$ 5,862,809	$ 16,601,780	$ 3,708,438	$ 165,659	$ 181,730	$ 26,520,416

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, 2010

	Business-Type Activities					
	Water	Sanitary Sewer Board	Building Commission	Parking	Park Commission	Total
Cash Flows From Operating Activities						
Receipts from customers	$ 8,474,241	$ 4,622,756	$ 100	$ 130,631	$ 2,100	$ 13,229,828
Receipts from other sources	1,095,913	260,769	415,048	-0-	35,600	1,807,330
Payments to suppliers	(2,466,853)	(1,744,504)	(1,586)	(53,677)	(4,304)	(4,270,924)
Payments to employees	(1,190,644)	(1,278,747)	-0-	(45,050)	-0-	(2,514,441)
Net cash provided by operating activities	5,912,657	1,860,274	413,562	31,904	33,396	8,251,793
Cash Flows From Capital and Related Financing Activities						
(Increase) decrease in restricted assets	(2,610,322)	(27,755)	-0-	-0-	-0-	(2,638,077)
Increase (decrease) in restricted liabilities	(3,300)	(11,944)	-0-	-0-	-0-	(15,244)
Repayment of obligation under capital leases	(164,330)	-0-	-0-	-0-	-0-	(164,330)
Repayment of revenue bonds	(988,751)	(1,006,553)	(191,751)	-0-	-0-	(2,187,055)
Proceeds from revenue bonds	2,413,257	100,851	-0-	-0-	-0-	2,514,108
Proceeds from notes payable	600,946	-0-	-0-	-0-	-0-	600,946
Repayment of notes payable	(234,773)	(139,639)	-0-	-0-	-0-	(374,412)
Interest expense	(1,757,930)	(219,277)	(209,197)	-0-	-0-	(2,186,404)
Net cash (used in) provided by capital and related financing activities	(2,745,203)	(1,304,317)	(400,948)	-0-	-0-	(4,450,468)
Cash Flows From Investing Activities						
(Increase) decrease in investments	-0-	(223,195)	(3,046)	-0-	-0-	(226,241)
Acquisition of capital assets	(3,296,437)	(284,792)	(14,099)	-0-	(60,798)	(3,656,126)
Interest on investments	125,106	10,316	8,831	28	3	144,284
Net cash (used in) provided by investing activities	(3 171,331)	(497,671)	(8,314)	28	(60,795)	(3,738,083)
Net (decrease) increase in cash	(3,877)	58,286	4,300	31,932	(27,399)	63,242
Cash at beginning of year	131,938	360,943	30,694	20,110	31,050	574,735
Cash at end of year	$ 128,061	$ 419,229	$ 34,994	$ 52,042	$ 3,651	$ 637,977

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities					
	Water	Sanitary Sewer Board	Building Commission	Parking	Park Commission	Total
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	$ 3,373,235	$ 628,002	$(261,732)	$ 29,738	$(21,907)	$ 3,747,336
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,626,063	797,072	260,246	6,477	20,215	2,710,073
Contributions (to) from other funds	-0-	-0-	415,048	(2,169)	-0-	412,879
Nonoperating miscellaneous income	570,370	-0-	-0-	-0-	-0-	570,370
Nonoperating grants and contributions	286,707	45,832	-0-	-0-	18,509	351,048
(Increase) decrease in:						
Accounts receivable	(69,011)	80,133	-0-	(2,474)	-0-	8,648
Other receivables	238,836	214,937	-0-	48	13,170	466,991
Due from (to) other funds	224,095	(26,081)	-0-	(250)	3,897	201,661
Prepaid expenses	-0-	934	-0-	-0-	-0-	934
Inventory	(11,679)	(769)	-0-	-0-	-0-	(12,448)
Increase (decrease) in:						
Accounts payable	(429,496)	(170,297)	-0-	1,157	(138)	(598,774)
Other accrued expenses	86,273	274,954	-0-	122	-0-	361,349
Deferred revenue	-0-	-0-	-0-	(655)	(350)	(1,005)
Accrued compensated absences	17,264	15,557	-0-	(90)	-0-	32,731
Net cash provided by operating activities	$ 5,912,657	$ 1,860,274	$ 413,562	$ 31,904	$ 33,396	$ 8,251,793

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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Budget to GAAP Difference	Actual Amounts GAAP Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues						
Taxes (including interest and penalties)	$ 7,810,724	$ 7,777,124	$ 8,035,442	$ 8,288	$ 8,043,730	$ 258,318
Licenses and permits	184,500	265,500	227,851	-0-	227,851	(37,649)
Charges for services	2,312,895	2,301,210	2,258,554	-0-	2,258,554	(42,656)
Donations	-0-	2,500	-0-	-0-	-0-	(2,500)
Interest	1,000	1,950	1,942	-0-	1,942	(8)
Franchise fees	270,000	270,000	282,695	-0-	282,695	12,695
Intergovernmental:						
State	37,335	42,000	91,901	-0-	91,901	49,901
Federal	-0-	33,872	-0-	-0-	-0-	(33,872)
Miscellaneous	123,000	162,123	215,208	(1,722)	213,486	53,085
Total revenues	10,739,454	10,856,279	11,113,593	6,566	11,120,159	257,314
Expenditures						
General government	1,495,294	1,761,388	1,760,534	77,887	1,838,421	854
Public safety	5,730,026	6,228,479	6,000,464	649,931	6,650,395	228,015
Highways and streets	1,048,127	1,180,789	1,114,287	1,138,691	2,252,978	66,502
Sanitation	1,142,002	1,159,681	1,159,200	-0-	1,159,200	481
Culture and recreation	121,225	158,049	161,400	6,880	168,280	(3,351)
Social services	2,780	2,840	1,926	-0-	1,926	914
Total expenditures	9,539,454	10,491,226	10,197,811	1,873,389	12,071,200	293,415
(Deficiency) excess of revenues (under) over expenditures	1,200,000	365,053	915,782	(1,866,823)	(951,041)	550,729
Other Financing Sources (Uses)						
Operating transfers in	190,000	196,273	194,643	-0-	194,643	(1,630)
Operating transfers (out)	(1,390,000)	(1,390,000)	(1,382,852)	-0-	(1,382,852)	7,148
Total other financing sources (uses)	(1,200,000)	(1,193,727)	(1,188,209)	-0-	(1,188,209)	5,518
Net change in fund balance	-0-	(828,674)	(272,427)	(1,866,823)	(2,139,250)	556,247
Fund balance at beginning of year	-0-	828,674	2,574,222	(6,375,747)	(3,801,525)	1,745,548
Fund balance at end of year	$ -0-	$ -0-	$ 2,301,795	$ (8,242,570)	$ (5,940,775)	$ 2,301,795

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, 2010

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, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Budget to GAAP Difference	Actual Amounts GAAP Basis	Variance With Final Budget Favorable (Unfavorable)
Revenues						
Interest	$ 700	$ -0-	$ 14	$ -0-	$ 14	$ 14
Intergovernmental:						
State	73,000	88,231	90,977	-0-	90,977	2,746
Total revenues	73,700	88,231	90,991	-0-	90,991	2,760
Expenditures						
Highways and streets	73,700	127,716	107,734	-0-	107,734	19,982
Total expenditures	73,700	127,716	107,734	-0-	107,734	19,982
(Deficiency) excess of revenues (under) over expenditures	-0-	(39,485)	(16,743)	-0-	(16,743)	22,742
Other Financing Sources (Uses)						
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers (out)	-0-	-0-	-0-	-0-	-0-	-0-
Total other financing sources (uses)	-0-	-0-	-0-	-0-	-0-	-0-
Net change in fund balance	-0-	(39,485)	(16,743)	-0-	(16,743)	22,742
Fund balance at beginning of year	-0-	39,485	39,485	-0-	39,485	-0-
Fund balance at end of year	$ -0-	$ -0-	$ 22,742	$ -0-	$ 22,742	$ 22,742

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
FIDUCIARY RESONSIBILITIES
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total
Assets			
Cash	$ 50,181	$ 79,375	$ 129,556
Investments	3,309,336	1,785,216	5,094,552
Receivables:			
Other	3,295	3,295	6,590
Interest	9,793	9,766	19,559
Total assets	3,372,605	1,877,652	5,250,257
Liabilities			
Accounts payable	3,978	7,126	11,104
Net Assets			
Held in trust for pension benefits	$ 3,368,627	$ 1,870,526	$ 5,239,153

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, 2010

	Policemen's Pension and Relief	Firemen's Pension and Relief	Total
Additions			
Contributions:			
Employer	$ 482,672	$ 652,440	$ 1,135,112
Employees	98,961	142,236	241,197
Insurance premium tax allocation	348,503	430,004	778,507
Net contributions	930,136	1,224,680	2,154,816
Investment income:			
Net appreciation in fair value of investments	21,418	148,642	170,060
Interest income and dividends	125,225	69,841	195,066
Capital gains	153,276	2,540	155,816
Net investment income	299,919	221,023	520,942
Miscellaneous	-0-	20	20
Total additions	1,230,055	1,445,723	2,675,778
Deductions			
General and administrative	2,877	5,794	8,671
Benefit payments	1,032,867	1,462,620	2,495,487
Total deductions	1,035,744	1,468,414	2,504,158
Net increase (decrease)	194,311	(22,691)	171,620
Net assets – beginning of year	3,174,316	1,893,217	5,067,533
Net assets – end of year	$ 3,368,627	$ 1,870,526	$ 5,239,153

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, 2010

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, 2010.

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.

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.

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 then 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 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.

(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, 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 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.

(f) Receivables

All receivables are shown net of allowance for uncollectibles.

(g) Capital Assets

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. 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.

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 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

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.

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) 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.

(m) 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, 2010 was $60,495.

(n) 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.

(o) 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.

(p) 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."

(q) 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.

(r) 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.

(s) 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.

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, 2010. 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.

Non-Pooled Deposits	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
General Fund	$ 1,875,586	$ 138,570	$ 1,737,016	$ -0-	$ 1,327,494
Special Revenue Funds	491,463	55,292	436,171	-0-	495,305
Capital Project Funds	456,075	33,695	422,380	-0-	456,075
Enterprise Funds	619,941	81,692	538,249	-0-	637,977
Total deposits	$ 3,443,065	$ 309,249	$ 3,133,816	$ -0-	$ 2,916,851

	Bank Balance	Category 1	2	3	Carrying Amount
Fiduciary Funds	$ 129,556	$ 129,556	$ -0-	$ -0-	$ 129,556

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, 2010. 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.

Type of Investments	Category 1	Category 2	Category 3	Market Value	Cost
Cash equivalents	$ 2,879,840	$ -0-	$ -0-	$ 2,879,840	$ 2,879,840
Certificates of deposit	1,485,431	-0-	-0-	1,485,431	1,484,000
Mutual funds	2,369,223	-0-	-0-	2,369,223	2,387,632
Total investments	$ 6,734,494	$ -0-	$ -0-	6,734,494	6,751,472
Investments in municipal bond commission				5,459,523	5,459,523
Total investments				$ 12,194,017	$ 12,210,995

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

Investments	$ 4,063,611
Restricted assets	8,130,406
Total investments	$ 12,194,017

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, 2010, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2010, the City had the following investments:

		Credit Risk Rating	
Investment Type	Fair Value	Standard & Poor's and Fitch	Moody's Investment Services
Money Market	$ 2,879,840	AAA	AAA
Mutual funds	$ 2,369,223	AAA	AAA
Certificates of deposit	$ 1,485,431	N/A	N/A

Interest Rate Risk

As of June 30, 2010, the City had the following investments and maturities exposed to interest rate risk.

Investment Type	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
Certificates of deposit	$ 1,485,431	$ 1,435,431	$ 50,000	$ -0-	$ -0-

Fiduciary Funds

	Category			Market	
Type of Investments	1	2	3	Value	Cost
Money Market	$ 14,783	$ -0-	$ -0-	$ 14,783	$ 14,783
Mutual funds	3,164,831	-0-	-0-	3,164,831	3,254,509
Certificates of deposit	1,001,497	-0-	-0-	1,001,497	970,000
Corporate bonds and notes	809,532	-0-	-0-	809,532	849,000
Corporate stocks	98,365	-0-	-0-	98,365	209,982
U.S. Government obligations	5,544	-0-	-0-	5,544	6,616
Total investments	$ 5,094,552	$ -0-	$ -0-	$ 5,094,552	$ 5,304,890

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.

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, 2010, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2010, the City had the following investments:

		Credit Risk Rating	
Investment Type	Fair Value	Standard & Poor's and Fitch	Moody's Investment Services
Money Market	$ 14,783	AAA	AAA
Mutual funds	$ 3,164,831	AAA	AAA
Certificates of deposit	$ 1,001,497	N/A	N/A
Corporate bonds and notes	$ 809,532	BB+ – AAA	BAA2 – A3
Corporate stocks	$ 98,365	N/A	N/A
U.S. Government obligations	$ 5,544	AAA	AAA

Interest Rate Risk

As of June 30, 2010, the City had the following investments and maturities exposed to interest rate risk.

Investment Type	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
Certificates of deposit	$ 1,001,497	$ 512,972	$ 488,525	$ -0-	$ -0-
Corporate bonds and notes	$ 809,532	$ 158,737	$ 551,106	$ -0-	$ 99,689
Federal obligations	$ 5,544	$ 452	$ 2,795	$ -0-	$ 2,297

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 distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and 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.

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, 2010 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense
Class I	$ -0-	10.98¢
Class II	$ 249,227,912	21.96¢
Class IV	$ 285,960,080	43.92¢

4. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-depreciable Assets				
Land	$ 149,635	$ -0-	$ -0-	$ 149,635
Total non-depreciable assets	149,635	-0-	-0-	149,635
Depreciable Assets				
Buildings	971,258	-0-	-0-	971,258
Land improvements	530,906	-0-	-0-	530,906
Machinery and equipment	1,410,021	3,056	3,462	1,409,615
Building improvements	132,354	-0-	-0-	132,354
Office furniture and equipment	601,423	15,210	795	615,838
Vehicles	4,718,951	106,547	395,956	4,429,542
Infrastructure	30,010,930	160,751	10,736	30,160,945
Totals at historical cost	38,375,843	285,564	410,949	38,250,458
Less: Accumulated depreciation				
Buildings	663,452	13,813	-0-	677,265
Land improvements	75,859	26,290	-0-	102,149
Machinery and equipment	954,950	95,759	1,742	1,048,967
Building improvements	41,284	8,165	-0-	49,449
Office furniture and equipment	366,418	41,708	795	407,331
Vehicles	3,109,799	297,236	395,956	3,011,079
Infrastructure	26,020,950	624,404	10,736	26,634,618
Total accumulated depreciation	31,232,712	1,107,375	409,229	31,930,858
Total depreciable assets	7,143,131	(821,811)	1,720	6,319,600
Governmental activities capital assets, net	$ 7,292,766	$ (821,811)	$ 1,720	$ 6,469,235

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Non-depreciable Assets				
Land	$ 1,293,162	$ 817	$ -0-	$ 1,293,979
Construction in progress	11,070,416	3,068,889	11,513,429	2,625,876
Total non-depreciable assets	12,363,578	3,069,706	11,513,429	3,919,855
Depreciable Assets				
Buildings	3,966,123	147,055	-0-	4,113,178
Structures and improvements	11,861,111	16,826	-0-	11,877,937
Transmission and distribution	70,780,352	11,376,196	-0-	82,156,548
Machinery and equipment	10,528,711	213,494	2,100	10,740,105
Totals at historical cost	97,136,297	11,753,571	2,100	108,887,768
Less: Accumulated depreciation				
Buildings	338,449	132,803	-0-	471,252
Structures and improvements	2,454,025	296,402	-0-	2,750,427
Transmission and distribution	33,692,235	1,877,805	-0-	35,570,040
Machinery and equipment	4,376,324	403,063	2,100	4,777,287
Total accumulated depreciation	40,861,033	2,710,073	2,100	43,569,006
Total depreciable assets	56,275,264	9,043,498	-0-	65,318,762
Business type activities capital assets, net	$ 68,638,842	$ 12,113,204	$ 11,513,429	$ 69,238,617

Depreciation expense was charged to governmental activities as follows:

General government	$ 128,823
Public safety	296,244
Highways and streets	676,584
Culture and recreation	5,724
Total depreciation expense	$ 1,107,375

5. Long-Term Debt

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Governmental Activities						
Obligation under capital lease	$ 1,354,095	$ -0-	$ 262,234	$ 1,091,861	$ 254,685	$ 837,176
Compensated absences	1,146,956	7,919	-0-	1,154,875	227,893	926,982
Net pension obligation	10,350,794	1,497,407	-0-	11,848,201	-0-	11,848,201
Governmental activities long-term liabilities	$ 12,851,845	$ 1,505,326	$ 262,234	$ 14,094,937	$ 482,578	$ 13,612,359

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, 2010:

Fiscal Year Ending June 30,	
2011	$ 41,987
2012	41,987
2013	41,987
2014	41,987
2015	41,987
	209,935
Less: Amount representing interest	29,099
Present value of future minimum lease payments	$ 180,836

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, 2010:

Fiscal Year Ending June 30,	
2011	$ 2,954
2012	2,954
2013	246
	6,154
Less: Amount representing interest	-0-
Present value of future minimum lease payments	$ 6,154

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, 2010:

Fiscal Year Ending June 30,	
2011	$ 99,364
2012	99,364
2013	99,364
2014	99,364
2015	99,364
2016	99,364
2017	99,364
	695,548
Less: Amount representing interest	112,802
Present value of future minimum lease payments	$ 582,746

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 DI245. 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, 2010:

Fiscal Year Ending June 30,	
2011	$ 5,652
2012	5,652
2013	3,768
	15,072
Less: Amount representing interest	-0-
Present value of future minimum lease payments	$ 15,072

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, 2010:

Fiscal Year Ending June 30,	
2011	$ 79,986
2012	73,321
	153,307
Less: Amount representing interest	4,784
Present value of future minimum lease payments	$ 148,523

The General Fund of the City of Fairmont entered into a lease agreement on October 30, 2008 for the acquisition of public works 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, 2010:

Fiscal Year Ending June 30,	
2011	$ 67,328
2012	67,328
2013	22,443
	157,099
Less: Amount representing interest	8,019
Present value of future minimum lease payments	$ 149,080

The General Fund of the City of Fairmont entered into a lease agreement on December 13, 2008 for the acquisition of a copier for City Hall. 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, 2010:

Fiscal Year Ending June 30,	
2011	$ 2,700
2012	2,700
2013	2,700
2014	1,350
	9,450
Less: Amount representing interest	-0-
Present value of future minimum lease payments	$ 9,450

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, 2010:

Fiscal Year Ending June 30,	
2011	$ 299,971
2012	293,306
2013	170,508
2014	142,701
2015	141,351
2016	99,364
2017	99,364
	1,246,565
Less: Amount representing interest	154,704
Present value of future minimum lease payments	1,091,861
Less: Current portion	254,685
Non-current portion	$ 837,176

The following is a summary of bonds payable at June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Business-Type Activities						
Bonds and notes payable:						
1988 Sewerage Bonds	$ 2,275,000	$ -0-	$ 760,000	$ 1,515,000	$ 755,000	$ 760,000
1997 Waterworks Refunding Bonds	4,400,000	-0-	790,000	3,610,000	830,000	2,780,000
1998 Water Revenue Bonds	8,820,000	-0-	130,000	8,690,000	135,000	8,555,000
1999 Water Revenue Bonds	19,945,000	-0-	-0-	19,945,000	-0-	19,945,000
2003 Sewerage Bonds	408,650	-0-	16,188	392,462	16,188	376,274
2007 Sewerage Bonds	5,322,914	100,851	230,365	5,193,400	235,006	4,958,394
2008A Water Revenue Bonds	2,517,739	101,585	68,751	2,550,573	91,668	2,458,905
Veterans Plaza Parking Garage Series 1999	328,852	-0-	57,347	271,505	60,733	210,772
Municipal Building Lease Revenue Bonds Series B	310,947	-0-	48,992	261,955	51,025	210,930
Municipal Building Lease Revenue Bonds Series A	2,881,343	-0-	36,202	2,845,141	37,462	2,807,679
Municipal Building Lease Revenue Bonds Series 2005	1,152,359	-0-	49,210	1,103,149	52,303	1,050,846
2009 Bond Anticipation Note	102,273	-0-	102,273	-0-	-0-	-0-
West Virginia Housing Development Fund	100,000	-0-	-0-	100,000	100,000	-0-
Chase Bank	434,831	-0-	51,509	383,322	75,416	307,906
Chase Bank	348,391	-0-	131,439	216,952	135,734	81,218
Monongahela Valley Bank	12,987	-0-	12,987	-0-	-0-	-0-
2010A Water Revenue Bonds	-0-	155,836	-0-	155,836	-0-	155,836
2010B Water Revenue Bonds	-0-	155,836	-0-	155,836	-0-	155,836
2010C Water Revenue Bonds	-0-	2,000,000	-0-	2,000,000	-0-	2,000,000
2010D Water Revenue Bonds	-0-	-0-	-0-	-0-	-0-	-0-
Page Valley Bank	-0-	600,946	74,204	526,742	76,303	450,439
Total bonds and notes payable	49,361,286	3,115,054	2,559,467	49,916,873	2,651,838	47,265,035
Other Long-Term Debt						
Obligation under capital lease	682,871	-0-	164,330	518,541	177,992	340,549
Customer advances	337,355	-0-	11,944	325,411	-0-	325,411
Accrued compensated absences	411,869	32,731	-0-	444,600	134,723	309,877
Total other long-term debt	1,432,095	32,731	176,274	1,288,552	312,715	975,837
Total long-term debt	$ 50,793,381	$ 3,147,785	$ 2,735,741	$ 51,205,425	$ 2,964,553	$ 48,240,872

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.

Year	Amount	Effective Yield
2011	$ 755,000	7.75
2012	760,000	7.75
	$ 1,515,000	

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 2010 was $555,188.

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.

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.

Maturity	Principal Amount	Interest Rate
2011	$ 830,000	5.350%
2012	875,000	5.300%
2013	925,000	5.500%
2014	980,000	5.375%
	$ 3,610,000	

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, 2010 was $934,212.

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.

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.

Maturity	Principal Amount	Interest Rate
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	3,445,000	4.75%
	$ 8,690,000	

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, 2010 was $1,177,383.

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.

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.

Maturity	Principal Amount	Interest Rate
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	8,365,000	5.00%
	$ 19,945,000	

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, 2010 was $2,378,306.

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.

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:

Year Ending June 30,	Principal	Interest	Total
2011	$ 16,188	$ -0-	$ 16,188
2012	16,188	-0-	16,188
2013	16,188	-0-	16,188
2014	16,188	-0-	16,188
2015	16,188	-0-	16,188
2016 – 2020	80,920	-0-	80,920
2021 – 2025	80,920	-0-	80,920
2026 – 2030	80,920	-0-	80,920
2031 – 2035	68,762	-0-	68,762
Total	$ 392,462	$ -0-	$ 392,462

f. Sewer Revenue Bonds Series 2007

Series 2007 Sewer Revenue Bonds in the amount of $5,577,760 are being issued pursuant to an ordince 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.

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

Year Ending June 30,	Principal	Interest	Total
2011	$ 235,006	$ 104,056	$ 339,062
2012	239,742	99,320	339,062
2013	244,573	94,489	339,062
2014	249,501	89,561	339,062
2016	254,529	84,533	339,062
2016 – 2020	1,351,675	343,635	1,695,310
2021 – 2025	1,480,705	214,605	1,695,310
2026 – 2029	1,137,669	35,431	1,173,100
Total	$ 5,193,400	$ 1,065,630	$ 6,259,030

g. Water Revenue Bonds Series 2008A

The Series 2008A bonds were issued by the City in order to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks system of the City of Fairmont, (ii) to fully fund the Series 2008A Bonds Reserve Account; and (iii) to pay certain costs of issuance hereof and related costs.

The 2008A bonds are secured by a lien on and pledge of the net revenues derived from the operations of the System. These bonds are insured by the Municipal Bond Insurance Association unconditionally guaranteeing the timely payment of principal and interest on the 2008A Series Bonds.

The Series 2008A bonds shall be redeemable prior to their stated dates of maturity upon written consent of the West Virginia Water Development Authority and the West Virginia Bureau for Public Health and upon payment of the redemption premium.

As required by the 2008A 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, 2010 was $101,148.

No additional payments are required to be made into the sinking fund when the aggregate amount in the sinking fund, including the reserve, 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.

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

Year Ending June 30,	Principal	Interest	Total
2011	$ 91,668	$ -0-	$ 91,668
2012	91,668	-0-	91,668
2013	91,668	-0-	91,668
2014	91,668	-0-	91,668
2015	91,668	-0-	91,668
2016 – 2020	458,340	-0-	458,340
2021 – 2025	458,340	-0-	458,340
2026 – 2030	458,340	-0-	458,340
2031 – 2035	458,340	-0-	458,340
2036 – 2039	258,873	-0-	258,873
Total	$ 2,550,573	$ -0-	$ 2,550,573

h. 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:

Year Ending June 30,	Principal	Interest	Total
2011	$ 60,732	$ 14,028	$ 74,760
2012	64,318	10,442	74,760
2013	68,115	6,645	74,760
2014	72,137	2,623	74,760
2015	6,203	29	6,232
Total	$ 271,505	$ 33,767	$ 305,272

i. 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:

Year Ending June 30,	Principal	Interest	Total
2011	$ 51,025	$ 9,722	$ 60,747
2012	53,142	7,605	60,747
2013	55,347	5,400	60,747
2014	57,642	3,105	60,747
2015	44,799	761	45,560
Total	$ 261,955	$ 26,593	$ 288,548

j. 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:

Year Ending June 30,	Principal	Interest	Total
2011	$ 37,462	$ 120,194	$ 157,656
2012	39,085	118,571	157,656
2013	40,779	116,877	157,656
2014	42,546	115,110	157,656
2015	44,390	113,266	157,656
2016 – 2020	252,529	535,751	788,280
2021 – 2025	312,204	476,076	788,280
2026 – 2030	385,977	402,303	788,280
2031 – 2035	477,184	311,096	788,280
2036 – 2040	589,944	198,336	788,280
2041 – 2045	623,041	60,240	683,281
Total	$ 2,845,141	$ 2,567,820	$ 5,412,961

k. 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, 2009 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:

Year Ending June 30,	Principal	Interest	Total
2011	$ 52,303	$ 55,481	$ 107,784
2012	55,056	52,728	107,784
2013	57,953	49,831	107,784
2014	61,003	46,781	107,784
2015	64,213	43,571	107,784
2016 – 2020	375,459	163,461	538,920
2021 – 2025	437,162	54,118	491,280
Total	$ 1,103,149	$ 465,971	$ 1,569,120

1. 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:

Anniversary Date	Percent
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.

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

m. 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, 2010 is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 75,416	$ 15,532	$ 90,948
2012	78,841	12,107	90,948
2013	82,422	8,526	90,948
2014	86,166	4,782	90,948
2015	60,477	1,025	61,502
Total	$ 383,322	$ 41,972	$ 425,294

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.

Year Ending June 30,	Principal	Interest	Total
2011	$ 135,734	$ 4,995	$ 140,729
2012	81,218	874	82,092
Total	$ 216,952	$ 5,869	$ 222,821

n. Water Revenue Bonds Series 2010A – West Virginia DWTRF Program

Water Revenue Bonds Series 2010A – West Virginia DWTRF Program Bonds in the amount of $4,447,618 were issued pursuant to an ordinance enacted by the City of Fairmont on December 15, 2009 and supplemented by a resolution adopted on January 15, 2010. The bonds were sold to the West Virginia Water Development Authority and mature serially through December 1, 2041 and bear interest at 0%.

The Series 2010A bonds were issued by the City in order to (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer; and (ii) to pay certain costs of issuance of the Bonds and related costs.

The 2010A bonds were secured by a lien on and pledge of the net revenues derived from the operation of the system. The bond is issued on a parity with respect to the liens, pledges and source of and security for payment of prior issued Water Revenue Bonds of the City of Fairmont.

The bond may be redeemed prior to is stated date of maturity in whole or in part, but only with the express written consent of the West Virginia Water Development Authority and the West Virginia Bureau for Public Heath and upon the terms and conditions prescribed by, and otherwise in compliance with, the ARRA Assistance Agreement by and between the Issuer and the Authority, on behalf of the West Virginia Bureau for Public Health, dated January 21, 2010.

As required by the 2010 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. The sinking fund account balance at June 30, 2010 was $-0-.

At June 30, 2010 the City of Fairmont had drawn down $155,836 of this bond issue.

The following is a schedule of future debt retirement based on current financing arrangement.

Year Ending June 30,	Principal	Interest
2011	$ -0-	$ -0-
2012	74,128	-0-
2013	81,708	-0-
Total	$ 155,836	$ -0-

o. Water Revenue Bonds Series 2010B – West Virginia DWTRF Program/ARRA

Water Revenue Bonds Series 2010B – West Virginia DWTRF Program/ARRA Bonds in the amount of $4,447,618 were issued pursuant to an ordinance enacted by the City of Fairmont on December 15, 2009 and supplemented by a resolution adopted on January 15, 2010. The bonds were sold to the West Virginia Water Development Authority and mature serially through December 1, 2021 and bear interest at 0%. Principal installments of this Bond are forgiven quarterly.

The Series 2010B bonds were issued by the City in order to (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer; and (ii) to pay certain costs of issuance of the Bonds and related costs.

The 2010B bonds were secured by a lien on and pledge of the net revenues derived from the operation of the system. The bond is issued on a parity with respect to the liens, pledges and source of and security for payment of prior issued Water Revenue Bonds of the City of Fairmont.

The bond may be redeemed prior to is stated date of maturity in whole or in part, but only with the express written consent of the West Virginia Water Development Authority and the West Virginia Bureau for Public Heath and upon the terms and conditions prescribed by, and otherwise in compliance with, the ARRA Assistance Agreement by and between the Issuer and the Authority, on behalf of the West Virginia Bureau for Public Health, dated January 21, 2010.

As required by the 2010 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. The sinking fund account balance at June 30, 2010 was $-0-.

At June 30, 2010 the City of Fairmont had drawn down $155,836 of this bond issue.

The following is a schedule of future debt retirement based on current financing arrangement.

Year Ending June 30,	Principal	Interest
2011	$ -0-	$ -0-
2012	155,836	-0-
Total	$ 155,836	$ -0-

p. Water Revenue Bonds Series 2010C – West Virginia Development Authority

Water Revenue Bonds Series 2010C – West Virginia Water Development Authority Bonds in the amount of $2,000,000 were issued pursuant to an ordinance enacted by the City of Fairmont on December 15, 2009 and supplemented by a resolution adopted on January 15, 2010. The bonds were sold to the West Virginia Water Development Authority and mature serially through October 1, 2031 and bear interest at 5%.

The Series 2010C bonds were issued by the City in order to (i) pay prior notes; (ii) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer; (iii) pay interest on the Series 2010C bonds during the construction of the project and for not more than 6 months thereafter; and (iv) pay certain costs of issuance hereof and related costs.

The 2010C bonds were secured by a lien on and pledge of the net revenues derived from the operation of the system. The bond is issued on a parity with respect to the liens, pledges and source of and security for payment of prior issued Water Revenue Bonds of the City of Fairmont.

The bond may be redeemed prior to is stated date of maturity in whole or in part, but only with the express written consent of the West Virginia Water Development Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the agreement between the City of Fairmont and the West Virginia Water Development Authority dated January 21, 2010.

As required by the 2010 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. The sinking fund account balance at June 30, 2010 was $200,040.

The following is a schedule of future debt retirement based on current financing arrangement.

Year Ending June 30,	Principal	Interest
2011	$ -0-	$ 100,000
2012	-0-	100,000
2013	60,485	98,488
2014	63,509	95,388
2015	66,685	92,133
2016	70,019	93,716
2017	73,520	85,128
2018	77,196	81,360
2019	81,056	77,403
2020	85,109	73,249
2021	89,364	68,887
2022	93,832	64,307
2023	98,524	59,499
2024	103,450	54,449
2025	108,623	49,147
2026	114,054	43,580
2027	119,757	37,734
2028	125,744	31,597
2029	132,032	25,153
2030	138,633	18,386
2031	145,565	11,281
2032	152,843	3,821
Total	$ 2,000,000	$ 1,364,706

q. Water Revenue Bonds Series 2010D – West Virginia Infrastructure Fund

Water Revenue Bonds Series 2010D – West Virginia Infrastructure Fund Bonds in the amount of $1,250,104 were issued pursuant to an ordinance enacted by the City of Fairmont on December 15, 2009 and supplemented by a resolution adopted on January 15, 2010. The bonds were sold to the West Virginia Water Development Authority on behalf of the West Virginia Infrastructure Fund and mature serially through December 1, 2049 and bear interest at 0%.

The Series 2010D bonds were issued by the City in order to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the public waterworks system of the City; and (ii) to pay certain costs of issuance hereof and related costs.

The 2010D bonds were secured by a lien on and pledge of the net revenues derived from the operation of the system. The bond is issued on a parity with respect to the liens, pledges and source of and security for payment of prior issued Water Revenue Bonds of the City of Fairmont.

The bond may be redeemed prior to is stated date of maturity in whole or in part, but only with the express written consent of the West Virginia Development Authority and the West Virginia Infrastructure and Jobs Development Council and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the City of Fairmont and the West Virginia Water Development Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council dated January 21, 2010.

As required by the 2010 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. The sinking fund account balance at June 30, 2010 was $-0-.

At June 30, 2010 the City of Fairmont had drawn down $-0- of this bond issue.

r. Page Valley Bank

On September 9, 2009, the Water Fund of hthe City of Fairmont borrowed funds from Page Valley Bank through Comvest to finance the 2009 train #5 expansion. The loan bears interest at a rate of 4.60% and is payable in monthly installments of $8,245.

Future debt retirement based on current financing arrangements at June 30, 2010 is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 76,303	$ 22,635	$ 98,938
2012	79,888	19,050	98,938
2013	83,642	15,296	98,938
2014	87,571	11,367	98,938
2015	91,686	7,252	98,938
2016	95,993	2,945	98,938
2017	11,659	45	11,704
Total	$ 526,742	$ 78,590	$ 605,332

s. 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, 2010:

Year ending June 30,	
2011	$ 188,654
2012	188,654
2013	172,933
Minimum required lease payments	550,241
Less: Amount representing interest	31,700
Present value of minimum lease payment	$ 518,541
Current portion	$ 177,992
Non-current portion	340,549
	$ 518,541

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:

	Public Employees' Retirement System (PERS)
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	11.00%
Period required to vest	5 years
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	No
Death Benefits	Yes

Trend Information

Public Employees' Retirement System (PERS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2010	$ 392,849	100%
2009	$ 385,146	100%
2008	$ 377,897	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.

Funding Policy: The City's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the City contributed $-0- 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 OPEB cost		$ 510,426
Contributions made		-0-
Increase (decrease) in net OPEB obligation		510,426
Net OPEB obligation (asset) beginning of year		567,590
Net OPEB obligation (asset) end of year		$ 1,078,016
Actuarial valuation date	6/30/2007	
Actuarial cost method	Entry age	
Amortization method	Level dollar	
Asset valuation method	Smoothed market approach	
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

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2010	$ 510,426	0%	$ 1,078,016
June 30, 2009	$ 342,301	0%	$ 567,590
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)	50
Total	110

Current employees:

Vested and nonvested:	
Firemen	41
Policemen	34
Total	75

	Policemen's Pension Plan	Firemen's Pension Plan
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.	8.5% 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.

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

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

(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, 2010, was $444,967 and $348,503 was provided by the insurance premium tax allocation, for a total contribution of $793,470.

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, 2010.

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.

(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, 2010, was $614,735 and $430,004 was provided by the insurance premium tax allocation, for a total contribution of $1,044,739.

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, 2010.

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.

8. Lease

City of Fairmont is the lessor of land under an operating lease with an original lease term of 30 years expiring in 2014. 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, 2010 for each of the next five years are:

Year Ended June 30,	Amount
2011	$ 12,000
2012	12,000
2013	12,000
2014	12,000
Total	$ 48,000

9. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2010 for fund financial:

	Due From Other Funds	Due to Other Funds
General Fund	$ 589,005	$ -0-
Special Revenue Funds		
Coal Severance Fund	-0-	10,000
Bureau of Justice Fund	2,132	-0-
Police Fund	-0-	29,252
Police Investigating Fund	5,927	-0-
Economic Development Grant Fund	-0-	8,895
Capital Project Funds		
Capital Reserve Fund	298,168	-0-
Sharon Steel Redevelopment Fund	-0-	250
Enterprise Funds		
Water Fund	-0-	1,106,613
Sanitary Sewer Fund	265,944	-0-
Parking Fund	-0-	2,269
Park Commission Fund	-0-	3,897
Total	$ 1,161,176	$ 1,161,176

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, 2010:

Operating revenues	$ 4,542,623
Operating expenses	3,914,621
Operating income	628,002
Add: Depreciation expense	797,072
Interest income	10,316
Amount available for debt service and capital expenditures	$ 1,435,390
Maximum annual debt service	$ 1,110,250
Calculated debt service coverage factor	1.29
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, 2010.

The debt service coverage factor for the Water Fund has been calculated as follows for the year ended June 30, 2010:

Operating revenues	$ 8,543,252
Operating expenses	5,170,017
Operating income	3,373,235
Add: Depreciation expense	1,626,063
Interest income	125,843
Amount available for debt service and capital expenditures	$ 5,125,141
Maximum annual debt service	$ 3,054,525
Calculated debt service coverage factor	1.68
Required debt service coverage factor	1.20

Based on this calculation, it appears that the Water Fund was in compliance with the provisions set forth in its bond ordinances as of June 30, 2010.

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.

13. Subsequent Events

The City has considered all subsequent events through January 31, 2011, the date the financial statements were made available.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRMONT, WEST VIRGINIA
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. Schedules of Funding Progress

Policemen's Pension and Relief Fund (PPFR)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % Covered Payroll (b – a) / c
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)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % Covered Payroll (b – a) / c
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, 2010

	Special Revenue Funds	Capital Project Funds	Total
ASSETS			
Cash	$ 495,305	$ -0-	$ 495,305
Investments	2,852,748	-0-	2,852,748
Receivables:			
Other	105,177	250	105,427
Interest	2,908	-0-	2,908
Due from (to):			
Other funds	(40,088)	(250)	(40,338)
TOTAL ASSETS	$ 3,416,050	$ -0-	$ 3,416,050
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 89,453	$ -0-	$ 89,453
Claims payable	172,185	-0-	172,185
Accrued other post employment benefits	1,078,016	-0-	1,078,016
Total liabilities	1,339,654	-0-	1,339,654
Fund Balances			
Unreserved	2,076,396	-0-	2,076,396
Total fund balances	2,076,396	-0-	2,076,396
TOTAL LIABILITIES AND FUND BALANCES	$ 3,416,050	$ -0-	$ 3,416,050

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, 2010

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Intergovernmental:			
Federal	$ 302,016	$ -0-	$ 302,016
State	118,124	-0-	118,124
Contributions:			
From employer	272,447	-0-	272,447
Fines and forfeits	400,466	-0-	400,466
Donations	2,883	1,053	3,936
Investment income	55,659	-0-	55,659
Gain (loss) on investments	18,282	-0-	18,282
Total revenues	1,169,877	1,053	1,170,930
Expenditures			
General government	1,632	-0-	1,632
Public safety	303,239	-0-	303,239
Highways and streets	110,698	-0-	110,698
Community development	218,485	1,053	219,538
Police refunds and remittances	9,811	-0-	9,811
Benefit payments	37,123	-0-	37,123
Total expenditures	680,988	1,053	682,041
(Deficiency) excess of revenues (under) over expenditures	488,889	-0-	488,889
Other Financing Sources (Uses)			
Operating transfers in	4,710	-0-	4,710
Operating transfers (out)	(213,288)	-0-	(213,288)
Total other financing sources (uses)	(208,578)	-0-	(208,578)
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	280,311	-0-	280,311
Fund balance beginning of year	1,796,085	-0-	1,796,085
Fund balance end of year	$ 2,076,396	$ -0-	$ 2,076,396

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, 2010

	Coal Severance Fund	HUD 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	Economic Development Grant Fund	Total
ASSETS												
Cash	$ 6,868	$ -0-	$ -0-	$ 5,116	$ -0-	$ 371,172	$ 40,505	$ 62,742	$ 5	$ -0-	$ 8,897	$ 495,305
Investments	-0-	-0-	-0-	4,315	711,729	1,058,688	-0-	-0-	-0-	1,078,016	-0-	2,852,748
Receivable:												
Other	25,874	-0-	35,696	-0-	-0-	-0-	-0-	267	-0-	-0-	43,340	105,177
Interest	-0-	-0-	-0-	-0-	375	975	-0-	-0-	-0-	1,558	-0-	2,908
Due from (to):												
Other funds	(10,000)	-0-	2,132	-0-	-0-	-0-	(29,252)	5,927	-0-	-0-	(8,895)	(40,088)
TOTAL ASSETS	$ 22,742	$ -0-	$ 37,828	$ 9,431	$ 712,104	$ 1,430,835	$ 11,253	$ 68,936	$ 5	$ 1,079,574	$ 43,342	$ 3,416,050
LIABILITIES AND FUND BALANCES												
Liabilities												
Accounts payable	$ -0-	$ -0-	$ 30,358	$ -0-	$ -0-	$ 6,326	$ 8,249	$ 1,180	$ -0-	$ -0-	$ 43,340	$ 89,453
Claims payable	-0-	-0-	-0-	-0-	-0-	172,185	-0-	-0-	-0-	-0-	-0-	172,185
Accrued other post employment benefits	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,078,016	-0-	1,078,016
Total liabilities	-0-	-0-	30,358	-0-	-0-	178,511	8,249	1,180	-0-	1,078,016	43,340	1,339,654
Fund Balance												
Unreserved	22,742	-0-	7,470	9,431	712,104	1,252,324	3,004	67,756	5	1,558	2	2,076,396
Total fund balances	22,742	-0-	7,470	9,431	712,104	1,252,324	3,004	67,756	5	1,558	2	2,076,396
TOTAL LIABILITIES AND FUND BALANCES	$ 22,742	$ -0-	$ 37,828	$ 9,431	$ 712,104	$ 1,430,835	$ 11,253	$ 68,936	$ 5	$ 1,079,574	$ 43,342	$ 3,416,050

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, 2010

	Coal Severance Fund	HUD 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	Economic Development Grant Fund	Total
Revenues												
Intergovernmental:												
Federal	$ -0-	$ -0-	$ 110,557	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 191,459	$ 302,016
State	90,977	-0-	6,763	-0-	-0-	-0-	-0-	-0-	-0-	-0-	20,384	118,124
Contributions:												
From employer	-0-	-0-	-0-	-0-	-0-	269,153	-0-	-0-	-0-	3,294	-0-	272,447
Fines and forfeits	-0-	-0-	-0-	-0-	-0-	-0-	372,742	27,724	-0-	-0-	-0-	400,466
Donations	-0-	-0-	-0-	2,883	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,883
Investment income	14	-0-	-0-	36	13,508	25,446	19	525	-0-	16,095	16	55,659
Gain (loss) on investments	-0-	-0-	-0-	157	10,581	2,014	-0-	-0-	-0-	5,530	-0-	18,282
Total revenues	90,991	-0-	117,320	3,076	24,089	296,613	372,761	28,249	-0-	24,919	211,859	1,169,877
Expenditures												
General government	-0-	-0-	-0-	-0-	369	-0-	-0-	-0-	-0-	1,263	-0-	1,632
Public safety	-0-	-0-	109,880	-0-	-0-	-0-	166,145	27,214	-0-	-0-	-0-	303,239
Highways and streets	107,734	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,964	110,698
Community development	-0-	-0-	-0-	2,456	-0-	-0-	-0-	-0-	-0-	-0-	216,029	218,485
Police refunds and remittances	-0-	-0-	-0-	-0-	-0-	-0-	9,811	-0-	-0-	-0-	-0-	9,811
Benefit payments	-0-	-0-	-0-	-0-	-0-	37,123	-0-	-0-	-0-	-0-	-0-	37,123
Total expenditures	107,734	-0-	109,880	2,456	369	37,123	175,956	27,214	-0-	1,263	218,993	680,988
(Deficiency) excess of revenues (under) over expenditures	(16,743)	-0-	7,440	620	23,720	259,490	196,805	1,035	-0-	23,656	(7,134)	488,889
Other Financing Sources (Uses)												
Operating transfers in	-0-	-0-	30	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,680	4,710
Operating transfers (out)	-0-	-0-	-0-	-0-	-0-	-0-	(206,985)	(6,273)	-0-	-0-	(30)	(213,288)
Total other financing sources (uses)	-0-	-0-	30	-0-	-0-	-0-	(206,985)	(6,273)	-0-	-0-	4,650	(208,578)
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	(16,743)	-0-	7,470	620	23,720	259,490	(10,180)	(5,238)	-0-	23,656	(2,484)	280,311
Fund balance beginning of year	39,485	-0-	-0-	8,811	688,384	992,834	13,184	72,994	5	(22,098)	2,486	1,796,085
Fund balance end of year	$ 22,742	$ -0-	$ 7,470	$ 9,431	$ 712,104	$ 1,252,324	$ 3,004	$ 67,756	$ 5	$ 1,558	$ 2	$ 2,076,396

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, 2010

	Sharon Steel Redevelopment Fund
ASSETS	
Accounts receivable	$ 250
Due from (to):	
Other funds	(250)
TOTAL ASSETS	$ 250
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ -0-
Total liabilities	-0-
Fund Balances	
Unreserved	-0-
Total fund balances	-0-
TOTAL LIABILITIES AND FUND BALANCES	$ -0-

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, 2010

	Sharon Steel Redevelopment Fund
Revenues	
Donations	$ 1,053
Total revenues	1,053
Expenditures	
Community development	1,053
Total expenditures	1,053
(Deficiency) excess of revenues (under) over expenditures	-0-
Fund balance beginning of year	-0-
Fund balance end of year	$ -0-

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

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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

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, 2010, which collectively comprise the City of Fairmont, West Virginia's basic financial statements and have issued our report thereon dated January 31, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination f deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, Municipal Officials of the City of Fairmont, West Virginia, others within the entity and federal and state awarding agencies and pass-through entities and the West Virginia State Auditor's Office Chief Inspector Division and is not intended to be and should not be used by anyone other than these specified parties.

Tetrick, Bartlett, PLLC

January 31, 2011

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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

Compliance

We have audited the City of Fairmont, West Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Fairmont, West Virginia's major federal programs for the year ended June 30, 2010. 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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Fairmont, West Virginia's compliance with those requirements.

In our opinion, the City of Fairmont, West Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* 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 *deficiency in internal control* over compliance exists when the design or operation over compliance does not allow management or employees, in the normal course of performing their assigned functions, t prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, Municipal Officials of the City of Fairmont, West Virginia, others within the entity, federal and state awarding agencies and pass-through entities and the West Virginia State Auditor's Office Chief Inspector's Division and is not intended to be and should not be used by anyone other than these specified parties.

Tetrick + Bartlett, PLLC

January 31, 2011

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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. No instances of noncompliance material to the financial statements of the City of Fairmont, West Virginia which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on 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 on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133* are reported in this schedule.

7. The programs tested as major programs are the United States Environmental Protection Agency, Office of Water, Capitalization Grants for Clean Water State Revolving Funds – CFDA Number 66.458, the United States Environmental Protection Agency, Office of Water, Capitalization Grants for Drinking Water State Revolving Funds – CFDA Number 66.468 and the United States Environmental Proteciton Agency, Office of Water, ARRA – Capitalizatin Grants for Drinking Water State Revolving Funds – CFDA Number 66.468.

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. The City of Fairmont, West Virginia was not determined to be a low risk auditee.

B. Findings - Financial Statements Audit

There were no findings identified in the financial statements audit.

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

There were no findings and questioned costs identified in the major federal award program audit.

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Receipts or Revenues Recognized	Federal Disbursements/ Expenditures
United States Environmental Protection Agency/Office of Solid Waste and Emergency Response					
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97333401-1	$ 200,000	$ 40,474	$ 40,474
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97333501-1	200,000	40,474	40,474
United States Environmental Protection Agency/Office of Water					
State of West Virginia Environmental Protection and West Virginia Water Development Authority					
Capitalization Grants for Clean Water State Revolving Funds	66.458		5,577,760	157,728	157,728
Capitalization Grants for Drinking Water State Revolving Funds	66.468		3,500,000	197,982	197,982
Capitalization Grants for Drinking Water State Revolving Funds	66.468		3,000,000	199,573	199,573
ARRA – Capitalization Grants for Drinking Water State Revolving Funds	66.468		3,000,000	155,836	155,836
United States Department of Housing and Urban Development/Office of Community Planning and Development					
State of West Virginia Office of Economic Opportunity					
Emergency Shelter Grants Program	14.231	S-08-DC-54-0001	76,000	27,805	27,805
Emergency Shelter Grants Program	14.231	S-09-DC-54-0001	76,000	48,643	48,643
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	03DC540001	1,025,000	176,772	176,772
United States Department of Transportation/Federal Highway Administration					
West Virginia Department of Transportation Division of Highways					
Highway Planning and Construction	20.205	HUBT-2005(058)E	200,000	2,964	2,964
ARRA – Highway Planning and Construction	20.205	TEA-OH22(001)E	150,000	18,720	18,720

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Receipts or Revenues Recognized	Federal Disbursements/ Expenditures
United States Department of the Interior/National Park Service					
Save America's Treasures	15.929	54-08-AP-4144	$ 20,000	$ 12,379	$ 12,379
United States Department of Homeland Security					
State of West Virginia Department of Military Affairs & Public Safety Homeland Security State Administrative Agency					
Homeland Security Grant Program	97.067	2007-GE-T7-0041	29,000	28,933	28,933
United States Department of Justice/Office of Justice Programs					
State of West Virginia Division of Criminal Justice Services					
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	2009-SU-B9-0034	64,500	41,144	41,144
United States Department of Justice/Office of Community Oriented Policing Services					
ARRA – Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0923	347,100	46,227	46,227
United States Department of Justice/Bureau of Justice Assistance					
State of West Virginia Division of Criminal Justice Services					
Edward Byrne Memorial Formula Grant Program	16.579	09P-TF-04	20,000	19,770	19,770

CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Receipts or Revenues Recognized	Federal Disbursements/ Expenditures
United States Department of Justice/Office of Justice Programs					
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2292	$ 96,270	$ 73,146	$ 73,146

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.

CITY OF FAIRMONT, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

United Stated Environmental Protection Agency, Capitalization Grants for Clean Water State Revolving Fund – CFDA Number 66.458 for the fiscal year ended June 30, 2009; the United States Department of Housing and Urban Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii – CFDA Number 14.228 for the fiscal year ended June 30, 2009 and the United States Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds – CFDA Number 66.468 for the fiscal year ended June 30, 2009

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