

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

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

FOR THE YEAR ENDED JUNE 30, 2011
RFP #10-129 (Marion County)

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**CITY OF FAIRMONT, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2011**

Office	Name	Term
	<i>Elective</i>	
Mayor:	William Burdick	01/01/07 – 12/31/10
Council Member:		
1 st District	Robert Gribben	01/01/11 – 12/31/14
2 nd District	Robert Sapp	01/01/09 – 12/31/12
3 rd District	Deborah Seifrit	01/01/11 – 12/31/14
4 th District	William Burdick	01/01/09 – 12/31/12
5 th District	Chuck Warner	01/01/11 – 12/31/14
6 th District	Daniel Weber	01/01/09 – 12/31/12
7 th District	Robert Garcia	01/01/09 – 12/31/12
8 th District	Robin Smith	01/01/11 – 12/31/14
9 th District	Ronald J. Straight	01/01/11 – 12/31/14
	<i>Appointive</i>	
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, 2011

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds

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

Capital Project Funds

Capital Reserve Fund
Sharon Steel Redevelopment Fund

PROPRIETARY FUND TYPE

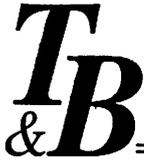
Enterprise Funds

Water
Sanitary Sewer Board
Parking
Building Commission Fund
Park Commission

FIDUCIARY FUND TYPE

Trust Funds

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fairmont, West Virginia, as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Coal Severance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2012, 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 required 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 presented for purposes of additional analysis and 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.

T. Buck + Bowler, PLLC

January 6, 2012

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 2,447,788	\$ 498,867	\$ 2,946,655
Investments	5,036,683	2,787,147	7,823,830
Receivables	2,029,706	2,560,678	4,590,384
Internal balances	671,500	(671,500)	-0-
Inventory	9,593	193,596	203,189
Prepaid expenses	20,856	708	21,564
Restricted assets	9,855	7,159,217	7,169,072
Capital assets, net	5,930,711	72,923,417	78,854,128
Unamortized bond discount and issue cost	-0-	<u>452,962</u>	<u>452,962</u>
Total assets	<u>16,156,692</u>	<u>85,905,092</u>	<u>102,061,784</u>
Liabilities			
Accounts payable	99,071	1,758,366	1,857,437
Claims payable	121,450	-0-	121,450
Other accrued expenses	253,731	533,980	787,711
Accrued other post employment benefits	2,843,197	-0-	2,843,197
Deferred revenue	114,000	-0-	114,000
Customer deposits	8,680	70,405	79,085
Accrued interest payable	-0-	838,110	838,110
Long-term liabilities			
Due within one year	528,680	3,063,857	3,592,537
Due in more than one year	<u>14,584,071</u>	<u>46,441,543</u>	<u>61,025,614</u>
Total liabilities	<u>18,552,880</u>	<u>52,706,261</u>	<u>71,259,141</u>
Net Assets			
Invested in capital assets, net of related debt	4,935,196	24,180,288	29,115,484
Restricted	90,981	7,159,217	7,250,198
Unrestricted	<u>(7,422,365)</u>	<u>1,859,326</u>	<u>(5,563,039)</u>
Total Net Assets	<u>\$ (2,396,188)</u>	<u>\$ 33,198,831</u>	<u>\$ 30,802,643</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 2,411,066	\$ 11,212	\$ 11,172	\$ -0-	\$(2,388,682)	\$ -0-	\$(2,388,682)
Public safety	7,743,824	1,417,631	174,315	-0-	(6,151,878)	-0-	(6,151,878)
Highways and streets	1,722,099	86,993	-0-	-0-	(1,635,106)	-0-	(1,635,106)
Sanitation	1,212,272	1,194,627	-0-	-0-	(17,645)	-0-	(17,645)
Culture and recreation	131,539	26,038	-0-	-0-	(105,501)	-0-	(105,501)
Social services	1,761	-0-	-0-	-0-	(1,761)	-0-	(1,761)
Community development	4,200	-0-	174,415	-0-	170,215	-0-	170,215
Benefits paid	36,477	-0-	150,545	-0-	114,068	-0-	114,068
Total governmental activities	<u>13,263,238</u>	<u>2,736,501</u>	<u>510,447</u>	<u>-0-</u>	<u>(10,016,290)</u>	<u>-0-</u>	<u>(10,016,290)</u>
Business-Type Activities							
Water	7,053,743	8,792,721	-0-	4,290,783	-0-	6,029,761	6,029,761
Sanitary sewer board	4,426,094	4,592,862	-0-	55,521	-0-	222,289	222,289
Building commission	470,136	100	-0-	-0-	-0-	(470,036)	(470,036)
Parking	93,832	117,985	-0-	-0-	-0-	24,153	24,153
Park commission	26,866	4,142	-0-	2,200	-0-	(20,524)	(20,524)
Total business-type activities	<u>\$ 12,070,671</u>	<u>\$ 13,507,810</u>	<u>\$ -0-</u>	<u>\$ 4,348,504</u>	<u>-0-</u>	<u>5,785,643</u>	<u>5,785,643</u>
General Revenues							
Taxes					8,969,960	-0-	8,969,960
Licenses and permits					165,725	-0-	165,725
Investment income					360,698	227,574	588,272
Franchise fees					275,461	-0-	275,461
Miscellaneous					384,920	59,840	444,760
Total general revenues					<u>10,156,764</u>	<u>287,414</u>	<u>10,444,178</u>
Change in net assets before transfers					140,474	6,073,057	6,213,531
Transfers between activities					(449,522)	449,522	-0-
Change in net assets after transfers between activities					(309,048)	6,522,579	6,213,531
Net assets – beginning					(2,087,140)	26,676,252	24,589,112
Net assets – ending					<u>\$(2,396,188)</u>	<u>\$ 33,198,831</u>	<u>\$ 30,802,643</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Coal Severance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 682,754	\$ 1,324,438	\$ 35,479	\$ 405,117	\$ 2,447,788
Investments	1,375,473	-0-	-0-	3,661,210	5,036,683
Receivables, net of allowances:					
Taxes	1,538,618	-0-	-0-	-0-	1,538,618
Accounts	290,438	-0-	-0-	-0-	290,438
Other	72,280	-0-	-0-	58,410	130,690
Interest	2,355	-0-	-0-	5,659	8,014
Due from (to):					
Other funds	259,363	464,904	-0-	(52,767)	671,500
Other governments	61,946	-0-	-0-	-0-	61,946
Prepaid expenses	1,070	19,786	-0-	-0-	20,856
Inventory	9,593	-0-	-0-	-0-	9,593
Restricted:					
Customer deposits	<u>9,855</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,855</u>
TOTAL ASSETS	\$ <u>4,303,745</u>	\$ <u>1,809,128</u>	\$ <u>35,479</u>	\$ <u>4,077,629</u>	\$ <u>10,225,981</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 44,297	\$ 6,336	\$ -0-	\$ 48,438	\$ 99,071
Claims payable	-0-	-0-	-0-	121,450	121,450
Other accrued expenses	185,298	68,433	-0-	-0-	253,731
Accrued compensated absences	239,268	-0-	-0-	-0-	239,268
Accrued other post employment benefits	596,507	-0-	-0-	2,246,690	2,843,197
Deferred revenue	315,024	-0-	-0-	-0-	315,024
Customer deposits	8,680	-0-	-0-	-0-	8,680
Total liabilities	<u>1,389,074</u>	<u>74,769</u>	<u>-0-</u>	<u>2,416,578</u>	<u>3,880,421</u>
Fund Balances					
Nonspendable	10,664	-0-	-0-	-0-	10,664
Committed	290,438	-0-	-0-	1,276,149	1,566,587
Restricted	37,010	68,433	-0-	87,531	192,974
Assigned	-0-	1,665,926	35,479	297,371	1,998,776
Unassigned	<u>2,576,559</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,576,559</u>
Total fund balance	<u>2,914,671</u>	<u>1,734,359</u>	<u>35,479</u>	<u>1,661,051</u>	<u>6,345,560</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>4,303,745</u>	\$ <u>1,809,128</u>	\$ <u>35,479</u>	\$ <u>4,077,629</u>	\$ <u>10,225,981</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
RECONCILIATION OF FUND BALANCE SHEETS OF
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund balance, fund level statement June 30, 2011	\$ 6,345,560
<p>The total fund balance of the City of Fairmont's governmental funds differs from net assets of the governmental activities reported on the Statement of Net Assets as follows:</p>	
<p>Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:</p>	
Obligations under capital leases	(995,516)
Unfunded pension and post retirement obligation	(12,930,710)
Accrued compensated absences	(947,257)
<p>Capital assets, that are used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in the governmental funds. However, the Statement of Net Assets includes those assets and their associated accumulated depreciation.</p>	
	5,930,711
<p>Some assets do not provide current financial resources and are not reported as assets in the fund level statements:</p>	
Reduction in deferred revenue at June 30, 2011	<u>201,024</u>
Net assets of governmental activities	\$ (<u>2,396,188</u>)

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Coal Severance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes (including interest and penalties)	\$ 8,875,897	\$ -0-	\$ -0-	\$ -0-	\$ 8,875,897
Licenses and permits	165,725	-0-	-0-	-0-	165,725
Intergovernmental:					
Federal	117,385	-0-	-0-	154,869	272,254
State	40,895	-0-	97,275	30,002	168,172
Charges for services	2,350,040	-0-	-0-	-0-	2,350,040
Contributions:					
From employer	-0-	-0-	-0-	150,545	150,545
Fines and forfeits	-0-	-0-	-0-	386,461	386,461
Donations	11,172	442	-0-	5,579	16,751
Investment income	28,845	-0-	6	75,786	105,079
Franchise fees	275,461	-0-	-0-	-0-	275,461
Gain (loss) on investments	49,944	-0-	-0-	205,675	255,619
Miscellaneous	189,920	-0-	-0-	-0-	189,920
Total revenues	<u>12,105,284</u>	<u>442</u>	<u>97,281</u>	<u>1,008,917</u>	<u>13,211,924</u>
Expenditures					
General government	1,919,473	918	-0-	88,887	2,009,278
Public safety	6,238,164	-0-	-0-	141,252	6,379,416
Highways and streets	1,144,997	-0-	84,544	-0-	1,229,541
Sanitation	1,212,272	-0-	-0-	-0-	1,212,272
Culture and recreation	124,927	-0-	-0-	-0-	124,927
Social services	1,761	-0-	-0-	-0-	1,761
Community development	-0-	222,919	-0-	169,713	392,632
Police refunds and remittances	-0-	-0-	-0-	-0-	-0-
Retirement of debt service	-0-	331,972	-0-	-0-	331,972
Benefit payments	-0-	-0-	-0-	36,477	36,477
Total expenditures	<u>10,641,594</u>	<u>555,809</u>	<u>84,544</u>	<u>436,329</u>	<u>11,718,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,463,690</u>	<u>(555,367)</u>	<u>12,737</u>	<u>572,588</u>	<u>1,493,648</u>
Other Financing Sources (Uses)					
Operating transfers in	196,675	1,801,367	-0-	1,470	1,999,512
Proceeds from debt service	-0-	195,000	-0-	-0-	195,000
Operating transfers (out)	<u>(1,759,593)</u>	<u>(434,884)</u>	<u>-0-</u>	<u>(254,557)</u>	<u>(2,449,034)</u>
Total other financing sources (uses)	<u>(1,562,918)</u>	<u>1,561,483</u>	<u>-0-</u>	<u>(253,087)</u>	<u>(254,522)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	<u>(99,228)</u>	<u>1,006,116</u>	<u>12,737</u>	<u>319,501</u>	<u>1,239,126</u>
Fund balance at beginning of year	<u>3,013,899</u>	<u>728,243</u>	<u>22,742</u>	<u>1,341,550</u>	<u>5,106,434</u>
Fund balance at end of year	\$ <u>2,914,671</u>	\$ <u>1,734,359</u>	\$ <u>35,479</u>	\$ <u>1,661,051</u>	\$ <u>6,345,560</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net change in fund balances – total governmental funds	\$ 1,239,126
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.	(538,524)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds at June 30, 2011.	
Recognition of deferred income	(3,211)
Capital leases and bonds provide current financial resources to governmental funds, but entering into capital leases increases long-term liabilities in the Statement of Net Assets. Repayment of capital lease obligations and bonds are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Acquisition of capital assets from capital lease	(197,907)
Repayment of obligation under capital lease	294,252
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 obligations	(1,082,509)
Change in long-term accrued compensated absences	(20,275)
Change in Net Assets of Governmental Activities	\$ (<u>309,048</u>)

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
 FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	Business-Type Activities					<u>Total</u>
	<u>Water</u>	<u>Sanitary</u>	<u>Building</u>	<u>Parking</u>	<u>Park</u>	
		<u>Sewer</u>	<u>Commission</u>		<u>Commission</u>	
ASSETS						
Current Assets						
Cash	\$ 179,984	\$ 173,483	\$ 36,344	\$ 105,094	\$ 3,962	\$ 498,867
Investments	1,580,209	1,003,844	203,094	-0-	-0-	2,787,147
Receivables, net of allowances:						
Accounts	589,620	423,167	109,116	5,241	-0-	1,127,144
Other	21,141	7,725	-0-	-0-	2,200	31,066
Grants	1,399,715	-0-	-0-	-0-	-0-	1,399,715
Interest	2,140	-0-	613	-0-	-0-	2,753
Due from (to) other funds	(759,585)	90,283	-0-	(2,198)	-0-	(671,500)
Prepaid expenses	-0-	708	-0-	-0-	-0-	708
Inventory, at cost	<u>165,357</u>	<u>28,239</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>193,596</u>
Total current assets	<u>3,178,581</u>	<u>1,727,449</u>	<u>349,167</u>	<u>108,137</u>	<u>6,162</u>	<u>5,369,496</u>
Noncurrent Assets						
Restricted assets	<u>6,231,351</u>	<u>927,866</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,159,217</u>
Capital Assets						
Land	227,647	397,394	744,740	-0-	-0-	1,369,781
Buildings	-0-	-0-	3,770,144	137,440	207,794	4,115,378
Structures and improvements	7,024,186	278,763	4,600,593	16,148	-0-	11,919,690
Transmission and distribution	45,769,137	37,091,203	-0-	-0-	-0-	82,860,340
Machinery and equipment	6,724,514	3,916,978	16,193	129,412	-0-	10,787,097
Construction in progress	8,319,613	-0-	-0-	-0-	-0-	8,319,613
Less: Accumulated depreciation	<u>(24,559,116)</u>	<u>(20,268,275)</u>	<u>(1,414,255)</u>	<u>(156,621)</u>	<u>(50,215)</u>	<u>(46,448,482)</u>
Total capital assets	<u>43,505,981</u>	<u>21,416,063</u>	<u>7,717,415</u>	<u>126,379</u>	<u>157,579</u>	<u>72,923,417</u>
Other Assets						
Unamortized bond discount and issue costs	<u>403,152</u>	<u>49,810</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>452,962</u>
TOTAL ASSETS	\$ <u>53,319,065</u>	\$ <u>24,121,188</u>	\$ <u>8,066,582</u>	\$ <u>234,516</u>	\$ <u>163,741</u>	\$ <u>85,905,092</u>

Business-Type Activities

	<u>Water</u>	<u>Sanitary Sewer Board</u>	<u>Building Commission</u>	<u>Parking</u>	<u>Park Commission</u>	<u>Total</u>
LIABILITIES AND NET ASSETS						
Current Liabilities (payable from current assets)						
Current portion obligation under capital lease	\$ 173,880	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 173,880
Notes payable	132,861	81,217	100,000	-0-	-0-	314,078
Accounts payable	1,670,159	85,421	-0-	253	2,533	1,758,366
Other accrued expenses	56,570	477,410	-0-	-0-	-0-	533,980
Deferred revenue	-0-	-0-	-0-	-0-	-0-	-0-
Accrued compensated absences	<u>100,900</u>	<u>67,454</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>168,354</u>
Total current liabilities (payable from current assets)	<u>2,134,370</u>	<u>711,502</u>	<u>100,000</u>	<u>253</u>	<u>2,533</u>	<u>2,948,658</u>
Current Liabilities (payable from restricted assets)						
Revenue bonds payable	1,180,796	1,015,930	210,819	-0-	-0-	2,407,545
Accrued revenue bond interest payable	806,554	-0-	-0-	-0-	-0-	806,554
Accrued interest payable	112	-0-	31,444	-0-	-0-	31,556
Customer deposits	<u>70,405</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>70,405</u>
Total current liabilities (payable from restricted assets)	<u>2,057,867</u>	<u>1,015,930</u>	<u>242,263</u>	<u>-0-</u>	<u>-0-</u>	<u>3,316,060</u>
Long-Term Liabilities (net of current portion)						
Revenue bonds payable	35,864,590	5,109,092	4,068,644	-0-	-0-	45,042,326
Obligation under capital lease	173,636	-0-	-0-	-0-	-0-	173,636
Notes payable	631,664	-0-	-0-	-0-	-0-	631,664
Customer advances	-0-	323,918	-0-	-0-	-0-	323,918
Accrued compensated absences	<u>143,163</u>	<u>126,836</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>269,999</u>
Total long-term liabilities (net of current portion)	<u>36,813,053</u>	<u>5,559,846</u>	<u>4,068,644</u>	<u>-0-</u>	<u>-0-</u>	<u>46,441,543</u>
Total liabilities	<u>41,005,290</u>	<u>7,287,278</u>	<u>4,410,907</u>	<u>253</u>	<u>2,533</u>	<u>52,706,261</u>
Net Assets						
Invested in capital assets, net of related debt	5,348,554	15,209,824	3,337,952	126,379	157,579	24,180,288
Restricted	6,231,351	927,866	-0-	-0-	-0-	7,159,217
Unrestricted	<u>733,870</u>	<u>696,220</u>	<u>317,723</u>	<u>107,884</u>	<u>3,629</u>	<u>1,859,326</u>
Total net assets	<u>12,313,775</u>	<u>16,833,910</u>	<u>3,655,675</u>	<u>234,263</u>	<u>161,208</u>	<u>33,198,831</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>53,319,065</u>	\$ <u>24,121,188</u>	\$ <u>8,066,582</u>	\$ <u>234,516</u>	\$ <u>163,741</u>	\$ <u>85,905,092</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSET -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities					<u>Total</u>
	<u>Water</u>	<u>Sanitary Sewer Board</u>	<u>Building Commission</u>	<u>Parking</u>	<u>Park Commission</u>	
Operating Revenues						
Charges for services	\$ 8,574,244	\$ 4,591,962	\$ 100	\$ 117,985	\$ 4,142	\$ 13,288,433
Miscellaneous	<u>218,477</u>	<u>900</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>219,377</u>
Total operating revenues	<u>8,792,721</u>	<u>4,592,862</u>	<u>100</u>	<u>117,985</u>	<u>4,142</u>	<u>13,507,810</u>
Operating Expenses						
Purchases and materials	27,788	-0-	-0-	-0-	-0-	27,788
Pumping	353,834	554,168	-0-	-0-	-0-	908,002
Treatment and disposal	2,166,688	1,595,838	-0-	-0-	-0-	3,762,526
Billing and collection	714,190	205,550	-0-	-0-	-0-	919,740
General and administrative	391,383	727,583	3,450	-0-	3,550	1,125,966
Operating expenses	-0-	-0-	-0-	86,682	-0-	86,682
Depreciation	<u>1,652,235</u>	<u>1,107,513</u>	<u>261,148</u>	<u>7,150</u>	<u>23,316</u>	<u>3,051,362</u>
Total operating expenses	<u>5,306,118</u>	<u>4,190,652</u>	<u>264,598</u>	<u>93,832</u>	<u>26,866</u>	<u>9,882,066</u>
Operating income (loss)	<u>3,486,603</u>	<u>402,210</u>	<u>(264,498)</u>	<u>24,153</u>	<u>(22,724)</u>	<u>3,625,744</u>
Nonoperating Revenues (Expenses)						
Investment income	208,571	9,841	9,125	35	2	227,574
Miscellaneous income	56,207	-0-	-0-	-0-	-0-	56,207
Donations	-0-	-0-	-0-	-0-	-0-	-0-
Gain on disposal of capital assets	591	-0-	-0-	3,042	-0-	3,633
Interest and fiscal charges	(1,699,082)	(140,006)	(205,538)	-0-	-0-	(2,044,626)
Amortization of bond discount and issue costs	(48,543)	(95,436)	-0-	-0-	-0-	(143,979)
Total nonoperating revenues (expenses)	<u>(1,482,256)</u>	<u>(225,601)</u>	<u>(196,413)</u>	<u>3,077</u>	<u>2</u>	<u>(1,901,191)</u>
Income (loss) before nonoperating grants and capital contributions	2,004,347	176,609	(460,911)	27,230	(22,722)	1,724,553
Contributions from other funds	-0-	-0-	408,148	223,919	-0-	632,067
Contributions to other funds	-0-	-0-	-0-	(182,545)	-0-	(182,545)
Nonoperating grants and capital contributions	<u>4,290,783</u>	<u>55,521</u>	<u>-0-</u>	<u>-0-</u>	<u>2,200</u>	<u>4,348,504</u>
Change in net assets	6,295,130	232,130	(52,763)	68,604	(20,522)	6,522,579
Total net assets – beginning - restated	<u>6,018,645</u>	<u>16,601,780</u>	<u>3,708,438</u>	<u>165,659</u>	<u>181,730</u>	<u>26,676,252</u>
Total net assets – ending	\$ <u>12,313,775</u>	\$ <u>16,833,910</u>	\$ <u>3,655,675</u>	\$ <u>234,263</u>	\$ <u>161,208</u>	\$ <u>33,198,831</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities</u>					<u>Total</u>
	<u>Water</u>	<u>Sanitary Sewer Board</u>	<u>Building Commission</u>	<u>Parking</u>	<u>Park Commission</u>	
Cash Flows From Operating Activities						
Receipts from customers	\$ 8,678,106	\$ 4,594,016	\$ 100	\$ 117,659	\$ 4,142	\$ 13,394,023
Receipts from other sources	276,566	900	408,148	-0-	-0-	685,614
Payments to suppliers	(2,081,473)	(1,880,267)	(3,450)	(13,874)	(3,833)	(3,982,897)
Payments to employees	<u>(1,283,850)</u>	<u>(1,047,815)</u>	<u>-0-</u>	<u>(42,121)</u>	<u>-0-</u>	<u>(2,373,786)</u>
Net cash provided by operating activities	<u>5,589,349</u>	<u>1,666,834</u>	<u>404,798</u>	<u>61,664</u>	<u>309</u>	<u>7,722,954</u>
Cash Flows From Capital and Related Financing Activities						
(Increase) decrease in restricted assets	(75,410)	(113,226)	-0-	-0-	-0-	(188,636)
Increase (decrease) in restricted liabilities	25,555	(1,493)	-0-	-0-	-0-	24,062
Repayment of obligation under capital leases	(171,025)	-0-	-0-	-0-	-0-	(171,025)
Repayment of revenue bonds	(1,056,668)	(1,006,190)	(202,287)	-0-	-0-	(2,265,145)
Proceeds from revenue bonds	454,146	30,350	-0-	-0-	-0-	484,496
Proceeds from notes payable	-0-	-0-	-0-	-0-	-0-	-0-
Repayment of notes payable	(145,539)	(135,735)	-0-	-0-	-0-	(281,274)
Interest expense	<u>(1,743,517)</u>	<u>(140,006)</u>	<u>(198,661)</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,082,184)</u>
Net cash (used in) provided by capital and related financing activities	<u>(2,712,458)</u>	<u>(1,366,300)</u>	<u>(400,948)</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,479,706)</u>
Cash Flows From Investing Activities						
(Increase) decrease in investments	(427,558)	(85,628)	(4,036)	-0-	-0-	(517,222)
Proceeds from nonoperating grants	3,587,566	55,521	-0-	-0-	2,200	3,645,287
Proceeds from disposal of capital assets	591	-0-	-0-	7,500	-0-	8,091
Acquisition of capital assets	(6,192,735)	(526,014)	(7,200)	(16,148)	(2,200)	(6,744,297)
Interest on investments	<u>207,168</u>	<u>9,841</u>	<u>8,736</u>	<u>36</u>	<u>2</u>	<u>225,783</u>
Net cash (used in) provided by investing activities	<u>(2,824,968)</u>	<u>(546,280)</u>	<u>(2,500)</u>	<u>(8,612)</u>	<u>2</u>	<u>(3,382,358)</u>
Net (decrease) increase in cash	51,923	(245,746)	1,350	53,052	311	(139,110)
Cash at beginning of year	<u>128,061</u>	<u>419,229</u>	<u>34,994</u>	<u>52,042</u>	<u>3,651</u>	<u>637,977</u>
Cash at end of year	\$ <u>179,984</u>	\$ <u>173,483</u>	\$ <u>36,344</u>	\$ <u>105,094</u>	\$ <u>3,962</u>	\$ <u>498,867</u>

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities					<u>Total</u>
	<u>Water</u>	<u>Sanitary Sewer Board</u>	<u>Building Commission</u>	<u>Parking</u>	<u>Park Commission</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 3,486,603	\$ 402,210	\$(264,498)	\$ 24,153	\$(22,724)	\$ 3,625,744
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,652,235	1,107,513	261,148	7,150	23,316	3,051,362
Loss on disposal of capital assets	-0-	3,675	-0-	-0-	-0-	3,675
Nonoperating miscellaneous income	56,208	-0-	-0-	-0-	-0-	56,208
Transfers (to) from other funds	-0-	-0-	408,148	41,374	-0-	449,522
(Increase) decrease in:						
Accounts receivable	103,862	2,054	-0-	(326)	-0-	105,590
Other receivables	58,089	2,101	-0-	-0-	1,721	61,911
Due from (to) other funds	(347,028)	175,661	-0-	(71)	(3,897)	(175,335)
Prepaid expenses	-0-	(483)	-0-	-0-	-0-	(483)
Inventory	(11,011)	(5,802)	-0-	-0-	-0-	(16,813)
Increase (decrease) in:						
Accounts payable	684,852	(165,652)	-0-	(9,074)	1,893	512,019
Other accrued expenses	(100,288)	157,245	-0-	(1,156)	-0-	55,801
Deferred revenue	-0-	-0-	-0-	-0-	-0-	-0-
Accrued compensated absences	5,827	(11,688)	-0-	(386)	-0-	(6,247)
Net cash provided by operating activities	<u>\$ 5,589,349</u>	<u>\$ 1,666,834</u>	<u>\$ 404,798</u>	<u>\$ 61,664</u>	<u>\$ 309</u>	<u>\$ 7,722,954</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>GAAP</u> <u>Difference</u>	<u>Amounts</u> <u>GAAP</u> <u>Basis</u>	<u>With Final</u> <u>Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues						
Taxes (including interest and penalties)	\$ 7,534,516	\$ 7,531,448	\$ 8,875,897	\$ (3,212)	\$ 8,872,685	\$ 1,344,449
Licenses and permits	207,000	207,000	165,725	-0-	165,725	(41,275)
Charges for services	2,341,059	2,375,523	2,350,040	-0-	2,350,040	(25,483)
Fines and forfeitures	190,000	190,000	195,105	-0-	195,105	5,105
Donations	-0-	11,172	11,172	-0-	11,172	-0-
Interest	2,000	2,000	1,406	-0-	1,406	(594)
Franchise fees	270,000	276,280	275,461	-0-	275,461	(819)
Intergovernmental:						
State	48,000	48,000	40,895	-0-	40,895	(7,105)
Federal	104,724	104,724	117,385	-0-	117,385	12,661
Miscellaneous	281,976	298,557	189,920	-0-	189,920	(108,637)
Total revenues	<u>10,979,275</u>	<u>11,044,704</u>	<u>12,223,006</u>	<u>(3,212)</u>	<u>12,219,794</u>	<u>1,178,302</u>
Expenditures						
General government	2,068,661	1,281,218	1,253,493	69,407	1,322,900	27,725
Public safety	6,361,347	6,501,776	6,238,164	1,364,407	7,602,571	263,612
Highways and streets	1,222,552	1,252,878	1,144,997	492,558	1,637,555	107,881
Sanitation	1,165,721	1,213,273	1,212,272	-0-	1,212,272	1,001
Culture and recreation	158,594	127,233	124,927	6,612	131,539	2,306
Social services	2,400	1,832	1,761	-0-	1,761	71
Total expenditures	<u>10,979,275</u>	<u>10,378,210</u>	<u>9,975,614</u>	<u>1,932,984</u>	<u>11,908,598</u>	<u>402,596</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>666,494</u>	<u>2,247,392</u>	<u>(1,936,196)</u>	<u>311,196</u>	<u>1,580,898</u>
Other Financing Sources (Uses)						
Operating transfers in	-0-	639	1,570	-0-	1,570	931
Operating transfers (out)	<u>-0-</u>	<u>(1,770,000)</u>	<u>(1,759,593)</u>	<u>-0-</u>	<u>(1,759,593)</u>	<u>10,407</u>
Total other financing sources (uses)	<u>-0-</u>	<u>(1,769,361)</u>	<u>(1,758,023)</u>	<u>-0-</u>	<u>(1,758,023)</u>	<u>11,338</u>
Net change in fund balance	-0-	(1,102,867)	489,369	(1,936,196)	(1,446,827)	1,592,236
Fund balance at beginning of year	<u>-0-</u>	<u>1,102,867</u>	<u>2,574,222</u>	<u>(6,375,747)</u>	<u>(3,801,525)</u>	<u>1,471,355</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,063,591</u>	\$ <u>(8,311,943)</u>	\$ <u>(5,248,352)</u>	\$ <u>3,063,591</u>

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>GAAP</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Basis)</u>	<u>Difference</u>	<u>GAAP</u>	<u>Budget</u>
					<u>Basis</u>	<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Interest	\$ 40	\$ 40	\$ 6	\$ -0-	\$ 6	\$ (34)
Intergovernmental:						
State	<u>80,000</u>	<u>80,000</u>	<u>97,275</u>	<u>-0-</u>	<u>97,275</u>	<u>17,275</u>
Total revenues	<u>80,040</u>	<u>80,040</u>	<u>97,281</u>	<u>-0-</u>	<u>97,281</u>	<u>17,241</u>
Expenditures						
Highways and streets	<u>80,040</u>	<u>86,907</u>	<u>84,544</u>	<u>-0-</u>	<u>84,544</u>	<u>2,363</u>
Total expenditures	<u>80,040</u>	<u>86,907</u>	<u>84,544</u>	<u>-0-</u>	<u>84,544</u>	<u>2,363</u>
(Deficiency) excess of revenues (under over expenditures	<u>-0-</u>	<u>(6,867)</u>	<u>12,737</u>	<u>-0-</u>	<u>12,737</u>	<u>19,604</u>
Other Financing Sources (Uses)						
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	-0-	(6,867)	12,737	-0-	12,737	19,604
Fund balance at beginning of year	<u>-0-</u>	<u>6,867</u>	<u>22,742</u>	<u>-0-</u>	<u>22,742</u>	<u>15,875</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>35,479</u>	\$ <u>-0-</u>	\$ <u>35,479</u>	\$ <u>35,479</u>

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, 2011

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
Assets			
Cash	\$ 29,841	\$ 96,440	\$ 126,281
Investments	3,800,267	1,905,563	5,705,830
Receivables:			
Other	2,179	2,179	4,358
Interest	<u>7,762</u>	<u>5,599</u>	<u>13,361</u>
Total assets	<u>3,840,049</u>	<u>2,009,781</u>	<u>5,849,830</u>
Liabilities			
Accounts payable	<u>25</u>	<u>30</u>	<u>55</u>
Net Assets			
Held in trust for pension benefits	\$ <u>3,840,024</u>	\$ <u>2,009,751</u>	\$ <u>5,849,775</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 505,841	\$ 687,492	\$ 1,193,333
Employees	108,901	156,674	265,575
Insurance premium tax allocation	<u>353,292</u>	<u>442,494</u>	<u>795,786</u>
Net contributions	<u>968,034</u>	<u>1,286,660</u>	<u>2,254,694</u>
Investment income:			
Net appreciation in fair value of investments	(4,728)	243,224	238,496
Interest income and dividends	127,276	63,000	190,276
Capital gains	<u>458,378</u>	<u>5,739</u>	<u>464,117</u>
Net investment income	580,926	311,963	892,889
Miscellaneous	<u>-0-</u>	<u>30</u>	<u>30</u>
Total additions	<u>1,548,960</u>	<u>1,598,653</u>	<u>3,147,613</u>
Deductions			
General and administrative	5,214	2,251	7,465
Benefit payments	<u>1,072,349</u>	<u>1,457,177</u>	<u>2,529,526</u>
Total deductions	<u>1,077,563</u>	<u>1,459,428</u>	<u>2,536,991</u>
Net increase	471,397	139,225	610,622
Net assets – beginning of year	<u>3,368,627</u>	<u>1,870,526</u>	<u>5,239,153</u>
Net assets – end of year	<u>\$ 3,840,024</u>	<u>\$ 2,009,751</u>	<u>\$ 5,849,775</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011.

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 February 2009, Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for periods that begin after June 15, 2010. The objective of GASB 54 is to enhance the usefulness of fund balance information by 1) clarifying existing governmental fund type definitions and 2) providing clearer fund balance classifications that can be more consistently applied. The City of Fairmont, West Virginia implemented GASB 54 for the year ended June 30, 2011.

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 note disclosures established include certain interest rate disclosures, major components of receivables and payables and descriptions of interfund transfers.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

(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 than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for capital purposes.

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

Proprietary Fund Types

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

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

The City of Fairmont reports the following major governmental funds:

The General Fund, Capital Reserve Fund and Coal Severance 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.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

(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.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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) Committed – Fund Financial Statements

Committed accounting is used for the General Fund and special revenue funds. Commitments are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Commitments are reported as a reservation of fund balance on the balance sheet. Commitments 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, 2011 was \$143,979.

(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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

(p) Equity Classification

Effective July 1, 2010, the City adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards for accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

Government-wide net assets are divided into three components:

- a. Invested in capital assets, net of related debt – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. Restricted net assets – Consists of net assets that are restricted by the City's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributions.
- c. Unrestricted net assets – All other net assets are reported in this category.

In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City's code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City's council.
- d. Assigned – Amounts that are designed by the City's council for a particular purpose but are not spendable until there is a majority vote approval by the City's council.
- e. Unassigned – All amounts not included in other spendable classifications.

(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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

(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, 2011. 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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Non-Pooled Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
General Fund	\$ 1,882,116	\$ 115,977	\$ 1,766,139	\$ -0-	\$ 682,754
Special Revenue Funds	437,665	56,712	380,953	-0-	440,596
Capital Project Funds	1,317,128	81,162	1,235,966	-0-	1,324,438
Enterprise Funds	<u>460,086</u>	<u>36,068</u>	<u>424,018</u>	<u>-0-</u>	<u>498,867</u>
Total deposits	\$ <u>4,096,995</u>	\$ <u>289,919</u>	\$ <u>3,807,076</u>	\$ <u>-0-</u>	\$ <u>2,946,655</u>

	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Fiduciary Funds	\$ <u>126,281</u>	\$ <u>126,281</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>126,281</u>

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, 2011. 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.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash equivalents	\$ 3,003,606	\$ -0-	\$ -0-	\$ 3,003,606	\$ 2,996,296
Certificates of deposit	1,116,155	-0-	-0-	1,116,155	1,118,000
Corporate equities	539,422	-0-	-0-	539,422	469,728
Mutual funds	<u>4,835,496</u>	<u>-0-</u>	<u>-0-</u>	<u>4,835,496</u>	<u>4,609,877</u>
Total investments	\$ <u>9,494,679</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	9,494,679	9,193,901
Investments in municipal bond commission				<u>5,498,223</u>	<u>5,498,223</u>
Total investments				\$ <u>14,992,902</u>	\$ <u>14,692,124</u>

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

Investments	\$ 7,823,830
Restricted assets	<u>7,169,072</u>
Total investments	\$ <u>14,992,902</u>

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, 2011, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 3,003,606	AAA	AAA
Mutual funds	\$ 4,835,496	AAA	AAA
Certificates of deposit	\$ 1,116,155	N/A	N/A
Corporate equities	\$ 539,422	AAA	AAA

Interest Rate Risk

As of June 30, 2011, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of deposit	\$ <u>1,116,155</u>	\$ <u>981,795</u>	\$ <u>134,360</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Fiduciary Funds

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Money Market	\$ 85,016	\$ -0-	\$ -0-	\$ 85,016	\$ 85,016
Mutual funds	4,147,864	-0-	-0-	4,147,864	3,441,237
Certificates of deposit	689,104	-0-	-0-	689,104	665,000
Corporate bonds and notes	700,673	-0-	-0-	700,673	690,000
Corporate stocks	79,285	-0-	-0-	79,285	130,237
U.S. Government obligations	<u>3,888</u>	<u>-0-</u>	<u>-0-</u>	<u>3,888</u>	<u>4,200</u>
Total investments	\$ <u>5,705,830</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,705,830</u>	\$ <u>5,015,690</u>

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, 2011, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 85,016	AAA	AAA
Mutual funds	\$ 4,147,864	AAA	AAA
Certificates of deposit	\$ 689,104	N/A	N/A
Corporate bonds and notes	\$ 700,673	B+ - AAA	B3 - A3
Corporate stocks	\$ 79,285	N/A	N/A
U.S. Government obligations	\$ 3,888	AAA	AAA

Interest Rate Risk

As of June 30, 2011, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of deposit	\$ 689,104	\$ 199,773	\$ 489,331	\$ -0-	\$ -0-
Corporate bonds and notes	\$ 700,673	\$ 74,234	\$ 408,185	\$ -0-	\$ 218,254
Federal obligations	\$ 3,888	\$ 152	\$ 1,868	\$ -0-	\$ 1,868

**CITY OF FAIRMONT, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>
Class I	\$ -0-	11.05¢
Class II	\$ 258,760,924	22.10¢
Class IV	\$ 293,489,510	44.20¢

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

4. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Non-depreciable Assets</i>				
Land	\$ <u>149,635</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>149,635</u>
Total non-depreciable assets	<u>149,635</u>	<u>-0-</u>	<u>-0-</u>	<u>149,635</u>
<i>Depreciable Assets</i>				
Buildings	971,258	-0-	-0-	971,258
Land improvements	530,906	-0-	-0-	530,906
Machinery and equipment	1,409,615	55,144	-0-	1,464,759
Building improvements	132,354	-0-	-0-	132,354
Office furniture and equipment	615,838	24,151	-0-	639,989
Vehicles	4,429,542	223,941	51,000	4,602,483
Infrastructure	<u>30,160,945</u>	<u>-0-</u>	<u>-0-</u>	<u>30,160,945</u>
Totals at historical cost	<u>38,250,458</u>	<u>303,236</u>	<u>51,000</u>	<u>38,502,694</u>
Less: Accumulated depreciation				
Buildings	677,265	13,813	-0-	691,078
Land improvements	102,149	26,289	-0-	128,438
Machinery and equipment	1,048,967	86,942	-0-	1,135,909
Building improvements	49,449	8,165	-0-	57,614
Office furniture and equipment	407,331	40,292	-0-	447,623
Vehicles	3,011,079	225,464	51,000	3,185,543
Infrastructure	<u>26,634,618</u>	<u>440,795</u>	<u>-0-</u>	<u>27,075,413</u>
Total accumulated depreciation	<u>31,930,858</u>	<u>841,760</u>	<u>51,000</u>	<u>32,721,618</u>
Total depreciable assets	<u>6,319,600</u>	<u>(538,524)</u>	<u>-0-</u>	<u>5,781,076</u>
Governmental activities capital assets, net	\$ <u>6,469,235</u>	\$ <u>(538,524)</u>	\$ <u>-0-</u>	\$ <u>5,930,711</u>

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities				
<i>Non-depreciable Assets</i>				
Land	\$ 1,293,979	\$ 75,802	\$ -0-	\$ 1,369,781
Construction in progress	<u>2,625,876</u>	<u>5,693,737</u>	<u>-0-</u>	<u>8,319,613</u>
Total non-depreciable assets	<u>3,919,855</u>	<u>5,769,539</u>	<u>-0-</u>	<u>9,689,394</u>
<i>Depreciable Assets</i>				
Buildings	4,113,178	2,200	-0-	4,115,378
Structures and improvements	11,877,937	41,753	-0-	11,919,690
Transmission and distribution	82,156,548	851,556	147,764	82,860,340
Machinery and equipment	<u>10,740,105</u>	<u>83,263</u>	<u>36,271</u>	<u>10,787,097</u>
Totals at historical cost	<u>108,887,768</u>	<u>978,772</u>	<u>184,035</u>	<u>109,682,505</u>
Less: Accumulated depreciation				
Buildings	471,252	135,317	-0-	606,569
Structures and improvements	2,750,427	305,332	-0-	3,055,759
Transmission and distribution	35,570,040	2,199,751	147,774	37,622,017
Machinery and equipment	<u>4,777,287</u>	<u>410,962</u>	<u>24,112</u>	<u>5,164,137</u>
Total accumulated depreciation	<u>43,569,006</u>	<u>3,051,362</u>	<u>171,886</u>	<u>46,448,482</u>
Total depreciable assets	<u>65,318,762</u>	<u>(2,072,590)</u>	<u>12,149</u>	<u>63,234,023</u>
Business type activities capital assets, net	\$ <u>69,238,617</u>	\$ <u>3,696,949</u>	\$ <u>12,149</u>	\$ <u>72,923,417</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 67,865
Public safety	266,273
Highways and streets	501,418
Culture and recreation	<u>6,204</u>
Total depreciation expense	\$ <u>841,760</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

5. Long-Term Debt

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Governmental Activities						
Obligation under capital lease	\$ 1,091,861	\$ 197,907	\$ 294,252	\$ 995,516	\$ 289,412	\$ 706,104
Compensated absences	1,154,875	31,650	-0-	1,186,525	239,268	947,257
Net pension obligation	<u>11,848,201</u>	<u>1,082,509</u>	<u>-0-</u>	<u>12,930,710</u>	<u>-0-</u>	<u>12,930,710</u>
Governmental activities long-term liabilities	<u>\$ 14,094,937</u>	<u>\$ 1,312,066</u>	<u>\$ 294,252</u>	<u>\$ 15,112,751</u>	<u>\$ 528,680</u>	<u>\$ 14,584,071</u>

The General Fund of the City of Fairmont entered into a lease agreement to finance the acquisition of a Smeal Class A Pumper. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2011:

<u>Fiscal Year Ending June 30,</u>		
2012		\$ 41,987
2013		41,987
2014		41,987
2015		<u>41,987</u>
		167,948
Less: Amount representing interest		<u>19,716</u>
Present value of future minimum lease payments		<u>\$ 148,232</u>

The General Fund of the City of Fairmont entered into a lease agreement on August 10, 2007 for the acquisition of a copier for the police and fire departments. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2011:

<u>Fiscal Year Ending June 30,</u>		
2012		\$ 2,954
2013		<u>246</u>
		3,200
Less: Amount representing interest		<u>-0-</u>
Present value of future minimum lease payments		<u>\$ 3,200</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011:

<u>Fiscal Year Ending June 30,</u>		
2012		\$ 99,364
2013		99,364
2014		99,364
2015		99,364
2016		99,364
2017		<u>99,364</u>
		596,184
Less: Amount representing interest		<u>85,820</u>
Present value of future minimum lease payments		\$ <u>510,364</u>

The General Fund of the City of Fairmont entered into a lease agreement on March 1, 2008 for the acquisition of a Pitney Bowes Stuffer 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, 2011:

<u>Fiscal Year Ending June 30,</u>		
2012		\$ 5,652
2013		<u>3,768</u>
		9,420
Less: Amount representing interest		<u>-0-</u>
Present value of future minimum lease payments		\$ <u>9,420</u>

The General Fund of the City of Fairmont entered into a lease agreement on June 13, 2008 for the acquisition of police department vehicles. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2011:

<u>Fiscal Year Ending June 30,</u>		
2012		\$ 73,321
Less: Amount representing interest		<u>1,156</u>
Present value of future minimum lease payments		\$ <u>72,165</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011:

Fiscal Year Ending June 30,

	\$ 67,328
2012	22,443
2013	89,771
	<u>2,725</u>
Less: Amount representing interest	
Present value of future minimum lease payments	\$ <u>87,046</u>

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, 2011:

Fiscal Year Ending June 30,

	\$ 2,700
2012	2,700
2013	<u>1,350</u>
2014	6,750
	<u>-0-</u>
Less: Amount representing interest	
Present value of future minimum lease payments	\$ <u>6,750</u>

The General Fund of the City of Fairmont entered into a lease agreement on August 13, 2010 for the acquisition of a Street Sweeper. 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, 2011:

Fiscal Year Ending June 30,

	\$ 51,043
2012	51,043
2013	51,043
2014	<u>8,508</u>
2015	161,637
	<u>5,817</u>
Less: Amount representing interest	
Present value of future minimum lease payments	\$ <u>155,820</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

The General Fund of the City of Fairmont entered into a lease agreement on October 10, 2010 for the acquisition of a copier for the police department. 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, 2011:

Fiscal Year Ending June 30,

2012		\$ 581
2013		581
2014		581
2015		581
2016		<u>195</u>
		2,519
Less: Amount representing interest		<u>-0-</u>
Present value of future minimum lease payments		\$ <u>2,519</u>

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, 2011:

Fiscal Year Ending June 30,

2012		\$ 344,930
2013		222,132
2014		194,325
2015		150,440
2016		99,559
2017		<u>99,364</u>
		1,110,750
Less: Amount representing interest		<u>115,234</u>
Present value of future minimum lease payments		995,516
Less: Current portion		<u>289,412</u>
Non-current portion		\$ <u>706,104</u>

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

The following is a summary of bonds payable at June 30, 2011:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
Business-Type Activities						
Bonds and notes payable:						
1988 Sewerage Bonds	\$ 1,515,000	\$ -0-	\$ 755,000	\$ 760,000	\$ 760,000	\$ -0-
1997 Waterworks Refunding Bonds	3,610,000	-0-	830,000	2,780,000	875,000	1,905,000
1998 Water Revenue Bonds	8,690,000	-0-	135,000	8,555,000	140,000	8,415,000
1999 Water Revenue Bonds	19,945,000	-0-	-0-	19,945,000	-0-	19,945,000
2003 Sewerage Bonds	392,462	-0-	16,184	376,278	16,188	360,090
2007 Sewerage Bonds	5,193,400	30,350	235,006	4,988,744	239,742	4,749,002
2008A Water Revenue Bonds	2,550,573	46,952	91,668	2,505,857	91,668	2,414,189
Veterans Plaza Parking Garage Series 1999	271,505	-0-	60,733	210,772	64,319	146,453
Municipal Building Lease Revenue Bonds Series B	261,955	-0-	51,183	210,772	53,268	157,504
Municipal Building Lease Revenue Bonds Series A	2,845,141	-0-	37,446	2,807,695	38,380	2,769,315
Parking Garage Lease Revenue Bonds Series 2005	1,103,149	-0-	52,925	1,050,224	54,852	995,372
West Virginia Housing Development Fund	100,000	-0-	-0-	100,000	100,000	-0-
Chase Bank	383,322	-0-	49,798	333,524	52,060	281,464
Chase Bank	216,952	-0-	135,735	81,217	81,217	-0-
2010A Water Revenue Bonds	155,836	1,103,693	-0-	1,259,529	74,128	1,185,401
2010C Water Revenue Bonds	2,000,000	-0-	-0-	2,000,000	-0-	2,000,000
2010D Water Revenue Bonds	-0-	-0-	-0-	-0-	-0-	-0-
Page Valley Bank	<u>526,742</u>	<u>-0-</u>	<u>95,741</u>	<u>431,001</u>	<u>80,801</u>	<u>350,200</u>
Total bonds and notes payable	<u>49,761,037</u>	<u>1,180,995</u>	<u>2,546,419</u>	<u>48,395,613</u>	<u>2,721,623</u>	<u>45,673,990</u>
Other Long-Term Debt						
Obligation under capital lease	518,541	-0-	171,025	347,516	173,880	173,636
Customer advances	325,411	-0-	1,493	323,918	-0-	323,918
Accrued compensated absences	<u>444,600</u>	<u>-0-</u>	<u>6,247</u>	<u>438,353</u>	<u>168,354</u>	<u>269,999</u>
Total other long-term debt	<u>1,288,552</u>	<u>-0-</u>	<u>178,765</u>	<u>1,109,787</u>	<u>342,234</u>	<u>767,553</u>
Total long-term debt	<u>\$ 51,049,589</u>	<u>\$ 1,180,995</u>	<u>\$ 2,725,184</u>	<u>\$ 49,505,400</u>	<u>\$ 3,063,857</u>	<u>\$ 46,441,543</u>

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

<u>Year</u>	<u>Amount</u>	<u>Effective</u> <u>Yield</u>
2012	\$ <u>760,000</u>	7.75

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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 2011 was \$558,051.

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.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$ 875,000	5.300%
2013	925,000	5.500%
2014	<u>980,000</u>	5.375%
	<u>\$ 2,780,000</u>	

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

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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 National Public Finance Guarantee Corporation 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, 2011 was \$957,462.

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.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$ 140,000	4.25%
2013	145,000	4.30%
2014	145,000	4.35%
2018	1,625,000	4.75%
2023	3,055,000	4.90%
2029	<u>3,445,000</u>	4.75%
	\$ <u>8,555,000</u>	

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

The 1998 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System. These bonds are insured by the Ambac Financial Group, Inc. unconditionally guaranteeing the timely payment of principal and interest on the 1998 Series Bonds.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 was \$1,329,407.

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.

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

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

The 1999 bonds are secured by a lien on and pledge of the net revenues derived from the operation of the System. These bonds are insured by the Ambac Financial Group, Inc. 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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 was \$2,178,778.

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	16,188	-0-	16,188
2017 – 2021	80,920	-0-	80,920
2022 – 2026	80,920	-0-	80,920
2027 – 2031	80,920	-0-	80,920
2032 – 2035	<u>52,578</u>	<u>-0-</u>	<u>52,578</u>
Total	\$ <u>376,278</u>	\$ <u>-0-</u>	\$ <u>376,278</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

f. Sewer Revenue Bonds Series 2007

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

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

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 239,742	\$ 99,320	\$ 339,062
2013	244,573	94,489	339,062
2014	249,501	89,561	339,062
2015	254,529	84,533	339,062
2016	259,658	79,404	339,062
2017 – 2021	1,378,912	316,398	1,695,310
2022 – 2026	1,517,052	178,258	1,695,310
2027 – 2029	<u>844,777</u>	<u>106,956</u>	<u>951,733</u>
Total	\$ <u>4,988,744</u>	\$ <u>1,048,919</u>	\$ <u>6,037,663</u>

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, 2011 was \$100,806.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	91,668	-0-	91,668
2017 – 2021	458,340	-0-	458,340
2022 – 2026	458,340	-0-	458,340
2027 – 2031	458,340	-0-	458,340
2032 – 2036	458,340	-0-	458,340
2037 – 2039	<u>214,157</u>	<u>-0-</u>	<u>214,157</u>
Total	\$ <u>2,505,857</u>	\$ <u>-0-</u>	\$ <u>2,505,857</u>

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 64,319	\$ 10,441	\$ 74,760
2013	68,115	6,645	74,760
2014	72,137	2,623	74,760
2015	<u>6,201</u>	<u>31</u>	<u>6,232</u>
Total	\$ <u>210,772</u>	\$ <u>19,740</u>	\$ <u>230,512</u>

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 53,268	\$ 7,479	\$ 60,747
2013	55,347	5,400	60,747
2014	57,642	3,105	60,747
2015	<u>44,515</u>	<u>1,045</u>	<u>45,560</u>
Total	\$ <u>210,772</u>	\$ <u>17,029</u>	\$ <u>227,801</u>

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 38,380	\$ 119,276	\$ 157,656
2013	40,778	116,878	157,656
2014	42,546	115,110	157,656
2015	44,389	113,267	157,656
2016	44,390	113,266	157,656
2017 – 2021	252,525	535,755	788,280
2022 – 2026	312,198	476,082	788,280
2027 – 2031	385,970	402,310	788,280
2032 – 2036	477,176	311,104	788,280
2037 – 2041	589,934	198,346	788,280
2042 – 2045	<u>579,409</u>	<u>103,936</u>	<u>683,345</u>
Total	\$ <u>2,807,695</u>	\$ <u>2,605,330</u>	\$ <u>5,413,025</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

k. Parking Garage 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 54,852	\$ 52,932	\$ 107,784
2013	57,987	49,797	107,784
2014	61,039	46,745	107,784
2015	64,252	43,532	107,784
2016	67,633	40,151	107,784
2017 – 2021	395,454	143,466	538,920
2022 – 2025	<u>349,008</u>	<u>33,246</u>	<u>382,254</u>
Total	\$ <u>1,050,225</u>	\$ <u>409,869</u>	\$ <u>1,460,094</u>

l. West Virginia Housing Development Fund

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

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

These funds have been made available to businesses and individuals for their demolition needs. Currently, the Building Commission holds three notes totaling \$109,115.74 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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 52,060	\$ 13,788	\$ 65,848
2013	54,424	11,424	65,848
2014	56,896	8,952	65,848
2015	59,480	6,368	65,848
2016	62,182	3,666	65,848
2017	<u>48,482</u>	<u>904</u>	<u>49,386</u>
Total	\$ <u>333,524</u>	\$ <u>45,102</u>	\$ <u>378,626</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ <u>81,217</u>	\$ <u>875</u>	\$ <u>82,092</u>

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 its 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 Health 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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 was \$-0-.

At June 30, 2011 the City of Fairmont had drawn down \$1,259,529 of this bond issue.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 74,128	\$ -0-
2013	148,256	-0-
2014	148,256	-0-
2015	148,256	-0-
2016	148,256	-0-
2017	148,256	-0-
2018	148,256	-0-
2019	148,256	-0-
2020	<u>147,609</u>	<u>-0-</u>
Total	\$ <u>1,259,529</u>	\$ <u>-0-</u>

o. 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 its 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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 was \$100,040.

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

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
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	<u>152,843</u>	<u>3,821</u>
Total	\$ <u>2,000,000</u>	\$ <u>1,264,706</u>

- p. **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.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

The bond may be redeemed prior to its 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, 2011 the City of Fairmont had drawn down \$-0- of this bond issue.

q. Page Valley Bank

On September 9, 2009, the Water Fund of the 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, 2011 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 80,801	\$ 18,137	\$ 98,938
2013	84,598	14,340	98,938
2014	88,572	10,366	98,938
2015	92,734	6,204	98,938
2016	<u>84,296</u>	<u>1,851</u>	<u>86,147</u>
Total	<u>\$ 431,001</u>	<u>\$ 50,898</u>	<u>\$ 481,899</u>

r. 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, 2011:

<u>Year ending June 30,</u>	
2012	\$ 188,654
2013	<u>178,575</u>
Minimum required lease payments	367,229
Less: Amount representing interest	<u>19,713</u>
Present value of minimum lease payment	<u>\$ 347,516</u>
Current portion	\$ 173,880
Non-current portion	<u>173,636</u>
	<u>\$ 347,516</u>

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

6. Employees Retirement System

Plan Descriptions Contribution Information and Funding Policies

Public Employees' Retirement System (PERS)

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

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

<u>Public Employees' Retirement System (PERS)</u>	
Eligibility to participate	All City 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%
City's contribution rate	12.50%
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)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2011	\$ 489,721	100%
2010	\$ 392,849	100%
2009	\$ 385,146	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

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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 2011, 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.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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		\$ 414,225
Contributions made		<u>-0-</u>
Increase (decrease) in net OPEB obligation		414,225
Net OPEB obligation (asset) beginning of year		<u>1,078,016</u>
Net OPEB obligation (asset) end of year		\$ <u>1,492,241</u>
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

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2011	\$ 414,225	0%	\$ 1,492,241
June 30, 2010	\$ 510,426	0%	\$ 1,078,016
June 30, 2009	\$ 342,301	0%	\$ 567,590

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

GASB Statement No. 45 was applied prospectively.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Defined Benefit Pension Plans

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

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

Plan Descriptions

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

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

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

Current employees:

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

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%.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2010. 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 5.0 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 5.0 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 \$24,238,478 and \$31,669,126, respectively.

Firemen's Pension and Relief

Annual Pension Cost and Contributions

Valuation Date	July 1, 2010
Valuation Interest Rate	5.00%
Cost-of-Living Adjustment	3.00%
Wage Inflation	4.00%
Salary Increase	5.00%
Actuarial Value of Assets	Market
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	30 years, Level % of Pay

Annual Pension Cost and Contributions

Fiscal Year End	June 30, 2011
1. Annual Pension Cost for FYE June 30	
(a) Annual Required Contribution (ARC) for FYE June 30	\$ 1,678,376
(b) Interest on Net Pension Obligation (NPO) as of July 1 of FY	\$ 377,812
(c) Adjustment to ARC	\$ (288,375)
(d) Annual Pension Cost (a + b + c)	\$ 1,767,813
2. Net Pension Obligation as of FYE June 30	
(a) NPO as of July 1 of FY	\$ 7,556,235
(b) Annual Pension Cost for FY	\$ 1,767,813
(c) Employer Contribution	\$ 688,608
(d) STO Contributions	\$ 442,494
(d) NPO as of FYE (a + b - c - d)	\$ 8,192,946

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Pension Cost Summary

Fiscal Year End	June 30, 2011
1. Annual Pension Cost	\$ 1,767,813
2. Employer Contribution	\$ 688,608
3. STO Contribution	\$ 442,494
4. Percentage of Annual Pension Cost Contributed [(2 + 3)/1]	64%
5. Net Pension Obligation	\$ 8,192,946

Policemen's Pension and Relief

Valuation Date	July 1, 2010
Valuation Interest Rate	5.00%
Cost-of-Living Adjustment	3.00%
Wage Inflation	4.00%
Salary Increase	5.00%
Actuarial Value of Assets	Market
Actuarial Cost of Method	Entry Age Normal
Remaining Amortization Period	30 years, Level % of Pay

Annual Pension Cost and Contributions

Fiscal Year End	June 30, 2011
1. Annual Pension Cost for FYE June 30	
(a) Annual Required Contribution (ARC) for FYE June 30	\$ 1,255,246
(b) Interest on Net Pension Obligation (NPO) as of July 1 of FY	\$ 214,598
(c) Adjustment to ARC	\$(163,798)
(d) Annual Pension Cost (a + b + c)	\$ 1,306,046
2. Net Pension Obligation as of FYE June 30	
(a) NPO as of July 1 of FY	\$ 4,291,966
(b) Annual Pension Cost for FY	\$ 1,306,046
(c) Employer Contribution	\$ 506,956
(d) STO Contributions	\$ 353,292
(d) NPO as of FYE (a + b - c - d)	\$ 4,737,764

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

Pension Cost Summary

Fiscal Year End	June 30, 2011
1. Annual Pension Cost	\$ 1,306,046
2. Employer Contribution	\$ 506,956
3. STO Contribution	\$ 353,292
4. Percentage of Annual Pension Cost Contributed [(2 + 3)/1]	66%
5. Net Pension Obligation	\$ 4,737,764

(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, 2011, was \$505,841 and \$353,292 was provided by the insurance premium tax allocation, for a total contribution of \$859,133.

According to the latest actuarial study of the municipality's Policemen's Pension and Relief Fund, conducted by Gabriel Roeder Smith & Company, the unfunded past service liability as of July 1, 2010, was \$20,869,851.

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, 2011.

In presenting these recommended funding levels, Gabriel Roeder Smith & Company, assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

(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, 2011, was \$687,492 and \$442,494 was provided by the insurance premium tax allocation, for a total contribution of \$1,129,986.

According to the latest actuarial study of the municipality's Firemen's Pension and Relief Fund, conducted by Gabriel Roeder Smith & Company, the unfunded past service liability as of July 1, 2010 was \$29,798,600.

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, 2011.

In presenting these recommended funding levels, Gabriel Roeder Smith & Company, assumed that the premium tax allocation will continue to be paid to the municipality and that it will remain at about the same level for the next three years.

7. Workers' Compensation Fund

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

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 for each of the next five years are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2012	\$ 12,000
2013	12,000
2014	<u>12,000</u>
Total	\$ <u>36,000</u>

9. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2011 for fund financial:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 259,363	\$ -0-
Special Revenue Funds		
Bureau of Justice Fund	5,570	-0-
Police Fund	-0-	19,977
Police Investigating Fund	-0-	863
Economic Development Grant Fund	-0-	36,409
Capital Project Funds		
Capital Reserve Fund	464,904	-0-
Sharon Steel Redevelopment Fund	-0-	1,088
Enterprise Funds		
Water Fund	-0-	759,585
Sanitary Sewer Fund	90,283	-0-
Parking Fund	<u>-0-</u>	<u>2,198</u>
Total	\$ <u>820,120</u>	\$ <u>820,120</u>

CITY OF FAIRMONT, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011

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, 2011:

Operating revenues	\$ 4,592,862
Operating expenses	<u>4,190,652</u>
Operating income	402,210
Add: Depreciation expense	1,107,513
Interest income	<u>9,841</u>
Amount available for debt service and capital expenditures	\$ <u>1,519,564</u>
Maximum annual debt service	\$ <u>1,110,250</u>
Calculated debt service coverage factor	1.37
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, 2011.

The debt service coverage factor for the Water Fund has been calculated as follows for the year ended June 30, 2011:

Operating revenues	\$ 8,792,721
Operating expenses	<u>5,306,118</u>
Operating income	3,486,603
Add: Depreciation expense	1,652,235
Interest income	<u>208,571</u>
Amount available for debt service and capital expenditures	\$ <u>5,347,409</u>
Maximum annual debt service	\$ <u>3,054,525</u>
Calculated debt service coverage factor	1.75
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, 2011.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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. Restricted Net Assets

It was determined during this examination that the net assets at the beginning of the year of the Water Fund required restatement as follows:

Net assets at beginning of year	\$ 5,862,809
Restatement: Reclassification of ARRA bond issue from debt to grant income	<u>155,836</u>
Net assets at beginning of year restated	\$ <u>6,018,645</u>

14. Subsequent Events

The City has considered all subsequent events through January 6, 2012, 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, 2011**

1. Schedules of Funding Progress

Policemen's Pension and Relief Fund (PPFR)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2001	\$ 2,664,788	\$ 13,852,571	\$ 11,156,783	19.24%	\$ 1,207,014	924%
7/1/2004	\$ 3,100,970	\$ 16,044,620	\$ 12,943,650	19.33%	\$ 1,312,786	986%
7/1/2008	\$ 4,038,740	\$ 18,155,269	\$ 14,116,529	22.25%	\$ 1,356,042	954%
7/1/2010	\$ 3,368,627	\$ 24,238,478	\$ 20,869,851	13.90%	\$ 1,458,935	1430%

Firemen's Pension and Relief Fund (FPFR)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % Covered Payroll (b - a) / c</u>
7/1/2002	\$ 3,353,845	\$ 21,031,260	\$ 17,677,415	15.95%	\$ 1,476,041	1198%
7/1/2005	\$ 2,986,375	\$ 22,414,167	\$ 19,427,792	13.32%	\$ 1,480,774	1312%
7/1/2008	\$ 2,483,747	\$ 24,349,397	\$ 21,865,650	10.20%	\$ 1,568,485	1394%
7/1/2010	\$ 1,870,356	\$ 31,669,126	\$ 29,798,600	5.91%	\$ 1,671,862	1782%

**CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011**

	<u>Special Revenue</u> <u>Funds</u>	<u>Capital Project</u> <u>Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 405,117	\$ -0-	\$ 405,117
Investments	3,661,210	-0-	3,661,210
Receivables:			
Other	57,322	1,088	58,410
Interest	5,659	-0-	5,659
Due from (to):			
Other funds	(51,679)	(1,088)	(52,767)
TOTAL ASSETS	\$ <u>4,077,629</u>	\$ <u>-0-</u>	\$ <u>4,077,629</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 48,438	\$ -0-	\$ 48,438
Claims payable	121,450	-0-	121,450
Accrued other post employment benefits	<u>2,246,690</u>	<u>-0-</u>	<u>2,246,690</u>
Total liabilities	<u>2,416,578</u>	<u>-0-</u>	<u>2,416,578</u>
Fund Balances			
Committed	1,276,149	-0-	1,276,149
Restricted	87,531	-0-	87,531
Assigned	<u>297,371</u>	<u>-0-</u>	<u>297,371</u>
Total fund balances	<u>1,661,051</u>	<u>-0-</u>	<u>1,661,051</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>4,077,629</u>	\$ <u>-0-</u>	\$ <u>4,077,629</u>

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

**CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u> <u>Funds</u>	<u>Capital Project</u> <u>Funds</u>	<u>Total</u>
Revenues			
Intergovernmental:			
Federal	\$ 154,869	\$ -0-	\$ 154,869
State	30,002	-0-	30,002
Contributions:			
From employer	150,545	-0-	150,545
Fines and forfeits	386,461	-0-	386,461
Donations	3,502	2,077	5,579
Investment income	75,786	-0-	75,786
Gain (loss) on investments	<u>205,675</u>	<u>-0-</u>	<u>205,675</u>
Total revenues	<u>1,006,840</u>	<u>2,077</u>	<u>1,008,917</u>
Expenditures			
General government	88,887	-0-	88,887
Public safety	141,252	-0-	141,252
Community development	167,636	2,077	169,713
Benefit payments	<u>36,477</u>	<u>-0-</u>	<u>36,477</u>
Total expenditures	<u>434,252</u>	<u>2,077</u>	<u>436,329</u>
(Deficiency) excess of revenues (under) over expenditures	<u>572,588</u>	<u>-0-</u>	<u>572,588</u>
Other Financing Sources (Uses)			
Operating transfers in	1,470	-0-	1,470
Operating transfers (out)	<u>(254,557)</u>	<u>-0-</u>	<u>(254,557)</u>
Total other financing sources (uses)	<u>(253,087)</u>	<u>-0-</u>	<u>(253,087)</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	319,501	-0-	319,501
Fund balance beginning of year	<u>1,341,550</u>	<u>-0-</u>	<u>1,341,550</u>
Fund balance end of year	\$ <u>1,661,051</u>	\$ <u>-0-</u>	\$ <u>1,661,051</u>

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

**CITY OF FAIRMONT, WEST VIRGINIA
COMBINING FUND BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
JUNE 30, 2011**

	<u>HUD Special Purpose Grant Program</u>	<u>Bureau of Justice Fund</u>	<u>Boards and Commissions Fund</u>	<u>Workers Compensation Fund</u>	<u>Police Fund</u>	<u>Police Investigative Fund</u>	<u>Urban Renewal Authority</u>	<u>Other Post Employment Benefits Fund</u>	<u>Economic Development Grant Fund</u>	<u>Total</u>
ASSETS										
Cash	\$ -0-	\$ -0-	\$ 5,337	\$ 272,409	\$ 35,556	\$ 80,282	\$ 955	\$ -0-	\$ 10,578	\$ 405,117
Investments	-0-	-0-	4,573	1,281,171	-0-	-0-	-0-	2,375,466	-0-	3,661,210
Receivables:										
Other	-0-	-0-	-0-	-0-	-0-	698	-0-	-0-	56,624	57,322
Interest	-0-	-0-	-0-	1,870	-0-	-0-	-0-	3,789	-0-	5,659
Due from (to):										
Other funds	<u>-0-</u>	<u>5,570</u>	<u>-0-</u>	<u>-0-</u>	<u>(19,977)</u>	<u>(863)</u>	<u>-0-</u>	<u>-0-</u>	<u>(36,409)</u>	<u>(51,679)</u>
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 5,570</u>	<u>\$ 9,910</u>	<u>\$ 1,555,450</u>	<u>\$ 15,579</u>	<u>\$ 80,117</u>	<u>\$ 955</u>	<u>\$ 2,379,255</u>	<u>\$ 30,793</u>	<u>\$ 4,077,629</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -0-	\$ -0-	\$ -0-	\$ 6,692	\$ 6,392	\$ 9,569	\$ -0-	\$ -0-	\$ 25,785	\$ 48,438
Claims payable	-0-	-0-	-0-	121,450	-0-	-0-	-0-	-0-	-0-	121,450
Accrued other post employment benefits	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,246,690</u>	<u>-0-</u>	<u>2,246,690</u>
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>128,142</u>	<u>6,392</u>	<u>9,569</u>	<u>-0-</u>	<u>2,246,690</u>	<u>25,785</u>	<u>2,416,578</u>
Fund Balances										
Committed	-0-	-0-	-0-	1,276,149	-0-	-0-	-0-	-0-	-0-	1,276,149
Restricted	-0-	5,570	-0-	-0-	6,784	70,177	-0-	-0-	5,000	87,531
Assigned	-0-	-0-	9,910	151,159	2,403	371	955	132,565	8	297,371
Unassigned	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total fund balances	<u>-0-</u>	<u>5,570</u>	<u>9,910</u>	<u>1,427,308</u>	<u>9,187</u>	<u>70,548</u>	<u>995</u>	<u>132,565</u>	<u>5,008</u>	<u>1,661,051</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 5,570</u>	<u>\$ 9,910</u>	<u>\$ 1,555,450</u>	<u>\$ 15,579</u>	<u>\$ 80,117</u>	<u>\$ 955</u>	<u>\$ 2,379,255</u>	<u>\$ 30,793</u>	<u>\$ 4,077,629</u>

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

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>HUD Special Purpose Grant Program</u>	<u>Bureau of Justice Fund</u>	<u>Boards and Commissions Fund</u>	<u>Workers Compensation Fund</u>	<u>Police Fund</u>	<u>Police Investigative Fund</u>	<u>Urban Renewal Authority</u>	<u>Other Post Employment Benefits Fund</u>	<u>Economic Development Grant Fund</u>	<u>Total</u>
Revenues										
Intergovernmental:										
Federal	\$ 12,477	\$ 15,035	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 127,357	\$ 154,869
State	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	30,002	30,002
Contributions:										
From employer	-0-	-0-	-0-	147,187	-0-	-0-	-0-	3,358	-0-	150,545
Fines and forfeits	-0-	-0-	-0-	-0-	356,915	29,546	-0-	-0-	-0-	386,461
Donations	-0-	-0-	2,502	-0-	-0-	1,000	-0-	-0-	-0-	3,502
Investment income	-0-	-0-	37	41,228	17	371	-0-	34,127	6	75,786
Gain (loss) on investments	-0-	-0-	220	109,931	-0-	-0-	-0-	95,524	-0-	205,675
Total revenues	<u>12,477</u>	<u>15,035</u>	<u>2,759</u>	<u>298,346</u>	<u>356,932</u>	<u>30,917</u>	<u>-0-</u>	<u>133,009</u>	<u>157,365</u>	<u>1,006,840</u>
Expenditures										
General government	-0-	-0-	-0-	86,885	-0-	-0-	-0-	2,002	-0-	88,887
Public safety	-0-	16,935	-0-	-0-	96,192	28,125	-0-	-0-	-0-	141,252
Community development	12,477	-0-	2,280	-0-	-0-	-0-	-0-	-0-	152,879	167,636
Benefit payments	-0-	-0-	-0-	36,477	-0-	-0-	-0-	-0-	-0-	36,477
Total expenditures	<u>12,477</u>	<u>16,935</u>	<u>2,280</u>	<u>123,362</u>	<u>96,192</u>	<u>28,125</u>	<u>-0-</u>	<u>2,002</u>	<u>152,879</u>	<u>434,252</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>(1,900)</u>	<u>479</u>	<u>174,984</u>	<u>260,740</u>	<u>2,792</u>	<u>-0-</u>	<u>131,007</u>	<u>4,486</u>	<u>572,588</u>
Other Financing Sources (Uses)										
Operating transfers in	-0-	-0-	-0-	-0-	-0-	-0-	950	-0-	520	1,470
Operating transfers (out)	-0-	-0-	-0-	-0-	(254,557)	-0-	-0-	-0-	-0-	(254,557)
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(254,557)</u>	<u>-0-</u>	<u>950</u>	<u>-0-</u>	<u>520</u>	<u>(253,087)</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	<u>-0-</u>	<u>(1,900)</u>	<u>479</u>	<u>174,984</u>	<u>6,183</u>	<u>2,792</u>	<u>950</u>	<u>131,007</u>	<u>5,006</u>	<u>319,501</u>
Fund balance beginning of year	<u>-0-</u>	<u>7,470</u>	<u>9,431</u>	<u>1,252,324</u>	<u>3,004</u>	<u>67,756</u>	<u>5</u>	<u>1,558</u>	<u>2</u>	<u>1,341,550</u>
Fund balance end of year	\$ <u>-0-</u>	\$ <u>5,570</u>	\$ <u>9,910</u>	\$ <u>1,427,308</u>	\$ <u>9,187</u>	\$ <u>70,548</u>	\$ <u>955</u>	\$ <u>132,565</u>	\$ <u>5,008</u>	\$ <u>1,661,051</u>

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

CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS -
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2011

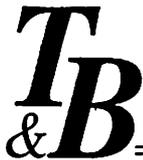
	<u>Sharon Steel Redevelopment Fund</u>
ASSETS	
Accounts receivable	\$ 1,088
Due from (to):	
Other funds	(1,088)
TOTAL ASSETS	\$ <u>-0-</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ <u>-0-</u>
Total liabilities	<u>-0-</u>
Fund Balances	
Unassigned	<u>-0-</u>
Total fund balances	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>-0-</u>

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

CITY OF FAIRMONT, WEST VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Sharon Steel</u> <u>Redevelopment</u> <u>Fund</u>
Revenues	
Donations	\$ <u>2,077</u>
Total revenues	<u>2,077</u>
 Expenditures	
Community development	<u>2,077</u>
Total expenditures	<u>2,077</u>
(Deficiency) excess of revenues (under) over expenditures	-0-
Fund balance beginning of year	<u>-0-</u>
Fund balance end of year	\$ <u><u>-0-</u></u>

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



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fairmont, West Virginia, as of and for the year ended June 30, 2011, which collectively comprise the City of Fairmont, West Virginia's basic financial statements and have issued our report thereon dated January 6, 2012. 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 of 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.

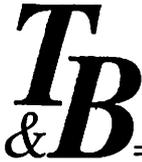
Compliance and Other Matters

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.

Justin A. Bartlett, PHA

January 6, 2012



**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, 2011. 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, 2011.

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 of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to 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. However, this report is a matter of public record.

Justin R. Baskett, Ph.D.

January 6, 2012

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 Drinking Water State Revolving Funds – CFDA Number 66.468 and the United States Environmental Protection Agency, Office of Water, ARRA – Capitalization 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, 2011**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>
United States Environmental Protection Agency/Office of Water					
<i>State of West Virginia Environmental Protection and West Virginia Water Development Authority</i>					
Capitalization Grants for Drinking Water State Revolving Funds	66.468		\$ 3,500,000	\$ 79,993	\$ 79,993
Capitalization Grants for Drinking Water State Revolving Funds	66.468		4,446,618	1,103,693	1,103,693
ARRA – Capitalization Grants for Drinking Water State Revolving Funds	66.468		4,446,618	<u>4,290,783</u>	<u>4,290,783</u>
				<u>5,474,469</u>	<u>5,474,469</u>
United States Department of Housing and Urban Development/Office of Community Planning and Development					
<i>State of West Virginia Office of Economic Opportunity</i>					
Emergency Shelter Grants Program	14.231	S-09-DC-54-0001	76,000	27,357	27,357
Emergency Shelter Grants Program	14.231	S-10-DC-54-0001	76,000	62,370	62,370
United States Department of Housing and Urban Development/Office of Community Planning and Development					
<i>West Virginia Development Office</i>					
Community Development Block Grants/Entitlement Grants	14.218	B-05-DC-54-0001	500,000	<u>12,477</u>	<u>12,477</u>
				<u>102,204</u>	<u>102,204</u>
United States Department of Transportation/Federal Highway Administration					
<i>West Virginia Department of Transportation Division of Highways</i>					
ARRA – Highway Planning and Construction	20.205	TEA-OH22(001)E	150,000	<u>2,080</u>	<u>2,080</u>
				<u>2,080</u>	<u>2,080</u>

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenues Recognized</u>	<u>Federal Disbursements/ Expenditures</u>
United States Department of Justice/Office of Community Oriented Policing Services					
ARRA – Public Safety Partnership and Community Policing Grants	16.710	2009RKKWX0923	\$ 347,100	\$ 117,385	\$ 117,385
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	<u>15,035</u> <u>132,420</u>	<u>15,035</u> <u>132,420</u>
United States Department of Energy					
ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0001811	87,100	<u>35,550</u> <u>35,550</u>	<u>35,550</u> <u>35,550</u>
Total				<u>\$ 5,746,723</u>	<u>\$ 5,746,723</u>

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, 2011**

United States Environmental Protection Agency, Office of Water Capitalization Grants for Clean Water State Revolving Funds – CFDA Number 55.458 for the fiscal year ended June 30, 2010; the United States Environmental Protection Agency, Office of Water, Capitalization Grants for Drinking Water State Revolving Funds – CFDA Number 66.468 for the fiscal year ended June 30, 2010; and the United States Environmental Protection Agency, Office of Water, ARRA – Capitalization Grants for Drinking Water State Revolving Funds – CFDA Number 66.468 for the fiscal year ended June 30, 2010.

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