

**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, 2014
RFP #13-088 (Marion County)

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**CITY OF FAIRMONT, WEST VIRGINIA
MUNICIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2014**

Office	Name	Term
	<i>Elective</i>	
Mayor:	Ronald J. Straight	01/01/11 – 12/31/14
Council Members:		
1 st District	Robert Gribben	01/01/11 – 12/31/14
2 nd District	Frank Yann	01/01/13 – 12/31/16
3 rd District	Deborah Seifrit	01/01/11 – 12/31/14
4 th District	William Burdick	01/01/13 – 12/31/16
5 th District	Chuck Warner	01/01/11 – 12/31/14
6 th District	Daniel Weber	01/01/13 – 12/31/16
7 th District	Robert Garcia	01/01/13 – 12/31/16
8 th District	Robin Smith	01/01/11 – 12/31/14
9 th District	Ronald J. Straight	01/01/11 – 12/31/14
	<i>Appointed</i>	
City Manager:	Jay Rogers, III	
Finance Director:	Eileen Layman	
City Clerk:	Janet Keller	
Municipal Judge:	Anthony Julian	

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax

PROPRIETARY FUND TYPES

MAJOR FUNDS

Water
Building Commission
Parking
Park Commission

NONMAJOR FUNDS

Special Revenue Funds

Boards and Commissions
Workers Compensation
Urban Renewal Authority
Economic Development Grant

FIDUCIARY FUND TYPES

Pension Trust Funds

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

COMPONENT UNITS

Discretely Presented
Sanitary Board



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, aggregate blended component units, 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, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, the aggregate discretely presented component units, aggregate blended component units, each major fund and the aggregate remaining fund information of the City of Fairmont, West Virginia as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund and the Coal Severance Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements for the year ended June 30, 2014, the City of Fairmont, West Virginia adopted new accounting guidance, GASB 65, *Items Previously Reported as Assets and Liabilities*, GASB 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* and GASB 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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 the 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 Changes in Net Pension Liability and Related Ratios Multiyear – Firemen's Pension and Relief Fund, Schedule of the Net Pension Liability Multiyear – Firemen's Pension and Relief Fund, Schedule of Contributions Multiyear – Firemen's Pension and Relief Fund, Schedule of Changes in Net Pension Liability and Related Ratios Multiyear – Policemen's Pension and Relief Fund, Schedule of the Net Pension Liability Multiyear – Policemen's Pension and Relief Fund and Schedule of Contributions Multiyear – Policemen's Pension and Relief Fund be presented to supplement the basic financial statements. Such 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 the 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 inquires 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairmont, West Virginia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fairmont, West Virginia's internal control over financial reporting and compliance.

Deloitte & Touche, PLLC

January 30, 2015

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Unit</u> <u>Sanitary</u> <u>Sewer</u> <u>Board</u>
Assets				
Cash	\$ 1,921,044	\$ 596,322	\$ 2,517,366	\$ 344,180
Investments	9,988,937	-0-	9,988,937	-0-
Receivables	2,119,241	819,504	2,938,745	347,205
Internal balances	94,142	(86,673)	7,469	(7,469)
Inventory	-0-	235,114	235,114	39,714
Prepaid expenses	7,403	10,722	18,125	10,558
Restricted assets	28,212	11,024,866	11,053,078	2,793,557
Capital assets, net	<u>9,294,903</u>	<u>56,671,065</u>	<u>65,965,968</u>	<u>19,448,820</u>
Total assets	<u>23,453,882</u>	<u>69,270,920</u>	<u>92,724,802</u>	<u>22,976,565</u>
Deferred Outflows of Resources				
Unamortized bond discount and issue costs	-0-	-0-	-0-	-0-
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>23,453,882</u>	<u>69,270,920</u>	<u>92,724,802</u>	<u>22,976,565</u>
Liabilities				
Accounts payable	688,429	749,102	1,437,531	54,219
Claims payable	217,179	-0-	217,179	-0-
Other accrued expenses	465,942	523	466,465	40,781
Accrued other post-employment benefits	2,984,223	867,752	3,851,975	685,381
Unearned revenues	105,000	-0-	105,000	-0-
Customer deposits	-0-	162,393	162,393	-0-
Accrued interest payable	-0-	449,527	449,527	-0-
Long-term liabilities				
Due within one year	503,074	3,432,727	3,935,801	343,004
Due in more than one year	<u>17,937,662</u>	<u>41,429,308</u>	<u>59,366,970</u>	<u>4,593,532</u>
Total liabilities	<u>22,901,509</u>	<u>47,091,332</u>	<u>69,992,841</u>	<u>5,716,917</u>
Net Position				
Net investment in capital assets	8,808,324	12,159,876	20,968,200	14,698,340
Restricted	145,888	10,157,114	10,303,002	2,299,722
Unrestricted	<u>(8,401,839)</u>	<u>(137,402)</u>	<u>(8,539,241)</u>	<u>261,586</u>
Total net position	<u>\$ 552,373</u>	<u>\$ 22,179,588</u>	<u>\$ 22,731,961</u>	<u>\$ 17,259,648</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Function/Programs</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>						<u>Component Unit</u>
	<u>Program Revenues</u>			<u>Business Type Activities</u>		<u>Total</u>	
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Sanitary Sewer Board</u>		
Governmental Activities							
General government	\$ 2,311,666	\$ -0-	\$ -0-	\$(2,253,284)	\$ -0-	\$(2,253,284)	-
Public safety	8,194,111	-0-	11,000	(6,591,625)	-0-	(6,591,625)	-
Streets and transportation	1,910,731	-0-	-0-	(458,496)	-0-	(458,496)	-
Sanitation	1,317,920	-0-	-0-	(1,906)	-0-	(1,906)	-
Culture and recreation	132,486	671	-0-	(130,230)	-0-	(130,230)	-
Social services	1,927	-0-	-0-	(1,927)	-0-	(1,927)	-
Community development	162,444	-0-	266,508	121,194	-0-	121,194	-
Benefits paid	83,582	162,512	-0-	78,930	-0-	78,930	-
Total governmental activities	<u>14,114,867</u>	<u>163,183</u>	<u>277,508</u>	<u>(9,237,344)</u>	<u>-0-</u>	<u>(9,237,344)</u>	<u>-0-</u>
Business-Type Activities							
Water	7,257,500	-0-	-0-	-0-	1,702,373	1,702,373	-
Building Commission	437,600	39,096	-0-	-0-	(398,404)	(398,404)	-
Parking	103,311	-0-	-0-	-0-	6,964	6,964	-
Park Commission	10,976	-0-	-0-	-0-	(9,726)	(9,726)	-
Total business-type activities	<u>7,809,387</u>	<u>39,096</u>	<u>-0-</u>	<u>-0-</u>	<u>1,301,207</u>	<u>1,301,207</u>	<u>-0-</u>
Total primary government	<u>\$ 21,924,254</u>	<u>\$ 202,279</u>	<u>\$ 277,508</u>	<u>(9,237,344)</u>	<u>1,301,207</u>	<u>(7,936,137)</u>	<u>-0-</u>
Component Units							
Sanitary sewer board	<u>\$ 4,497,907</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(43,919)</u>

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF ACTIVITIES (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Net (Expense) Revenues and Changes in Net Position</u>				<u>Component</u>
	<u>Program Revenues</u>			<u>Unit</u>	
<u>Function/Programs</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Sanitary</u>	<u>Sewer</u>
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Grants and</u>	<u>Board</u>	<u>Board</u>
	<u>Governmental</u>	<u>Business</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Revenues					
Taxes	\$ 2,243,977	\$ -0-	\$ -0-	\$ -0-	\$ 2,243,977
Ad valorem	5,179,033	-0-	-0-	-0-	5,179,033
Business and occupation	186,539	-0-	-0-	-0-	186,539
Alcoholic beverage	1,228,950	-0-	-0-	-0-	1,228,950
Utility service	57,849	-0-	-0-	-0-	57,849
Hotel occupancy	5,090	-0-	-0-	-0-	5,090
Animal control	-0-	-0-	-0-	-0-	-0-
Gas and oil severance	80,507	-0-	-0-	-0-	80,507
Other	71,621	-0-	-0-	-0-	71,621
Intergovernmental state	176,822	-0-	-0-	-0-	176,822
Licenses and permits	110,507	-0-	-0-	-0-	110,507
Video lottery and gaming income	734,970	436,505	-0-	-0-	1,171,475
Investment income	249,527	-0-	-0-	-0-	249,527
Franchise fees	32,751	-0-	-0-	-0-	32,751
Reimbursements	-0-	(122,664)	-	-	(122,664)
Gain (loss) on disposal of capital assets	8,950	4,341	-	-	13,291
Miscellaneous	10,367,093	318,182	-	-	10,685,275
Total general revenues	1,129,749	1,619,389	2,749,138	138,266	2,749,138
Change in net position before transfers	(573,591)	573,591	-0-	-0-	-0-
Transfers between activities	556,158	2,192,980	-	-	2,749,138
Change in net position after transfers between activities	-	-	-	-	-
Net position – beginning – restated	(3,785)	19,986,608	19,982,823	17,121,382	17,121,382
Net position – ending	\$ 552,373	\$ 22,179,588	\$ 22,731,961	\$ 17,259,648	\$ 17,259,648

The accompanying independent auditor's report and notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
 FUND BALANCE SHEETS
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

	<u>General</u> <u>Fund</u>	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash	\$ 1,653,280	\$ 7,489	\$ 260,275	\$ 1,921,044
Investments	8,369,577	-0-	1,619,360	9,988,937
Receivables, net of allowances:				
Taxes	1,457,799	-0-	-0-	1,457,799
Accounts	453,788	-0-	-0-	453,788
Other	66,117	-0-	21,042	87,159
Interest	5,673	-0-	809	6,482
Due from (to):				
Other funds	93,023	-0-	1,119	94,142
Other governments	90,825	23,188	-0-	114,013
Prepaid expenses	7,403	-0-	-0-	7,403
Inventory	-0-	-0-	-0-	-0-
Restricted assets	<u>28,212</u>	<u>-0-</u>	<u>-0-</u>	<u>28,212</u>
TOTAL ASSETS	\$ <u>12,225,697</u>	\$ <u>30,677</u>	\$ <u>1,902,605</u>	\$ <u>14,158,979</u>

	<u>General</u> <u>Fund</u>	<u>Coal</u> <u>Severance</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 658,726	\$ -0-	\$ 29,703	\$ 688,429
Claims payable	59,965	-0-	157,214	217,179
Other accrued expenses	465,942	-0-	-0-	465,942
Accrued compensated absences	313,528	-0-	-0-	313,528
Accrued other postemployment benefits	2,984,223	-0-	-0-	2,984,223
Customer deposits	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>4,482,384</u>	<u>-0-</u>	<u>186,917</u>	<u>4,669,301</u>
Deferred inflows of resources				
Deferred taxes	199,312	-0-	-0-	199,312
Unearned revenues	<u>105,000</u>	<u>-0-</u>	<u>-0-</u>	<u>105,000</u>
Total deferred inflows of resources	<u>304,312</u>	<u>-0-</u>	<u>-0-</u>	<u>304,312</u>
Total liabilities and deferred inflows of resources	<u>4,786,696</u>	<u>-0-</u>	<u>186,917</u>	<u>4,973,613</u>
Fund Balances				
Nonspendable	7,403	-0-	-0-	7,403
Committed	1,322,212	30,677	-0-	1,352,889
Restricted	140,200	-0-	5,688	145,888
Assigned	1,992,255	-0-	1,710,000	3,702,255
Unassigned	<u>3,976,931</u>	<u>-0-</u>	<u>-0-</u>	<u>3,976,931</u>
Total fund balances	<u>7,439,001</u>	<u>30,677</u>	<u>1,715,688</u>	<u>9,185,366</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>12,225,697</u>	\$ <u>30,677</u>	\$ <u>1,902,605</u>	\$ <u>14,158,979</u>

The accompanying independent auditor's report and 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 POSITION
JUNE 30, 2014**

Fund balance, fund level statement June 30, 2014 \$ 9,185,366

The total fund balance of the City of Fairmont's governmental funds differs from net position of the governmental activities reported on the Statement of Net Position as follows:

Some liabilities are not due and payable in the current period and therefore, are not reported in the fund level statements:

Obligations under capital leases	(486,579)
Unfunded pension and post retirement obligation	(16,557,482)
Accrued compensated absences – due in more than one year	(1,083,147)

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 Position includes those assets and their associated accumulated depreciation.	9,294,903
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Some assets do not provide current financial resources and are not reported as assets in the fund level statements:

Reduction in deferred revenue at June 30, 2014	199,312
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Net position of governmental activities	\$ 552,373
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The accompanying independent auditor's report and 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, 2014

	<u>General</u>	<u>Coal</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Severance</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues				
Taxes (including interest and penalties):				
Ad valorem	\$ 2,258,333	\$ -0-	\$ -0-	\$ 2,258,333
Business and occupation	5,179,033	-0-	-0-	5,179,033
Alcoholic beverage	186,539	-0-	-0-	186,539
Utility service	1,228,950	-0-	-0-	1,228,950
Hotel occupancy	57,849	-0-	-0-	57,849
Animal control	5,090	-0-	-0-	5,090
Gas and oil severance	-0-	-0-	-0-	-0-
Other	80,507	-0-	-0-	80,507
Licenses and permits	176,822	-0-	-0-	176,822
Intergovernmental:				
Federal	-0-	-0-	204,728	204,728
State	-0-	71,621	61,780	133,401
Charges for services	3,891,253	-0-	-0-	3,891,253
Contributions:				
From employer	-0-	-0-	162,512	162,512
Video lottery and gaming income	110,507	-0-	-0-	110,507
Fines and forfeits	545,579	-0-	-0-	545,579
Donations	671	-0-	11,000	11,671
Investment income	487,118	4	72,272	559,394
Franchise fees	249,527	-0-	-0-	249,527
Reimbursements	32,751	-0-	-0-	32,751
Gain (loss) on investments	96,896	-0-	78,680	175,576
Gain (loss) on sale of capital asset	-0-	-0-	-0-	-0-
Miscellaneous	8,950	-0-	-0-	8,950
Total revenues	<u>14,596,375</u>	<u>71,625</u>	<u>590,972</u>	<u>15,258,972</u>

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Coal</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Severance</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Expenditures				
General government	\$ 2,597,808	\$ -0-	\$ 117,335	\$ 2,715,143
Public safety	6,540,126	-0-	7,080	6,547,206
Streets and transportation	2,654,889	95,960	-0-	2,750,849
Sanitation	1,317,920	-0-	-0-	1,317,920
Culture and recreation	132,486	-0-	-0-	132,486
Social services	1,927	-0-	-0-	1,927
Community development	-0-	-0-	273,469	273,469
Retirement of debt service:				
Principal	223,214	-0-	-0-	223,214
Interest	25,885	-0-	-0-	25,885
Benefit payments	-0-	-0-	83,582	83,582
Total expenditures	<u>13,494,255</u>	<u>95,960</u>	<u>481,466</u>	<u>14,071,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,102,120</u>	<u>(24,335)</u>	<u>109,506</u>	<u>1,187,291</u>
Other Financing Sources (Uses)				
Operating transfers in	2,536,179	-0-	-0-	2,536,179
Operating transfers (out)	<u>(3,109,770)</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,109,770)</u>
Total other financing sources (uses)	<u>(573,591)</u>	<u>-0-</u>	<u>-0-</u>	<u>(573,591)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	528,529	(24,335)	109,506	613,700
Fund balance at beginning of year	<u>6,910,472</u>	<u>55,012</u>	<u>1,606,182</u>	<u>8,571,666</u>
Fund balance at end of year	\$ <u>7,439,001</u>	\$ <u>30,677</u>	\$ <u>1,715,688</u>	\$ <u>9,185,366</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balance – total governmental funds	\$ 613,700
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlay exceeded depreciation in the current period.	997,851
Loss on disposal of capital assets	(24,192)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds at June 30, 2013:	
Recognition of deferred income	(14,356)
 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 Position. 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 Position.	
Repayment of obligation under capital lease	228,214
 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 obligation	(1,250,096)
Change in long-term accrued compensated absences	<u>5,037</u>
Change in Net Position of Governmental Activities	\$ <u>556,158</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF FINANCIAL POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business Type Activities					Component Unit
	Water	Building Commission	Parking	Park Commission	Total	Sanitary Sewer Board
ASSETS						
Current Assets						
Cash	\$ 470,484	\$ 53,571	\$ 72,267	\$ -0-	\$ 596,322	\$ 344,180
Receivables, net of allowances:						
Accounts	750,328	-0-	4,512	-0-	754,840	347,205
Other	-0-	-0-	-0-	-0-	-0-	-0-
Notes	-0-	62,694	-0-	-0-	62,694	-0-
Interest	1,970	-0-	-0-	-0-	1,970	-0-
Due from (to) other funds	(85,421)	(344)	(908)	-0-	(86,673)	(7,469)
Prepaid expenses	10,722	-0-	-0-	-0-	10,722	10,558
Inventory, at cost	235,114	-0-	-0-	-0-	235,114	39,714
Total current assets	<u>1,383,197</u>	<u>115,921</u>	<u>75,871</u>	<u>-0-</u>	<u>1,574,989</u>	<u>734,188</u>
Noncurrent Assets						
Restricted assets	11,024,866	-0-	-0-	-0-	11,024,866	2,793,557
Capital Assets						
Land	227,647	846,693	-0-	-0-	1,074,340	346,889
Buildings	-0-	4,031,820	137,440	-0-	4,169,260	-0-
Land improvements	-0-	4,462,177	37,414	-0-	4,499,591	-0-
Structures and improvements	18,316,183	-0-	-0-	-0-	18,316,183	9,741,211
Building improvements	-0-	467,297	-0-	-0-	467,297	-0-
Transmission and distribution	51,387,469	-0-	-0-	-0-	51,387,469	28,997,835
Machinery and equipment	2,952,506	16,193	29,907	-0-	2,998,606	3,343,018
Office furniture and equipment	-0-	-0-	25,014	-0-	25,014	-0-
Vehicles	-0-	-0-	20,750	-0-	20,750	-0-
Construction in progress	3,294,473	-0-	-0-	-0-	3,294,473	-0-
Less: Accumulated depreciation	(27,309,181)	(2,176,715)	(96,022)	-0-	(29,581,918)	(22,980,133)
Net capital assets	<u>48,869,097</u>	<u>7,647,465</u>	<u>154,503</u>	<u>-0-</u>	<u>56,671,065</u>	<u>19,448,820</u>
Total assets	<u>61,277,160</u>	<u>7,763,386</u>	<u>230,374</u>	<u>-0-</u>	<u>69,270,920</u>	<u>22,976,565</u>
Deferred Outflows of Resources						
Unamortized bond discount and issue costs	-0-	-0-	-0-	-0-	-0-	-0-
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>61,277,160</u>	<u>7,763,386</u>	<u>230,374</u>	<u>-0-</u>	<u>69,270,920</u>	<u>22,976,565</u>

LIABILITIES	Business Type Activities					Component
	Water	Building Commission	Parking	Park Commission	Total	Unit Sanitary Sewer Board
Current Liabilities (payable from current assets)						
Notes payable	152,214	74,939	-0-	-0-	227,153	-0-
Accounts payable	727,187	15,362	6,553	-0-	749,102	54,219
Due to other funds	-0-	-0-	-0-	-0-	-0-	-0-
Other accrued expenses	523	-0-	-0-	-0-	523	40,781
Other post-employment benefits	867,752	-0-	-0-	-0-	867,752	685,381
Accrued compensated absences	<u>285,384</u>	<u>-0-</u>	<u>2,416</u>	<u>-0-</u>	<u>287,800</u>	<u>72,287</u>
Total current liabilities (payable from current assets)	<u>2,033,060</u>	<u>90,301</u>	<u>8,969</u>	<u>-0-</u>	<u>2,132,330</u>	<u>852,668</u>
Current Liabilities (payable from restricted assets)						
Revenue bonds payable	2,782,945	134,829	-0-	-0-	2,917,774	270,717
Accrued revenue bond interest payable	443,864	5,663	-0-	-0-	449,527	-0-
Customer deposits	<u>162,393</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>162,393</u>	<u>-0-</u>
Total current liabilities (payable from restricted assets)	<u>3,389,202</u>	<u>140,492</u>	<u>-0-</u>	<u>-0-</u>	<u>3,529,694</u>	<u>270,717</u>
Long-Term Liabilities (net of current portion)						
Revenue bonds payable	37,650,265	3,269,438	-0-	-0-	40,919,703	4,378,705
Notes payable	194,960	314,645	-0-	-0-	509,605	-0-
Customer advances	-0-	-0-	-0-	-0-	-0-	101,057
Accrued compensated absences	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>113,770</u>
Total long-term liabilities (net of current portion)	<u>37,845,225</u>	<u>3,584,083</u>	<u>-0-</u>	<u>-0-</u>	<u>41,429,308</u>	<u>4,593,532</u>
Total liabilities	<u>43,267,487</u>	<u>3,814,876</u>	<u>8,969</u>	<u>-0-</u>	<u>47,091,332</u>	<u>5,716,917</u>
Net Position						
Net investment in capital assets	8,088,713	3,916,660	154,503	-0-	12,159,876	14,698,340
Restricted	10,157,114	-0-	-0-	-0-	10,157,114	2,299,722
Unrestricted	(236,154)	31,850	66,902	-0-	(137,402)	261,586
Total net position	\$ <u>18,009,673</u>	\$ <u>3,948,510</u>	\$ <u>221,405</u>	\$ <u>-0-</u>	\$ <u>22,179,588</u>	\$ <u>17,259,648</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business Type Activities</u>					<u>Component</u>
	<u>Water</u>	<u>Building</u> <u>Commission</u>	<u>Parking</u>	<u>Park</u> <u>Commission</u>	<u>Total</u>	<u>Unit</u> <u>Sanitary</u> <u>Sewer</u> <u>Board</u>
Operating Revenues						
Charges for services	\$ 8,959,873	\$ 100	\$ 109,212	\$ 1,250	\$ 9,070,435	\$ 4,443,777
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>1,063</u>	<u>-0-</u>	<u>1,063</u>	<u>98,049</u>
Total operating revenues	<u>8,959,873</u>	<u>100</u>	<u>110,275</u>	<u>1,250</u>	<u>9,071,498</u>	<u>4,541,826</u>
Operating Expenses						
Personal services	1,555,385	-0-	48,937	-0-	1,604,322	1,756,854
Administrative and general	811,577	27,322	23,451	800	863,150	354,763
Collection and pumping	-0-	-0-	-0-	-0-	-0-	423,260
Treatment and disposal	-0-	-0-	0-	-0-	-0-	476,091
Billing and collection	-0-	-0-	-0-	-0-	-0-	226,096
Rents and utilities	456,386	-0-	7,136	699	464,221	-0-
Bad debt expense	58,211	-0-	-0-	-0-	58,211	-0-
Fuel and oil	69,197	-0-	-0-	-0-	69,197	-0-
Materials and supplies	603,950	-0-	3,468	-0-	607,418	-0-
Depreciation	2,251,251	291,610	10,985	9,477	2,563,323	1,142,714
Benefits	<u>576,612</u>	<u>-0-</u>	<u>9,334</u>	<u>-0-</u>	<u>585,946</u>	<u>-0-</u>
Total operating expenses	<u>6,382,569</u>	<u>318,932</u>	<u>103,311</u>	<u>10,976</u>	<u>6,815,788</u>	<u>4,379,778</u>
Operating income (loss)	<u>2,577,304</u>	<u>(318,832)</u>	<u>6,964</u>	<u>(9,726)</u>	<u>2,255,710</u>	<u>162,048</u>
Nonoperating Revenues (Expenses)						
Investment income	116,629	3,010	11	-0-	119,650	94,347
Miscellaneous income	4,341	-0-	-0-	-0-	4,341	-0-
Gain on sale of investments	316,855	-0-	-0-	-0-	316,855	-0-
Gain (loss) on disposal of capital assets	-0-	(20,074)	-0-	(102,590)	(122,664)	-0-
Interest and fiscal charges	<u>(874,931)</u>	<u>(118,668)</u>	<u>-0-</u>	<u>-0-</u>	<u>(993,599)</u>	<u>(118,129)</u>
Total nonoperating revenues (expenses)	<u>(437,106)</u>	<u>(135,732)</u>	<u>11</u>	<u>(102,590)</u>	<u>(675,417)</u>	<u>(23,782)</u>

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Business Type Activities</u>					<u>Component</u>
	<u>Water</u>	<u>Building</u> <u>Commission</u>	<u>Parking</u>	<u>Park</u> <u>Commission</u>	<u>Total</u>	<u>Unit</u> <u>Sanitary</u> <u>Sewer</u> <u>Board</u>
Income (loss) before nonoperating grants and capital contributions	\$ 2,140,198	\$(454,564)	\$ 6,975	\$(112,316)	\$ 1,580,293	\$ 138,266
Contribution from other funds	-0-	659,053	58,646	-0-	717,699	-0-
Contribution to other funds	-0-	-0-	(140,184)	(3,924)	(144,108)	-0-
Transfers to other entities	<u>-0-</u>	<u>39,096</u>	<u>-0-</u>	<u>-0-</u>	<u>39,096</u>	<u>-0-</u>
Change in net position	2,140,198	243,585	(74,563)	(116,240)	2,192,980	138,266
Total net position – beginning – restated	<u>15,869,475</u>	<u>3,704,925</u>	<u>295,968</u>	<u>116,240</u>	<u>19,986,608</u>	<u>17,121,382</u>
Total net position – ending	<u>\$ 18,009,673</u>	<u>\$ 3,948,510</u>	<u>\$ 221,405</u>	<u>\$ -0-</u>	<u>\$ 22,179,588</u>	<u>\$ 17,259,648</u>

The accompanying independent auditor's report and 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, 2014**

	<u>Business Type Activities</u>					<u>Component</u>
	<u>Water</u>	<u>Building</u> <u>Commission</u>	<u>Parking</u>	<u>Park</u> <u>Commission</u>	<u>Total</u>	<u>Unit</u> <u>Sanitary</u> <u>Sewer</u> <u>Board</u>
Cash Flows from Operating Activities						
Receipts from customers	\$ 8,942,029	\$ 100	\$ 110,616	\$ 1,250	\$ 9,053,995	\$ 4,518,466
Receipts from other sources	4,341	663,277	3,209	-0-	670,827	98,049
Payments to suppliers	(2,143,071)	(26,978)	(121,146)	(5,717)	(2,296,912)	(1,473,081)
Payment to employees	(1,562,901)	-0-	(48,699)	-0-	(1,611,600)	(1,812,880)
Net cash provided by (used in) operating activities	<u>5,240,398</u>	<u>636,399</u>	<u>(56,020)</u>	<u>(4,467)</u>	<u>5,816,310</u>	<u>1,330,554</u>
Cash Flows from Capital and Related Financing Activities						
(Increase) decrease in restricted assets	(2,170,220)	-0-	-0-	-0-	(2,170,220)	(478,118)
Increase (decrease) in restricted liabilities	14,585	-0-	-0-	-0-	14,585	(86,506)
Repayment of revenue bonds	(1,246,333)	(209,189)	-0-	-0-	(1,455,522)	(265,685)
Proceeds from revenue bonds	3,041,756	(37,686)	-0-	-0-	3,004,070	-0-
Proceeds from notes payable	-0-	360,000	-0-	-0-	360,000	-0-
Repayment of notes payable	(145,468)	-0-	-0-	-0-	(145,468)	-0-
Interest expense	(964,755)	(113,005)	-0-	-0-	(1,077,760)	(118,129)
Net cash (used in) provided by capital and related financing activities	<u>(1,470,435)</u>	<u>120</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,470,315)</u>	<u>(948,438)</u>
Cash Flows from Investing Activities						
(Increase) decrease in investments	112,470	39,727	-0-	-0-	152,197	-0-
Proceeds from sale of investments	316,855	-0-	-0-	-0-	316,855	-0-
Transfers from other entities	-0-	39,096	-0-	-0-	39,096	-0-
Acquisition of capital assets	(4,214,924)	(709,320)	(28,507)	-0-	(4,952,751)	(332,916)
Interest on investments	<u>116,261</u>	<u>3,079</u>	<u>11</u>	<u>-0-</u>	<u>119,351</u>	<u>94,347</u>
Net cash (used in) provided by investing activities	<u>(3,669,338)</u>	<u>(627,418)</u>	<u>(28,496)</u>	<u>-0-</u>	<u>(4,325,252)</u>	<u>(238,569)</u>
Net increase (decrease) in cash	100,625	9,101	(84,516)	(4,467)	20,743	143,547
Cash at beginning of year	<u>369,859</u>	<u>44,470</u>	<u>156,783</u>	<u>4,467</u>	<u>575,579</u>	<u>200,633</u>
Cash at end of year	\$ <u>470,484</u>	\$ <u>53,571</u>	\$ <u>72,267</u>	\$ <u>-0-</u>	\$ <u>596,322</u>	\$ <u>344,180</u>

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Business Type Activities</u>					<u>Component</u>
	<u>Water</u>	<u>Building</u> <u>Commission</u>	<u>Parking</u>	<u>Park</u> <u>Commission</u>	<u>Total</u>	<u>Unit</u> <u>Sanitary</u> <u>Sewer</u> <u>Board</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 2,577,304	\$ (318,832)	\$ 6,964	\$ (9,726)	\$ 2,255,710	\$ 162,048
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	2,251,251	291,610	10,985	9,477	2,563,323	1,142,714
(Gain) loss on disposal of capital assets	-0-	-0-	(1,073)	-0-	(1,073)	947
Nonoperating miscellaneous income	4,341	-0-	-0-	-0-	4,341	-0-
Transfers (to) from other funds	-0-	659,053	(81,538)	(3,924)	573,591	-0-
(Increase) decrease in:						
Accounts receivable	(17,844)	4,224	1,404	-0-	(12,216)	74,689
Due from (to) other funds	(91,947)	344	1,026	-0-	(90,577)	7,469
Prepaid expenses	(4,330)	-0-	-0-	-0-	(4,330)	(3,832)
Inventory	(34,753)	-0-	0-	-0-	(34,753)	1,566
Increase (decrease) in:						
Accounts payable	475,002	-0-	5,974	(94)	480,882	30,328
Other accrued expenses	(3,228)	-0-	-0-	(200)	(3,428)	4,407
Other post-employment benefits	87,127	-0-	-0-	-0-	87,127	(33,756)
Accrued compensated absences	(2,525)	-0-	238	-0-	(2,287)	(56,026)
Net cash provided by (used in) operating activities	<u>\$ 5,240,398</u>	<u>\$ 636,399</u>	<u>\$ (56,020)</u>	<u>\$ (4,467)</u>	<u>\$ 5,816,310</u>	<u>\$ 1,330,554</u>

The accompanying independent auditor's report and 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, 2014**

	<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 Basis</u>	<u>Budget</u>
						<u>Favorable</u>
						<u>(Unfavorable)</u>
Revenues						
Taxes (including interest and penalties):						
Ad valorem	\$ 2,299,689	\$ 2,272,689	\$ 2,258,333	\$(14,356)	\$ 2,243,977	\$(14,356)
Business and occupation	5,550,311	5,559,811	5,179,033	-0-	5,179,033	(380,778)
Alcoholic beverage	181,000	148,000	186,539	-0-	186,539	38,539
Utility service	1,094,000	1,086,800	1,228,950	-0-	1,228,950	142,150
Hotel occupancy	50,000	50,000	57,849	-0-	57,849	7,849
Animal control	4,700	5,700	5,090	-0-	5,090	(610)
Gas and oil severance	19,000	19,000	-0-	-0-	-0-	(19,000)
Other	154,000	164,600	191,014	-0-	191,014	26,414
Licenses and permits	165,000	164,700	176,822	-0-	176,822	12,122
Charges for services	3,839,028	3,953,028	3,891,253	-0-	3,891,253	(61,775)
Fines and forfeitures	190,000	237,200	274,540	-0-	274,540	37,340
Interest	1,600	4,600	148,874	-0-	148,874	144,274
Franchise fees	257,000	257,000	249,527	-0-	249,527	(7,473)
Reimbursements	-0-	13,617	32,751	-0-	32,751	19,134
Miscellaneous	<u>33,700</u>	<u>65,421</u>	<u>1,828</u>	<u>-0-</u>	<u>1,828</u>	<u>(63,593)</u>
Total revenues	<u>13,839,028</u>	<u>14,002,166</u>	<u>13,882,403</u>	<u>(14,356)</u>	<u>13,868,047</u>	<u>(119,763)</u>
Expenditures						
General government	3,353,980	3,762,803	3,312,366	-0-	3,312,366	450,437
Public safety	6,461,909	6,501,289	6,301,470	-0-	6,301,470	199,819
Streets and transportation	2,477,936	2,633,085	2,387,560	-0-	2,387,560	245,525
Sanitation	1,329,652	1,329,652	1,317,920	-0-	1,317,920	11,732
Culture and recreation	213,688	189,003	132,486	-0-	132,486	56,517
Social services	<u>1,863</u>	<u>1,863</u>	<u>1,927</u>	<u>-0-</u>	<u>1,927</u>	<u>(64)</u>
Total expenditures	<u>13,839,028</u>	<u>14,417,695</u>	<u>13,453,729</u>	<u>-0-</u>	<u>13,453,729</u>	<u>963,966</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>(415,529)</u>	<u>428,674</u>	<u>(14,356)</u>	<u>414,318</u>	<u>844,203</u>

**CITY OF FAIRMONT, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - BUDGETARY BASIS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

	<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 Basis</u>	<u>With Final</u> <u>Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
Other Financing Sources (Uses)						
Operating transfers in	\$ -0-	\$ 30,923	\$ 30,924	\$ -0-	\$ 30,924	\$ 1
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>30,923</u>	<u>30,924</u>	<u>-0-</u>	<u>30,924</u>	<u>1</u>
Net change in fund balance	-0-	(384,606)	459,598	(14,356)	445,242	844,204
Fund balance at beginning of year	<u>-0-</u>	<u>384,606</u>	<u>2,207,041</u>	<u>-0-</u>	<u>2,207,041</u>	<u>1,822,435</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,666,639</u>	\$ <u>(14,356)</u>	\$ <u>2,652,283</u>	\$ <u>2,666,639</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 independent auditor's report and 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, 2014**

	<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						
Interest	\$ 20	\$ 20	\$ 4	\$ -0-	\$ 4	\$ (16)
Intergovernmental:						
State	<u>72,000</u>	<u>72,000</u>	<u>71,621</u>	<u>-0-</u>	<u>71,621</u>	<u>(379)</u>
Total revenues	<u>72,020</u>	<u>72,020</u>	<u>71,625</u>	<u>-0-</u>	<u>71,625</u>	<u>(395)</u>
Expenditures						
Streets and transportation	<u>72,020</u>	<u>123,530</u>	<u>95,960</u>	<u>-0-</u>	<u>95,960</u>	<u>27,570</u>
Total expenditures	<u>72,020</u>	<u>123,530</u>	<u>95,960</u>	<u>-0-</u>	<u>95,960</u>	<u>27,570</u>
(Deficiency) excess of revenues (under) over expenditures	<u>-0-</u>	<u>(51,510)</u>	<u>(24,335)</u>	<u>-0-</u>	<u>(24,335)</u>	<u>27,175</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-	(51,510)	(24,335)	-0-	(24,335)	27,175
Fund balance at beginning of year	<u>-0-</u>	<u>51,510</u>	<u>55,012</u>	<u>-0-</u>	<u>55,012</u>	<u>3,502</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>30,677</u>	\$ <u>-0-</u>	\$ <u>30,677</u>	\$ <u>30,677</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 independent auditor's report and notes are an integral part of this statement.

CITY OF FAIRMONT, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Pension and Relief</u>
Assets	
Cash	\$ 154,467
Investments	6,388,156
Receivables:	
Other	6,530
Interest	<u>4,630</u>
Total assets	<u>6,553,783</u>
Liabilities	
Accounts payable	<u>-0-</u>
Net Position	
Held in trust for pension benefits	\$ <u>6,553,783</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
 FIDUCIARY RESPONSIBILITIES
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Total</u>
Additions	
Contributions:	
Employer	\$ 1,489,820
Employees	293,246
Insurance premium tax allocation	<u>727,566</u>
Net contributions	<u>2,510,632</u>
Investment income:	
Net appreciation in fair value of investments	190,455
Interest income and dividends	168,973
Capital gains (losses)	<u>501,329</u>
Net investment income	860,757
Miscellaneous	<u>4</u>
Total additions	<u>3,371,393</u>
Deductions	
General and administrative	6,712
Benefit payments	<u>2,645,914</u>
Total deductions	<u>2,652,626</u>
Net increase	718,767
Net position – beginning of year	<u>5,835,016</u>
Net position – end of year	\$ <u>6,553,783</u>

The accompanying independent auditor's report and notes are an integral part of this statement.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies

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.

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, 2014.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

During the year ended June 30, 2014, the City adopted the following GASB statements:

GASB 65 – Items Previously Reported as Assets and Liabilities – The purpose of this Statement was to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB 66 – Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62 – This Statement improves accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements – Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 – This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain requirements.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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 are classified as business-type activities.

In the government-wide Statement of Net Position, 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 position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. 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 position resulting from the current year's activities.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014

(a) **Reporting Entity**

The City of Fairmont is a municipal corporation governed by an elected mayor and nine member council. The accompanying financial statements present the government and its component units as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the City, health and sanitation services, cultural and recreation programs, and other governmental services.

The City complies with GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*". This statement established standards for defining and reporting component units in the financial statements of the reporting entity. It defines component units as legally separate organizations for which the component unit not only has a fiscal dependency on the reporting entity but also a financial benefit or burden relationship must be present between the reporting entity and the entity that is to be included as a component unit. In addition, an entity may be included as a component unit in the financial statements of the reporting entity, if the reporting entity's management determines that it would be misleading to exclude them.

Blended Component Units

The entities below are legally separate from the City and meet GAAP criteria for component units. These entities are blended with the primary government because they provide services entirely or almost entirely to the City.

The *Fairmont Building Commission* serves City of Fairmont, West Virginia, by providing facilities for the City. The Commission leases these facilities to the City in accordance with lease agreements. This fund accounts for the debt services, receipts and expenses of the system. This fund is reported as a major proprietary fund. The Building Commission acquires property and debt on behalf of the Municipality. The Municipality of Fairmont Building Commission is reported as an enterprise fund.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the City, but are financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Because of the nature of services they provide and the City's ability to impose its will on them or a financial benefit/burden relationship exists, the following component units are discretely presented in accordance with GASB Statement No. 14 (as amended by GASB Statement No. 39). The discretely presented component units are presented on the government-wide statements.

The *Fairmont Sanitary Sewer Board* serves all the citizens of the City of Fairmont and is governed by a three member board comprised of the City Manager and two other members appointed by council. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

Complete financial statements for each of the individual component units can be obtained at the entity's administrative offices.

(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.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014

(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.

Proprietary Fund Types

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

The City of Fairmont reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

The City of Fairmont reports the following major proprietary funds:

The *Park Commission fund* serves the City by providing park facilities to the public. This fund accounts for the receipts and expenses of operating these facilities.

The *Parking fund* serves the City by providing parking facilities to the public. This fund accounts for the receipts and expenses of operating these parking facilities.

The *Water fund* serves the citizens of the City of Fairmont by providing water services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Building Commission* is also a major proprietary fund, and is described in section A.

(d) Funds – Fund Financial Statements

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. The major fund categories 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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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 statement of net position.

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

Fiduciary Funds

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

(e) Cash, Cash Equivalents and Investments

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

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: (a) obligations of the United States or any agency thereof, (b) certificates of deposit (which mature in less than one year), (c) general and direct obligations of the State of West Virginia, (d) obligations of the Federal National Mortgage Association, (e) indebtedness secured by first lien deed of trust for property situated within the State if the payment is substantially insured or guaranteed by the federal government, (f) pooled mortgage trusts (subject to limitations), (g) indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, (h) interest earning deposits which are fully insured or collateralized, and (i) mutual funds registered with the Security and Exchange Commission which have fund assets over three hundred million dollars. State statute limitations concerning the aforementioned investments include the following:

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2014**

- (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 seventy-five 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.

Allowance for doubtful accounts are as follows:

Water fund	\$ 361,846
Sewer fund	\$ 314,759
General Fund:	
Taxes	\$ 105,301
Accounts	\$ 351,553

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

(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 position.

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 statement of financial position. The reported fund equity (net total position) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net position. 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

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

The City has defined capital assets for the governmental funds with an initial cost of over \$1,000 and for the water and sewer fund with an initial cost of over \$5,000 and an estimated useful life of greater than one year. Capital assets donated to the City are recorded at their estimated fair value at the date of the donation.

(h) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

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

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

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types and the pension trust funds. The accrual basis of accounting recognized 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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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) 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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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.

(j) Committed – Fund Financial Statements

Commitments 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 committed fund balance until liquidated.

(k) Inventories

The City 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 City'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 City's financial statements.

(l) 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.

(m) 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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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.

(n) 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.

(o) 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:

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – divided net position for Government-wide net position into three components:

- a. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position – consists of net position that is 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 contributors.
- c. Unrestricted – all other net position is reported in this category

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

GASB 54 – "Fund Balance Reporting and Governmental Fund Type Definitions"
divide fund balance for governmental fund financial statements into five components.

- 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.

(p) 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.

(q) 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 position because their use is limited by applicable bond covenants.

(r) Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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 position – governmental activities as reported on the government-wide statement of net position. 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 position 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, 2014. The categories are described as follows:

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

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

Category 3 – Uncollateralized.

<u>Deposits – Primary Government</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
General Fund	\$ 4,942,457	\$ 198,478	\$ 4,743,979	\$ -0-	\$ 1,653,280
Special Revenue Funds	267,764	31,531	236,233	-0-	267,764
Enterprise Funds	<u>552,523</u>	<u>35,925</u>	<u>516,598</u>	<u>-0-</u>	<u>596,322</u>
Total deposits	\$ <u>5,762,744</u>	\$ <u>265,934</u>	\$ <u>5,496,810</u>	\$ <u>-0-</u>	\$ <u>2,517,366</u>
Component Unit	\$ <u>344,180</u>	\$ <u>13,822</u>	\$ <u>330,358</u>	\$ <u>-0-</u>	\$ <u>344,180</u>
Fiduciary Funds	\$ <u>154,467</u>	\$ <u>6,203</u>	\$ <u>148,264</u>	\$ <u>-0-</u>	\$ <u>154,467</u>

The accompanying independent auditor’s report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. 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.

Primary Government

<u>Type of Investments</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Market</u> <u>Value</u>	<u>Cost</u>	<u>Unrealized</u> <u>Gain (Loss)</u>
Cash equivalents	\$ 2,782,673	\$ -0-	\$ -0-	\$ 2,782,673	\$ 2,782,673	\$ -0-
Mutual funds	<u>13,319,942</u>	<u>-0-</u>	<u>-0-</u>	<u>13,319,942</u>	<u>12,311,024</u>	<u>1,008,918</u>
Total investments	\$ <u>16,102,615</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	16,102,615	15,093,697	\$ <u>1,008,918</u>
Investments at WV State Treasurer's Office				65,820	65,820	
Investments in municipal bond commission				<u>4,873,580</u>	<u>4,873,580</u>	
Total investments				\$ <u>21,042,015</u>	\$ <u>20,033,097</u>	

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

Investments are presented in the statement of net position as follows:

Investments	\$ 9,988,937
Restricted assets	<u>11,053,078</u>
Total investments	\$ <u>21,042,015</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, 2014, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2014, the City had the following investments:

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 2,782,673	N/A	N/A
Mutual funds	\$ 13,319,942	AAA	AAA

Component Units

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Cash equivalents	\$ 517,119	\$ -0-	\$ -0-	\$ 517,119	\$ 517,119	\$ -0-
Certificates of deposit	<u>2,023,608</u>	<u>-0-</u>	<u>-0-</u>	<u>2,023,608</u>	<u>2,027,000</u>	<u>(3,392)</u>
Total investments	\$ <u>2,540,727</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	2,540,727	2,544,119	\$ <u>(3,392)</u>
Investments in municipal bond commission				<u>252,830</u>	<u>252,830</u>	
Total investments				\$ <u>2,793,557</u>	\$ <u>2,796,949</u>	

Investments are presented in the statement of net position as follows:

Investments	\$ -0-
Restricted assets	<u>2,793,557</u>
Total investments	\$ <u>2,793,557</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2014, the City had the following investments:

	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Money Market	\$ 517,119	N/A	N/A
Certificates of deposit	\$ 2,023,608	N/A	N/A

Interest Rate Risk

As of June 30, 2014, 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>2,023,608</u>	\$ <u>2,023,608</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Fiduciary Funds

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Money Market	\$ 81,076	\$ -0-	\$ -0-	\$ 81,076	\$ 81,076	\$ -0-
Mutual funds	5,631,565	-0-	-0-	5,631,565	4,158,509	1,473,056
Certificates of deposit	269,978	-0-	-0-	269,978	270,000	(22)
Corporate bonds and notes	404,464	-0-	-0-	404,464	362,302	42,162
U.S. Government obligations	<u>1,073</u>	<u>-0-</u>	<u>-0-</u>	<u>1,073</u>	<u>1,073</u>	<u>-0-</u>
Total investments	\$ <u>6,388,156</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>6,388,156</u>	\$ <u>4,872,960</u>	\$ <u>1,515,196</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2014, 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	\$ 81,076	N/A	N/A
Mutual funds	\$ 5,631,565	N/A	N/A
Certificates of deposit	\$ 269,978	N/A	N/A
Corporate bonds and notes	\$ 404,464	BB+ – AAA	BAA2 – A3
U.S. Government obligations	\$ 1,073	AA	A3

Interest Rate Risk

As of June 30, 2014, 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	\$ 269,978	\$ 269,978	\$ -0-	\$ -0-	\$ -0-
Corporate bonds and notes	\$ 404,464	\$ 50,100	\$ -0-	\$ -0-	\$ 354,364
Federal obligations	\$ 1,073	\$ 80	\$ -0-	\$ -0-	\$ 993

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

4. 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, 2014 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>
Class I	\$ -0-	12.50¢
Class II	289,204,822	25.00¢
Class IV	358,222,359	50.00¢

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

5. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2014 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>179,884</u>	\$ <u>58,853</u>	\$ <u>-0-</u>	\$ <u>238,737</u>
Total non-depreciable assets	<u>179,884</u>	<u>58,853</u>	<u>-0-</u>	<u>238,737</u>
<i>Depreciable Assets</i>				
Buildings	1,653,912	-0-	2,019	1,651,893
Land improvements	619,045	32,208	17,385	633,868
Machinery and equipment	1,617,513	58,550	157,900	1,518,163
Building improvements	118,571	188,615	-0-	307,186
Office furniture and equipment	704,006	11,123	48,968	666,161
Vehicles	4,681,446	252,436	453,433	4,480,449
Infrastructure	<u>26,658,270</u>	<u>1,539,991</u>	<u>435,160</u>	<u>27,763,101</u>
Totals at historical cost	<u>36,052,763</u>	<u>2,082,923</u>	<u>1,114,865</u>	<u>37,020,821</u>
Less: Accumulated depreciation	<u>27,911,403</u>	<u>1,143,925</u>	<u>1,090,673</u>	<u>27,964,655</u>
Total depreciable assets	<u>8,141,360</u>	<u>938,998</u>	<u>24,192</u>	<u>9,056,166</u>
Governmental activities capital assets, net	\$ <u>8,321,244</u>	\$ <u>997,851</u>	\$ <u>24,192</u>	\$ <u>9,294,903</u>

The accompanying independent auditor's report is an integral part of these notes.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities				
<i>Water Fund</i>				
<i>Non-depreciable Assets</i>				
Land	\$ 227,647	\$ -0-	\$ -0-	\$ 227,647
Construction in progress	<u>400,866</u>	<u>2,904,318</u>	<u>10,711</u>	<u>3,294,473</u>
Total non-depreciable assets	<u>628,513</u>	<u>2,904,318</u>	<u>10,711</u>	<u>3,522,120</u>
<i>Depreciable Assets</i>				
Structures and improvements	17,381,662	934,521	-0-	18,316,183
Transmission and distribution	51,128,834	258,635	-0-	51,387,469
Machinery and equipment	<u>2,824,345</u>	<u>128,161</u>	<u>-0-</u>	<u>2,952,506</u>
Totals at historical cost	71,334,841	1,321,317	-0-	72,656,158
Less: Accumulated depreciation	<u>25,057,930</u>	<u>2,251,251</u>	<u>-0-</u>	<u>27,309,181</u>
Total depreciable assets	<u>46,276,911</u>	<u>(929,934)</u>	<u>-0-</u>	<u>45,346,977</u>
Business-type activities capital assets, net	\$ <u>46,905,424</u>	\$ <u>1,974,384</u>	\$ <u>10,711</u>	\$ <u>48,869,097</u>

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities				
<i>Building Commission</i>				
<i>Non-depreciable Assets</i>				
Land	\$ <u>744,740</u>	\$ <u>101,953</u>	\$ -0-	\$ <u>846,693</u>
Total non-depreciable assets	<u>744,740</u>	<u>101,953</u>	<u>-0-</u>	<u>846,693</u>
<i>Depreciable Assets</i>				
Buildings	3,770,144	261,676	-0-	4,031,820
Land improvements	4,452,648	9,529	-0-	4,462,177
Buildings improvements	155,065	312,232	-0-	467,297
Machinery and equipment	<u>16,193</u>	<u>-0-</u>	<u>-0-</u>	<u>16,193</u>
Totals at historical cost	8,394,050	583,437	-0-	8,977,487
Less: Accumulated depreciation	<u>1,924,430</u>	<u>252,285</u>	<u>-0-</u>	<u>2,176,715</u>
Total depreciable assets	<u>6,469,620</u>	<u>331,152</u>	<u>-0-</u>	<u>6,800,772</u>
Business-type activities capital assets, net	\$ <u>7,214,360</u>	\$ <u>433,105</u>	\$ -0-	\$ <u>7,647,465</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities					
<i>Parking Authority</i>					
<i>Depreciable Assets</i>					
Buildings	\$ 137,440	\$ -0-	\$ -0-	\$ -0-	\$ 137,440
Land improvements	16,148	21,266	-0-	-0-	37,414
Machinery and equipment	129,412	7,241	106,746	-0-	29,907
Office furniture and equipment	25,014	-0-	-0-	-0-	25,014
Vehicles	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,750</u>	<u>20,750</u>
Totals at historical cost	308,014	28,507	106,746	20,750	250,525
Less: Accumulated depreciation	<u>172,106</u>	<u>10,985</u>	<u>106,746</u>	<u>19,677</u>	<u>96,022</u>
Business-type activities capital assets, net	<u>\$ 135,908</u>	<u>\$ 17,522</u>	<u>\$ -0-</u>	<u>\$ 1,073</u>	<u>\$ 154,503</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities					
<i>Park Commission</i>					
<i>Depreciable Assets</i>					
Buildings	\$ 193,146	\$ -0-	\$ 193,146	\$ -0-	\$ -0-
Land improvements	14,119	-0-	14,119	-0-	-0-
Building improvements	<u>2,200</u>	<u>-0-</u>	<u>2,200</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	209,465	-0-	209,465	-0-	-0-
Less: Accumulated depreciation	<u>97,398</u>	<u>9,477</u>	<u>106,875</u>	<u>-0-</u>	<u>-0-</u>
Business-type activities capital assets, net	<u>\$ 112,067</u>	<u>\$(9,477)</u>	<u>\$ 102,590</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying independent auditor's report is an integral part of these notes.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities					
Total					
Non-depreciable Assets					
Land	\$ 972,387	\$ 101,953	\$ -0-	\$ -0-	\$ 1,074,340
Construction in process	<u>400,866</u>	<u>2,904,318</u>	<u>10,711</u>	<u>-0-</u>	<u>3,294,473</u>
Total non-depreciable assets	<u>1,373,253</u>	<u>3,006,271</u>	<u>10,711</u>	<u>-0-</u>	<u>4,368,813</u>
Depreciable Assets					
Buildings	4,100,730	261,676	193,146	-0-	4,169,260
Land improvements	4,482,915	30,795	14,119	-0-	4,499,591
Structures and improvements	17,381,662	934,521	-0-	-0-	18,316,183
Building improvements	157,265	312,232	2,200	-0-	467,297
Transmission and distribution	51,128,834	258,635	-0-	-0-	51,387,469
Machinery and equipment	2,969,950	135,402	106,746	-0-	2,998,606
Office furniture and equipment	25,014	-0-	-0-	-0-	25,014
Vehicles	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,750</u>	<u>20,750</u>
Totals at historical cost	80,246,370	1,933,261	316,211	20,750	81,884,170
Less: Accumulated depreciation	<u>27,251,864</u>	<u>2,523,998</u>	<u>213,621</u>	<u>19,677</u>	<u>29,581,918</u>
Total depreciable assets	<u>52,994,506</u>	<u>(590,737)</u>	<u>102,590</u>	<u>1,073</u>	<u>52,302,252</u>
Business-type activities capital assets, net	\$ <u>54,367,759</u>	\$ <u>2,415,534</u>	\$ <u>113,301</u>	\$ <u>1,073</u>	\$ <u>56,671,065</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities - Component Unit				
Sewer Fund				
Non-depreciable Assets				
Land	\$ <u>346,889</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>346,889</u>
Total non-depreciable assets	<u>346,889</u>	<u>-0-</u>	<u>-0-</u>	<u>346,889</u>
Depreciable Assets				
Structures and improvements	9,741,211	-0-	-0-	9,741,211
Transmission and distribution	28,927,831	70,457	453	28,997,835
Machinery and equipment	<u>3,162,533</u>	<u>262,459</u>	<u>81,974</u>	<u>3,343,018</u>
Total at historical cost	41,831,575	332,916	82,427	42,082,064
Less: Accumulated depreciation	<u>21,918,899</u>	<u>1,142,714</u>	<u>81,480</u>	<u>22,980,133</u>
Total depreciable assets	<u>19,912,676</u>	<u>(809,798)</u>	<u>947</u>	<u>19,101,931</u>
Business-type activities capital assets net	\$ <u>20,259,565</u>	\$ <u>(809,798)</u>	\$ <u>947</u>	\$ <u>19,448,820</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 84,558
Public safety	352,582
Highways and streets	<u>706,785</u>
 Total depreciation expense	 \$ <u>1,143,925</u>

6. Long-Term Debt

Long-term liability activity for the year ended June 30, 2014 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	\$ 714,793	\$ -0-	\$ 228,214	\$ 486,579	\$ 189,546	\$ 297,033
Compensated absences	1,372,303	24,372	-0-	1,396,675	313,528	1,083,147
Net pension obligation	<u>15,307,386</u>	<u>1,250,096</u>	<u>-0-</u>	<u>16,557,482</u>	<u>-0-</u>	<u>16,557,482</u>
Governmental activities long-term liabilities	\$ <u>17,394,482</u>	\$ <u>1,274,468</u>	\$ <u>228,214</u>	\$ <u>18,440,736</u>	\$ <u>503,074</u>	\$ <u>17,937,662</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, 2014:

<u>Fiscal Year Ending June 30,</u>	
2015	\$ 41,987
Less: Amount representing interest	<u>2,080</u>
Present value of future minimum lease payments	\$ <u>39,907</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014:

<u>Fiscal Year Ending June 30,</u>		
2015		\$ 99,364
2016		99,364
2017		<u>99,364</u>
		298,092
Less: Amount representing interest		<u>25,612</u>
Present value of future minimum lease payments		\$ <u>272,480</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, 2014:

<u>Fiscal Year Ending June 30,</u>		
2015		\$ 8,508
Less: Amount representing interest		<u>25</u>
Present value of future minimum lease payments		\$ <u>8,483</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

The General Fund of the City of Fairmont entered into a lease agreement on February 5, 2013 for the acquisition of a Pierce Responder Pumper for the fire 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, 2014:

<u>Fiscal Year Ending June 30,</u>		
	2015	\$ 56,705
	2016	56,705
	2017	<u>56,705</u>
		170,115
Less: Amount representing interest		<u>4,406</u>
Present value of future minimum lease payments		\$ <u>165,709</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, 2014:

<u>Fiscal Year Ending June 30,</u>		
	2015	\$ 206,564
	2016	156,069
	2017	<u>156,069</u>
		518,702
Less: Amount representing interest		<u>32,123</u>
Present value of future minimum lease payments		486,579
Less: Current portion		<u>189,546</u>
Non-current portion		\$ <u>297,033</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

The following is a summary of bonds payable at June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
Business-Type Activities						
Bonds and notes payable:						
1999 Water Revenue Bonds	\$ 3,000,000	\$ -0-	\$ -0-	\$ 3,000,000	\$ 890,000	\$ 2,110,000
2008A Water Revenue Bonds	2,336,497	-0-	91,668	2,244,829	91,668	2,153,161
Veterans Plaza Parking Garage Series 1999	78,337	-0-	78,337	-0-	-0-	-0-
West Virginia Housing Development Fund	67,270	-0-	4,224	63,046	6,480	56,566
Chase Bank	227,040	-0-	56,896	170,144	59,480	110,664
2010A Water Revenue Bonds	4,225,234	-0-	148,256	4,076,978	148,256	3,928,722
2010C Water Revenue Bonds	1,939,515	-0-	63,509	1,876,006	66,685	1,809,321
2010D Water Revenue Bonds	1,170,959	-0-	32,900	1,138,059	32,900	1,105,159
Page Valley Bank	265,602	-0-	88,572	177,030	92,734	84,296
Municipal Building Lease Revenue Bonds, Series 2013A	956,499	-0-	35,405	921,094	36,481	884,613
Municipal Building Lease Revenue Bonds, Series 2013B	2,578,620	-0-	95,447	2,483,173	98,348	2,384,825
Water Revenue Bonds Series 2013A	120,536	2,902,547	-0-	3,023,083	135,038	2,888,045
Water Revenue Bonds Series 2013B	290,046	139,209	-0-	429,255	18,398	410,857
Water Refunding Revenue Bonds Series 2012D	25,555,000	-0-	910,000	24,645,000	1,400,000	23,245,000
Wesbanco Bank, Inc.	-0-	360,000	33,462	326,538	68,459	258,079
Total bonds and notes payable	<u>42,811,155</u>	<u>3,401,756</u>	<u>1,638,676</u>	<u>44,574,235</u>	<u>3,144,927</u>	<u>41,429,308</u>
Other Long-Term Debt						
Accrued compensated absences	290,097	-0-	2,297	287,800	287,800	-0-
Total other long-term debt	<u>290,097</u>	<u>-0-</u>	<u>2,297</u>	<u>287,800</u>	<u>287,800</u>	<u>-0-</u>
Total long-term debt – primary government	<u>\$ 43,101,252</u>	<u>\$ 3,401,756</u>	<u>\$ 1,640,973</u>	<u>\$ 44,862,035</u>	<u>\$ 3,432,727</u>	<u>\$ 41,429,308</u>

	<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>
Component Unit						
Bonds and notes payable:						
2003 Sewerage Bonds	\$ 343,910	\$ -0-	\$ 16,184	\$ 327,726	\$ 16,188	\$ 311,538
2007 Sewerage Bonds	4,571,197	-0-	249,501	4,321,696	254,529	4,067,167
Total bonds and notes payable	<u>4,915,107</u>	<u>-0-</u>	<u>265,685</u>	<u>4,649,422</u>	<u>270,717</u>	<u>4,378,705</u>
Other Long-Term Debt:						
Customer advances	187,562	-0-	86,505	101,057	-0-	101,057
Accrued compensated absences	242,083	-0-	56,026	186,057	72,287	113,770
Total other long-term debt	<u>429,645</u>	<u>-0-</u>	<u>142,531</u>	<u>287,114</u>	<u>72,287</u>	<u>214,827</u>
Total long-term debt – component unit	<u>\$ 5,344,752</u>	<u>\$ -0-</u>	<u>\$ 408,216</u>	<u>\$ 4,936,536</u>	<u>\$ 343,004</u>	<u>\$ 4,593,532</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

a. 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	\$ 890,000	5.25%
2016	<u>2,110,000</u>	5.25%
	<u>\$ 3,000,000</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.

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, 2014 was \$378,962.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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.

b. 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 $1/6^{\text{th}}$ of the amount of interest due on the next semiannual interest date plus $1/12^{\text{th}}$ of the amount of principal due on the next principal payment date. The sinking fund account balance at June 30, 2014 was \$100,462.

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 accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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>
2015	\$ 91,668	\$ -0-	\$ 91,668
2016	91,668	-0-	91,668
2017	91,668	-0-	91,668
2018	91,668	-0-	91,668
2019	91,668	-0-	91,668
2020 – 2024	458,340	-0-	458,340
2025 – 2029	458,340	-0-	458,340
2030 – 2034	458,340	-0-	458,340
2035 – 2039	<u>411,469</u>	<u>-0-</u>	<u>411,469</u>
Total	\$ <u>2,244,829</u>	\$ <u>-0-</u>	\$ <u>2,244,829</u>

c. West Virginia Housing Development Fund

On February 24, 2004 the Commission entered into a loan and pledge agreement and signed a promissory note with the West Virginia Housing Development Fund (Fund) to participate in its demolition loan program. The Commission received \$100,000 in loan proceeds to be repaid on or before April 1, 2009 with interest on a sliding scale 0% to 5% per annum. On April 27, 2009 the Fund agreed to modify the terms of the note and extend the due date to September 1, 2013 with interest continuing to accrue at 5.0%. These funds were made available to businesses and individuals for their demolition needs. The Commission held three notes totaling \$96,006.58 with an additional amount of capitalized interest of \$13,109.16 for a total of \$109,115.74 outstanding. The notes were due the sooner of the sale or transfer of the property or March 1, 2014. On April 29, 2013 a second loan modification was executed by the Fund whereby all accrued and future interest was forgiven on the loan and an immediate payment of \$32,025.97, which represented the cash balance in the demolition loan program, was made, reducing the loan balance to \$67,974.03. In addition, the Commission modified the terms on the three notes it held, forgiving the paid and future interest and setting monthly payments of principal to mirror payments due the Fund. Principal payments are due as follows:

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,480	\$ -0-	\$ 6,480
2016	7,608	-0-	7,608
2017	9,776	-0-	9,776
2018	10,860	-0-	10,860
2019	10,860	-0-	10,860
2020	10,860	-0-	10,860
2021	<u>6,602</u>	<u>-0-</u>	<u>6,602</u>
Total	\$ <u>63,046</u>	\$ <u>-0-</u>	\$ <u>63,046</u>

d. 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 \$5,487. The loan is secured by equipment.

Future debt retirement based on current financing arrangements at June 30, 2014 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>170,144</u>	\$ <u>10,938</u>	\$ <u>181,082</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

- e. **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.

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, 2014 was \$160,604.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2014**

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>
2015	\$ 148,256	\$ -0-
2016	148,256	-0-
2017	148,256	-0-
2018	148,256	-0-
2019	148,256	-0-
2020 – 2024	741,280	-0-
2025 – 2029	741,280	-0-
2030 – 2034	741,280	-0-
2035 – 2039	741,280	-0-
2040 – 2041	<u>370,578</u>	<u>-0-</u>
Total	\$ <u>4,076,978</u>	\$ <u>-0-</u>

- f. **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 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 accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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, 2014 was \$238,626.

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>
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>1,876,006</u>	\$ <u>970,830</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

g. 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 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 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, 2014 was \$11,246.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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>
2015	\$ 32,900	\$ -0-
2016	32,900	-0-
2017	32,900	-0-
2018	32,900	-0-
2019	32,900	-0-
2020 – 2024	164,500	-0-
2025 – 2029	164,500	-0-
2030 – 2034	164,500	-0-
2035 – 2039	164,500	-0-
2040 – 2044	164,500	-0-
2045 – 2049	<u>151,059</u>	<u>-0-</u>
Total	\$ <u>1,138,059</u>	\$ <u>-0-</u>

h. 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, 2014 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 92,734	\$ 6,204	\$ 98,938
2016	<u>84,296</u>	<u>1,851</u>	<u>86,147</u>
Total	\$ <u>177,030</u>	\$ <u>8,055</u>	\$ <u>185,085</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

i. Municipal Building Commission Lease Revenue Bonds, Series 2013A

On March 4, 2013 the Municipal Building Commission issued Municipal Building Lease Revenue Bonds, Series 2013A in the amount of \$965,435 with MVB Bank, Inc. as the holder. The bonds are subject to mandatory redemption of the fourth day of each month until and including March 4, 2033 and pay interest of 3.2%. 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 Commission for \$1. The bonds have a principal balance of \$956,499 as of the date of these financial statements and mature as follows.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 36,481	\$ 28,943	\$ 65,424
2016	37,666	27,758	65,424
2017	38,889	26,535	65,424
2018	40,151	25,273	65,424
2019	41,455	23,969	65,424
2020 – 2024	228,365	98,755	327,120
2025 – 2029	267,933	59,187	327,120
2030 – 2033	<u>230,154</u>	<u>14,344</u>	<u>244,498</u>
Total	\$ <u>921,094</u>	\$ <u>304,764</u>	\$ <u>1,225,858</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

j. Municipal Building Commission Lease Revenue Bonds, Series 2013B

On March 4, 2014 the Municipal Building Commission issued Municipal Building Lease Revenue Bonds, Series 2013B in the amount of \$2,602,708 with MVB Bank, Inc. as the holder. The bonds carry an interest rate of 3.20% per annum with principal and interest payable monthly for a term of 20 years. The proceeds of this financing were used to pay off the USDA Rural Development Bonds. At June 30, 2014 there is a principal balance of \$3,374,786 payable as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 98,348	\$ 78,028	\$ 176,376
2016	101,542	74,834	176,376
2017	104,839	71,537	176,376
2018	108,244	68,132	176,376
2019	111,759	64,617	176,376
2020 – 2024	615,648	266,232	881,880
2025 – 2029	722,316	159,564	881,880
2030 – 2033	<u>620,477</u>	<u>38,669</u>	<u>659,146</u>
Total	\$ <u>2,483,173</u>	\$ <u>821,613</u>	\$ <u>3,304,786</u>

k. Water Revenue Bonds Series 2013A – West Virginia DWTRF Program

Water Revenue Bonds Series 2013A – West Virginia DWTRF Program Bonds in the amount of \$3,780,000 were issued pursuant to an ordinance enacted by the City of Fairmont on February 1, 2013. The bonds were sold to the West Virginia Water Development Authority and mature serially through September 1, 2034 and bear interest at .5%.

The Series 2013A 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 2013A 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 accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

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 Assistance Agreement by and between the Issuer and the Authority, on behalf of the West Virginia Bureau for Public Health.

As required by the 2013 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, 2014 was \$-0-.

At June 30, 2014 the City of Fairmont had drawn down \$3,023,083 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>	<u>Total</u>
2015	\$ 135,038	\$ 14,007	\$ 149,045
2016	180,840	17,886	198,726
2017	181,745	17,430	199,175
2018	182,655	16,070	198,725
2019	183,571	15,384	198,955
2020 – 2024	931,740	65,590	997,330
2025 – 2029	955,333	38,316	993,649
2030 – 2034	<u>272,161</u>	<u>6,809</u>	<u>278,970</u>
Total	\$ <u>3,023,083</u>	\$ <u>191,492</u>	\$ <u>3,214,575</u>

- 1. Water Revenue Bonds Series 2013B – West Virginia Infrastructure Fund**
Water Revenue Bonds Series 2013B – West Virginia Infrastructure Fund Bonds in the amount of \$1,000,000 were issued pursuant to an ordinance enacted by the City of Fairmont on February 1, 2013. The bonds were sold to the West Virginia Water Development Authority on behalf of the West Virginia Infrastructure Fund and mature serially through September 1, 2044 and bear interest at 2%.

The Series 2013B 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 accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

The 2013B 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 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 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 February 1, 2013.

As required by the 2013 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, 2014 was \$-0-.

At June 30, 2014 the City of Fairmont had drawn down \$429,255 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>	<u>Total</u>
2015	\$ 18,398	\$ 14,908	\$ 33,306
2016	24,962	19,446	44,408
2017	25,465	18,943	44,408
2018	25,978	18,430	44,408
2019	26,502	17,906	44,408
2020 – 2024	140,742	81,301	222,043
2025 – 2029	155,501	66,478	221,979
2030	<u>11,707</u>	<u>2,912</u>	<u>14,619</u>
Total	\$ <u>429,255</u>	\$ <u>240,324</u>	\$ <u>669,579</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

m. Water Refunding Revenue Bonds, Series 2012D

Water Refunding Revenue Bonds Series 2012D in the amount of \$30,000,000 were issued pursuant to an ordinance enacted by the City of Fairmont on March 27, 2012 and supplemented by a resolution adopted on September 12, 2012. The bonds mature serially through July 1, 2029 and bear interest from 2.00% - 4.00%.

The Series 2012D bonds were issued by the City in order to refinance the Series 1997A bonds, Series 1998A bonds and a portion of the Series 1999 bonds and to finance the cost of issuance.

The 2012D 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 Water Revenue Bonds of the City of Fairmont.

The Series 2012D bonds are subject to optional redemption prior to their stated maturity on or after July 1, 2019, at the option of the City at par plus accrued interest thereon to the date set for redemption.

The Series 2012D bonds maturing on July 1, 2029, are subject to annual mandatory redemption prior to maturity by random selection on July 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each bond so called for redemption plus interest accrued to the date fixed for redemption:

<u>Bonds maturing 2029</u>	
<u>Year (July 1)</u>	<u>Principal Amount</u>
2028	\$ 2,100,000
2029	\$ 2,170,000

If less than all the Series 2012D bonds are redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and maturity dates.

As required by the 2012D 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, 2014 was \$3,983,680.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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 Rate</u>
2014	\$ 1,400,000	2.00%
2015	1,425,000	2.00%
2016	1,455,000	2.00%
2017	1,485,000	2.00%
2018	1,510,000	3.00%
2019	1,560,000	2.00%
2020	690,000	2.25%
2021	655,000	2.50%
2022	620,000	2.70%
2023	1,795,000	2.75%
2024	1,845,000	4.00%
2025	1,920,000	3.00%
2026	1,975,000	3.10%
2027	2,040,000	3.15%
2029	<u>4,270,000</u>	3.20%
	<u>\$ 24,645,000</u>	

n. 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 accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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>
2015	\$ 16,188	\$ -0-	\$ 16,188
2016	16,188	-0-	16,188
2017	16,188	-0-	16,188
2018	16,188	-0-	16,188
2019	16,188	-0-	16,188
2020 – 2024	80,920	-0-	80,920
2025 – 2029	80,920	-0-	80,920
2030 – 2034	80,920	-0-	80,920
2035	<u>4,026</u>	<u>-0-</u>	<u>4,026</u>
Total	\$ <u>327,726</u>	\$ <u>-0-</u>	\$ <u>327,726</u>

o. 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 accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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>
2015	\$ 254,529	\$ 84,533	\$ 339,062
2016	259,658	79,404	339,062
2017	264,890	74,172	339,062
2018	270,227	68,835	339,062
2019	275,672	63,390	339,062
2020 – 2024	1,463,961	231,349	1,695,310
2025 – 2029	<u>1,532,759</u>	<u>77,785</u>	<u>1,610,544</u>
Total	\$ <u>4,321,696</u>	\$ <u>679,468</u>	\$ <u>5,001,164</u>

p. Note Payable – Wesbanco Bank, Inc.

On December 31, 2013 the Municipal Building Commission issued a note payable in the amount of \$360,000 to Wesbanco Bank, Inc. for the acquisition of a building located at 109 Merchant Street. The loan is a 3.294% loan payable in 60 monthly installments of \$6,516. The loan is secured by the property located at 109 Merchant Street. Wesbanco Bank, Inc. has entered into a lease agreement with the City of Fairmont to lease a portion of this property at \$1,000 per month for a three year period. The lease has three – 3 year options to renew with escalators. Wesbanco Bank, Inc. has agreed to pay for renovations to this property in lieu of rental payments for the first two years.

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>
2015	\$ 68,459	\$ 9,732	\$ 78,191
2016	70,749	7,442	78,191
2017	73,115	5,076	78,191
2018	75,560	2,631	78,191
2019	<u>38,655</u>	<u>373</u>	<u>39,028</u>
Total	\$ <u>326,538</u>	\$ <u>25,254</u>	\$ <u>351,792</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2014**

7. 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%
Employer's contribution rate	14.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 50 and has earned 5 years or more of contribution 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

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

Trend Information

Public Employees' Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2014	\$ 643,435	100%
2013	\$ 579,756	100%
2012	\$ 739,827	100%

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305

Other Post-Employment Benefits

Plan Description:

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

Authority Establishing the Plan and Fund Policy:

Chapter 5, Article 16D of the West Virginia State Code assigns the authority to establish and amend benefits and provisions to the RHBT. Plan members are currently required to contribute \$176.00 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.

The accompanying independent auditor's report is an integral part of these notes.

CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014

Funding Policy: The City's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the City contributed \$-0- to the plan. Employees are not required to make contributions for basic life insurance.

The City of Fairmont has \$4,427,847 reserved for the outstanding OPEB liability.

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

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

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

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

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

Annual OPEB cost	\$	129,094
Contributions made		<u>-0-</u>
Increase (decrease) in net OPEB obligation		129,094
Net OPEB obligation (asset) beginning of year		<u>4,408,262</u>
Net OPEB obligation (asset) end of year	\$	<u>4,537,356</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, 2014	\$ 129,094	0%	\$ 4,537,356
June 30, 2013	101,637	0%	4,408,262
June 30, 2012	1,222,771	0%	4,306,645

GASB Statement No. 45 was applied prospectively.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2014**

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, 2011)	60
Policemen (July 1, 2011)	<u>48</u>
Total	<u>108</u>

Current employees:

Vested and nonvested:	
Firemen	41
Policemen	<u>33</u>
Total	<u>74</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Policemen's Pension Plan</u>	<u>Firemen's Pension Plan</u>
Other plan details:		
Eligibility	All paid members of the Police Department.	All paid members of the Fire Department.
Rate of employee contribution	7% of salary. 9.5% of salary for employees hired after 1/1/2010.	8.5% of salary. 9.5% of salary for employees hired after 1/1/2010.
Vesting period for normal retirement	20 years of service but no later than the date the participant reaches age 65.	20 years of service but no later than the date the participant reaches age 65.
Benefits	60% of average compensation, but not less than \$6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 2% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.	60% of average compensation, but not less than \$6,000, plus an additional 2% for each full year of credited service in excess of 20 years, but not in excess of 25 years, plus an additional 1% for each full year of credited service in excess of 25 years, but not in excess of 30 years. In addition, 1% is granted for each full year of military service up to 4 years. However, maximum benefit received may not exceed 75%.

Funding Status and Progress

The amount shown on the following page as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

The measure is the actuarial present value of credited projected benefits and is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of July 1, 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 accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

The unfunded pension benefit obligations for the policemen's and firemen's pensions were \$6,096,950 and \$10,460,532, respectively.

Firemen's Pension and Relief

Annual Pension Cost and Contributions

Valuation Date	July 1, 2013
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	27 years, Level % of Pay

Annual Pension Cost and Contributions

Fiscal Year End June 30, 2014

1. Annual Pension Cost for FYE June 30

(a) Annual Required Contribution (ARC) for FYE June 30	\$ 1,952,499
(b) Interest on Net Pension Obligation (NPO) as of July 1 of FY	\$ 484,282
(c) Adjustment to ARC	\$ (405,123)
(d) Annual Pension Cost (a + b + c)	\$ 2,031,658

2. Net Pension Obligation as of FYE June 30

(a) NPO as of July 1 of FY	\$ 9,685,642
(b) Annual Pension Cost for FY	\$ 2,031,658
(c) Employer Contribution	\$ 852,909
(d) STO Contributions	\$ 403,859
(d) NPO as of FYE (a + b - c - d)	\$ 10,460,532

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

Pension Cost Summary

Fiscal Year End	June 30, 2014
1. Annual Pension Cost	\$ 2,031,658
2. Employer Contribution	\$ 852,909
3. STO Contribution	\$ 403,859
4. Percentage of Annual Pension Cost Contributed [(2 + 3)/1]	62%
5. Net Pension Obligation	\$ 10,460,532

Policemen's Pension and Relief

Valuation Date	July 1, 2013
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	27 years, Level % of Pay

Annual Pension Cost and Contributions

Fiscal Year End	June 30, 2014
1. Annual Pension Cost for FYE June 30	
(a) Annual Required Contribution (ARC) for FYE June 30	\$ 1,383,346
(b) Interest on Net Pension Obligation (NPO) as of July 1 of FY	\$ 281,087
(c) Adjustment to ARC	\$ (235,141)
(d) Annual Pension Cost (a + b + c)	\$ 1,429,292

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

2. Net Pension Obligation as of FYE June 30

(a) NPO as of July 1 of FY	\$ 5,621,744
(b) Annual Pension Cost for FY	\$ 1,429,292
(c) Employer Contribution	\$ 630,379
(d) STO Contributions	\$ 323,707
(d) NPO as of FYE (a + b - c - d)	\$ 6,096,950

Pension Cost Summary

Fiscal Year End	June 30, 2014
1. Annual Pension Cost	\$ 1,429,292
2. Employer Contribution	\$ 630,379
3. STO Contribution	\$ 323,707
4. Percentage of Annual Pension Cost Contributed [(2 + 3)/1]	67%
5. Net Pension Obligation	\$ 6,096,950

(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, 2014, was \$633,645 and \$323,707 was provided by the insurance premium tax allocation, for a total contribution of \$957,352.

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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014.

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.

(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, 2014, was \$856,175 and \$403,859 was provided by the insurance premium tax allocation, for a total contribution of \$1,260,034.

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, 2014.

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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

8. 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.

9. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2014 for fund financial:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 93,023	\$ -0-
Special Revenue Funds		
Board and Commissions Fund	1,119	-0-
Enterprise Funds		
Water Fund	-0-	85,421
Parking Fund	-0-	908
Building Commission	<u>-0-</u>	<u>344</u>
Total – primary government	<u>94,142</u>	<u>86,673</u>
Component Unit		
Sanitary Sewer Board	<u>-0-</u>	<u>7,469</u>
Total – primary government	\$ <u>94,142</u>	\$ <u>94,142</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014:

Operating revenues	\$ 4,541,826
Operating expenses	<u>4,379,778</u>
Operating income	162,048
 Add: Depreciation expense	 1,142,714
Interest income	<u>94,347</u>
 Amount available for debt service and capital expenditures	 \$ <u>1,399,109</u>
 Maximum annual debt service	 \$ <u>355,250</u>
 Calculated debt service coverage factor	 3.94
 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, 2014.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

The debt service coverage factor for the Water Fund has been calculated as follows for the year ended June 30, 2014:

Operating revenues	\$ 8,959,873
Operating expenses	<u>6,382,569</u>
Operating income	2,577,304
Add: Depreciation expense	2,251,251
Interest income	<u>116,629</u>
Amount available for debt service and capital expenditures	\$ <u>4,945,184</u>
Maximum annual debt service	\$ <u>2,251,152</u>
Calculated debt service coverage factor	2.20
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, 2014.

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.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2014**

13. Restricted Net Position/Fund Balance

It was determined during this examination that the fund balance at the beginning of the year of the General Fund required restatement as follows:

Fund balance at beginning of year	\$ 7,251,498
Restatement: Overstatement of OPEB reserve	(<u>341,026</u>)
Fund balance at beginning of year – restated	\$ <u>6,910,472</u>

It was determined during this examination that the net position of the Governmental Activities required restatement as follows:

Net position at beginning of year	\$ 337,241
Restatement: Overstatement of OPEB reserve	(341,026)
Net position at beginning of year – restated	\$(<u>3,785</u>)

It was determined during this examination that the net position of the Sanitary Sewer Board required restatement as follows:

Net position at beginning of year	\$ 17,160,942
Restatement: Write off of unamortized bond issue cost in compliance with GASB 65	(<u>39,560</u>)
Net position at beginning of year – restated	\$ <u>17,121,382</u>

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2014**

It was determined during this examination that the net position of the Water Fund required restatement as follows:

Net position at beginning of year	\$ 16,111,848
Restatement: Understatement of OPEB reserve earnings	63,694
Restatement: Write off of unamortized bond issue cost in compliance with GASB 65	(<u>306,067</u>)
Net position at beginning of year – restated	\$ <u>15,869,475</u>

It was determined during this examination that the net position of the Business-Type Activities required restatement as follows:

Net position at beginning of year	\$ 20,228,981
Restatement: Understatement of OPEB reserve earnings	63,694
Restatement: Write off of unamortized bond issue cost in compliance with GASB 65	(<u>306,067</u>)
Net position at beginning of year – restated	\$ <u>19,986,608</u>

14. Net Position/Fund Balance

Net Position is restricted as follows:

Governmental Activities	
Economic Development Grants	\$ 5,688
Customer deposits	140,200
Business Type Activities	
Debt retirement and capital asset acquisition	\$ 10,517,114
Business Type Activities – Component Unit	
Debt retirement and capital asset acquisition	\$ 2,299,722

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

Fund Balances are classified as follows:

Nonspendable		
General Fund – prepaid expenses	\$	<u>7,403</u>
Committed		
General Fund	\$	1,322,212
Coal Severance Fund		<u>30,677</u>
	\$	<u>1,352,889</u>
Restricted		
General Fund	\$	140,200
Economic Development Grant		<u>5,688</u>
	\$	<u>145,888</u>
Assigned		
General Fund	\$	1,992,255
Boards and Commissions		13,030
Workers Compensation		1,696,014
Urban Renewal Authority		<u>956</u>
	\$	<u>3,702,255</u>

15. Subsequent Events

The City has considered all subsequent events through January 30, 2015, the date the financial statements were made available.

The accompanying independent auditor's report is an integral part of these notes.

**CITY OF FAIRMONT, WEST VIRGINIA
FIREMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS MULTIYEAR
FOR THE YEAR ENDED JUNE 30, 2014**

Fiscal year ending June 30,	2014
Total Pension Liability	
Service cost	\$ 767,965
Interest on the total pension liability	1,693,559
Benefit changes	-0-
Difference between expected and actual experience	-0-
Assumption changes	1,099,407
Benefit payments	(1,557,909)
Refunds	(5,581)
Net change in total pension liability	1,997,441
 Total pension liability – beginning	 <u>35,132,486</u>
 Total pension liability – ending (a)	 <u>37,129,927</u>
Plan Fiduciary Net Position	
Employer contributions	1,209,650
Employee contributions	162,770
Pension plan net investment income	258,994
Benefit payments	(1,557,909)
Refunds	(5,581)
Pension plan administrative expense	(1,752)
Other	54,076
Net change in plan fiduciary net position	120,248
 Plan fiduciary net position – beginning	 <u>1,619,365</u>
 Plan fiduciary net position – ending (b)	 <u>1,739,613</u>
 Net pension liability – ending (a) – (b)	 \$ <u>35,390,314</u>
 Plan fiduciary net position as a percentage of total pension liability	 4.69%
 Covered employee payroll	 \$ <u>1,825,201</u>
 Net pension liability as a percentage of covered employee payroll	 1,938.98%

The accompanying independent auditor's report and notes are integral parts of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRMONT, WEST VIRGINIA
FIREMEN'S PENSION AND RELIEF FUND
SCHEDULE OF THE NET PENSION LIABILITY MULTIYEAR -
LAST 10 FISCAL YEARS (WHICH MAY BE BUILT PROSPECTIVELY)
FOR THE YEAR ENDED JUNE 30, 2014

<u>FY Ending June 30,</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
2014	\$ 37,129,927	\$ 1,739,613	\$ 35,390,314	4.7%	\$ 1,825,201	1,938.98%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
 FIREMEN'S PENSION AND RELIEF FUND
 SCHEDULE OF CONTRIBUTIONS MULTIYEAR
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u> (a)	<u>Employer Contribution</u> (b)	<u>State Contribution</u> (c)	<u>Percentage Contributed</u> [(b)+(c)]/(a)	<u>Covered Payroll</u> (f)	<u>Actual Contribution as a % of Covered Payroll</u> [(b)+(c)]/(f)
06/30/2013	\$ 1,875,854	\$ 753,076	\$ 432,491	63%	\$ 1,781,502	67%
06/30/2014	\$ 1,952,499	\$ 805,791	\$ 403,859	62%	\$ 1,825,201	66%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
FIREMEN'S PENSION AND RELIEF FUND
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014**

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

<i>Measurement Date</i>	June 30, 2014, measurement date based on actuarial liabilities as of July 1, 2013
<i>Actuarial Cost Method</i>	Entry Age Normal, Level-Percentage-of-Pay
<i>Actuarial Value of Assets</i>	Market value used for GASB Nos. 67 and 68 reporting
<i>Contribution Policy and Amortization Method</i>	The sponsor finances benefits using the Alternative funding policy as defined in state statute. Sponsor contributions are equal to 107 percent of the prior year contribution. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. This funding policy does not directly amortize the unfunded actuarial liability. However, projected sponsor, state and member contributions along with projected investment earnings are <i>not expected to fully fund the projected actuarial liability for current plan members, and assets for the closed plan are projected to be depleted by 2020.</i>
<i>Actuarial Assumptions:</i>	
<i>Investment Rate of Return</i>	5.000% per year
<i>GASB 67/68 Discount Rate</i>	4.590% per year at June 30, 2014, and 4.822% at June 30, 2013
<i>Projected Salary Increases</i>	9.0% with one year of service, 4.5% with two years of service, 2.0% with three to four years of service and 1.0% after
<i>Cost of Living Increases</i>	3.00% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
 FIREMEN'S PENSION AND RELIEF FUND
 NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2014**

Single Discount Rate

A GASB Nos. 67 and 68 single discount rate of 4.590% was used to measure the total pension liability as of June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 5.000%, and the municipal bond rate of 4.290%. The projection of cash flows used to determine this single discount rate assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions the pension plan's fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members, until plan year end 2020. Therefore, the single discount rate of 4.590% was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 4.590%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher.

**Sensitivity of Net Pension Liability
 to the Single Discount Rate Assumption**

<u>1% Decrease</u> <u>3.59%</u>	<u>Discount</u> <u>Rate Assumption</u> <u>4.59%</u>	<u>1% Increase</u> <u>5.59%</u>
\$ 40,894,868	\$ 35,390,314	\$ 30,931,849

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
POLICEMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS MULTIYEAR
FOR THE YEAR ENDED JUNE 30, 2014**

Fiscal year ending June 30,	2014
Total Pension Liability	
Service cost	\$ 606,293
Interest on the total pension liability	1,281,433
Benefit changes	-0-
Difference between expected and actual experience	-0-
Assumption changes	-0-
Benefit payments	(1,047,535)
Refunds	(34,223)
Net change in total pension liability	805,968
Total pension liability – beginning	<u>25,563,254</u>
Total pension liability – ending (a)	<u>26,369,222</u>
Plan Fiduciary Net Position	
Employer contributions	906,968
Employee contributions	130,476
Pension plan net investment income	592,817
Benefit payments	(1,047,535)
Refunds	(34,223)
Pension plan administrative expense	(1,305)
Other	<u>51,320</u>
Net change in plan fiduciary net position	598,518
Plan fiduciary net position – beginning	<u>4,215,651</u>
Plan fiduciary net position – ending (b)	<u>4,814,169</u>
Net pension liability – ending (a) – (b)	\$ <u>21,555,053</u>
Plan fiduciary net position as a percentage of total pension liability	18.26%
Covered employee payroll	\$ <u>1,639,169</u>
Net pension liability as a percentage of covered employee payroll	1,315.00%

The accompanying independent auditor's report and notes are integral parts of this schedule.

CITY OF FAIRMONT, WEST VIRGINIA
POLICEMEN'S PENSION AND RELIEF FUND
SCHEDULE OF NET PENSION LIABILITY MULTIYEAR
LAST 10 FISCAL YEARS (WHICH MAY BE BUILT PROSPECTIVELY)
FOR THE YEAR ENDED JUNE 30, 2014

<u>FY Ending June 30.</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
2014	\$ 26,369,222	\$ 4,814,169	\$ 21,555,053	18.26%	\$ 1,639,169	1,315.00%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
POLICEMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CONTRIBUTIONS MULTIYEAR
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u> (a)	<u>Employer Contribution</u> (b)	<u>State Contribution</u> (c)	<u>Percentage Contributed</u> [(b)+(c)]/(a)	<u>Covered Payroll</u> (f)	<u>Actual Contribution as a % of Covered Payroll</u> [(b)+(c)]/(f)
06/30/2013	\$ 1,282,078	\$ 545,104	\$ 342,568	69%	\$ 1,469,669	60%
06/30/2014	\$ 1,383,346	\$ 583,261	\$ 323,707	66%	\$ 1,639,169	55%

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
POLICEMEN'S PENSION AND RELIEF FUND
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014**

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

<i>Measurement Date</i>	June 30, 2014, measurement date based on actuarial liabilities as of July 1, 2013
<i>Actuarial Cost Method</i>	Entry Age Normal, Level-Percentage-of-Pay
<i>Actuarial Value of Assets</i>	Market value used for GASB Nos. 67 and 68 reporting
<i>Contribution Policy and Amortization Method</i>	The sponsor finances benefits using the Alternative funding policy as defined in state statute. Sponsor contributions are equal to 107 percent of the prior year contribution. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. This funding policy does not directly amortize the unfunded actuarial liability. However, projected sponsor, state and member contributions along with projected investment earnings are expected to fully fund the projected actuarial liability for current plan members by 2045.
<i>Actuarial Assumptions:</i>	
<i>Investment Rate of Return</i>	5.000% per year
<i>GASB 67/68 Discount Rate</i>	5.000% per year at June 30, 2014, and 5.000% at June 30, 2013
<i>Projected Salary Increases</i>	9.0% with one year of service, 4.5% with two years of service, 2.0% with three to four years of service and 1.0% after
<i>Cost of Living Increases</i>	3.00% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years

The accompanying independent auditor's report and notes are integral parts of this schedule.

**CITY OF FAIRMONT, WEST VIRGINIA
POLICEMEN'S PENSION AND RELIEF FUND
NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

Single Discount Rate

A GASB Nos. 67 and 68 single discount rate of 5.000% was used to measure the total pension liability as of June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 5.000%, and the municipal bond rate of 4.290%. The projection of cash flows used to determine this single discount rate assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions the pension plan's fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members, for all future plan years. Therefore, the single discount rate of 5.000% was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 5.000%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher.

**Sensitivity of Net Pension Liability
to the Single Discount Rate Assumption**

<u>1% Decrease</u> <u>4.00%</u>	<u>Discount</u> <u>Rate Assumption</u> <u>5.00%</u>	<u>1% Increase</u> <u>6.00%</u>
\$ 25,629,882	\$ 21,555,053	\$ 18,274,874

SUPPLEMENTARY INFORMATION

**CITY OF FAIRMONT, WEST VIRGINIA
 COMBINING FUND BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS -
 SPECIAL REVENUE FUNDS
 JUNE 30, 2014**

	<u>Boards and Commissions Fund</u>	<u>Workers Compensation Fund</u>	<u>Urban Renewal Authority</u>	<u>Economic Development Grant Fund</u>	<u>Total</u>
ASSETS					
Cash	\$ 6,519	\$ 247,112	\$ 956	\$ 5,688	\$ 260,275
Investments	5,392	1,613,968	-0-	-0-	1,619,360
Receivables:					
Other	-0-	-0-	-0-	21,042	21,042
Interest	-0-	809	-0-	-0-	809
Due from (to):					
Other funds	<u>1,119</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,119</u>
TOTAL ASSETS	\$ <u>13,030</u>	\$ <u>1,861,889</u>	\$ <u>956</u>	\$ <u>26,730</u>	\$ <u>1,902,605</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -0-	\$ 8,661	\$ -0-	\$ 21,042	\$ 29,703
Claims payable	<u>-0-</u>	<u>157,214</u>	<u>-0-</u>	<u>-0-</u>	<u>157,214</u>
Total liabilities	<u>-0-</u>	<u>165,875</u>	<u>-0-</u>	<u>21,042</u>	<u>186,917</u>
Fund Balances					
Restricted	-0-	-0-	-0-	5,688	5,688
Assigned	<u>13,030</u>	<u>1,696,014</u>	<u>956</u>	<u>-0-</u>	<u>1,710,000</u>
Total fund balances	<u>13,030</u>	<u>1,696,014</u>	<u>956</u>	<u>5,688</u>	<u>1,715,688</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>13,030</u>	\$ <u>1,861,889</u>	\$ <u>956</u>	\$ <u>26,730</u>	\$ <u>1,902,605</u>

The accompanying independent auditor's report and 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, 2014**

	<u>Boards and Commissions Fund</u>	<u>Workers Compensation Fund</u>	<u>Urban Renewal Authority</u>	<u>Economic Development Grant Fund</u>	<u>Total</u>
Revenues					
Intergovernmental:					
Federal	\$ -0-	\$ -0-	\$ -0-	\$ 204,728	\$ 204,728
State	-0-	-0-	-0-	61,780	61,780
Contributions:					
From employer	-0-	162,512	-0-	-0-	162,512
Donations	2,500	-0-	-0-	8,500	11,000
Investment income	38	72,234	-0-	-0-	72,272
Gain (loss) on investments	<u>327</u>	<u>78,353</u>	<u>-0-</u>	<u>-0-</u>	<u>78,680</u>
Total revenues	<u>2,865</u>	<u>313,099</u>	<u>-0-</u>	<u>275,008</u>	<u>590,972</u>
Expenditures					
General government	-0-	117,335	-0-	-0-	117,335
Public safety	-0-	-0-	-0-	7,080	7,080
Community development	1,440	-0-	-0-	272,029	273,469
Benefit payments	<u>-0-</u>	<u>83,582</u>	<u>-0-</u>	<u>-0-</u>	<u>83,582</u>
Total expenditures	<u>1,440</u>	<u>200,917</u>	<u>-0-</u>	<u>279,109</u>	<u>481,466</u>
Excess (deficiency) of revenues over (under) expenditures	1,425	112,182	-0-	(4,101)	109,506
Fund balance beginning of year	<u>11,605</u>	<u>1,583,832</u>	<u>956</u>	<u>9,789</u>	<u>1,606,182</u>
Fund balance end of year	\$ <u>13,030</u>	\$ <u>1,696,014</u>	\$ <u>956</u>	\$ <u>5,688</u>	\$ <u>1,715,688</u>

The accompanying independent auditor's report and notes are an integral part of the combining financial statements.

**CITY OF FAIRMONT, WEST VIRGINIA
 FIDUCIARY RESPONSIBILITIES
 STATEMENT OF NET POSITION
 JUNE 30, 2014**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
Assets			
Cash	\$ 98,838	\$ 55,629	\$ 154,467
Investments	4,711,130	1,677,026	6,388,156
Receivables:			
Other	3,265	3,265	6,530
Interest	<u>937</u>	<u>3,693</u>	<u>4,630</u>
Total assets	<u>4,814,170</u>	<u>1,739,613</u>	<u>6,553,783</u>
Liabilities			
Accounts payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Position			
Held in trust for pension benefits	\$ <u>4,814,170</u>	\$ <u>1,739,613</u>	\$ <u>6,553,783</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

**CITY OF PARKERSBURG, WEST VIRGINIA
FIDUCIARY RESPONSIBILITIES
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Policemen's Pension and Relief</u>	<u>Firemen's Pension and Relief</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 633,645	\$ 856,175	\$ 1,489,820
Employees	130,476	162,770	293,246
Insurance premium tax allocation	<u>323,707</u>	<u>403,859</u>	<u>727,566</u>
Net contributions	<u>1,087,828</u>	<u>1,422,804</u>	<u>2,510,632</u>
Investment income:			
Net appreciation in fair value of investments	1,215	189,240	190,455
Interest income and dividends	105,137	63,836	168,973
Capital gains (losses)	<u>487,402</u>	<u>13,927</u>	<u>501,329</u>
Net investment income	<u>593,754</u>	<u>267,003</u>	<u>860,757</u>
Miscellaneous	<u>-0-</u>	<u>4</u>	<u>4</u>
Total additions	<u>1,681,582</u>	<u>1,689,811</u>	<u>3,371,393</u>
Deductions:			
General and administrative	876	5,836	6,712
Benefit payments	<u>1,082,187</u>	<u>1,563,727</u>	<u>2,645,914</u>
Total deductions	<u>1,083,063</u>	<u>1,569,563</u>	<u>2,652,626</u>
Net increase	598,519	120,248	718,767
Net position – beginning of year	<u>4,215,651</u>	<u>1,619,365</u>	<u>5,835,016</u>
Net position – end of year	\$ <u>4,814,170</u>	\$ <u>1,739,613</u>	\$ <u>6,553,783</u>

The accompanying independent auditor's report and notes are integral parts of this statement.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, aggregate blended component units, each major fund, and the aggregate remaining fund information of City of Fairmont, West Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Fairmont, West Virginia's basic financial statements, and have issued our report thereon date January 30, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

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

J. Stucke & Bartlett, P.A.C.

January 30, 2015



Tetrick & Bartlett, PLLC

Certified Public Accountants
Consultants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133***

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

Report on Compliance for Each Major Federal Program

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 City of Fairmont, West Virginia's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, City of Fairmont, West Virginia, complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of City of Fairmont, West Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Fairmont, West Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Justin A. Bunker, Ph.D.

January 30, 2015

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified Opinion</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Deficiency(s) identified that are not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified Opinion</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	<u>No</u>

Identification of major programs:

United States Environmental Protection Agency/ Office of Water ARRA – Capitalization Grants for Drinking Water State Revolving Funds	CFDA #66.468
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee	___ yes <u>X</u> no

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

B. Findings – Financial Statement Audit

No Findings

C. Findings and Questioned Costs – Major Federal Award Programs Audit

*United States Environmental Protection Agency – Office of Water – ARRA –
Capitalization Grants for Drinking Water State Revolving Funds – CFDA Number
66.468 – Year Ended June 30, 2014.*

No Findings

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<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>					
ARRA – Capitalization Grants for Drinking Water State Revolving Funds	66.468		\$ 3,780,000	\$ 3,053,802	\$ 3,053,802
ARRA – Capitalization Grants for Drinking Water State Revolving Funds	66.468		4,446,618	<u>296,512</u>	<u>296,512</u>
Total United States Environmental Protection Agency				<u>3,350,314</u>	<u>3,350,314</u>
United States Department of Housing and Urban Development/Office of Community Planning and Office of Community Planning and Development					
<i>State of West Virginia Office of Economic Opportunity</i>					
Emergency Solutions Grant Program	14.231	ESG13-FAIR	51,000	48,500	48,500
United States Department of Housing and Urban Development/Office of Community Planning and Office of Community Planning and Development					
<i>West Virginia Development Office</i>					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B05DC540001	500,000	<u>78,228</u>	<u>78,228</u>
Total United States Department of Housing and Urban Development				<u>126,728</u>	<u>126,728</u>

**CITY OF FAIRMONT, WEST VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014**

<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					
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	2013-DJ-BX-0424	\$ 11,121	\$ 11,000	\$ 11,000
Total United States Department of Justice				<u>11,000</u>	<u>11,000</u>
United States Department of the Interior/National Park Service					
<i>West Virginia Division of Finance and Administration/The Division of Culture and History</i>					
ARRA – Save America's Treasures	15.929		70,000	<u>67,000</u>	<u>67,000</u>
Total United States Department of the Interior				<u>67,000</u>	<u>67,000</u>
Total Federal Funding				<u>\$ 3,555,042</u>	<u>\$ 3,555,042</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, 2014**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Financial Audit

No prior audit findings.

Major Federal Award Programs Audit

*United States Environmental Protection Agency – Office of Water – ARRA –
Capitalization Grants for Drinking Water State Revolving Funds – CFDA
Number 66.468 – Year Ended June 30, 2013.*

No prior audit findings.

**CITY OF FAIRMONT, WEST VIRGINIA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014**

*United States Environmental Protection Agency – Office of Water – ARRA – Capitalization
Grants for Drinking Water State Revolving Funds – CFDA Number 66.468 – Year Ended
June 30, 2014.*

There were no audit findings therefore a corrective action plan is not required.