
Fairmont State University

Financial Statements
Years Ended June 30, 2019 and 2018

and

Independent Auditor's Reports



A Professional Limited Liability Company

FAIRMONT STATE UNIVERSITY

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INDEPENDENT AUDITOR'S REPORT

Board of Governors
Fairmont State University
Fairmont, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Fairmont State University (Fairmont State), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Fairmont State's 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 audits. We conducted our audits 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 audits 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Fairmont State, as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and related footnotes on pages 89 through 94, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the 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 October 15, 2019, on our consideration of Fairmont State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fairmont State's 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 Fairmont State's internal control over financial reporting and compliance.



Charleston, West Virginia
October 15, 2019

Management's Discussion and Analysis (Unaudited)**Fiscal Year Ended June 30, 2019****About Fairmont State University**

Fairmont State University was founded in 1865 as the West Virginia Normal School at Fairmont, a private institution dedicated to educating teachers. The Normal School at Fairmont was eventually purchased by the State and, in 1917, moved to its hilltop location on Locust Avenue and the building we now call Hardway Hall. The name was changed to Fairmont State Teachers College in 1930 and to Fairmont State College in 1943-44. Fairmont State Community and Technical College was founded in 1974 and was renamed Pierpont Community & Technical College (Pierpont) effective July 1, 2006. Fairmont State College was recognized as a University and renamed Fairmont State University on April 7, 2004.

Fairmont State University (Fairmont State or the Institution) is governed by a 12-member Board of Governors that determines, controls, supervises, and manages the financial, business, and educational policies and affairs of the Institution.

Legislation became effective July, 1, 2008 that provided for a separate governing board for Pierpont. The Board of Governors of Pierpont and the Board of Governors of Fairmont State jointly agreed to a division of assets and liabilities. The agreement was executed on December 15, 2009 and was effective retroactively to July 1, 2009. The legislation requires a separate financial statement audit for Pierpont, which was effective beginning with fiscal year 2010.

Total enrollment of Fairmont State is approximately 3,800 students. The student to faculty ratio is 15:1. Approximately 86% of our students receive some form of scholarship or financial aid. Campus activities include more than 60 clubs, organizations, student publications, honoraries, sororities and fraternities, and intramural sports. Fairmont State is a member of the NCAA Division II and the Mountain East Conference.

Overview

This section of the annual financial report focuses on an overview of Fairmont State's financial performance during the fiscal year ended June 30, 2019, with comparisons to the previous year.

As the financial statements are reviewed, it is important to understand how the reporting structure changed beginning in fiscal year 2010 with the Separation of Assets and Liabilities Agreement. As the separate entities were created by the Legislature, it was realized that due to the bond debt responsibilities, shared campus facilities and infrastructure, and shared administrative and technical support, a Separation of Assets and Liabilities Agreement would be required. The agreement was effective as of July 1, 2009, and fiscal year 2019 is the tenth year of operating and reporting based on the agreement. The agreement establishes general principles to apply to the division of assets and liabilities and allocation of revenues and expenses between Pierpont and Fairmont State. The Agreement also provides specific language in relation to outstanding bond indebtedness, including the responsibilities of both Pierpont and Fairmont State. Financial statement note 17, Separation of Assets and Liabilities Agreement, provides additional information about this Agreement and the defining legislation. The fiscal year 2019 audited financial statements are presented in comparative format and reflect the reporting structure defined in the agreement.

Fairmont State's audited financial report includes additional information for Unrestricted, Restricted and Other Funds, University-owned Auxiliary Funds, and Fairmont State's ownership in Board of Governors Support (BOG Support). The BOG Support component reports capital funds that support both academic institutions as a separate reporting component. BOG Support consists primarily of Educational and General (E&G) Capital, Infrastructure, and Bond funds for the repair and replacement of shared buildings and capital assets. This component accounts for capital assets, depreciation and debt obligations of the shared campus. These funds are allocated based on the average of the past ten (10) years of credit hour enrollments. The supplemental schedules were developed to show the component parts of Fairmont State and may be found in the additional information section of this report.

The Fairmont State Foundation (the Foundation) financial information will not be presented. This presentation is not required to comply with GASB Statement No. 39 due to the fact that the Foundation supports both Fairmont State and Pierpont for fiscal years 2019 and 2018.

Fairmont State's annual report consists of three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements focus on Fairmont State's financial condition, results of operations, and cash flows as a whole. Each of these statements is discussed below.

Financial Highlights

Financial highlights of fiscal year 2019 included an increase in enrollment, a decrease in net other postemployment benefits (OPEB) liability, and changes in net position.

- In fiscal year 2019, Fairmont State experienced slight enrollment increases. The undergraduate full-time equivalent (FTE) increased from 3,254 for Fall 2017 to 3,410 for Fall 2018. Graduate FTE increased from Fall 2017 to Fall 2018 from 186 to 193.
- The net OPEB liability decreased by \$771,367 during fiscal year 2019.
- Total net position increased by \$5,301,347 or 7.22%. The increase can be attributed to the following:
 - Unrestricted primary operating funds of Fairmont State increased by \$1,127,881.
 - Restricted for Capital Projects increased by \$603,548.
 - Net Investment in Capital Assets increased by \$3,566,416.

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of Fairmont State as of the fiscal year end. Assets denote the resources available to continue the operations of Fairmont State. Deferred outflows of resources represent the consumption of net position that is applicable to a future fiscal year. Liabilities indicate how much Fairmont State owes its vendors, employees, and lenders. Deferred inflows of resources represent an acquisition of net position that is applicable to a future fiscal year. Net position provides a way to measure the financial position of Fairmont State.

Net position is divided into three major categories:

1. **Net investment in capital assets.** This category represents Fairmont State's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.
2. **Restricted net position.** This category includes net position whose use is restricted either due to externally imposed constraints or restrictions imposed by law. It is further divided into two additional components -- expendable and nonexpendable. **Expendable restricted net position** includes resources for which Fairmont State is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. **Nonexpendable restricted net position** includes endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instruments, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Fairmont State has no nonexpendable net position.
3. **Unrestricted net position.** This category includes resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. Unrestricted net position is used for transactions related to the educational and general operations of Fairmont State and may be designated for specific purposes by action of management or the Board of Governors.

Condensed Schedules of Net Position

	JUNE 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current Assets	\$ 33,650,917	\$ 30,142,334	\$ 30,940,571
Noncurrent Assets	136,449,098	136,519,489	139,151,202
Total Assets	<u>170,100,015</u>	<u>166,661,823</u>	<u>170,091,773</u>
Deferred Outflows of Resources	<u>2,173,236</u>	<u>1,929,881</u>	<u>1,270,751</u>
Total	<u>\$ 172,273,251</u>	<u>\$ 168,591,704</u>	<u>\$ 171,362,524</u>
Liabilities			
Current Liabilities	\$ 13,153,296	\$ 10,483,507	\$ 11,563,863
Noncurrent Liabilities	77,911,684	82,706,903	87,798,226
Total Liabilities	<u>91,064,980</u>	<u>93,190,410</u>	<u>99,362,089</u>
Deferred Inflows of Resources	<u>2,491,625</u>	<u>1,985,995</u>	<u>499,293</u>
Net Position			
Net Investment in Capital Assets	64,908,054	61,341,638	60,919,352
Restricted for:			
Expendable:			
Loans	-	8,991	-
Scholarships	44,499	37,326	67,447
Capital Projects	4,458,022	3,854,474	3,840,095
Debt Service	14,141	8,821	1,665
Total Restricted	<u>4,516,662</u>	<u>3,909,612</u>	<u>3,909,207</u>
Unrestricted (After OPEB)	<u>9,291,930</u>	<u>8,164,049</u>	<u>6,672,583</u>
Total Net Position	<u>78,716,646</u>	<u>73,415,299</u>	<u>71,501,142</u>
Total	<u>\$ 172,273,251</u>	<u>\$ 168,591,704</u>	<u>\$ 171,362,524</u>

- Total current assets increased by \$3,508,583 or 11.64%, resulting primarily from an increase in cash and cash equivalents of \$3,385,576. The increase in cash was made up of increases in the BOG support funds of \$422,196, auxiliary funds of \$603,419 and E&G operating fund cash of \$2,359,961.
- Total noncurrent assets, comprised primarily of capital assets including buildings and equipment, decreased by \$70,391 or 0.05%. Capital assets, net of depreciation, increased by \$302,749, primarily related to capitalized improvements and purchases of capital assets. The noncurrent portion of amounts due from Pierpont for debt service decreased by \$286,248, while other noncurrent assets decreased by \$100,176.
- Total deferred outflows of resources increased by \$243,355 or 12.61%, primarily due to GASB Statement Nos. 68 and 75.

- Total current liabilities increased by \$2,669,789 or 25.47%, due primarily to an increase in accounts payable of \$531,814 and an increase to unearned revenues and deposits of \$1,907,757. The increase in accounts payable is primarily related to the athletic turf project. The increase in unearned revenue is related to the unearned portion of a capital improvement donation from Aladdin Food Management Services, LLC.
- Total noncurrent liabilities decreased by \$4,795,219 or 5.80%. The decrease is due primarily to principal payments of \$3,542,534 made on existing bond debt. Advances from federal sponsors decreased by \$73,265 as funds were returned to the U.S. Department of Education from the Federal Perkins Loan Program, which was liquidated. The net OPEB liability decreased \$771,367.
- Total deferred inflows of resources increased by \$505,630 or 25.46%.
- The total assets and deferred outflows of resources of Fairmont State exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$78,716,646 (net position). Of this amount, \$9,291,930 (unrestricted net position) may be used to meet the educational and general operations of Fairmont State. Unrestricted net position by component part was as follows at June 30, 2019:

▪ Auxiliary funds	\$ 5,386,171	
▪ Unrestricted and Other funds	<u>3,905,759</u>	(After the net OPEB liability)
	<u>\$ 9,291,930</u>	

The unrestricted, restricted, and other funds net position of \$3,905,759 includes fund manager funds of \$2,259,367. Also, Fairmont State's unrestricted President's control net position amount increased by \$2,692,332 to \$1,646,392 at June 30, 2019. The change in net position is after the decrease in the net OPEB liability for fiscal year 2019 in the amount of \$771,367.

Statement of Revenues, Expenses, and Changes in Net Position

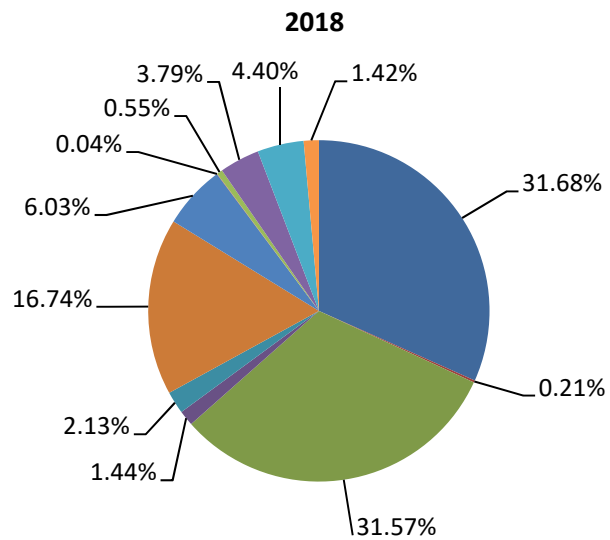
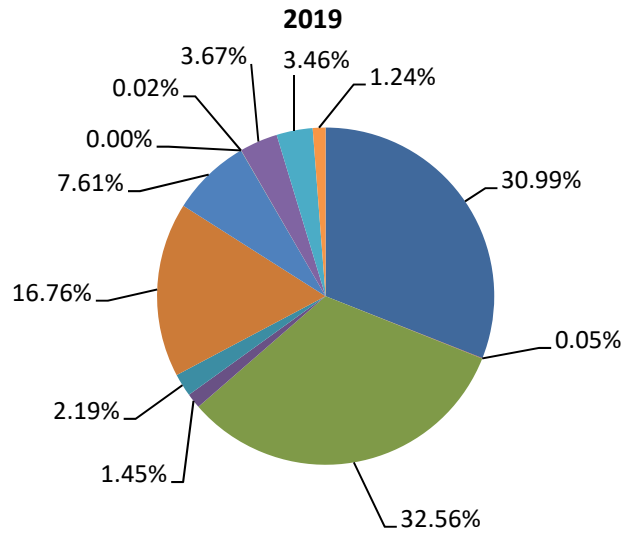
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of Fairmont State for the fiscal year. The purpose of the statement is to present Fairmont State's revenues (operating and nonoperating), expenses (operating and nonoperating), and any other revenues, expenses, gains, losses, and transfers. State appropriations, while budgeted for operations, are considered and reported as nonoperating revenues. This is because State appropriations are provided by the Legislature to Fairmont State without providing specific services in exchange. Likewise, Pell grants are reported as nonoperating because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the alternative method. Under this method, certain aid, such as loans and Federal Direct Lending, is accounted for as third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Condensed Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 40,849,265	\$ 40,535,915	\$ 43,167,526
Operating Expenses	<u>57,435,571</u>	<u>59,130,718</u>	<u>62,888,859</u>
Operating Loss	(16,586,306)	(18,594,803)	(19,721,333)
Total Net Nonoperating Revenues	<u>20,523,003</u>	<u>19,095,953</u>	<u>16,281,439</u>
Increase (Decrease) in Net Position before Other Revenues, Expenses, Gains or Losses, and Transfer	3,936,697	501,150	(3,439,894)
Payments Made and Expenses Incurred by the Commission on Behalf of Fairmont State	-	153,582	-
Payments Made and Expenses Incurred on Behalf of Fairmont State	865,685	733,674	167,233
Capital Bond Proceeds from the State	<u>125,603</u>	<u>-</u>	<u>83,181</u>
Increase (Decrease) in Net Position before Transfer	4,927,985	1,388,406	(3,189,480)
Transfer of Net Position from Pierpont	<u>373,362</u>	<u>381,828</u>	<u>329,463</u>
Increase (Decrease) in Net Position	5,301,347	1,770,234	(2,860,017)
Net Position – Beginning of Year	73,415,299	71,501,142	74,361,159
Net Effect of Change in Accounting Policy	<u>-</u>	<u>143,923</u>	<u>-</u>
Net Position – Beginning of Year (Restated)	<u>73,415,299</u>	<u>71,645,065</u>	<u>74,361,159</u>
Net Position – End of Year	<u><u>\$ 78,716,646</u></u>	<u><u>\$ 73,415,299</u></u>	<u><u>\$ 71,501,142</u></u>

Operating Revenues:

The following are graphic illustrations of Fairmont State's operating revenues by source.



- Tuition
- Student Activity Support Revenue
- Auxiliary Enterprise Revenue
- Auxiliary Support Services Revenue
- Federal Contracts and Grants
- State Contracts and Grants
- Private Contracts and Grants
- Interest on Student Loans Receivable
- Faculty Services Revenue
- Operating Costs Revenue
- Support Services Revenue
- Miscellaneous

Highlights of the information presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

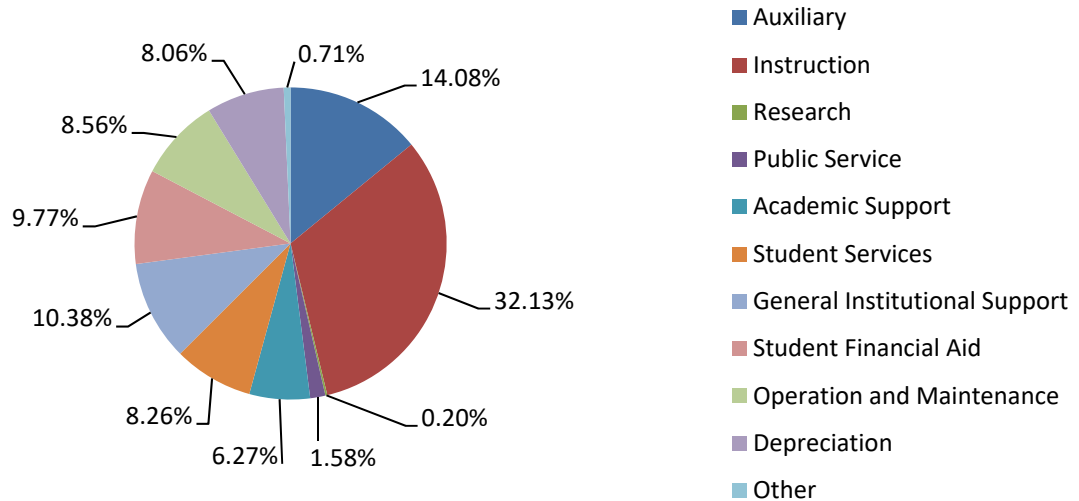
- Tuition and fees revenue, after adjustment for scholarship allowance of \$15,964,540, decreased by \$182,496 or 1.42%. Scholarship allowance increased by \$1,801,487. The Board of Governors increased Tuition and Required E&G fees for fiscal year 2019 up to 3% for resident students and up to 6% for non-resident students at the undergraduate level, and up to 9.99% increase for both resident and non-resident students at the graduate level. The resident fee increased by \$89 to \$2,704 for undergraduate and by \$372 to \$3,278 for graduate. The non-resident fee increased by \$443 to \$6,408 for undergraduate and by \$821 to \$7,518 for graduate.
- Federal financial aid and federal grants revenues increased by \$33,545 or 3.89%. Federal grants active during fiscal year 2019 included the Department of Justice (WVICASV) grant, the NASA Educator Resource Center (ERC) grant, the National Science Foundation grant, and the Appalachian Teaching Project through the Appalachian Regional Commission (ARC). The previous 5-year NASA ERC grant ended in 2019.
- State contracts and grants increased by \$61,826 or 0.91%. State contracts and grants include institutional grants from other State agencies and state-funded student financial aid. The primary reason for the increase was the West Virginia Higher Education Grant and the State PROMISE Scholarship due to enrollment increases.
- Private contracts and grants increased by \$666,011 or 27.27%. The increase was primarily in Alternative Student Loans, which increased by \$629,965.
- Auxiliary enterprise revenue increased by \$498,820 or 3.90%. The Board of Governors approved housing rate increases on average of 4.37% and meal plan increases of 3%.
- State appropriations increased by \$532,360 or 3.65%.
- Pell grant revenues increased by \$146,633 or 2.17%.
- Gifts increased by \$343,861 or 183.68%. The University received a one-time gift of \$375,000 to support the build-out of the Charles Pointe location.

FUNCTIONAL CLASSIFICATION CHART

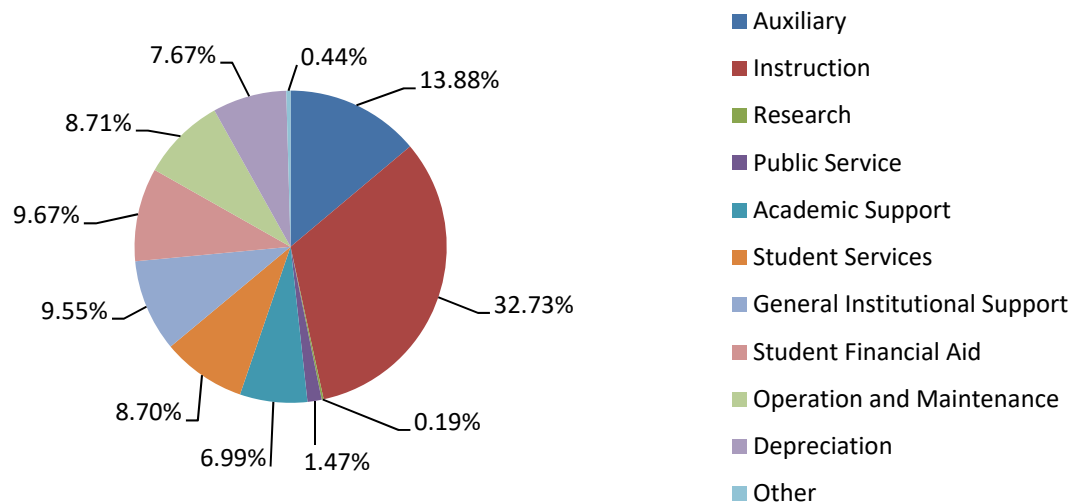
Operating Expenses:

The following is a graphic illustration of operating expenses by function.

2019



2018



Breakdown of Expense by Functional Classification:

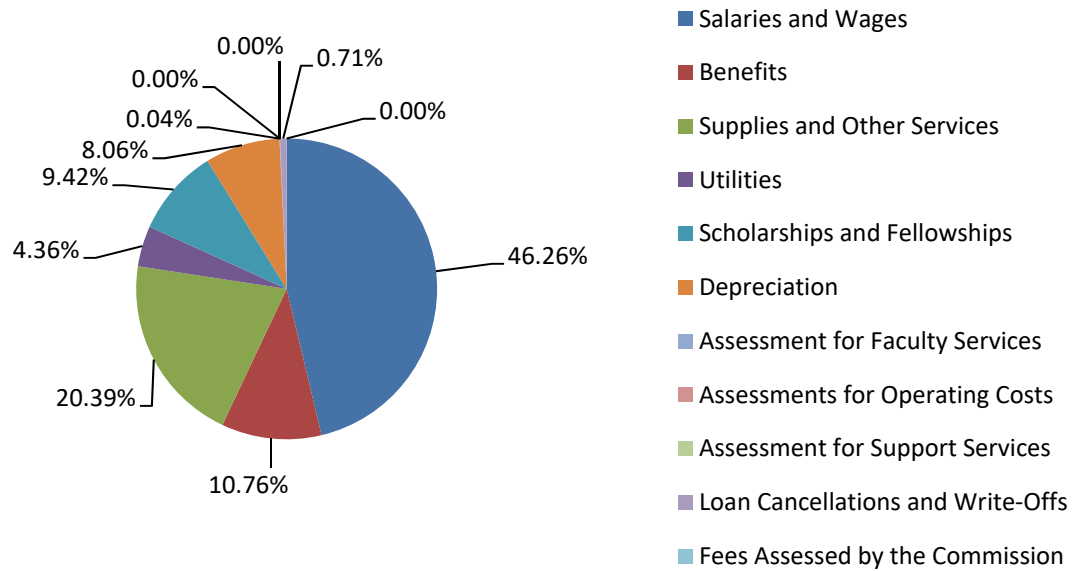
For fiscal year 2019, Fairmont State's total operating expenses were \$57,435,571. Instruction expenses totaled \$18,456,782 or 32.13% of the total operating budget. The following reflects the amounts and percentages for these expenses:

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Auxiliary	\$ 8,088,615	14.08%	\$ 8,208,076	13.88%	\$ 9,322,191	14.82%
Instruction	18,456,782	32.13%	19,355,446	32.73%	18,926,943	30.10%
Research	114,380	0.20%	113,336	0.19%	89,001	0.14%
Public service	905,724	1.58%	866,723	1.47%	808,210	1.29%
Academic support	3,600,451	6.27%	4,131,270	6.99%	4,197,551	6.67%
Student services	4,741,905	8.26%	5,144,166	8.70%	5,343,603	8.50%
General institutional support	5,962,639	10.38%	5,648,949	9.55%	6,639,340	10.56%
Student financial aid	5,613,099	9.77%	5,716,828	9.67%	7,142,431	11.36%
Operation and maintenance	4,915,935	8.56%	5,152,166	8.71%	5,419,345	8.62%
Depreciation	4,628,200	8.06%	4,534,488	7.67%	4,339,911	6.90%
Other	407,841	0.71%	259,270	0.44%	660,333	1.04%
Total	<u>\$ 57,435,571</u>	<u>100.00%</u>	<u>\$ 59,130,718</u>	<u>100.00%</u>	<u>\$ 62,888,859</u>	<u>100.00%</u>

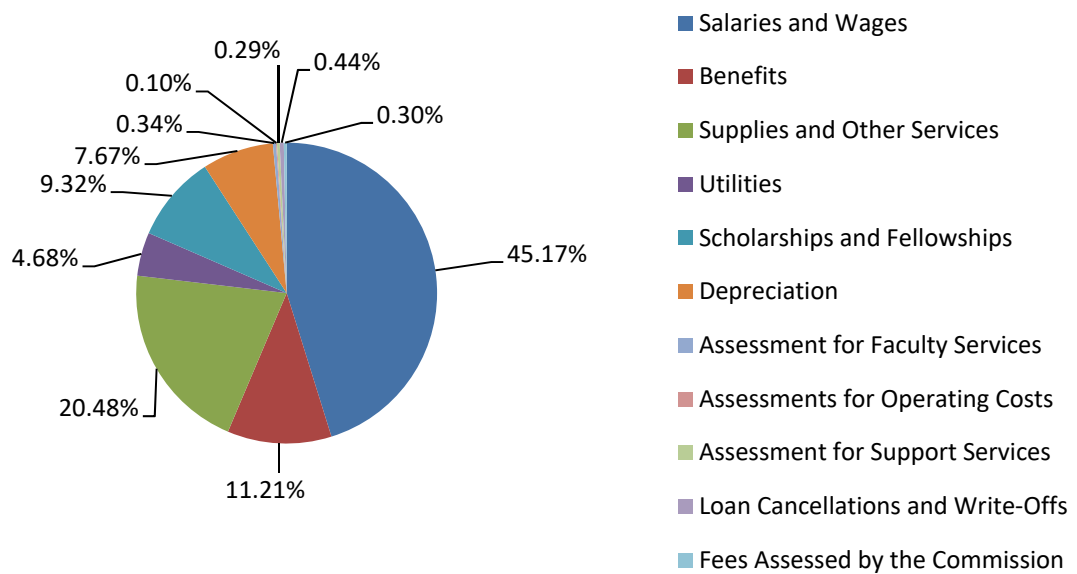
NATURAL CLASSIFICATION CHARTS

The following is a graphic illustration of operating expenses by natural classification:

2019



2018



Breakdown of Expenses by Natural Classification:

For fiscal year 2019, Fairmont State's total operating expenses were \$57,435,571. A major portion of the total operating expenses is for salaries, wages, and benefits amounting to \$32,748,827 or 57.02%. The following reflects the amounts and percentages for the expenses:

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Salaries and wages	\$ 26,568,639	46.26%	\$ 26,715,443	45.17%	\$ 26,396,420	41.97%
Benefits	6,180,188	10.76%	6,627,945	11.21%	6,857,344	10.90%
Supplies and other services	11,713,851	20.39%	12,108,491	20.48%	14,287,172	22.72%
Utilities	2,506,053	4.36%	2,765,164	4.68%	2,744,724	4.36%
Scholarships and fellowships	5,409,715	9.42%	5,508,804	9.32%	6,883,987	10.95%
Depreciation	4,628,200	8.06%	4,534,488	7.67%	4,339,911	6.90%
Assessment for faculty services	21,084	0.04%	199,231	0.34%	293,445	0.47%
Assessment for operating costs	-	0.00%	58,548	0.10%	64,291	0.10%
Assessment for support services	-	0.00%	173,619	0.29%	185,530	0.30%
Loan cancellations and write-offs	407,841	0.71%	259,270	0.44%	660,333	1.05%
Fees assessed by the Commission	-	0.00%	179,715	0.30%	175,702	0.28%
Total	<u>\$ 57,435,571</u>	<u>100.00%</u>	<u>\$ 59,130,718</u>	<u>100.00%</u>	<u>\$ 62,888,859</u>	<u>100.00%</u>

- Salaries and wages decreased by \$146,804 or 0.55%.
 - In fiscal year 2019, an across the board 2% raise was given effective September 1, 2018 to all employees who were employed at December 31, 2017. Salaries and wages decreased due to an increase in vacant positions.
- Benefits decreased by \$447,757 or 6.76%.
- Utilities decreased by \$259,111 or 9.37%.
- Supplies and other services expense decreased by \$394,640 or 3.26%.
- Student financial aid expense decreased by \$99,089 or 1.80%. Gross scholarships and fellowships increased by \$1,702,398.
- Depreciation expense increased by \$93,712 or 2.07% and was 8.06% of total operating expenses.
- Total assessments for faculty services, operating costs, and support services decreased by \$410,314 or 95.11%.
- Loan cancellations and write-offs increased by \$148,571 or 57.30%.
- Fees assessed by the Commission decreased by \$179,715 or 100%.

Statements of Cash Flows

The Statement of Cash Flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities during the year. This statement helps users assess Fairmont State's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The Statement of Cash Flows is divided into five parts:

1. **Cash flows from operating activities.** This section shows the net cash used by the operating activities.
2. **Cash flows from noncapital financing activities.** This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.
3. **Cash flows from capital and related financing activities.** This section includes cash used for the acquisition and construction of capital and related items.
4. **Cash flows from investing activities.** This section shows the purchases, proceeds, and interest received from investing activities.
5. **Reconciliation of net cash provided by (used in) operating activities.** This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

Condensed Schedules of Cash Flows For the Fiscal Year Ended June 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash Provided By (Used In)			
Operating Activities	\$ (11,791,647)	\$ (14,318,787)	\$ (16,007,735)
Noncapital Financing Activities	22,525,937	21,507,907	22,176,612
Capital and Financing Related Activities	(7,951,585)	(8,694,958)	(16,234,432)
Investing Activities	<u>616,155</u>	<u>385,678</u>	<u>214,846</u>
Net Change in Cash and Cash Equivalents	3,398,860	(1,120,160)	(9,850,709)
Cash - Beginning of Year	<u>27,994,432</u>	<u>29,114,592</u>	<u>38,965,301</u>
Cash - End of Year	<u>\$ 31,393,292</u>	<u>\$ 27,994,432</u>	<u>\$ 29,114,592</u>

Major sources of funds included in operating activities consist of tuition and fees of \$14,966,888, contracts and grants of \$11,210,651, and auxiliary enterprise charges of \$12,886,643. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to \$32,641,537, payments to suppliers amounting to \$16,179,215, and payments for scholarships and fellowships of \$3,212,676.

Major sources of cash flow provided from noncapital financing activities consist of State appropriations amounting to \$15,111,777 and Federal Pell grant revenues of \$6,889,801.

The major source of cash flow provided from capital financing activity was related to the proceeds from E&G capital and debt service support revenue in the amount of \$1,899,408. The major uses of funds under this category were for the purchase of capital assets in the amount of \$2,200,358 and for payment of principal and interest on bonds of \$3,294,026 and \$2,573,203, respectively.

Capital Asset and Long-Term Debt Activity

Fairmont State has significant outstanding debt from bond issuances. Four bond series were issued in fiscal year 2003. The bonds were issued to acquire an apartment complex and for the construction of a parking garage, 400-suite dormitory, student activity center, and infrastructure improvements. The four bond issues were refinanced in fiscal year 2012 into one bond issuance with two Series. During fiscal year 2015, Fairmont State issued Series 2015A revenue bonds for the construction of a new apartment complex.

The 2012 bond issues are supported by auxiliary and infrastructure fund student and user fees. The 2015 bond issue is supported by housing fund user fees only. The auxiliary fund budgets that support the bonds (which include interest and principal debt service payments) transferred excess revenues to plant reserves of approximately \$785,000 in fiscal year 2019. Infrastructure excess revenues transferred to reserves were approximately \$330,000.

The refinanced bonds are payable over twenty years, and the 2006 bonds are payable over twenty years from the time of issuance. The total principal repayments made during fiscal year 2019 amounted to \$3,294,026. The current portion of bonds payable due in fiscal year 2019 is \$3,542,533 and the long-term portion of bonds payable is \$67,096,245.

The 2012A, 2012B, and 2015A bond series do not require a separate audit on the modified cash basis of accounting as previously required. The audited financial statements of Fairmont State include bond segment reporting, which is used to calculate the debt service coverage ratio. Fairmont State complied with the debt service coverage ratio requirements of the Series 2012 Bonds, Series 2015 Bonds, and the 2006 Bonds.

During 2019, the Commission was paid for debt incurred from bonds sold in previous years for the State's colleges and universities. The remaining debt obligation assigned to Fairmont State as of June 30, 2019 was \$1,211,656. As of June 30, 2019, the current portion due to Commission was \$127,961, and the long-term portion was \$1,083,695.

Economic Outlook

For fiscal year 2020, the West Virginia Legislature budget bill provided an increase in State appropriations to Fairmont State of \$3,488,564, or 23.09%. The majority of the increase was given to bring equity to the 4-year institutions; Fairmont State received an additional \$3 million. The remaining amount is to provide raises to employees. Fairmont State's increase in appropriations allowed for an across the board raise of 2% to all employees, which was effective August 1, 2019. Fairmont State approved a 3% increase in in-state undergraduate tuition. Auxiliary room fees were increased an average of 2.4%, and board fees increased by 3%. Through our new dining service contract, Fairmont State added highly sought-after food service options in 2019, with a Chick-fil-A, Chilaca, and Starbucks, which seek to aid in recruiting and retention efforts. Fairmont State continues to evaluate students' needs and works to accommodate those needs.

Fairmont State bonded auxiliary facilities continue to operate in a surplus condition, exceeding needed debt coverage ratios and providing excess dollars from operations for continued maintenance and repair needs. The debt service coverage ratio for the 2012 bonds and 2015 bonds combined is required to be 100%. The debt service coverage ratio at the end of 2018 and 2019 and ending net position balances are listed below:

	Debt Coverage Ratios	Ending Balance
June 30, 2018	221%	\$18,568,467
June 30, 2019	278%	\$22,136,481

Fairmont State's unofficial enrollment reflects a decrease for 2020. This is attributed to the implementation of the WV Invests grant, which provides financial aid equal to the tuition and fees at participating two-year institutions. Due to the decreasing population of in-state students, Fairmont State has approved an aggressive metro rate option for out-of-state students in the contiguous states and the District of Columbia starting with Fall 2020 (Fiscal Year 2021) equal to 1.5 times the in-state tuition rate. This rate will be offered to all first-time attendees to Fairmont State. Fairmont State continues to respond to the needs of today's job market, by investing in needed programs, such as Cybersecurity, by working to develop a Security Operations Center to provide hands-on training to students and ensure they are job-ready when they graduate.

Fairmont State will continue to monitor its 2020 budget to maintain a healthy E&G unrestricted net position reserve. The net position values before and after the net OPEB liability can be found on pages 53 - 54 of this report. It is important to again recognize that the net OPEB liability, while recorded on Fairmont State's financial statements, is expected to be fully funded by the State and will not be a future payout of real dollars from the University funds. Therefore, the true Unrestricted Fund net position is before net OPEB liability of \$8,319,171. This places Fairmont State with unrestricted reserves of \$17,611,101 at the end of fiscal year 2019. The net position amount is broken down as follows:

Unrestricted Designated for Auxiliaries	\$ 6,280,658
Unrestricted Designated for Fund Managers	2,259,367
Unrestricted Undesignated	<u>9,071,076</u>
Total Unrestricted	<u>\$ 17,611,101</u>

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 31,379,151	\$ 27,993,575
Accounts receivable — net	1,794,564	1,695,719
Due from Pierpont for debt service — current portion	246,925	244,881
Inventories	182,466	155,893
Other current assets	47,811	52,266
Total current assets	<u>33,650,917</u>	<u>30,142,334</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	14,141	857
Due from Pierpont for debt service	2,319,404	2,605,652
Other noncurrent assets	271,763	371,939
Capital assets — net	133,843,790	133,541,041
Total noncurrent assets	<u>136,449,098</u>	<u>136,519,489</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to net pension liability	87,027	120,626
Deferred outflows relating to net OPEB liability	1,175,178	827,995
Deferred loss on refunding	911,031	981,260
Total deferred outflows of resources	<u>2,173,236</u>	<u>1,929,881</u>
TOTAL	<u><u>\$ 172,273,251</u></u>	<u><u>\$ 168,591,704</u></u>

(Continued)

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,208,514	\$ 676,700
Due to Pierpont	-	26,222
Due to the Commission	5,500	3,036
Accrued liabilities — payroll	3,576,387	3,514,396
Accrued interest payable	217,593	227,199
Retainages payable	30,871	15,685
Unearned revenue and deposits	3,435,313	1,527,556
Compensated absences — current portion	920,089	850,387
Capital leases — current portion	88,535	86,695
Debt obligation to the Commission — current portion	127,961	121,643
Bonds payable — current portion	3,542,533	3,433,988
Total current liabilities	<u>13,153,296</u>	<u>10,483,507</u>
NONCURRENT LIABILITIES:		
Net other postemployment benefits liability	8,319,171	9,090,538
Compensated absences	356,543	417,169
Advances from federal sponsors	-	73,265
Capital leases	443,256	531,791
Debt obligation due to the Commission	1,083,695	1,202,615
Bonds payable	67,096,245	70,638,779
Net pension liability	612,774	748,485
Other noncurrent liabilities	-	4,261
Total noncurrent liabilities	<u>77,911,684</u>	<u>82,706,903</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to net pension liability	413,312	482,218
Deferred inflows relating to net OPEB liability	2,078,313	1,503,777
Total deferred inflows of resources	<u>2,491,625</u>	<u>1,985,995</u>
NET POSITION:		
Net investment in capital assets	64,908,054	61,341,638
Restricted for — expendable:		
Loans	-	8,991
Scholarships	44,499	37,326
Capital projects	4,458,022	3,854,474
Debt service	14,141	8,821
Total restricted	<u>4,516,662</u>	<u>3,909,612</u>
Unrestricted	<u>9,291,930</u>	<u>8,164,049</u>
Total net position	<u>78,716,646</u>	<u>73,415,299</u>
TOTAL	<u>\$ 172,273,251</u>	<u>\$ 168,591,704</u>

(Concluded)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of \$15,964,540 and \$14,163,053 in 2019 and 2018, respectively	\$ 12,657,900	\$ 12,840,396
Student activity support revenue	22,362	85,660
Auxiliary enterprise revenue	13,301,017	12,802,197
Auxiliary support services revenue	591,456	582,855
Contracts and grants:		
Federal	896,497	862,952
State	6,845,622	6,783,796
Private	3,108,627	2,442,616
Interest on student loans receivable	-	15,255
Faculty services revenue	9,955	224,387
Operating costs revenue	1,500,375	1,534,349
Support services revenue	1,412,262	1,782,681
Miscellaneous — net	503,192	578,771
Total operating revenues	<u>40,849,265</u>	<u>40,535,915</u>
OPERATING EXPENSES:		
Salaries and wages	26,568,639	26,715,443
Benefits	6,180,188	6,627,945
Supplies and other services	11,713,851	12,108,491
Utilities	2,506,053	2,765,164
Student financial aid — scholarships and fellowships	5,409,715	5,508,804
Depreciation	4,628,200	4,534,488
Assessment for faculty services	21,084	199,231
Assessment for operating costs	-	58,548
Assessment for support services	-	173,619
Loan cancellations and write-offs	407,841	259,270
Fees assessed by the Commission for operations	-	179,715
Total operating expenses	<u>57,435,571</u>	<u>59,130,718</u>
OPERATING LOSS	<u>(16,586,306)</u>	<u>(18,594,803)</u>

(Continued)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
NONOPERATING REVENUES (EXPENSES):		
State appropriations	15,111,777	14,579,417
Pell grant revenues	6,889,801	6,743,168
E&G capital and debt service support revenue	541,836	577,903
Fees assessed to Pierpont for debt service	75,031	75,470
Investment income	717,574	413,937
Gifts	531,070	187,209
Interest on indebtedness	(2,593,442)	(2,665,553)
Loss on disposal of capital assets	(46,341)	(99,513)
Assessment for E&G capital and debt service costs	(628,635)	(645,871)
Fees assessed by the Commission for debt service	<u>(75,668)</u>	<u>(70,214)</u>
Net nonoperating revenues	<u>20,523,003</u>	<u>19,095,953</u>
INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFER	3,936,697	501,150
PAYMENTS MADE AND EXPENSES INCURRED BY THE COMMISSION ON BEHALF OF FAIRMONT STATE	-	153,582
PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF FAIRMONT STATE	865,685	733,674
CAPITAL BOND PROCEEDS FROM THE STATE	<u>125,603</u>	<u>-</u>
INCREASE IN NET POSITION BEFORE TRANSFER	4,927,985	1,388,406
TRANSFER OF NET POSITION FROM PIERPONT	<u>373,362</u>	<u>381,828</u>
INCREASE IN NET POSITION	<u>5,301,347</u>	<u>1,770,234</u>
NET POSITION — Beginning of year	73,415,299	71,501,142
NET EFFECT OF CHANGE IN ACCOUNTING POLICY	<u>-</u>	<u>143,923</u>
NET POSITION — Beginning of year (Restated)	<u>73,415,299</u>	<u>71,645,065</u>
NET POSITION — End of year	<u>\$ 78,716,646</u>	<u>\$ 73,415,299</u>

(Concluded)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 14,966,888	\$ 15,424,039
Contracts and grants	11,210,651	9,775,163
Payments to and on behalf of employees	(32,641,537)	(32,865,023)
Payments to suppliers	(16,179,215)	(16,545,126)
Payments to utilities	(2,567,832)	(2,765,521)
Payments for scholarships and fellowships	(3,212,676)	(3,897,532)
Loans issued to students — net of repayments	-	(11,091)
Interest on student loans receivable	-	9,598
Auxiliary enterprise charges	12,886,643	12,637,766
Fees assessed by the Commission	-	(179,715)
Other receipts — net	180,194	479,150
Student activity support revenue	22,362	85,660
Auxiliary fees and debt service support revenue	591,456	582,855
Assessment for support services	(9,112)	(164,506)
Support services revenue	1,434,212	1,656,000
Faculty services revenue	21,215	213,127
Assessment for faculty services	(23,314)	(197,001)
Operating support services revenue	1,529,082	1,501,470
Assessment for operating cost	(664)	(58,100)
Net cash used in operating activities	(11,791,647)	(14,318,787)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	15,111,777	14,579,417
Pell grant revenues	6,889,801	6,743,168
Gift receipts	535,921	188,209
William D. Ford direct lending receipts	17,415,122	17,934,560
William D. Ford direct lending payments	(17,411,047)	(17,931,470)
Transfers from Pierpont	29,485	39,146
Transfers to Pierpont	(45,122)	(45,123)
Net cash provided by noncapital financing activities	22,525,937	21,507,907
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital bond proceeds from State	125,603	-
E&G capital and debt service support revenue	1,899,408	1,940,337
Payments from Pierpont on debt obligation	284,204	232,687
Fees assessed by the Commission	(75,668)	(70,214)
Purchases of capital assets	(2,200,358)	(3,409,385)
Principal paid on leases	(86,695)	606,515
Interest paid on leases	(12,189)	(4,387)
Assessment for E&G capital and debt service costs	(1,986,207)	(2,008,305)
Payments to the Commission on debt obligation	(112,602)	(139,452)
Principal paid on bonds	(3,294,026)	(3,180,626)
Interest paid on bonds	(2,573,203)	(2,676,509)
Bond interest income	80,148	14,381
Net cash used in capital financing activities	(7,951,585)	(8,694,958)

(Continued)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments	<u>616,155</u>	<u>385,678</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,398,860	(1,120,160)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>27,994,432</u>	<u>29,114,592</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 31,393,292</u>	<u>\$ 27,994,432</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (16,586,306)	\$ (18,594,803)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	4,628,200	4,534,488
Pension expense — special funding situation	140,139	160,486
OPEB expense — special funding situation	525,546	573,188
Net effect of change in accounting policy	-	143,923
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables — net	499,703	(505,197)
Loans to students — net	-	421,120
Inventories	(26,573)	(859)
Deferred outflows of resources	(243,355)	(729,359)
Other assets	-	53,598
Advances from federal sponsors	(73,265)	(548,471)
Accounts payable	(211,380)	(232,470)
Accrued liabilities	52,385	250,045
Other liabilities	(4,261)	(2,927)
Compensated absences	9,076	28,282
Net other postemployment benefits liability	(771,367)	(1,162,254)
Net pension liability	(135,711)	(240,617)
Deferred inflows of resources	505,630	1,486,702
Unearned revenue	(100,108)	(78,062)
Undistributed receipts (disbursements) — deposits	<u>-</u>	<u>124,400</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (11,791,647)</u>	<u>\$ (14,318,787)</u>
NONCASH TRANSACTIONS:		
Construction in progress additions in accounts payable	<u>\$ 586,543</u>	<u>\$ 219,879</u>
Construction in progress additions in retainages payable	<u>\$ 30,871</u>	<u>\$ 15,685</u>
Transfer from Pierpont (exclusive of \$15,637 and \$5,977 of cash in 2019 and 2018, respectively)	<u>\$ 373,362</u>	<u>\$ 381,828</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and cash equivalents classified as current	\$ 31,379,151	\$ 27,993,575
Cash and cash equivalents classified as noncurrent	<u>14,141</u>	<u>857</u>
	<u>\$ 31,393,292</u>	<u>\$ 27,994,432</u>

(Concluded)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

1. ORGANIZATION

Fairmont State University (Fairmont State) is governed by the Fairmont State University Board of Governors (the Board). The Board was established by Senate Bill (S.B.) 653, which was enacted by the West Virginia State Legislature (the Legislature) on March 19, 2000 and restructured higher education in West Virginia.

The Board's powers and duties include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of Fairmont State under its jurisdiction; the duty to develop a master plan for Fairmont State; the power to prescribe the specific functions and Fairmont State's budget request; the duty to review, at least every five years, all academic programs offered at Fairmont State; and the power to fix tuition and other fees for the different classes or categories of students enrolled at Fairmont State.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the Commission), which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fairmont State have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of Fairmont State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

Reporting Entity - Fairmont State is a blended component unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the State) that are not included in the State's general fund. Fairmont State is a separate entity that, along with all State institutions of higher education and the Commission (which includes the West Virginia Network for Educational Telecomputing), forms the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of Fairmont State. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Fairmont State's ability to significantly influence operations and accountability for fiscal matters of related entities. Fairmont State Foundation, Inc. (the Foundation) and the Fairmont State Alumni Association (the Association) are not part of Fairmont State's reporting entity and are not included in the accompanying financial statements since Fairmont State has no ability to designate management, cannot significantly influence operations, and is not accountable for the fiscal matters of the Foundation or the Association under GASB.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation - GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a combined basis to focus on Fairmont State as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of Fairmont State's obligations. Fairmont State's net position is classified as follows:

Net investment in capital assets - This represents Fairmont State's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - expendable - This includes assets for which Fairmont State is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education of the West Virginia State Code*. House Bill 101, passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the Legislature.

Restricted net position - nonexpendable - This includes endowment and similar-type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. Fairmont State does not have any restricted nonexpendable net position at June 30, 2019 and 2018.

Unrestricted net position - Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of Fairmont State and may be used at the discretion of the Board to meet current expenses for any purpose.

Basis of Accounting - For financial reporting purposes, Fairmont State is considered a special-purpose government engaged in only business-type activities. Accordingly, Fairmont State's financial statements have been prepared on the accrual basis of accounting, with a focus on the flow of economic resources measurement. Revenues are reported when earned and expenses are incurred when goods or services are received. All intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents - For purposes of the statements of net position, Fairmont State considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds were transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia State Code, policies set by the BTI, provisions of bond indentures, and provisions of trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the West Virginia State Legislature and is subject to oversight by the West Virginia State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and accordingly are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which Fairmont State may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.org>.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies, and its instrumentalities (U.S. government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities; and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the Legislature, and any other program investments authorized by the Legislature.

Appropriations Due from Primary Government - For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

Allowance for Doubtful Accounts - It is Fairmont State's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances; the historical collectability experienced by Fairmont State on such balances; and such other factors that, in Fairmont State's judgment, require consideration in estimating doubtful accounts.

Inventories - Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Cash, Cash Equivalents, and Investments - Cash and cash equivalents that are (1) externally restricted to make debt service payments and long-term loans to students or to maintain sinking or reserve funds; (2) to purchase capital or other noncurrent assets or settle long-term liabilities; and (3) permanently restricted net position are classified as noncurrent assets in the accompanying statements of net position.

Capital Assets - Capital assets include property, plant, and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair value at the date of donation in the case of gifts. Interest on related borrowings, net of interest earnings on invested proceeds, is capitalized during the period of construction and was \$0 and \$14,762 for the years ended June 30, 2019 and 2018, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment.

Unearned Revenue - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as tuition and fees, football ticket sales, and room and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits - GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, Fairmont State was required to participate in this multiple-employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), 601 57th Street SE, Charleston, West Virginia 25304 or <https://peia.wv.gov>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. Fairmont State's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 9 for further discussion.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (STRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the STRS fiduciary net position have been determined on the same basis as they are reported in the STRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of STRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and when the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the STRS financial statements. Management of STRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. See note 12 for further discussion.

Deferred Outflows of Resources - Consumption of net position by Fairmont State that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position.

Deferred Inflows of Resources - An acquisition of net position by Fairmont State that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position.

Risk Management - The State's Board of Risk and Insurance Management (BRIM) provides general, property, and casualty liability coverage to Fairmont State and its employees. Such coverage may be provided to Fairmont State by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to Fairmont State or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums Fairmont State is currently charged by BRIM and the ultimate cost of that insurance based on Fairmont State's actual loss experience. In the event that such differences arise between estimated premiums currently charged by BRIM to Fairmont State and Fairmont State's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in PEIA and a third-party insurer, Fairmont State has obtained health insurance, life insurance, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, Fairmont State has transferred its risks related to health insurance, life insurance, prescription drug coverage, and job-related injuries coverage.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues - Fairmont State has classified its revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state, local, and nongovernmental grants and contracts; and (4) sales and services of educational activities.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell grants, investment income, and sale of capital assets (including natural resources).

Other revenues - Other revenues consist primarily of capital grants and gifts.

Use of Restricted Net Position - Fairmont State has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, Fairmont State attempts to utilize restricted net position first when practicable.

Federal Financial Assistance Programs - Fairmont State makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest-subsidized and nonsubsidized loans directly to students through universities such as Fairmont State. Direct student loan receivables are not included in Fairmont State's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2019 and 2018, Fairmont State received and disbursed approximately \$17.4 million and \$17.9 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

Fairmont State also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2019 and 2018, Fairmont State received and disbursed \$7.1 million and \$7.0 million, respectively, under these federal student aid programs.

Scholarship Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by Fairmont State and the amount that is paid by students and/or third parties making payments on the student's behalf.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Government Grants and Contracts - Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Fairmont State recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Income Taxes - Fairmont State is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

Cash Flows - Any cash and cash equivalents, including those escrowed, restricted for noncurrent assets, or in funded reserves, are included as cash and cash equivalents for the purpose of the statements of cash flows.

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.

Risk and Uncertainties - Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board - GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The adoption of GASB Statement No. 83 had no impact on the June 30, 2019 financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The adoption of GASB Statement No. 88 had no impact on the June 30, 2019 financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board - GASB has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has also issued Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2019 and 2018, was held as follows:

	2019		
	Current	Noncurrent	Total
State Treasurer/BTI	\$ 31,062,837	\$ -	\$ 31,062,837
Trustee	-	14,141	14,141
In bank	313,949	-	313,949
On hand	<u>2,365</u>	<u>-</u>	<u>2,365</u>
	<u>\$ 31,379,151</u>	<u>\$ 14,141</u>	<u>\$ 31,393,292</u>

	2018		
	Current	Noncurrent	Total
State Treasurer/BTI	\$ 26,735,866	\$ -	\$ 26,735,866
Trustee	7,964	857	8,821
In bank	1,247,129	-	1,247,129
On hand	<u>2,616</u>	<u>-</u>	<u>2,616</u>
	<u>\$ 27,993,575</u>	<u>\$ 857</u>	<u>\$ 27,994,432</u>

Cash held by the Treasurer includes no restricted cash at June 30, 2019 and 2018.

The combined carrying amount of cash in the bank at June 30, 2019 and 2018 was \$313,949 and \$1,247,129, respectively, as compared with the combined bank balance of \$163,658 and \$1,407,368, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Amounts with the State Treasurer were \$31,062,837 and \$26,735,866 as of June 30, 2019 and 2018, respectively. Of these amounts, \$28,130,979 and \$24,473,473 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2019 and 2018, respectively. The remainder of the cash held with the State Treasurer was not invested as of June 30, 2019 and 2018.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor's rating of the investment pools as of June 30:

External Pool	2019		2018	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 27,480,556	AAAm	\$ 23,918,559	AAAm
WV Short Term Bond Pool	\$ 650,423	Not Rated	\$ 554,914	Not Rated

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

3. CASH AND CASH EQUIVALENTS (CONTINUED)

A Fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool:

External Pool	2019		2018	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 27,480,556	42	\$ 23,918,559	34

The following table provides information on the effective duration for the WV Short Term Bond Pool:

External Pool	2019		2018	
	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	\$ 650,423	723	\$ 554,914	372

Other Investment Risks - Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI’s Consolidated Fund’s investment pools or accounts is exposed to these risks as described below.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Fairmont State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account’s investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Fairmont State has no securities with foreign currency risk.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Student tuition and fees — net of allowance for doubtful accounts of \$3,758,213 and \$3,350,373, respectively	\$ 1,142,465	\$ 755,893
Grants and contracts receivable	187,461	544,186
Due from the Commission	75,062	65,378
Due from other State agencies	134,236	34,868
Due from Pierpont	163,633	227,713
Other accounts receivable	<u>91,707</u>	<u>67,681</u>
	<u>\$ 1,794,564</u>	<u>\$ 1,695,719</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

5. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2019 and 2018 are as follows:

	2019				
	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 7,932,173	\$ -	\$ -	\$ -	\$ 7,932,173
Construction in progress	<u>358,804</u>	<u>917</u>	<u>1,622,351</u>	<u>(1,215,444)</u>	<u>766,628</u>
Total capital assets not being depreciated	<u>\$ 8,290,977</u>	<u>\$ 917</u>	<u>\$ 1,622,351</u>	<u>\$ (1,215,444)</u>	<u>\$ 8,698,801</u>
Other capital assets:					
Land improvements	\$ 5,588,559	\$ 15,488	\$ -	\$ -	\$ 5,604,047
Infrastructure	10,703,327	79,774	101,238	-	10,884,339
Buildings	162,696,166	484,643	3,322,072	(43,900)	166,458,981
Equipment	7,426,757	46,889	710,462	(793,680)	7,390,428
Computer software	469,796	-	35,246	(63,700)	441,342
Library books	<u>2,486,901</u>	<u>1,178,928</u>	<u>17,664</u>	<u>(13,200)</u>	<u>3,670,293</u>
Total other capital assets	<u>189,371,506</u>	<u>1,805,722</u>	<u>4,186,682</u>	<u>(914,480)</u>	<u>194,449,430</u>
Less accumulated depreciation for:					
Land improvements	3,762,602	6,852	272,769	-	4,042,223
Infrastructure	8,786,364	65,560	617,785	-	9,469,709
Buildings	43,393,309	166,589	3,167,798	(12,219)	46,715,477
Equipment	5,270,172	4,621	533,731	(761,551)	5,046,973
Computer software	458,129	-	13,790	(63,700)	408,219
Library books	<u>2,450,866</u>	<u>1,161,847</u>	<u>22,327</u>	<u>(13,200)</u>	<u>3,621,840</u>
Total accumulated depreciation	<u>64,121,442</u>	<u>1,405,469</u>	<u>4,628,200</u>	<u>(850,670)</u>	<u>69,304,441</u>
Other capital assets — net	<u>\$ 125,250,064</u>	<u>\$ 400,253</u>	<u>\$ (441,518)</u>	<u>\$ (63,810)</u>	<u>\$125,144,989</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 8,290,977	\$ 917	\$ 1,622,351	\$ (1,215,444)	\$ 8,698,801
Other capital assets	<u>189,371,506</u>	<u>1,805,722</u>	<u>4,186,682</u>	<u>(914,480)</u>	<u>194,449,430</u>
Total cost of capital assets	197,662,483	1,806,639	5,809,033	(2,129,924)	203,148,231
Less accumulated depreciation	<u>64,121,442</u>	<u>1,405,469</u>	<u>4,628,200</u>	<u>(850,670)</u>	<u>69,304,441</u>
Capital assets — net	<u>\$ 133,541,041</u>	<u>\$ 401,170</u>	<u>\$ 1,180,833</u>	<u>\$ (1,279,254)</u>	<u>\$133,843,790</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

5. CAPITAL ASSETS (CONTINUED)

	2018				
	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 7,932,173	\$ -	\$ -	\$ -	\$ 7,932,173
Construction in progress	<u>37,031</u>	<u>375</u>	<u>1,127,465</u>	<u>(806,067)</u>	<u>358,804</u>
Total capital assets not being depreciated	<u>\$ 7,969,204</u>	<u>\$ 375</u>	<u>\$ 1,127,465</u>	<u>\$ (806,067)</u>	<u>\$ 8,290,977</u>
Other capital assets:					
Land improvements	\$ 5,332,590	\$ 18,268	\$ 237,701	\$ -	\$ 5,588,559
Infrastructure	10,730,333	106,365	-	(133,371)	10,703,327
Buildings	161,575,895	640,490	568,365	(88,584)	162,696,166
Equipment	6,598,349	7,368	838,507	(17,467)	7,426,757
Computer software	457,796	-	12,000	-	469,796
Library books	<u>2,481,893</u>	<u>25,129</u>	<u>4,349</u>	<u>(24,470)</u>	<u>2,486,901</u>
Total other capital assets	<u>187,176,856</u>	<u>797,620</u>	<u>1,660,922</u>	<u>(263,892)</u>	<u>189,371,506</u>
Less accumulated depreciation for:					
Land improvements	3,486,971	7,831	267,800	-	3,762,602
Infrastructure	8,205,600	81,376	608,461	(109,073)	8,786,364
Buildings	40,046,490	209,870	3,150,318	(13,369)	43,393,309
Equipment	4,793,339	4,739	489,561	(17,467)	5,270,172
Computer software	457,796	-	333	-	458,129
Library books	<u>2,432,690</u>	<u>24,631</u>	<u>18,015</u>	<u>(24,470)</u>	<u>2,450,866</u>
Total accumulated depreciation	<u>59,422,886</u>	<u>328,447</u>	<u>4,534,488</u>	<u>(164,379)</u>	<u>64,121,442</u>
Other capital assets — net	<u>\$127,753,970</u>	<u>\$ 469,173</u>	<u>\$ (2,873,566)</u>	<u>\$ (99,513)</u>	<u>\$125,250,064</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 7,969,204	\$ 375	\$ 1,127,465	\$ (806,067)	\$ 8,290,977
Other capital assets	<u>187,176,856</u>	<u>797,620</u>	<u>1,660,922</u>	<u>(263,892)</u>	<u>189,371,506</u>
Total cost of capital assets	195,146,060	797,995	2,788,387	(1,069,959)	197,662,483
Less accumulated depreciation	<u>59,422,886</u>	<u>328,447</u>	<u>4,534,488</u>	<u>(164,379)</u>	<u>64,121,442</u>
Capital assets — net	<u>\$135,723,174</u>	<u>\$ 469,548</u>	<u>\$ (1,746,101)</u>	<u>\$ (905,580)</u>	<u>\$133,541,041</u>

Fairmont State maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

Fairmont State has construction commitments of \$332,771 as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

6. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2019, and 2018 are as follows:

	2019					
	<u>Beginning</u>	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Current</u>
	<u>Balance</u>				<u>Balance</u>	<u>Portion</u>
Bonds payable	\$ 71,955,040	\$ -	\$ -	\$ (3,294,026)	\$ 68,661,014	\$ 3,402,572
Add (less) deferred amounts:						
Premium on issuance	<u>2,117,727</u>	<u>-</u>	<u>-</u>	<u>(139,963)</u>	<u>1,977,764</u>	<u>139,961</u>
Total bonds payable — net	74,072,767	-	-	(3,433,989)	70,638,778	3,542,533
Capital leases payable	618,486	-	-	(86,695)	531,791	88,535
Other long-term liabilities:						
Net other postemployment						
benefits liability	9,090,538	-	944,565	(1,715,932)	8,319,171	-
Accrued compensated absences	1,267,556	-	872,694	(863,618)	1,276,632	920,089
Advances from federal sponsors	73,265	-	-	(73,265)	-	-
Payable to the Commission	1,324,258	9,040	-	(121,642)	1,211,656	127,961
Net pension liability	748,485	-	77,282	(212,993)	612,774	-
Other long-term liabilities	<u>4,261</u>	<u>-</u>	<u>-</u>	<u>(4,261)</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 87,199,616</u>	<u>\$ 9,040</u>	<u>\$ 1,894,541</u>	<u>\$ (6,512,395)</u>	<u>\$ 82,590,802</u>	<u>\$ 4,679,118</u>

*Transfers represent the ownership change from FY18 to FY19

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

6. LONG-TERM LIABILITIES (CONTINUED)

	2018					
	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 75,135,665	\$ -	\$ -	\$ (3,180,625)	\$ 71,955,040	\$ 3,294,025
Add (less) deferred amounts:						
Premium on issuance	<u>2,257,688</u>	<u>-</u>	<u>-</u>	<u>(139,961)</u>	<u>2,117,727</u>	<u>139,963</u>
Total bonds payable — net	77,393,353	-	-	(3,320,586)	74,072,767	3,433,988
Capital leases payable	13,571	-	647,250	(42,335)	618,486	86,695
Other long-term liabilities:						
Net other postemployment						
benefits liability	10,252,792	-	1,099,039	(2,261,293)	9,090,538	-
Accrued compensated absences	1,239,274	-	708,064	(679,782)	1,267,556	850,387
Advances from federal sponsors	621,736	-	-	(548,471)	73,265	-
Payable to the Commission	1,601,080	13,274	-	(290,096)	1,324,258	121,643
Net pension liability	989,102	-	48,159	(288,776)	748,485	-
Other long-term liabilities	<u>7,188</u>	<u>-</u>	<u>-</u>	<u>(2,927)</u>	<u>4,261</u>	<u>-</u>
Total long-term liabilities	<u>\$ 92,118,096</u>	<u>\$ 13,274</u>	<u>\$ 2,502,512</u>	<u>\$ (7,434,266)</u>	<u>\$ 87,199,616</u>	<u>\$ 4,492,713</u>

*Transfers represent the ownership change from FY17 to FY18

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

7. BONDS PAYABLE

Bonds payable at June 30, 2019 and 2018, are summarized as follows (in thousands):

	Interest Rates	Annual Principal Installments	2019 Principal Outstanding	2018 Principal Outstanding
Facilities Improvement Revenue Bonds				
2006 Series, due through 2026	1.74% (10-year reset)	\$343 - \$611	\$ 3,671	\$ 4,160
Revenue Refunding Bonds				
2012, Series A, due through 2032	2.00 - 5.00	730 - 1,155	14,675	15,545
Revenue Refunding Bonds				
2012, Series B, due through 2032	2.00 - 5.00	1,080 - 1,720	21,915	23,230
Revenue Refunding Bonds				
2015, Series A, due through 2045	1.75 - 5.00	580 - 1,665	<u>28,400</u>	<u>29,020</u>
Total outstanding principal			68,661	71,955
Add unamortized bond premium			<u>1,978</u>	<u>2,118</u>
Total			<u>\$ 70,639</u>	<u>\$ 74,073</u>
Current			\$ 3,543	\$ 3,434
Noncurrent			<u>67,096</u>	<u>70,639</u>
Total			<u>\$ 70,639</u>	<u>\$ 74,073</u>

Fairmont State has issued the following revenue bonds:

- a. *Facilities Improvement Revenue Bonds, 2006 Series* — On May 9, 2006, Fairmont State issued Facilities Improvement Bonds, 2006 Series (the 2006 Bonds) amounting to \$8,500,000. The 2006 Bonds were issued to (1) finance the costs of the design, acquisition, construction, and equipping of certain necessary improvements in the facilities of the main campus shared by Fairmont State and Pierpont, including, but not limited to, a technology wing addition/renovation and elevator/heating, ventilation, and air-conditioning (HVAC) improvements to infrastructure improvements, all of which will be owned by the Board, and (2) pay the costs of issuance of the 2006 Bonds and related costs.
- b. *Revenue Refunding Bonds, 2012 Series A* — On June 12, 2012, Fairmont State University, in conjunction with Pierpont, issued Revenue Refunding Bonds Series A (the 2012A Bonds) amounting to \$20,165,000. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The issuance of the 2012A Bonds resulted in a loss of \$561,866 and an economic gain of \$3,866,063.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

7. BONDS PAYABLE (CONTINUED)

- c. *Revenue Refunding Bonds, 2012 Series B* — On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds Series B (the 2012B Bonds) amounting to \$30,160,000. The 2012B Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds and (2) pay the costs of issuance of the Series 2012B Bonds and related costs. The issuance of the 2012B Bonds resulted in a loss of \$1,713,791 and an economic gain of \$3,503,626.
- d. *Facilities Construction Revenue Bonds, 2015 Series A* — On April 7, 2015, Fairmont State issued Revenue Bonds Series A (the 2015A Bonds) amounting to \$30,200,000. The 2015A Bonds were issued to (1) finance the costs of planning, designing, constructing, acquiring, and equipping new student housing facilities; (2) provide payment of capitalized interest on the Series 2015 Bonds; (3) reimburse certain previously incurred expenditures related to the 2015 Project; and (4) pay the costs of issuance of the Series 2015 Bonds and related costs.

The bond issues are special obligations of Fairmont State and are secured by and payable from certain pledge revenues held under the Bond Indenture (the Indenture). The bonds shall not be deemed to be general obligations or debts of the State within the meaning of the Constitution of the State; neither the credit nor the taxing power of the State is pledged for the payment of the bonds. The 2012 Series A and 2012 Series B Bonds are fully insured as to principal and interest by Financial Guaranty Insurance Company.

The 2012 Series A and B and 2015 Series A Bonds' covenants require that the schedules of rent, charges, and fees shall at all times be adequate to produce revenues from the auxiliary facilities sufficient to pay operating expenses and, when combined with infrastructure fees (as defined in the Indenture), to make the prescribed payments into the funds and accounts created hereunder, and that such schedule or schedules of rents, charges, and fees, that shall be revised from time to time to provide for all reasonable operating expenses and leave gross revenues, when combined with other monies legally available to be used for such purposes, each year equal at least 100% of the maximum annual debt service of the 2012 Series A and B Bonds and the 2015 Series A Bonds of \$5,389,074.

For the years ended June 30, 2019 and 2018, Fairmont State and Pierpont had gross revenues that approximated 278% and 221%, respectively, of the maximum annual debt service of the 2012 Series A and B and 2015 Series A Bonds.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

7. BONDS PAYABLE (CONTINUED)

Future debt service requirements to maturity for the revenue bonds at June 30, 2019, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,402,572	\$ 2,545,086	\$ 5,947,658
2021	3,481,267	2,459,391	5,940,658
2022	3,595,114	2,350,752	5,945,866
2023	3,754,116	2,187,750	5,941,866
2024	3,923,275	2,017,090	5,940,365
2025-2029	19,909,670	8,121,646	28,031,316
2030-2034	15,260,000	4,348,550	19,608,550
2035-2039	6,210,000	2,424,994	8,634,994
2040-2044	7,460,000	1,172,063	8,632,063
2045	<u>1,665,000</u>	<u>62,437</u>	<u>1,727,437</u>
Total	<u>\$ 68,661,014</u>	<u>\$ 27,689,759</u>	<u>\$ 96,350,773</u>

8. LEASES

Operating Leases - Fairmont State leases office and storage spaces and various equipment. These obligations are accounted for as operating leases.

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2019, are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 195,506
2021	193,876
2022	192,299
2023	<u>96,048</u>
Total	<u>\$ 677,729</u>

Total lease expense for the years ended June 30, 2019 and 2018, was \$196,397 and \$122,048, respectively. Fairmont State does not have any noncancelable leases.

Capital Leases - Fairmont State leases equipment accounted for as capital leases.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

8. LEASES (CONTINUED)

Fairmont State entered into three lease agreements with Bank of America in February, April, and May of 2018 to cover the acquisition of three Cessna airplanes (172RG, 172M, and 172S, respectively) to enhance the Flight Program and meet the needs of the growing student population within the program. The leases are accounted for as capital leases, with a total cost of \$647,250 and a net book value of \$550,685 as of June 30, 2019. Future annual minimum lease payments on capital leases for years subsequent to June 30, 2019, are as follows:

Years Ending June 30,	Principal	Interest	Total
2020	\$ 88,535	\$ 10,349	\$ 98,884
2021	90,415	8,469	98,884
2022	92,336	6,548	98,884
2023	94,297	4,587	98,884
2024	96,300	2,584	98,884
Thereafter	<u>69,908</u>	<u>599</u>	<u>70,507</u>
Total	<u>\$ 531,791</u>	<u>\$ 33,136</u>	<u>\$ 564,927</u>

9. OTHER POSTEMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are Fairmont State's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2019 and 2018:

	2019	2018
Net OPEB liability	\$ 8,319,171	\$ 9,090,538
Deferred outflows of resources	1,175,178	827,995
Deferred inflows of resources	2,078,313	1,503,777
Revenues	525,546	573,188
OPEB expense	763,861	1,058,635
Contributions made by Fairmont State	826,561	827,995

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)***Plan Description***

The West Virginia Other Postemployment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with the approval of the PEIA Finance Board. The plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (CPRB). The plan is closed to new entrants.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2018 and 2017 were:

	Jul 2017-Jun 2018 2018	Jan 2017-Jun 2017 2017	Jul 2016-Dec 2016 2017
Paygo premium	\$ 177	\$ 135	\$ 196

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired after July 1, 1997 or hired before June 30, 2010 pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010 pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or annual leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or annual leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Fairmont State's contributions to the OPEB plan for the years ended June 30, 2019, 2018, and 2017, were \$826,561, \$827,995, and \$759,329, respectively.

Assumptions

The June 30, 2019 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal.
- Asset valuation method: Investments are reported at fair (market) value.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- Amortization method: Level percentage of payroll, closed.
- Remaining amortization period: 20 years closed as of June 30, 2017.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims cost beginning in 2022 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the RHBT adopts revised assumptions.

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the net OPEB liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the net OPEB liability.

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and 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 projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation and any estimate of future postemployment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, changes in the investment rate of return, and other matters increase the level of uncertainty in such estimates. As such, the estimate of postemployment program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated net OPEB liability.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 3.00% for assets invested with the BTI.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in RHBT's target asset allocation as of June 30, 2018 and 2017, are summarized below.

Asset Class	Target Allocation
Domestic equity	27.5%
International equity	27.5%
Fixed income	15.0%
Real estate	10.0%
Private equity	10.0%
Hedge funds	10.0%

Asset Class	Long-term Expected Real Rate of Return
Large cap domestic	17.0%
Non-large cap domestic	22.0%
International qualified	24.6%
International non-qualified	24.3%
International equity	26.2%
Short-term fixed	0.5%
Total return fixed income	6.7%
Core fixed income	0.1%
Hedge fund	5.7%
Private equity	19.6%
Real estate	8.3%
Opportunistic income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will continue to follow the current funding policies. Based on those assumptions and that the OPEB plan is expected to be fully funded by the fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents Fairmont State's proportionate share of the net OPEB liability as of June 30, 2019 and 2018 calculated using the discount rate of 7.15%, as well as what Fairmont State's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability 2019	\$ 9,777,529	\$ 8,319,171	\$ 7,103,472
Net OPEB liability 2018	10,584,888	9,090,538	7,848,316

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents Fairmont State's proportionate share of the net OPEB liability as of June 30, 2019 and 2018 calculated using the healthcare cost trend rate, as well as what Fairmont State's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability 2019	\$ 6,883,665	\$ 8,319,171	\$ 10,068,284
Net OPEB liability 2018	7,636,181	9,090,538	10,869,297

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The June 30, 2019 net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The June 30, 2018 net OPEB liability was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2019, Fairmont State's proportionate share of the net OPEB liability was \$10,038,521. Of this amount, Fairmont State recognized \$8,319,171 as its proportionate share on the statement of net position. The remainder of \$1,719,350 denotes Fairmont State's proportionate share of net OPEB liability attributable to the special funding.

At June 30, 2018, Fairmont State's proportionate share of the net OPEB liability was \$10,957,745. Of this amount, Fairmont State recognized \$9,090,538 as its proportionate share on the statement of net position. The remainder of \$1,867,207 denotes Fairmont State's proportionate share of net OPEB liability attributable to the special funding.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At the June 30, 2018 measurement date, Fairmont State's proportion was 0.387761292%, an increase of 0.018075310% from its proportion of 0.369685982% calculated as of June 30, 2017. At the June 30, 2017 measurement date, Fairmont State's proportion was 0.369685982%, a decrease of 0.067887949% from its proportion of 0.437573931% calculated as of June 30, 2016.

For the year ended June 30, 2019, Fairmont State recognized OPEB expense of \$763,861. Of this amount, \$238,315 was recognized as Fairmont State's proportionate share of OPEB expense and \$525,546 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$525,546 for support provided by the State.

For the year ended June 30, 2018, Fairmont State recognized OPEB expense of \$1,058,635. Of this amount, \$485,447 was recognized as Fairmont State's proportionate share of OPEB expense and \$573,188 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$573,188 for support provided by the State.

At June 30, 2019, and 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 123,057
Changes in proportion and differences between employer contributions and proportionate share of contributions	348,617	970,614
Net difference between projected and actual investment earnings	-	153,986
Changes in assumptions	-	830,656
Contributions after the measurement date	<u>826,561</u>	<u>-</u>
Total	<u>\$ 1,175,178</u>	<u>\$ 2,078,313</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 30,440
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,328,246
Net difference between projected and actual investment earnings	-	145,091
Contributions after the measurement date	<u>827,995</u>	<u>-</u>
Total	<u>\$ 827,995</u>	<u>\$ 1,503,777</u>

Fairmont State will recognize the \$826,561 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2020	\$ (526,411)
2021	(526,411)
2022	(526,408)
2023	<u>(150,466)</u>
	<u>\$ (1,729,696)</u>

Payables to the OPEB Plan

Fairmont State did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2019 and 2018.

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

Fairmont State is a State institution of higher education and receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of Fairmont State's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of Fairmont State. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of University and College Systems (the Boards). These obligations administered by the Municipal Bond Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance including payment of institution debt. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2019 and 2018, Fairmont State reduced its debt to the Commission against the debt obligation by \$112,602 and \$276,822, respectively. The amount due to Commission at June 30, 2019 and 2018 is \$1,211,656 and \$1,324,258, respectively.

11. NET POSITION

Fairmont State's net position at June 30, 2019 and 2018 includes certain designated net position, as follows:

	2019		
	Net Position Before Net OPEB Liability	Net OPEB Liability	Total Net Position
Net investment in capital assets	\$ 64,908,054	\$ -	\$ 64,908,054
Restricted for — expendable:			
Loans	-	-	-
Scholarships	44,499	-	44,499
Capital projects	4,458,022	-	4,458,022
Debt service	<u>14,141</u>	<u>-</u>	<u>14,141</u>
Total restricted	<u>4,516,662</u>	<u>-</u>	<u>4,516,662</u>
Unrestricted:			
Designated for auxiliaries	6,280,658	894,487	5,386,171
Designated for fund managers	2,259,367	-	2,259,367
Undesignated	<u>9,071,076</u>	<u>7,424,684</u>	<u>1,646,392</u>
Total unrestricted	<u>17,611,101</u>	<u>8,319,171</u>	<u>9,291,930</u>
Total net position	<u>\$ 87,035,817</u>	<u>\$ 8,319,171</u>	<u>\$ 78,716,646</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

11. NET POSITION (CONTINUED)

	2018		
	Net Position Before Net OPEB Liability	Net OPEB Liability	Total Net Position
Net investment in capital assets	\$ 61,341,638	\$ -	\$ 61,341,638
Restricted for — expendable:			
Loans	8,991	-	8,991
Scholarships	37,326	-	37,326
Capital projects	3,854,474	-	3,854,474
Debt service	8,821	-	8,821
Total restricted	3,909,612	-	3,909,612
Unrestricted:			
Designated for auxiliaries	7,888,779	977,424	6,911,355
Designated for fund managers	2,298,634	-	2,298,634
Undesignated	7,067,174	8,113,114	(1,045,940)
Total unrestricted	17,254,587	9,090,538	8,164,049
Total net position	\$ 82,505,837	\$ 9,090,538	\$ 73,415,299

12. RETIREMENT PLANS

Substantially all full-time employees of Fairmont State participate in either the West Virginia Teachers' Retirement System (STRS) or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by Fairmont State employees have not been significant to date.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

DEFINED BENEFIT PENSION PLAN

Some employees of Fairmont State are enrolled in a defined benefit pension plan, the STRS plan, which is administered by the CPRB.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

12. RETIREMENT PLANS (CONTINUED)

As related to the implementation of GASB 68, following are Fairmont State's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2019 and 2018:

STRS	2019	2018
Net pension liability	\$ 612,774	\$ 748,485
Deferred outflows of resources	87,027	120,626
Deferred inflows of resources	413,312	482,218
Revenues	140,139	160,486
Pension expense	39,304	95,537
Contributions made by Fairmont State	63,581	86,001

Plan Description

STRS is a multiple employer defined benefit cost-sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia (the State) and certain personnel of the 13 State-supported institutions of higher education, State Department of Education, and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991 are required to participate in the Higher Education Retirement System. STRS closed membership to new hires effective July 1, 1991.

STRS is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. STRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the STRS website at <https://www.wvretirement.com/Publications.html#CAFR>.

Benefits Provided

STRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five but less than 20 years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

12. RETIREMENT PLANS (CONTINUED)***Contributions***

The funding objective of the CPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Contribution requirements are set by the CPRB. A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

Member Contributions: STRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially-determined.

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members;
- 7.5% of SAF covered payroll of members of the TDCRS;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2019 and 2018, Fairmont State's proportionate share attributable to this special funding subsidy was \$140,139 and \$160,486, respectively.

Fairmont State's contributions to STRS for the years ended June 30, 2019, 2018, and 2017, were \$63,581, \$86,001, and \$89,684, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2017 and 2016 and rolled forward to June 30, 2018 and 2017, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return: 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.00% and non-teachers 3.00-6.50%, based on age.
- Inflation rate: 3.0%.
- Discount rate: 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and non-teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

12. RETIREMENT PLANS (CONTINUED)

- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric real rates of return for each major asset class included in STRS' target asset allocation as of June 30, 2018 and 2017, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	4.5%	27.5%
International equity	8.6%	27.5%
Fixed income	3.3%	15.0%
Real estate	6.0%	10.0%
Private equity	6.4%	10.0%
Hedge funds	4.0%	10.0%

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents Fairmont State's proportionate share of the STRS net pension liability as of June 30, 2019 and 2018 calculated using the discount rate of 7.50%, as well as what Fairmont State's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability 2019	\$ 827,133	\$ 612,774	\$ 429,513
Net pension liability 2018	985,413	748,485	546,046

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

12. RETIREMENT PLANS (CONTINUED)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The June 30, 2019 STRS net pension liability was measured as of June 30, 2018, and the total pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The June 30, 2018 STRS net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2019, Fairmont State's proportionate share of the STRS net pension liability was \$2,200,507. Of this amount, Fairmont State recognized \$612,774 as its proportionate share on the statement of net position. The remainder of \$1,587,733 denotes Fairmont State's proportionate share of net pension liability attributable to the special funding.

At June 30, 2018, Fairmont State's proportionate share of the STRS net pension liability was \$2,403,703. Of this amount, Fairmont State recognized \$748,485 as its proportionate share on the statement of net position. The remainder \$1,655,218 denotes Fairmont State's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At the June 30, 2018 measurement date, Fairmont State's proportion was 0.019626%, a decrease of 0.002038% from its proportion of 0.021664% calculated as of June 30, 2017. At the June 30, 2017 measurement date, Fairmont State's proportion was 0.021664%, a decrease of 0.002403% from its proportion of 0.024067% calculated as of June 30, 2016.

For the year ended June 30, 2019, Fairmont State recognized STRS pension expense of \$39,304. Of this amount, \$(100,835) was recognized as Fairmont State's proportionate share of the STRS expense and \$140,139 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$140,139 for support provided by the State.

For the year ended June 30, 2018, Fairmont State recognized STRS pension expense of \$95,537. Of this amount, \$(64,949) was recognized as Fairmont State's proportionate share of the STRS expense and \$160,486 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of \$160,486 for support provided by the State.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

12. RETIREMENT PLANS (CONTINUED)

At June 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,406	\$ 12,354
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	369,055
Net difference between projected and actual investment earnings	-	31,903
Changes in assumptions	19,040	-
Contributions after the measurement date	<u>63,581</u>	<u>-</u>
Total	<u>\$ 87,027</u>	<u>\$ 413,312</u>
<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,507	\$ 13,334
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	445,357
Net difference between projected and actual investment earnings	-	23,527
Changes in assumptions	28,118	-
Contributions after the measurement date	<u>86,001</u>	<u>-</u>
Total	<u>\$ 120,626</u>	<u>\$ 482,218</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

12. RETIREMENT PLANS (CONTINUED)

Fairmont State will recognize the \$63,581 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2020	\$ (125,425)
2021	(112,050)
2022	(103,690)
2023	(36,433)
2024	<u>(12,268)</u>
	<u>\$ (389,866)</u>

Payables to the Pension Plan

Fairmont State did not report any amounts payable for normal contributions to the STRS as of June 30, 2019 and 2018.

DEFINED CONTRIBUTION BENEFIT PLANS

The TIAA-CREF and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans are required to make a contribution equal to 6% of total annual compensation for the years ended June 30, 2019, 2018, and 2017. Fairmont State matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by Fairmont State.

Total contributions to the TIAA-CREF for the years ended June 30, 2019, 2018, and 2017, were \$2,613,260, \$2,587,194, and \$2,599,184, respectively, which consisted of equal contributions from Fairmont State and covered employees of \$1,306,630, \$1,293,597, and \$1,299,592, respectively.

Total contributions to Educators Money for the years ended June 30, 2019, 2018, and 2017, were \$147,672, \$151,264, and \$138,924, respectively, which consisted of equal contributions from Fairmont State and covered employees of \$73,836, \$75,632, and \$69,462, respectively.

Fairmont State's total payroll for the year ended June 30, 2019, was \$26,652,834, and total covered employees' salaries in the Educators Money, STRS, and TIAA-CREF were \$1,230,593, \$430,279, and \$21,777,170, respectively.

Fairmont State's total payroll for the year ended June 30, 2018, was \$26,678,140, and total covered employees' salaries in the Educators Money, STRS, and TIAA-CREF were \$1,260,541, \$576,374, and \$21,559,945, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

12. RETIREMENT PLANS (CONTINUED)

Fairmont State's total payroll for the year ended June 30, 2017, was \$26,299,624, and total covered employees' salaries in the Educators Money, STRS, and TIAA-CREF were \$1,157,700, \$597,892, and \$21,659,865, respectively.

13. EARLY RETIREMENT INCENTIVE PLAN

Fairmont State's BOG approved an Early Retirement Incentive Plan, made effective in August 2014 for those employees who elected to participate. Eligible faculty and staff members elected to participate in the plan during a specified period of time. In total, 22 Fairmont State faculty and staff members elected to participate and began the severance period on August 17, 2014. The severance dates extend to July 1, 2017 for a limited number of employees. Employees with 25 years of benefit-eligible service and any combination of age, for a total of 85 years or greater, qualified for 100% of their current base salary to be paid over a two-year period. Qualifying faculty and staff members with 15 to 24 years of benefit-eligible service qualify for a pro-rated amount of their current base salary to be paid over a two-year period. During fiscal years 2019 and 2018, Fairmont State paid benefits of the plan in the amounts of \$0 and \$123,218, respectively. Fairmont State's liability to employees who elected to participate in the plan is \$0 at both June 30, 2019 and 2018.

14. FAIRMONT STATE FOUNDATION, INC.

The Fairmont State Foundation, Inc. (the Foundation) is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Fairmont State and Pierpont and their affiliated nonprofit organizations. The Foundation has a board of directors authorized to have 40 members selected by its Board members. At present, there are 26 members, including the President of Fairmont State as a nonvoting ex-officio member. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. The economic resources of the Foundation do not entirely benefit Fairmont State. Since Pierpont was part of Fairmont State for many years, the Foundation has obtained resources designated for Pierpont's programs and/or students. The Foundation currently supports both Fairmont State and Pierpont, and there is no specific allocation plan at this time. Fairmont State's endowments are under the control and management of the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements because it is not entirely or almost entirely for the benefit of Fairmont State.

The Foundation's assets totaled \$33,477,946 and \$30,585,984 at June 30, 2019 and 2018, with net assets of \$33,458,532 and \$30,558,811, respectively. Gifts, grants, and bequests to the Foundation totaled \$3,741,595 and \$2,206,785 in fiscal years 2019 and 2018, respectively.

Total funds expended by the Foundation in support of Fairmont State activities totaled \$2,400,654 and \$2,419,960 during 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

15. AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES

Fairmont State has a separately incorporated affiliated organization, the Fairmont State Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with Fairmont State. Accordingly, the financial statements of this organization are not included in Fairmont State's accompanying financial statements under the blended component unit requirements. It is not included in Fairmont State's accompanying financial statements under the discretely presented component unit requirements as it is not material.

In addition to the relationships and transactions previously described, Fairmont State receives funding or grants from and provides services to other state agencies, and utilizes services, supplies, and equipment provided by other state agencies. Amounts due from and due to other state agencies at June 30, are as follows:

	<u>2019</u>	<u>2018</u>
Due from:		
WVNET	\$ -	\$ 34,868
Adjutant General	6,633	-
Department of Commerce	125,603	-
Department of Education	2,000	-
	<u>\$ 134,236</u>	<u>\$ 34,868</u>
Due to:		
WVNET	\$ 150	\$ 3,709
Department of Administration	181	-
State Tax Department	436	-
State Treasurer's Office	6,575	2,682
PEIA	14,663	-
	<u>\$ 22,005</u>	<u>\$ 6,391</u>

16. RELATED-PARTY TRANSACTIONS

Fairmont State and Pierpont enter into an annual contractual agreement to establish the contractual services that will be provided by both institutions. These contract services are referred to as chargeback services and occur from each institution to the other. The definition of a chargeback service is a service provided from teaching, administrative, academic support, student services, and physical plant support areas of Fairmont State to Pierpont or vice versa. Chargeback services costs range from teaching services to everyday upkeep of the facilities. The chargeback agreement also provides for the transfer of auxiliary, capital, and student activity fee revenues from the institution in which the student is enrolled to the fund from which the operating, capital, and debt service expenditures will be paid. These transfers are primarily pledged revenues to bond funds and are required by bond covenants. A contractual agreement may be negotiated for services to be provided until the governing boards of both institutions mutually agree to end the contract agreement.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

16. RELATED-PARTY TRANSACTIONS (CONTINUED)

As Pierpont begins to independently provide previously shared services, the services charged back to each institution will continue to decrease. The fiscal year 2019 agreement reduces all operating and support service expenses to Fairmont State and also reduces the level of these same expenses to Pierpont. Pierpont is planning to establish an independent instance of Banner, the enterprise resource planning (ERP) software commonly used by higher education institutions for financial reporting, human resources, financial aid, and other tracking and reporting, which has historically been shared with Fairmont State. Related to the launch of its own instance of Banner, Pierpont will be establishing independent student services, financial aid, and business office operations. Pierpont began providing their own support in these areas at the start of fiscal year 2020. The contract services referred to as “chargeback” services for teaching, administration, academic support, and student services will cease to exist during fiscal year 2020, as Pierpont employees will provide these services directly. While Fairmont State and Pierpont continue to share a campus, Fairmont State continues to provide physical plant administration and related services, liability insurance coverage and information technology support to Pierpont. The institutions are currently in negotiations for a Fee for Service Agreement. In addition, Fairmont State is drafting an Operational Memorandum of Understanding (MOU), which addresses other provided services and continued auxiliary and capital fee support as required by the bond indentures.

Fiscal year 2019 and 2018 transactions associated with the chargeback agreement are as follows:

	<u>2019</u>	<u>2018</u>
Revenues:		
Student activity support revenue	\$ 22,362	\$ 85,660
Auxiliary support service revenue	591,456	582,855
Faculty services revenue	9,955	224,387
Operating costs revenue	1,500,375	1,534,349
Support services revenue	1,412,262	1,782,681
E&G capital and debt service support revenue	541,836	577,903
Expenses:		
Assessment for faculty services	21,084	199,231
Assessment for operating costs	-	58,548
Assessment for support services	-	173,619
Assessment for E&G capital and debt service costs	628,635	645,871

Fairmont State does not show any expense for auxiliary support services due to its ownership of the auxiliaries.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

17. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT

House Bill 3215, effective July 1, 2008, provided for a separate governing board for Pierpont. This legislation defines a statewide network of independently-accredited community and technical colleges and required the newly established Pierpont Board of Governors and Fairmont State Board of Governors to jointly agree on a division of assets and liabilities. This agreement was executed on December 15, 2009, and was effective retroactively to July 1, 2009. The legislation requires a separate financial statement audit for Pierpont effective for fiscal year 2010 and all years thereafter.

The Board of Governors of Fairmont State University and the Board of Governors of Pierpont Community & Technical College recognize the historical association between the two institutions and the benefit of collaboration to the students. The preamble to the Separation of Assets and Liabilities Agreement that supports these statements reads as follows:

“The Board of Governors of Fairmont State University (BOG-FSU) and the Board of Governors of Pierpont Community and Technical College (BOG-PCTC) jointly endeavor to separate assets and liabilities in accordance with the provisions of HB3215, 2008. Despite the legal separation of the two institutions, the BOG-FSU and the BOG-PCTC wish to maintain the collaborative and cooperative spirit that has characterized the historical relationship between the University and the College.

The BOG-FSU and the BOG-PCTC recognize the historical association between the two institutions. The institution that is today Pierpont Community and Technical College grew from and was sponsored by Fairmont State University. Both institutions have been and, for the foreseeable future, will be co-located on a single campus in Fairmont, West Virginia. Both institutions have proportionally coordinated, shared, and paid for instructional services, course schedules, facilities, information systems, admissions processes, auxiliary functions, housing, debt service, development and advancement services, student activities and programs, and all the other resources necessary to deliver a high-quality postsecondary education experience.

Students have benefited and will continue to benefit from the relationship between Fairmont State University (FSU) and Pierpont Community and Technical College (PCTC). Those benefits include a wider range of instructional programs than would be available through an individual institution’s offerings; a lower cost of attendance realized from shared institutional infrastructure and reduced duplication of facilities, personnel, and services; and a more diverse mix of student backgrounds, interests, experiences, abilities, and ambitions.

Although the BOG-FSU and the BOG-PCTC recognize the necessity of separation of assets and liabilities, both pledge themselves to continuing, fostering, and promoting collaborative and cooperative relationships between the two institutions. Such relations respect the historical association that has existed between FSU and PCTC. Such relations are to the benefit and best interest of the students at both institutions. Such relations recognize the proportional participation in institutional operations. Such relations recognize that the two institutions have been, are, and will be co-located on one site. Such relations demonstrate responsible stewardship of public resources by achieving efficiencies and synergies that would otherwise not be possible. Therefore, the Board of Governors of Fairmont State University and the Board of Governors of Pierpont Community and Technical College incorporate into their agreement to separate assets and liabilities this pledge of perpetual cooperation and collaboration.”

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

17. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

With both Fairmont State and Pierpont Boards of Governors promoting collaboration, the Separation of Assets and Liabilities Agreement was executed to comply with the guidelines established through West Virginia Legislation as stated in the agreement as follows:

“WHEREAS, West Virginia Code - §18B-2A-7a(e)(2008 supp.) states “For purposes of generating audited financial statements for inclusion in the higher education fund and state single audits, the division of all assets and liabilities shall be effective retroactively to the first day of July, two thousand nine.”

and

WHEREAS, West Virginia Code — §18B-2A-7a(2008 supp.) states as follows:

“(g) Each former sponsoring institution and community and technical college shall enter into a comprehensive agreement to address the division of assets and liabilities and the allocation of revenues and expenditures between former sponsoring institutions and newly independent community and technical colleges.

(h) Absent manifest injustice as determined jointly by the Council and Commission, the following general principles apply to the division of assets and liabilities and allocation of revenues and expenditures between former sponsoring institutions and the newly independent community and technical colleges:

- (1) For accounting purposes, the institution that assumes responsibility for any asset also shall assume responsibility for any associated liabilities.*
- (2) Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.*
 - (A) Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.*
 - (B) Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.*
- (3) The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities.*
- (4) The institutions shall develop a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year two thousand twelve.*

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

17. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

- (A) *If community and technical college students pay a mandatory athletics fee for the benefit of a sponsoring institution, but receive no direct benefit from that fee, the community and technical college may phase out that fee over a five-year period.*
- (B) *If certain community and technical college students were required to live in institution housing consistent with rules or policies in effect on the effective date of this section, the former sponsoring institution may continue to require these students to live in institution housing for at least one year."*

The Agreement also provides specific language in relation to outstanding bond indebtedness.

On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012A in the principal amount of \$20,165,000 and Revenue Refunding Bonds, Series 2012B in the principal amount of \$30,160,000. Pierpont Board of Governors signed the Bond Indenture to evidence its agreement to certain covenants contained in the Indenture, which are applicable to Pierpont and to the pledge of fees imposed by it. The Official Statement for the bonds states "*Pierpont is obligated to pay a portion of the debt service on the Series 2012 Bonds pursuant to a Separation of Assets and Liabilities Agreement, dated December 15, 2009, by and between the Issuer and Pierpont.*"

The Official Statement provides information to further explain the Separation of Assets Agreement and the application of it to all existing and future bond covenants.

Therefore, the Agreement pertains to the following current outstanding bond indebtedness:

- (A) *Revenue Refunding Bonds 2012, Series A and Revenue Refunding Bonds 2012, Series B* - On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds Series A and Revenue Refunding Bonds Series B (the 2012 Bonds) amounting to \$20,165,000 and \$30,160,000, respectively. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds, and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The 2012 Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds, and (2) pay the costs of issuance of the Series 2012B Bonds and related costs.
- (B) Fairmont State Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the Series 2006 Bonds; the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, and the Series 2006 Bonds are hereinafter referred to together as the Bonds), issued in the principal amount of \$8,500,000 pursuant to a bond authorizing resolution adopted on May 3, 2006 (as supplemented and amended, the 2006 Resolution; the 2002A Indenture, the 2002B Indenture, the 2003A Indenture, the 2003B Indenture, and the 2006 Resolution, together with the other documents authorizing, securing or otherwise relating to the Bonds, are hereinafter referred to together as the Bond Documents), and outstanding in the principal amount of \$3,671,015 and \$4,160,041 as of June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

17. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

The agreement further states the following with regard to bond indebtedness:

***"WHEREAS**, in addition to the statutory requirements described above, the Bond Documents define the College or University to include any successor thereto and, as such, bind both FSU and PCTC, and both FSU and PCTC have copies of the Bond Documents.*

and

***WHEREAS**, the Bond Documents set forth controlling bond covenants and require pledged revenues, and the intent of this document is to adhere to all existing and future bond covenants."*

The Boards of Governors of Fairmont State and Pierpont agreed to the following terms for Separation of Assets and Liabilities to comply with the above stated West Virginia State Code and bond covenants:

"Education and General Equipment Assets:

- 1. Equipment assets regardless of whether they are charged back, whether they be presently owned or purchased in the future by either the FSU or the PCTC will be owned by the institution that the equipment was intended for and reflected on the appropriate institution's equipment schedule.*

Education and General Buildings and Infrastructure:

- 2. All capital and infrastructure fees assessed to both FSU and PCTC students for the purpose of paying E&G building and infrastructure bonds, and provide for repair and renovation of same, continue to be collected under the terms outlined in the bond covenants.*
- 3. All E&G Capital Fee Revenue and Infrastructure Capital Fee Revenue in excess of bond payments will be used for repair and renovation projects. When sufficient E&G and Infrastructure Capital excess revenues are available to bond for additional new capital project improvements, the E&G, and Infrastructure Capital Fees will be utilized and/or retained for that specific purpose. Both the FSU and the PCTC assume a shared responsibility proportionate to the full-time equivalent (FTE) enrollment of each institution for the total cost of maintaining the facilities.*
- 4. Joint ownership of the E&G and Infrastructure Capital Assets and Liabilities shall be reflected on each Institution's Financial Statements at the end of each year. The percentage of ownership of assets and liabilities will be assigned and based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years.*
- 5. All land assets will be owned by FSU and land deeds will stay in the name of FSU Board of Governors.*
- 6. Should either institution, after paying off all E&G and Auxiliary bond debt, upon proper acknowledgement of its ongoing obligations under existing bond covenants, decide to build and move its own campus, that institution agrees to sell its ownership rights to the E&G building assets to the other institution at an agreed upon price.*

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

17. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

7. *All new capital projects that are provided to FSU and PCTC through state appropriations, bonding and/or student capital fee initiatives, that add to the joint ownership of assets and liabilities on a shared campus, will be assigned proportionately based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years. Any capital project designated to only FSU or only to PCTC and not located on a shared campus will be added to the assets and liabilities of the institution to which the capital project is specified.*

Auxiliary Enterprises:

1. *Assets and related liabilities of the Auxiliary Enterprises (Athletics, Bookstore, Conference Center, Convenience Store, Copy Center, Facilities [Parking & Security], Housing, and Recreation Center) are owned by FSU and all students of both FSU and PCTC who attend class on the main campus and/or pay user fees will have access to these facilities and activities.*
2. *All auxiliary-related student fees approved by the FSU BOG and the PCTC BOG and the Higher Education Policy Commission and the Community and Technical College Council, for the operation, debt service, and repair and maintenance of auxiliary enterprise facilities will be dedicated and provided to those specific Auxiliary Funds for appropriate indicated purposes. All Auxiliary net revenues annually are designated to support future costs of the auxiliary enterprise fund(s) and are managed by FSU for the benefit of each auxiliary enterprise.*
3. *Auxiliary Enterprise Bond Covenant obligations of FSU and PCTC will be met by continuing to honor the requirements stipulated in those covenants, and both FSU and PCTC students will be required to pay the fees stipulated in all Bond Document covenants.*
4. *FSU is responsible for managing the operation of the Auxiliary Enterprises, and maintaining the Auxiliary facilities in good repair.*
5. *All capital projects for the Auxiliary Enterprises will be approved by the FSU BOG.*
6. *Scholarship dollars provided from the non-athletic auxiliary enterprise funds will be allocated proportionately to FSU and PCTC students based on the percentage (%) of student fee contributions made to these funds from the respective FSU and PCTC students.*

The agreement further specifies the methodology for the assignment of bond debt as follows:

"The Bond Debt assigned to each institution's balance sheet for E&G facilities is allocated based on the average of the past ten (10) years of credit hour enrollments. This average allocated 65.66% of the debt to FSU and 34.34% to the PCTC as of July 1, 2009. The assignment of debt for the Auxiliary facilities will be with the FSU since the FSU will own the assets. However, the PCTC students will continue to pay all Auxiliary fees based on the requirements of those bonds. The allocation of Bond Debt by this Agreement does not affect the obligation of both FSU and PCTC to the bondholders to pay the principal of and interest on the Bonds as the same come due."

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

17. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

As of June 30, 2019, the average allocated 68.35% of the debt to Fairmont State and 31.65% of the debt to Pierpont. As of June 30, 2018, the average allocated 67.84% of the debt to Fairmont State and 32.16% of the debt to Pierpont.

The Series 2012A and Series 2012B continuing disclosure agreement provides for disclosure of annual financial information to the Trustee and bond-rating agencies. This information includes the audited financial statements of Fairmont State and the audited financial statements of Pierpont. The Series 2015A Bonds also require continuing disclosure; however, they were issued by Fairmont State, and fees imposed by Pierpont do not secure the 2015A Bonds.

The financial statements have been prepared to comply with the Separation of Assets and Liabilities Agreement.

18. CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against Fairmont State on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against Fairmont State would not seriously affect the financial position of Fairmont State.

Under the terms of federal grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Fairmont State's management believes disallowances, if any, will not have a significant financial impact on Fairmont State's financial position.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2019 and 2018, respectively.

Fairmont State owns various buildings that are known to contain asbestos. Fairmont State is not required by federal, state, or local laws to remove the asbestos from its buildings. Fairmont State is required by federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe condition. Fairmont State addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the conditions become known. Fairmont State also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

19. SERVICE CONCESSION AGREEMENTS

Fairmont State has adopted GASB Statement No. 60. Fairmont State has identified two contracts for services that meet the four criteria of a Service Concession Agreement (SCA). An SCA is defined as a contract between a government and an operator, another government, or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract. The contracts are with Aladdin Food Management Services, LLC (Aladdin) and Follett Higher Education Group (Follett). The management of Fairmont State entered into these agreements to improve the quality of the services to students while increasing the revenues from these operations to support the Falcon Center operating budget.

In the agreement with Aladdin that was effective on July 1, 2018, Fairmont State granted to Aladdin the exclusive right to provide food products and nonalcoholic beverages at its food service facilities. Aladdin provides food service in the Falcon Center, Chick-fil-A, Chilaca, Starbucks, Conference Center, Coffee Shop, Cafeteria, concessions, soda, snack, and food vending at mutually agreed-upon locations for Fairmont State. Aladdin operates the food service operation under a contract fee agreement. Aladdin is paid a fixed administrative fee that increases 5% per year. Aladdin provides vendor contract revenues to Fairmont State based on contractual agreement. The vendor contract revenues from Aladdin in fiscal years 2019 and 2018 were \$1,060,493 and \$964,449, respectively. As part of the agreement, Aladdin agreed to pay for certain improvements to the food service facilities on behalf of Fairmont State. Fairmont State reports the improvements as a capital asset with a carrying value of \$2,207,865 and unearned revenue in the amount of \$2,007,865 at June 30, 2019. According to the terms of the agreement, the related revenue will be earned over a period of ten years. In the event the agreement is terminated early, Fairmont State will require the incoming food service operator to pay Aladdin any remaining balance of the donation or Fairmont State will assume responsibility for repayment. Aladdin also provides \$100,000 annually to Fairmont State during the term of the agreement for student scholarships.

The bookstore operating agreement was entered into on April 14, 2011 between Fairmont State and Follett. The agreement is for Follett to operate a bookstore for Fairmont State. The contract is for a period of 10 years and may be renewed if both parties agree. Fairmont State will cover the cost of store remodeling as required by Follett in order to properly operate and prepare store premises for business up to \$50,000 over the term of the agreement. Follett pays commission to Fairmont State based on the contractual agreement. Follett provided vendor contract revenues to Fairmont State in fiscal year 2019 and 2018 in the amount of \$190,729 and \$212,893, respectively. In addition to the commission, Follett pays rent of \$60,000 per year in monthly installments for rental of the space in the Falcon Center. Follett also provides \$15,000 annually to Fairmont State and Pierpont during the term of the agreement for student scholarships. The scholarships are split between Fairmont and Pierpont based on FTE.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

20. SEGMENT INFORMATION

Under the auspices of the State and the Board of Governors of Fairmont State (formerly Fairmont State College), Fairmont State issued revenue bonds to finance certain of their auxiliary enterprise and facilities improvement activities. Investors in the auxiliary bonds rely solely on the revenues generated by the activities of the auxiliaries for repayment. The Board of Governors of Fairmont State recognizes that it is bound by all bond covenants and is legally obligated for the bond debt payments. The facilities improvement bonds are special obligations of Fairmont State and payable from system fees held under the Indenture.

The Separation of Assets and Liabilities Agreement between the Boards of Governors of Fairmont State and Pierpont binds both Fairmont State and Pierpont to the debt obligation and is stated as:

“WHEREAS, in addition to the statutory requirements described above, the Bond Documents define the College or University to include any successor thereto and, as such, bind both FSU & PCTC, and both FSU & PCTC have copies of the Bond Documents.”

Descriptive information for each of Fairmont State’s segments is shown below:

a. Revenue Refunding Bonds 2012, Series A and Revenue Refunding Bonds 2012, Series B

On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds Series A and Revenue Refunding Bonds Series B (the 2012 Bonds) amounting to \$20,165,000 and \$30,160,000, respectively. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The 2012B Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds and (2) pay the costs of issuance of the Series 2012B Bonds and related costs.

The 2012A Bonds outstanding consist of \$8,210,000 serial bonds with varying interest rates from 2% to 5%, which mature serially through June 1, 2027, and term bonds as follows:

Principal Amount	Maturity Date	Interest Rate
\$ 2,430,000	June 1, 2029	3.600%
\$ 4,035,000	June 1, 2032	3.450%

The 2012B Bonds outstanding consist of \$12,265,000 serial bonds with varying interest rates from 2% to 5%, which mature serially through June 1, 2027, and term bonds as follows:

Principal Amount	Maturity Date	Interest Rate
\$ 1,000,000	June 1, 2032	3.450%
\$ 8,650,000	June 1, 2032	4.080%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

20. SEGMENT INFORMATION (CONTINUED)

Fairmont State and Pierpont have fixed, and will maintain, just and equitable rules, regulations, rents, charges, and fees for the use and occupancy of apartments, housing and parking facilities, and the student activities center. Fairmont State and Pierpont must fix rents, charges, and fees to produce revenues from these sufficient to pay operating expenses and to make the prescribed payments into the funds and accounts created under the Indenture, and such schedule of rents, charges, and fees shall be revised from time to time to provide for all reasonable operating expenses and provide gross operating revenues equal to at least 100% of maximum annual debt service for the 2012 Bonds and the 2015 Bonds combined. For the years ended June 30, 2019 and 2018, Fairmont State and Pierpont had gross revenues, as defined by the Indenture, that approximated 278% and 221% of the maximum annual debt service, respectively.

b. Board of Governors of Fairmont State, Facilities Improvement Revenue Bonds, 2006 Series

On May 9, 2006, Fairmont State issued Facilities Improvement Revenue Bonds (the 2006 Bonds) amounting to \$8,500,000. The 2006 Bonds were issued to (1) finance the design, acquisition, construction, and equipping of certain necessary improvements in the facilities of the main campus, including, but not limited to, a technology wing addition/renovation and elevator/HVAC improvements to infrastructure improvements, all of which will be owned by the Boards, and (2) pay the costs of issuance of the 2006 Bonds and related costs.

The 2006 Bonds outstanding are \$3,671,015 at June 30, 2019. The 2006 Bonds incurred interest at the rate of 4.18% until (but not including) May 1, 2016. On May 1, 2016, the interest rate on the 2006 Bonds automatically adjusted to the reset rate of 1.74% and shall bear the reset rate from May 1, 2016 to maturity.

c. Board of Governors of Fairmont State, Facilities Construction Revenue Bonds, 2015A Series

On April 7, 2015, Fairmont State issued Facilities Construction Revenue Bonds Series A (the 2015A Bonds) amounting to \$30,200,000. The 2015A Bonds were issued to (1) finance the costs of planning, designing, constructing, acquiring, and equipping new student housing facilities; (2) provide payment of capitalized interest on the Series 2015 Bonds; (3) reimburse certain previously incurred expenditures related to the 2017 Project; and (4) pay the costs of issuance of the Series 2015 Bonds and related costs.

The 2015A Bonds outstanding consist of \$8,830,000 serial bonds with varying interest rates from 3.00% to 5.00%, which mature serially through June 1, 2030, and term bonds as follows:

Principal Amount	Maturity Date	Interest Rate
\$ 2,045,000	June 1, 2032	3.500%
\$ 3,345,000	June 1, 2035	3.625%
\$ 14,180,000	June 1, 2045	3.750%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

20. SEGMENT INFORMATION (CONTINUED)

Fairmont State has pledged all university fees as defined in the Indenture. University fees are the amounts remaining from the system fees after Fairmont State and Pierpont have (1) fulfilled their obligations with respect to the Commission bonds during each six-month period and (2) fulfilled their debt obligations of the Series 2006 bonds. All remaining university fees are allocated for the repair and replacement of the facilities financed with the system bonds.

Condensed financial information for each of Fairmont State's segments as of and for the years ended June 30, 2019 and 2018 follows:

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

20. SEGMENT INFORMATION (CONTINUED)

	2019	
	Facilities Improvement Bonds 2006, As of/Year Ended June 30, 2019	Revenue Refunding Bonds 2012 and Housing Construction Bonds 2015 As of/Year Ended June 30, 2019
CONDENSED SCHEDULE OF NET POSITION		
Assets:		
Current assets	\$ -	\$ 12,330,655
Noncurrent and capital assets	6,002,177	76,348,650
Total assets	6,002,177	88,679,305
Deferred outflows of resources	-	911,031
Liabilities:		
Current liabilities	(508,217)	(3,531,053)
Noncurrent liabilities	(3,173,444)	(63,922,802)
Total liabilities	(3,681,661)	(67,453,855)
Net position:		
Net investment in capital assets	2,320,516	23,976,711
Restricted/expendable	-	(1,840,230)
Total net position	\$ 2,320,516	\$ 22,136,481
CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	\$ -	\$ 14,624,940
Operating expenses	-	(9,704,937)
Operating income	-	4,920,003
Net nonoperating revenues (expenses)	490,444	587,083
Depreciation	(262,480)	(1,939,072)
Increase in net position	227,964	3,568,014
Net position — beginning of year	2,092,552	18,568,467
Net position — end of year	\$ 2,320,516	\$ 22,136,481
CONDENSED SCHEDULE OF CASH FLOWS		
Net cash provided by operating activities	\$ 559,292	\$ 3,794,274
Net cash used in capital and related financing activities	(559,292)	(5,386,616)
Net cash provided by investing activities	-	292,867
Increase in cash and cash equivalents	-	(1,299,475)
Cash and cash equivalents — beginning of year	-	8,517,830
Cash and cash equivalents — end of year	\$ -	\$ 7,218,355

Note 1: Segment information may include assets, liabilities, revenue, and expenses that are also contained in Pierpont's financial statements.

Note 2: Pursuant to debt service requirements, the activities of the 2012 Series and 2015 Series Bonds have been combined for segment reporting.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

20. SEGMENT INFORMATION (CONTINUED)

	2018	
	Facilities Improvement Bonds 2006, As of/Year Ended June 30, 2018	Revenue Refunding Bonds 2012 and Housing Construction Bonds 2015 As of/Year Ended June 30, 2018
CONDENSED SCHEDULE OF NET POSITION		
Assets:		
Current assets	\$ -	\$ 11,353,785
Noncurrent and capital assets	6,264,657	76,604,006
Total assets	6,264,657	87,957,791
Deferred outflows of resources	-	981,260
Liabilities:		
Current liabilities	(501,089)	(3,402,820)
Noncurrent liabilities	(3,671,016)	(66,967,764)
Total liabilities	(4,172,105)	(70,370,584)
Net position:		
Net investment in capital assets	2,092,552	9,330,468
Restricted/expendable	-	9,237,999
Total net position	\$ 2,092,552	\$ 18,568,467
CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	\$ -	\$ 11,926,119
Operating expenses	-	(6,372,111)
Operating income	-	5,554,008
Net nonoperating revenues (expenses)	482,020	(2,524,959)
Depreciation	(262,480)	(1,941,979)
Increase in net position	219,540	1,087,070
Net position — beginning of year	1,873,012	17,481,397
Net position — end of year	\$ 2,092,552	\$ 18,568,467
CONDENSED SCHEDULE OF CASH FLOWS		
Net cash provided by operating activities	\$ 559,292	\$ 3,102,562
Net cash used in capital and related financing activities	(559,292)	(5,245,413)
Net cash provided by investing activities	-	133,979
Decrease in cash and cash equivalents	-	(2,008,872)
Cash and cash equivalents — beginning of year	-	10,526,702
Cash and cash equivalents — end of year	\$ -	\$ 8,517,830

Note 1: Segment information may include assets, liabilities, revenue, and expenses that are also contained in Pierpont's financial statements.

Note 2: Pursuant to debt service requirements, the activities of the 2012 Series and 2015 Series Bonds have been combined for segment reporting.

FAIRMONT STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

21. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2019 and 2018, are represented as follows:

	2019											
	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	\$ 3,310,998	\$ 639,518	\$ 2,945,325	\$ 1,192,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,088,615
Instruction	13,485,923	3,014,971	1,920,534	13,870	400	-	21,084	-	-	-	-	18,456,782
Research	74,080	23,046	17,254	-	-	-	-	-	-	-	-	114,380
Public service	353,349	55,741	495,098	-	1,536	-	-	-	-	-	-	905,724
Academic support	2,135,474	475,251	989,726	-	-	-	-	-	-	-	-	3,600,451
Student services	2,859,709	687,479	1,193,417	-	1,300	-	-	-	-	-	-	4,741,905
General institutional support	2,947,460	870,065	2,143,855	1,259	-	-	-	-	-	-	-	5,962,639
Student financial aid	166,264	31,363	8,993	-	5,406,479	-	-	-	-	-	-	5,613,099
Operation and maintenance	1,235,382	382,754	1,999,649	1,298,150	-	4,628,200	-	-	-	-	-	4,915,935
Depreciation	-	-	-	-	-	-	-	-	-	-	-	4,628,200
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-	407,841	-	407,841
TOTAL	\$ 26,568,639	\$ 6,180,188	\$ 11,713,851	\$ 2,506,053	\$ 5,409,715	\$ 4,628,200	\$ 21,084	\$ -	\$ -	\$ 407,841	\$ -	\$ 57,435,571

	2018											
	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	\$ 3,088,207	\$ 733,750	\$ 3,139,094	\$ 1,247,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,208,076
Instruction	13,657,726	3,112,666	2,201,234	2,437	7,269	-	199,231	49,718	125,165	-	-	19,355,446
Research	67,633	6,100	39,603	-	-	-	-	-	-	-	-	113,336
Public service	405,455	69,252	384,326	-	7,690	-	-	-	-	-	-	866,723
Academic support	2,356,661	616,863	1,100,462	-	-	-	-	8,830	48,454	-	-	4,131,270
Student services	3,069,294	803,884	1,269,343	-	1,645	-	-	-	-	-	-	5,144,166
General institutional support	2,668,157	844,609	1,955,100	1,368	-	-	-	-	-	-	179,715	5,648,949
Student financial aid	185,275	38,235	1,118	-	5,492,200	-	-	-	-	-	-	5,716,828
Operation and maintenance	1,217,035	402,586	2,018,211	1,514,334	-	-	-	-	-	-	-	5,152,166
Depreciation	-	-	-	-	-	-	-	-	-	-	-	4,534,488
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-	259,270	-	259,270
TOTAL	\$ 26,715,443	\$ 6,627,945	\$ 12,108,491	\$ 2,765,164	\$ 5,508,804	\$ 4,534,488	\$ 199,231	\$ 58,548	\$ 173,619	\$ 259,270	\$ 179,715	\$ 59,130,718

ADDITIONAL INFORMATION

SCHEDULE OF NET POSITION INFORMATION
JUNE 30, 2019

	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted, and Other Funds	Internal Fund Eliminations	Total Institution
ALL FUNDS					
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 4,343,357	\$ 10,454,801	\$ 16,580,993	\$ -	\$ 31,379,151
Accounts receivable — net	141,860	588,137	1,635,563	(570,996)	1,794,564
Due from Pierpont for debt service — current portion	246,925	-	-	-	246,925
Inventories	-	-	182,466	-	182,466
Other current assets	-	-	47,811	-	47,811
Total current assets	4,732,142	11,042,938	18,446,833	(570,996)	33,650,917
NONCURRENT ASSETS:					
Cash and cash equivalents	1,604	12,137	400	-	14,141
Due from Pierpont for debt service	2,319,404	-	-	-	2,319,404
Other noncurrent assets	-	13,387	258,376	-	271,763
Capital assets — net	44,545,750	81,283,805	8,014,235	-	133,843,790
Total noncurrent assets	46,866,758	81,309,329	8,273,011	-	136,449,098
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflows relating to net pension liability	-	-	87,027	-	87,027
Deferred outflows relating to net OPEB liability	-	115,169	1,060,009	-	1,175,178
Deferred loss on refunding	81,896	816,810	12,325	-	911,031
Total deferred outflows of resources	81,896	931,979	1,159,361	-	2,173,236
TOTAL	\$ 51,680,796	\$ 93,284,246	\$ 27,879,205	\$ (570,996)	\$ 172,273,251
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable	\$ 1,831	\$ 1,215,037	\$ 562,642	\$ (570,996)	\$ 1,208,514
Due to Pierpont	-	-	-	-	-
Due to the Commission	-	-	5,500	-	5,500
Accrued liabilities — payroll	-	235,007	3,341,380	-	3,576,387
Accrued interest payable	24,663	190,820	2,110	-	217,593
Retainages payable	-	30,871	-	-	30,871
Unearned revenue and deposits	701	2,807,126	627,486	-	3,435,313
Compensated absences — current portion	-	158,764	761,325	-	920,089
Capital leases — current portion	-	-	88,535	-	88,535
Debt obligation due to the Commission — current portion	127,961	-	-	-	127,961
Bonds payable — current portion	780,174	2,719,823	42,536	-	3,542,533
Total current liabilities	935,330	7,357,448	5,431,514	(570,996)	13,153,296
NONCURRENT LIABILITIES:					
Net other postemployment benefits liability	-	894,487	7,424,684	-	8,319,171
Compensated absences	-	60,621	295,922	-	356,543
Advances from federal sponsors	-	-	-	-	-
Capital leases	-	-	443,256	-	443,256
Debt obligation to the Commission	1,083,695	-	-	-	1,083,695
Bonds payable	7,410,187	59,048,371	637,687	-	67,096,245
Net pension liability	-	-	612,774	-	612,774
Other noncurrent liabilities	-	-	-	-	-
Total noncurrent liabilities	8,493,882	60,003,479	9,414,323	-	77,911,684
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows relating to net pension liability	-	-	413,312	-	413,312
Deferred inflows relating to net OPEB liability	-	223,461	1,854,852	-	2,078,313
Total deferred inflows of resources	-	223,461	2,268,164	-	2,491,625
NET POSITION:					
Net investment in capital assets	37,791,958	20,301,550	6,814,546	-	64,908,054
Restricted for — expendable:					
Loans	-	-	-	-	-
Scholarships	-	-	44,499	-	44,499
Capital projects	4,458,022	-	-	-	4,458,022
Debt service	1,604	12,137	400	-	14,141
Total restricted	4,459,626	12,137	44,899	-	4,516,662
Unrestricted E&G Plant and President's Control	-	-	1,646,392	-	1,646,392
Unrestricted Auxiliary and Fund Manager Funds	-	5,386,171	2,259,367	-	7,645,538
Total unrestricted	-	5,386,171	3,905,759	-	9,291,930
Total net position	42,251,584	25,699,858	10,765,204	-	78,716,646
TOTAL	\$ 51,680,796	\$ 93,284,246	\$ 27,879,205	\$ (570,996)	\$ 172,273,251

See note to schedules.

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION
YEAR ENDED JUNE 30, 2019

	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted, and Other Funds	Internal Fund Eliminations	Total Institution
ALL FUNDS					
OPERATING REVENUES:					
Student tuition and fees — net	\$ -	\$ -	\$ 12,657,900	\$ -	\$ 12,657,900
Student activity support revenue	-	-	363,845	(341,483)	22,362
Auxiliary enterprise revenue	-	8,786,065	4,514,952	-	13,301,017
Auxiliary support services revenue	-	5,041,764	-	(4,450,308)	591,456
Contracts and grants:					
Federal	-	-	896,497	-	896,497
State	-	-	6,845,622	-	6,845,622
Private	-	-	3,108,627	-	3,108,627
Interest on student loans receivable	-	-	-	-	-
Faculty services revenue	-	-	9,955	-	9,955
Operating costs revenue	-	-	1,500,375	-	1,500,375
Support services revenue	-	-	1,412,262	-	1,412,262
Miscellaneous — net	-	178,900	324,292	-	503,192
Total operating revenues	-	14,006,729	31,634,327	(4,791,791)	40,849,265
OPERATING EXPENSES:					
Salaries and wages	-	2,661,793	23,906,846	-	26,568,639
Benefits	-	493,722	5,686,466	-	6,180,188
Supplies and other services	138,406	3,261,451	8,313,994	-	11,713,851
Utilities	-	962,054	1,543,999	-	2,506,053
Student financial aid — scholarships and fellowships	-	866,265	4,543,450	-	5,409,715
Depreciation	2,025,783	2,142,476	459,941	-	4,628,200
Assessment for student activity costs	-	-	341,483	(341,483)	-
Assessment for auxiliary fees and debt service	-	-	4,450,308	(4,450,308)	-
Assessment for faculty services	-	-	21,084	-	21,084
Assessment for operating costs	-	-	-	-	-
Assessment for support services	-	-	-	-	-
Loan cancellations and write-offs	-	118,132	289,709	-	407,841
Fees assessed by the Commission for operations	-	-	-	-	-
Total operating expenses	2,164,189	10,505,893	49,557,280	(4,791,791)	57,435,571
OPERATING (LOSS) INCOME	(2,164,189)	3,500,836	(17,922,953)	-	(16,586,306)
NONOPERATING REVENUES (EXPENSES):					
State appropriations	-	-	15,111,777	-	15,111,777
Pell grant revenues	-	-	6,889,801	-	6,889,801
E&G capital and debt service support revenue	1,899,408	-	-	(1,357,572)	541,836
Fees assessed to Pierpont for debt service	75,031	-	-	-	75,031
Investment income	92,650	257,422	367,502	-	717,574
Gifts	-	130,000	401,070	-	531,070
Interest on indebtedness	(237,065)	(2,314,486)	(41,891)	-	(2,593,442)
Loss on disposal of fixed assets	-	(37,670)	(8,671)	-	(46,341)
Assessment for E&G capital and debt service costs	-	-	(1,986,207)	1,357,572	(628,635)
Fees assessed by the Commission for debt service	(75,668)	-	-	-	(75,668)
Total net nonoperating revenues (expenses)	1,754,356	(1,964,734)	20,733,381	-	20,523,003
(DECREASE) INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFER	(409,833)	1,536,102	2,810,428	-	3,936,697
PAYMENTS MADE AND EXPENSES INCURRED BY THE COMMISSION ON BEHALF OF FAIRMONT STATE	-	-	-	-	-
PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF FAIRMONT STATE	-	256,507	609,178	-	865,685
CAPITAL BOND PROCEEDS FROM THE STATE	125,603	-	-	-	125,603
(DECREASE) INCREASE IN NET POSITION BEFORE TRANSFER	(284,230)	1,792,609	3,419,606	-	4,927,985
TRANSFER OF NET POSITION FROM PIERPONT	199,305	40,538	133,519	-	373,362
(DECREASE) INCREASE IN NET POSITION	(84,925)	1,833,147	3,553,125	-	5,301,347
NET POSITION — Beginning of year	42,336,509	23,866,711	7,212,079	-	73,415,299
NET POSITION — End of year	\$ 42,251,584	\$ 25,699,858	\$ 10,765,204	\$ -	\$ 78,716,646

See note to schedules.

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2019

	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted, and Other Funds	Internal Fund Eliminations	Total Institution
CASH FLOWS FROM OPERATING ACTIVITIES:					
Student tuition and fees	\$ -	\$ 4,605,613	\$ 10,361,275	\$ -	\$ 14,966,888
Contracts and grants	-	-	11,210,651	-	11,210,651
Payments to and on behalf of employees	-	(3,180,701)	(29,460,836)	-	(32,641,537)
Payments to suppliers	(107,494)	(7,851,910)	(8,219,811)	-	(16,179,215)
Payments to utilities	-	(978,670)	(1,589,162)	-	(2,567,832)
Payments for scholarships and fellowships	-	(866,265)	(2,346,411)	-	(3,212,676)
Loans issued to students — net of repayments	-	-	-	-	-
Interest on student loans receivable	-	-	-	-	-
Auxiliary enterprise charges	-	8,417,117	4,469,526	-	12,886,643
Fees assessed by the Commission	-	-	-	-	-
Other receipts — net	-	180,194	-	-	180,194
Student activity support revenue	-	-	363,845	(341,483)	22,362
Auxiliary fees and debt service support revenues	-	5,041,764	-	(4,450,308)	591,456
Assessment for support services	-	-	(9,112)	-	(9,112)
Support services revenue	-	-	1,434,212	-	1,434,212
Assessment for student activity costs	-	-	(341,483)	341,483	-
Assessment for auxiliary fees and debt service	-	-	(4,450,308)	4,450,308	-
Faculty services revenue	-	-	21,215	-	21,215
Assessment for faculty services	-	-	(23,314)	-	(23,314)
Operating support services revenue	-	-	1,529,082	-	1,529,082
Assessment for operating cost	-	-	(664)	-	(664)
Net cash (used in) provided by operating activities	(107,494)	5,367,142	(17,051,295)	-	(11,791,647)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State appropriations	-	-	15,111,777	-	15,111,777
Pell grant revenues	-	-	6,889,801	-	6,889,801
Gift receipts	-	130,000	405,921	-	535,921
William D. Ford direct lending receipts	-	-	17,415,122	-	17,415,122
William D. Ford direct lending payments	-	-	(17,411,047)	-	(17,411,047)
Transfers from Pierpont	29,485	-	-	-	29,485
Transfers to Pierpont	(215,754)	(91,225)	261,857	-	(45,122)
Net cash (used in) provided by noncapital financing activities	(186,269)	38,775	22,673,431	-	22,525,937
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Capital bond proceeds from State	125,603	-	-	-	125,603
E&G capital and debt service support revenue	1,899,408	-	-	-	1,899,408
Payments from Pierpont on debt obligation	284,204	-	-	-	284,204
Fees assessed by the Commission	(75,668)	-	-	-	(75,668)
Purchases of capital assets	(589,906)	(171,091)	(1,439,361)	-	(2,200,358)
Principal paid on leases	-	-	(86,695)	-	(86,695)
Interest paid on leases	-	-	(12,189)	-	(12,189)
Assessment for E&G capital and debt service costs	-	-	(1,986,207)	-	(1,986,207)
Payments to the Commission on debt obligation	(112,602)	-	-	-	(112,602)
Principal paid on bonds	(742,110)	(2,513,823)	(38,093)	-	(3,294,026)
Interest paid on bonds	(169,912)	(2,376,451)	(26,840)	-	(2,573,203)
Bond interest income	2,084	25,281	52,783	-	80,148
Net cash provided by (used in) capital financing activities	621,101	(5,036,084)	(3,536,602)	-	(7,951,585)
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments					
	95,605	245,723	274,827	-	616,155
INCREASE IN CASH AND CASH EQUIVALENTS	422,943	615,556	2,360,361	-	3,398,860
CASH AND CASH EQUIVALENTS — Beginning of year	3,922,018	9,851,382	14,221,032	-	27,994,432
CASH AND CASH EQUIVALENTS — End of year	\$ 4,344,961	\$ 10,466,938	\$ 16,581,393	\$ -	\$ 31,393,292

(Continued)

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2019

	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted, and Other Funds	Total Institution
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:				
Operating (loss) income	\$ (2,164,189)	\$ 3,500,836	\$ (17,922,953)	\$ (16,586,306)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	2,025,783	2,142,476	459,941	4,628,200
Pension expense — special funding situation	-	-	140,139	140,139
OPEB expense — special funding situation	-	56,507	469,039	525,546
Net effect of change in accounting policy	-	-	-	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Receivables — net	164,392	(261,239)	596,550	499,703
Loans to students — net	-	-	-	-
Inventories	-	-	(26,573)	(26,573)
Deferred outflows of resources	6,313	30,952	(280,620)	(243,355)
Other assets	-	-	-	-
Advances from federal sponsors	-	-	(73,265)	(73,265)
Accounts payable	(137,783)	(15,596)	(58,001)	(211,380)
Accrued liabilities	(2,262)	(24,045)	78,692	52,385
Other liabilities	-	-	(4,261)	(4,261)
Compensated absences	-	832	8,244	9,076
Net other postemployment benefits liability	-	(82,937)	(688,430)	(771,367)
Net pension liability	-	-	(135,711)	(135,711)
Deferred inflows of resources	-	61,774	443,856	505,630
Unearned revenue	252	(42,418)	(57,942)	(100,108)
Undistributed receipts (disbursements) — deposits	-	-	-	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (107,494)</u>	<u>\$ 5,367,142</u>	<u>\$ (17,051,295)</u>	<u>\$ (11,791,647)</u>
NONCASH TRANSACTIONS:				
Construction in progress additions in accounts payable	<u>\$ -</u>	<u>\$ 586,543</u>	<u>\$ -</u>	<u>\$ 586,543</u>
Construction in progress additions in retainages payable	<u>\$ -</u>	<u>\$ 30,871</u>	<u>\$ -</u>	<u>\$ 30,871</u>
Transfer from Pierpont (exclusive of \$15,637 of cash)	<u>\$ 373,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373,362</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:				
Cash and cash equivalents classified at current	\$ 4,343,357	\$ 10,454,801	\$ 16,580,993	\$ 31,379,151
Cash and cash equivalents classified at noncurrent	<u>1,604</u>	<u>12,137</u>	<u>400</u>	<u>14,141</u>
	<u>\$ 4,344,961</u>	<u>\$ 10,466,938</u>	<u>\$ 16,581,393</u>	<u>\$ 31,393,292</u>

(Concluded)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2019

INTERNAL FUND: BOG Support

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Function Total
Auxiliary enterprises	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	-
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-
General institutional support	-	-	-	-	-	-	-	-
Student financial aid	-	-	-	-	-	-	-	-
Operation and maintenance	-	-	138,406	-	-	-	-	138,406
Depreciation	-	-	-	-	-	2,025,783	-	2,025,783
Loan cancellations and write-offs	-	-	-	-	-	-	-	-
TOTAL	\$ -	\$ -	\$ 138,406	\$ -	\$ -	\$ 2,025,783	\$ -	\$ 2,164,189

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2019

INTERNAL FUND: AUXILIARY

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Function Total
Auxiliary enterprises	\$ 2,379,212	\$ 414,322	\$ 2,755,821	\$ 962,054	\$ -	\$ -	\$ -	\$ 6,511,409
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	33,221	2,849	21,475	-	-	-	-	57,545
Academic support	-	-	-	-	-	-	-	-
Student services	54,686	22,483	28,516	-	-	-	-	105,685
General institutional support	102,135	29,898	343,936	-	-	-	-	475,969
Student financial aid	-	-	-	-	866,265	-	-	866,265
Operation and maintenance	92,539	24,170	111,703	-	-	-	-	228,412
Depreciation	-	-	-	-	-	2,142,476	-	2,142,476
Loan cancellations and write-offs	-	-	-	-	-	-	118,132	118,132
TOTAL	\$ 2,661,793	\$ 493,722	\$ 3,261,451	\$ 962,054	\$ 866,265	\$ 2,142,476	\$ 118,132	\$ 10,505,893

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2019

INTERNAL FUND: FAIRMONT STATE UNIVERSITY

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Student Activity Costs	Assessment for Auxiliary Fees and Debt Service	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	\$ 931,786	\$ 225,196	\$ 189,504	\$ 230,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,027,514
Instruction	13,485,923	3,014,971	1,920,534	13,870	400	-	-	-	21,084	-	-	-	-	18,456,782
Research	74,080	23,046	17,254	-	-	-	-	-	-	-	-	-	-	114,380
Public service	320,128	52,892	473,623	-	1,536	-	-	-	-	-	-	-	-	848,179
Academic support	2,135,474	475,251	989,726	-	-	-	-	-	-	-	-	-	-	3,600,451
Student services	2,805,023	664,996	1,164,901	-	1,300	-	341,483	-	-	-	-	-	-	4,977,703
General institutional support	2,845,325	840,167	1,799,919	1,259	-	-	-	-	-	-	-	-	-	5,486,670
Student financial aid	166,264	31,363	8,993	-	4,540,214	-	-	-	-	-	-	-	-	4,746,834
Operation and maintenance	1,142,843	358,584	1,749,540	1,298,150	-	-	-	-	-	-	-	-	-	4,549,117
Depreciation	-	-	-	-	-	459,941	-	-	-	-	-	-	-	459,941
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-	-	-	289,709	-	289,709
TOTAL	\$ 23,906,846	\$ 5,686,466	\$ 8,313,994	\$ 1,543,999	\$ 4,543,450	\$ 459,941	\$ 341,483	\$ 4,450,308	\$ 21,084	\$ -	\$ -	\$ 289,709	\$ -	\$ 49,557,280

NOTE TO SCHEDULES
YEAR ENDED JUNE 30, 2019

1. INTERNAL FUND FINANCIAL DATA

The additional information schedules are included to comply with the requirements of the Commission to provide financial information for all internal funds of Fairmont State. This presentation provides financial information for Fairmont State University, Fairmont State Auxiliaries, and Board of Governors Support (BOG Support). The BOG Support internal fund comprises Fairmont State's ownership based on the Separation of Assets and Liabilities Agreement, which was 68.35% as of June 30, 2019. The BOG Support internal fund consists of capital funds for all E&G shared bonding and plant repairs and replacements, plant and other capitalized assets, and grants in support of capital projects.

Financial Schedules - The financial schedules for Fairmont State University, Auxiliary, and BOG Support are driven by rollup of funds to fund type. Separate fund types for each internal fund were established in each net position category (unrestricted, restricted, etc.). This setup has allowed Fairmont State and Pierpont to produce separate financial statements (statements of net position, statements of revenues, expenses, and changes in net position, and natural versus functional classification reports) from a shared financial accounting system. These supplemental schedules are produced as a by-product of the financial reporting system.

The following represents additional footnotes outlining faculty teaching services shared between Fairmont State and Pierpont, services that are charged to both Fairmont State and Pierpont, and student fee distributions. These representations are based on the approved chargeback agreement between Fairmont State and Pierpont and legislative actions:

- a. *Revenues* - State appropriations are allocated by the Legislature each year. Appropriations increased by 3.65% for Fairmont State.

Student fee revenues are directly credited to the appropriate two- and four-year college funds based on the students' program major. Student enrollment drives the fee revenue dollars available to each Institution, as follows:

1. Required auxiliary, capital, and student activity fee revenues are recorded as revenues to the institution in which the student is enrolled. Under the contract agreement, all (100%) of these revenues will be transferred as an expense to the capital, auxiliary, and student activity funds from which the operating, capital, and debt service expenditures are paid (primarily Fairmont State funds). Most of these fees are pledged on revenue bonds and must be transferred to maintain compliance with bond covenants.
2. User fees collected from students of either institution are deposited directly to the appropriate auxiliary revenue account and are not recorded as revenues by separate institutions. Examples of this type of revenue are parking, books, meals, and rent.
3. Grant revenues are deposited in the institution's fund to which the grant was awarded.
4. Student payments made via lockbox, web, etc., are deposited to Fairmont State's clearing fund and are moved daily to the appropriate operating state fund for each institution.

NOTE TO SCHEDULES
YEAR ENDED JUNE 30, 2019

5. Interest income is allocated by the Commission to both institutions based on current allocation methods.

b. *Expenses:*

Direct expenditures:

1. Direct expenditures will be assigned directly to either Fairmont State or Pierpont.
2. Full- and part-time faculty personnel services and fringe benefit expenditures are paid from the institution where the personnel are employed.

Chargeback expenditures:

1. Teaching service expenses are charged back from one institution to the other based on the number of credit hours taught. This chargeback process includes instructional salary and benefit costs. The calculation includes the faculty member's salary and benefit costs, courses taught, the students being taught, and the number of student credit hours being taught. The teaching chargeback services calculations are performed once each semester. The teaching chargeback calculation results in a value allocated for each institution for the credit hours taught to both Pierpont and Fairmont State students.
2. Support service chargebacks are for salary and benefit costs from one institution to the other and/or services provided from the administrative, student service, and physical plant support areas of Fairmont State to Pierpont and vice versa. The salary and benefit chargeback services from each institution to the other for support services are based on the agreed-upon percentage in the chargeback agreement.

Support service chargebacks for adjunct and/or supplemental pay contracts:

Chargebacks at 100% of cost occur when one institution's employee is hired to teach or work part-time by the other institution. This action of chargeback allows the employee to maintain one payroll account and ensures that one W-2 is issued to this employee.

Support services salary and benefit chargebacks are performed monthly and are supported with detailed reports showing employee costs being charged by Pierpont to Fairmont State and vice versa.

3. Operating (nonlabor) expenses for all support offices are charged back based on state code requirements. The organization manager of those offices has budget authority to expend against these budgets during the fiscal year. All unspent budgets at the end of each fiscal year are not carried forward to future fiscal years. Therefore, unspent budget increases the fund balance of both institutions. These fund balances are under the direct control of the respective Presidents of each institution.

NOTE TO SCHEDULES
YEAR ENDED JUNE 30, 2019

4. Support staff actual liability costs:

The liability costs incurred annually from employee benefits provided to support staff, such as retiree health premiums are allocated to the institutions based on the agreed-upon percentage in the chargeback agreement.

5. Support staff accrued liabilities:

Accrued liabilities (net OPEB liability, annual leave, etc.) required to be recorded in the financial statements annually for all support staff are allocated to the institutions based on the agreed-upon percentage in the chargeback agreement.

6. PEIA retiree and severance payables in the current year:

Compensated absences - As of June 30, 2019, PEIA retiree and liabilities are distributed to the component units based on funding source. However, the chargeback agreement for fiscal year 2019 between the institutions reads as follows: Payout of PEIA retiree and severance costs incurred during the year will be allocated to the institutions based on the percentage defined in the chargeback agreement. For fiscal year 2019, the percentages are 30.56% for the two-year institution and 69.44% for the four-year institution.

REQUIRED SUPPLEMENTARY INFORMATION

FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

State Teachers' Retirement System
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Fairmont State's proportion of the net pension liability (asset) (percentage)	0.019626%	0.021664%	0.024067%	0.032680%	0.040054%					
Fairmont State's proportionate share of the net pension liability (asset)	\$ 612,774	\$ 748,485	\$ 989,102	\$ 1,132,445	\$ 1,381,799					
State's proportionate share of the net pension liability (asset)	<u>1,587,733</u>	<u>1,655,218</u>	<u>1,883,975</u>	<u>2,583,977</u>	<u>3,122,299</u>					
Total proportionate share of the net pension liability (asset)	<u>\$ 2,200,507</u>	<u>\$ 2,403,703</u>	<u>\$ 2,873,077</u>	<u>\$ 3,716,422</u>	<u>\$ 4,504,098</u>					
Fairmont State's covered payroll	\$ 576,374	\$ 597,892	\$ 622,017	\$ 988,972	\$ 1,226,834					
Fairmont State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	106.32%	125.19%	159.02%	114.51%	112.63%					
Plan fiduciary net position as a percentage of the total pension liability	71.20%	67.85%	61.42%	66.25%	65.95%					

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Fairmont State should present information for those years for which information is available.

FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2019

State Teachers' Retirement System
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 63,581	\$ 86,001	\$ 89,684	\$ 93,303	\$ 148,605					
Contributions in relation to the contractually required contribution	<u>(63,581)</u>	<u>(86,001)</u>	<u>(89,684)</u>	<u>(93,303)</u>	<u>(148,605)</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Fairmont State's covered payroll	\$ 430,279	\$ 576,374	\$ 597,892	\$ 622,017	\$ 988,972					
Contributions as a percentage of covered payroll	15.00%	15.00%	15.00%	15.00%	15.00%					

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

FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2019

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Fairmont State's proportion of the net OPEB liability (asset) (percentage)	0.387761292%	0.369685982%								
Fairmont State's proportionate share of the net OPEB liability (asset)	\$ 8,319,171	\$ 9,090,538								
State's proportionate share of the net OPEB liability (asset)	<u>1,719,350</u>	<u>1,867,207</u>								
Total proportionate share of the net OPEB liability (asset)	<u>\$ 10,038,521</u>	<u>\$ 10,957,745</u>								
Fairmont State's covered-employee payroll	\$ 19,811,760	\$ 20,782,693								
Fairmont State's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	41.99%	43.74%								
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%								

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Fairmont State should present information for those years for which information is available.

FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2019

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contribution	\$ 826,561	\$ 827,995								
Contributions in relation to the statutorily required contribution	<u>(826,561)</u>	<u>(827,995)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Fairmont State's covered-employee payroll	\$ 19,895,139	\$ 19,811,760								
Contributions as a percentage of covered-employee payroll	4.15%	4.18%								

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2019 AND 2018**

Changes in Assumptions

Amounts reported reflect changes in assumptions to more closely reflect actual experience. Significant changes in assumptions are related to projected salary increases, inflation rate, and mortality tables.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	3.0%	3.0%	3.0%	1.9%	2.2%
Salary Increases	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.
Mortality	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant monthly mortality table. Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	Active: RP2000, non-annuitant monthly mortality table; Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.
Discount Rate	7.5%	7.5%	7.5%	7.5%	7.5%

There are no other significant factors that affect trends in the amounts reported, such as a change of benefit terms or other assumptions. Additional information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report for the corresponding year.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEARS ENDED JUNE 30, 2019 AND 2018**

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the net OPEB liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the net OPEB liability. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the years ended June 30, 2018 and 2017.

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*

Board of Governors
Fairmont State University
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 business-type activities of Fairmont State University (Fairmont State), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fairmont State's financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairmont State'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 Fairmont State's internal control. Accordingly, we do not express an opinion on the effectiveness of Fairmont State'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairmont State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia

October 15, 2019