Fairmont State University

Financial Statements
Years Ended June 30, 2020 and 2019

and

Independent Auditor's Reports

Suttle & Stalnaker | Certified Public Accountants

A Professional Limited Liability Company

FAIRMONT STATE UNIVERSITY

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Suttle & Stalnaker | Certified Public Accountants
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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, 2020 and 2019, 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.

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

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, 2020 and 2019, 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 6 through 20, 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 88 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, 2020, 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 15, 2020

Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2020

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 90% of our students receive some form of scholarship and/or financial aid. Campus activities include more than 50 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, 2020, 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 2020 is the eleventh 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 16, Separation of Assets and Liabilities Agreement, provides additional information about this Agreement and the defining legislation. The fiscal year 2020 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 2020 and 2019.

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 2020 included a decrease in net other postemployment benefits (OPEB) liability and changes in net position.

- The net OPEB liability decreased by $1,936,730 during fiscal year 2020.

- Total net position increased by $5,173,724 or 6.57%. The increase can be attributed to the following:
    - Unrestricted primary operating funds of Fairmont State increased by $4,667,299.
    - Net Investment in Capital Assets increased by $464,603.

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		
	2020	**2019**	**2018**
Assets			
Current Assets	$ 37,424,363	$ 33,650,917	$ 30,142,334
Noncurrent Assets	133,293,952	136,449,098	136,519,489
Total Assets	170,718,315	170,100,015	166,661,823
Deferred Outflows of Resources	1,963,868	2,173,236	1,929,881
Total	$ 172,682,183	$ 172,273,251	$ 168,591,704
Liabilities			
Current Liabilities	$ 13,441,404	$ 13,153,296	$ 10,483,507
Noncurrent Liabilities	72,017,394	77,911,684	82,706,903
Total Liabilities	85,458,798	91,064,980	93,190,410
Deferred Inflows of Resources	3,333,015	2,491,625	1,985,995
Net Position			
Net Investment in Capital Assets	65,372,657	64,908,054	61,341,638
Restricted for:			
Expendable:			
Loans	-	-	8,991
Scholarships	152,398	44,499	37,326
Capital Projects	4,370,551	4,458,022	3,854,474
Debt Service	35,535	14,141	8,821
Total Restricted	4,558,484	4,516,662	3,909,612
Unrestricted (After OPEB)	13,959,229	9,291,930	8,164,049
Total Net Position	83,890,370	78,716,646	73,415,299
Total	$ 172,682,183	$ 172,273,251	$ 168,591,704

- Total current assets increased by $3,773,446 or 11.21%, resulting primarily from an increase in cash and cash equivalents of $3,880,997. The increase in cash was made up of increases in the BOG Support funds of $66,779 and E&G operating fund cash of $4,918,502, while Auxiliary funds decreased by $1,104,284.

- Total noncurrent assets, comprised primarily of capital assets including buildings and equipment, decreased by $3,155,146 or 2.31%. Capital assets, net of depreciation, decreased by $2,942,562, primarily related to depreciation of capital assets. The noncurrent portion of amounts due from Pierpont for debt service decreased by $273,263, while other noncurrent assets increased by $73,618.

- Total deferred outflows of resources decreased by $209,368 or 9.63%, primarily due to GASB Statement No. 75.

- Total current liabilities increased by $288,108 or 2.19%, due primarily to increases in accrued payroll liability of $127,009 and unearned revenues and deposits of $194,210. The increase in accrued payroll liability is primarily related to athletic coach leave changes and payouts. The increase in unearned revenue and deposits is related to the unearned institutional portion of Federal CARES Act revenues.

- Total noncurrent liabilities decreased by $5,894,290 or 7.57%. The decrease is due primarily to principal payments of $3,402,570 made on existing bond debt. The net OPEB liability decreased $1,936,730.

- Total deferred inflows of resources increased by $841,390 or 33.77%.

- 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 $83,890,370 (net position). Of this amount, $13,959,229 (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, 2020:

▪ Auxiliary funds	$ 4,760,702	
▪ Unrestricted, Restricted, and Other funds	9,198,527	(After the net OPEB liability)
	$ 13,959,229	

The unrestricted, restricted, and other funds net position of $9,198,527 includes fund manager funds of $2,471,033. Also, Fairmont State's unrestricted President's control net position amount increased by $5,081,102 to $6,727,494 at June 30, 2020. The change in net position is after the decrease in the net OPEB liability for fiscal year 2020 in the amount of $1,936,730.

Statement of Revenues, Expenses, and Changes in Net Position

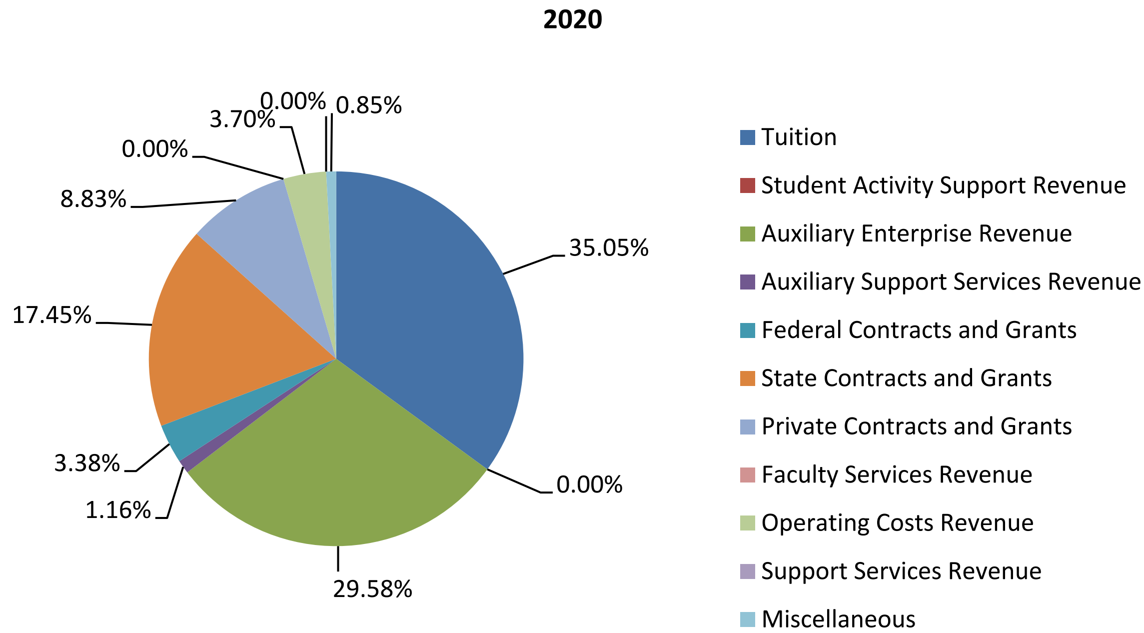
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of Fairmont State for the fiscal year. The purpose of the statement is to present Fairmont State's revenues (operating and nonoperating), expenses (operating and nonoperating), and any other revenues, expenses, 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.

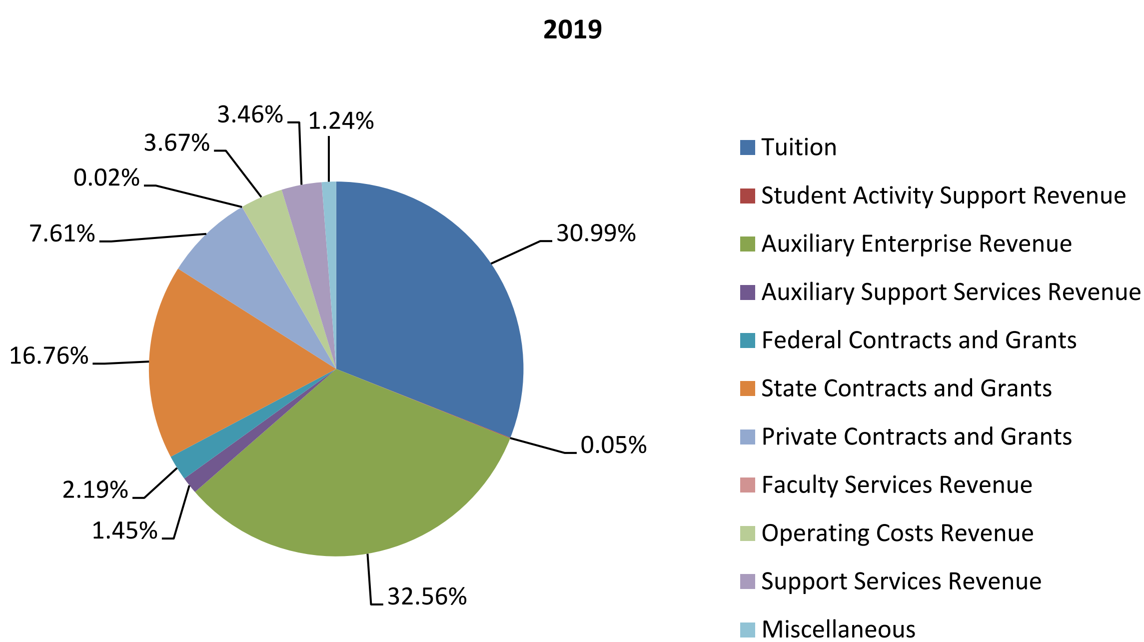
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30:	**2020**	**2019**	**2018**
Operating Revenues	$ 37,146,323	$ 40,849,265	$ 40,535,915
Operating Expenses	57,685,618	57,435,571	59,130,718
Operating Loss	(20,539,295)	(16,586,306)	(18,594,803)
Total Net Nonoperating Revenues	24,713,209	20,523,003	19,095,953
Increase in Net Position before Other Revenues, Expenses, Gains, Losses, and Transfer	4,173,914	3,936,697	501,150
Payments Made and Expenses Incurred by the Commission on Behalf of Fairmont State	39,505	-	153,582
Payments Made and Expenses Incurred on Behalf of Fairmont State	702,323	865,685	733,674
Capital Bond Proceeds from the State	15,478	125,603	-
Increase in Net Position before Transfer	4,931,220	4,927,985	1,388,406
Transfer of Net Position from Pierpont	242,504	373,362	381,828
Increase in Net Position	5,173,724	5,301,347	1,770,234
Net Position – Beginning of Year	78,716,646	73,415,299	71,501,142
Net Effect of Change in Accounting Policy	-	-	143,923
Net Position – Beginning of Year (Restated)	78,716,646	73,415,299	71,645,065
Net Position – End of Year	$ 83,890,370	$ 78,716,646	$ 73,415,299

Operating Revenues:

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





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 $15,109,032, increased by $361,338 or 2.85%. Scholarship allowance decreased by $855,508. The Board of Governors increased Tuition and Required E&G fees for fiscal year 2020 by 2.98% for resident students and 3% for non-resident students at the undergraduate level as well as a 3% increase for both resident and non-resident students at the graduate level. The resident fee increased by $92 to $2,796 for undergraduate and by $110 to $3,388 for graduate. The non-resident fee increased by $225 to $6,633 for undergraduate and by $258 to $7,776 for graduate.

- Federal grant revenues increased by $360,369 or 40.20%. Federal grants active during fiscal year 2020 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).

- State contracts and grants decreased by $362,044 or 5.29%. State contracts and grants include institutional grants from other State agencies and state-funded student financial aid. The primary reason for the decrease was the West Virginia Higher Education Grant due to enrollment decline.

- Private contracts and grants increased by $171,414 or 5.51%. The increase was primarily in Alternative Student Loans, which increased by $124,716.

- Auxiliary enterprise revenue decreased by $2,314,638 or 17.40%. The significant decrease is attributed to the COVID-19 pandemic halting auxiliary operations.

- State appropriations increased by $3,488,564 or 23.09%.

- Pell grant revenues decreased by $386,017 or 5.60%.

- Federal CARES Act revenue increased by $1,126,500.

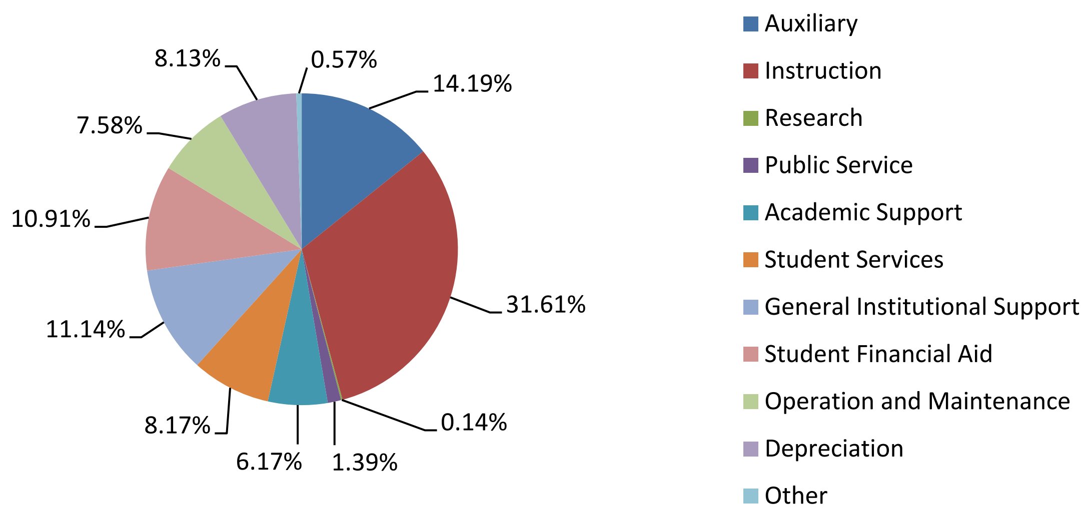
- Investment income decreased by $225,709 or 31.45%.

FUNCTIONAL CLASSIFICATION CHART

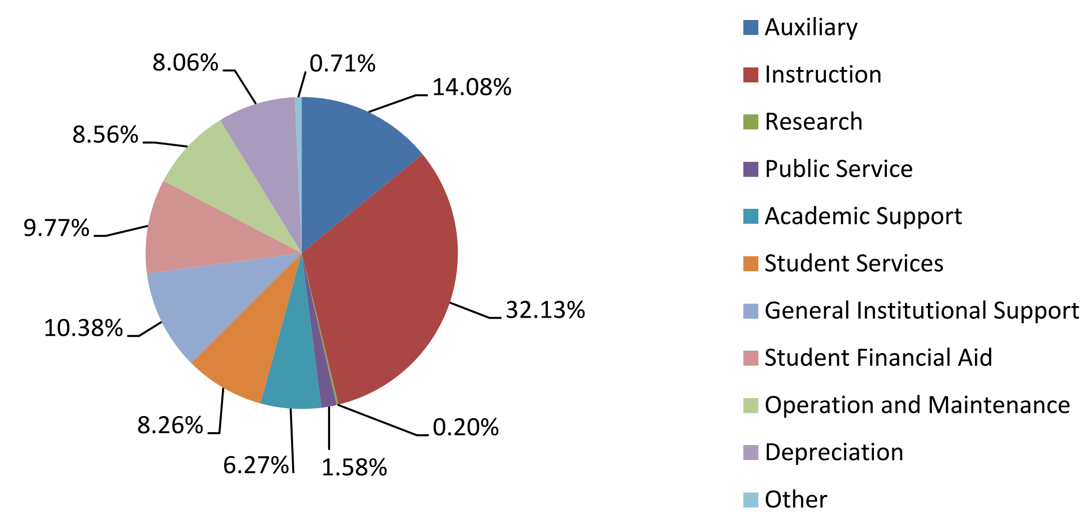
Operating Expenses:

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

2020



2019



Breakdown of Expense by Functional Classification:

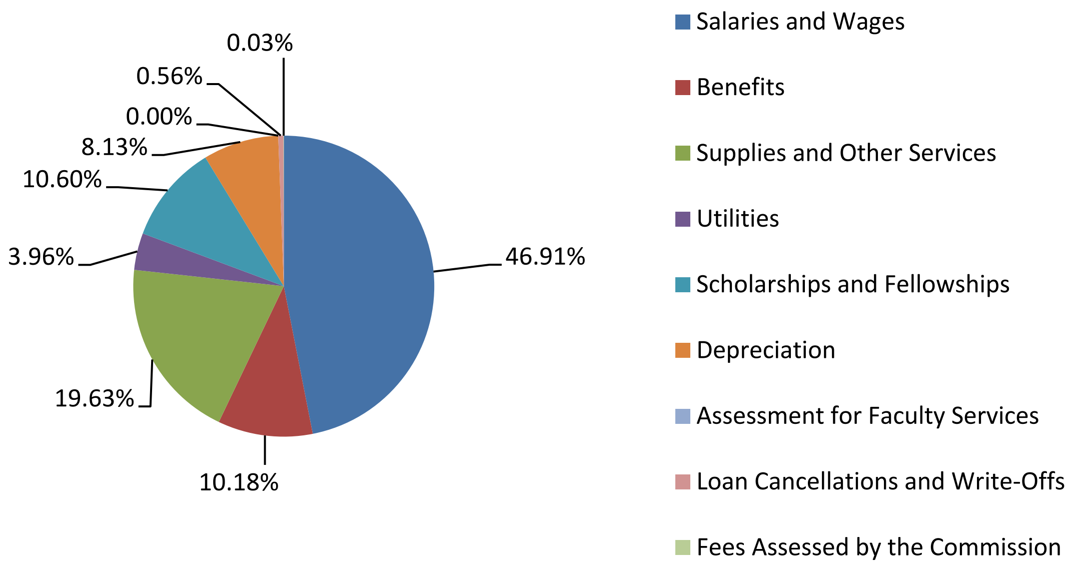
For fiscal year 2020, Fairmont State's total operating expenses were $57,685,618. Instruction expenses totaled $18,235,145 or 31.61% of the total operating budget. The following reflects the amounts and percentages for these expenses:

	2020	%	2019	%	2018	%
Auxiliary	$ 8,188,204	14.19%	$ 8,088,615	14.08%	$ 8,208,076	13.88%
Instruction	18,235,145	31.61%	18,456,782	32.13%	19,355,446	32.73%
Research	77,610	0.14%	114,380	0.20%	113,336	0.19%
Public service	803,134	1.39%	905,724	1.58%	866,723	1.47%
Academic support	3,560,635	6.17%	3,600,451	6.27%	4,131,270	6.99%
Student services	4,710,265	8.17%	4,741,905	8.26%	5,144,166	8.70%
General institutional support	6,427,042	11.14%	5,962,639	10.38%	5,648,949	9.55%
Student financial aid	6,295,155	10.91%	5,613,099	9.77%	5,716,828	9.67%
Operation and maintenance	4,375,034	7.58%	4,915,935	8.56%	5,152,166	8.71%
Depreciation	4,692,517	8.13%	4,628,200	8.06%	4,534,488	7.67%
Other	320,877	0.57%	407,841	0.71%	259,270	0.44%
Total	$ 57,685,618	100.00%	$ 57,435,571	100.00%	$ 59,130,718	100.00%

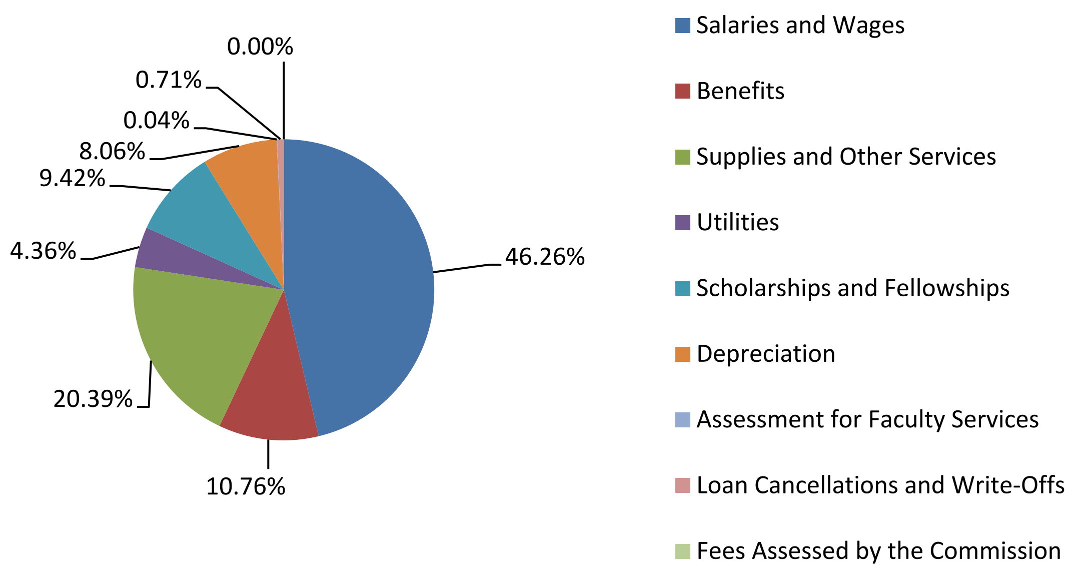
NATURAL CLASSIFICATION CHARTS

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

2020



2019



Breakdown of Expenses by Natural Classification:

For fiscal year 2020, Fairmont State's total operating expenses were $57,685,618. A major portion of the total operating expenses is for salaries, wages, and benefits amounting to $32,929,529 or 57.09%. The following reflects the amounts and percentages for the expenses:

	2020	%	2019	%	2018	%
Salaries and wages	$ 27,059,364	46.91%	$ 26,568,639	46.26%	$ 26,715,443	45.17%
Benefits	5,870,165	10.18%	6,180,188	10.76%	6,627,945	11.21%
Supplies and other services	11,325,034	19.63%	11,713,851	20.39%	12,108,491	20.48%
Utilities	2,286,286	3.96%	2,506,053	4.36%	2,765,164	4.68%
Scholarships and fellowships	6,115,813	10.60%	5,409,715	9.42%	5,508,804	9.32%
Depreciation	4,692,517	8.13%	4,628,200	8.06%	4,534,488	7.67%
Assessment for faculty services	-	0.00%	21,084	0.04%	199,231	0.34%
Assessment for operating costs	-	0.00%	-	0.00%	58,548	0.10%
Assessment for support services	-	0.00%	-	0.00%	173,619	0.29%
Loan cancellations and write-offs	320,877	0.56%	407,841	0.71%	259,270	0.44%
Fees assessed by the Commission	15,562	0.03%	-	0.00%	179,715	0.30%
Total	$ 57,685,618	100.00%	$ 57,435,571	100.00%	$ 59,130,718	100.00%

- Salaries and wages increased by $490,725 or 1.85%.

    - In fiscal year 2020, an across-the-board 2% raise was given, effective August 3, 2019, to all employees who were employed at December 31, 2018.

- Benefits decreased by $310,023 or 5.02%.

- Supplies and other services expense decreased by $388,817 or 3.32%.

- Utilities decreased by $219,767 or 8.77%.

- Student financial aid expense increased by $706,098 or 13.05%. Gross scholarships and fellowships decreased by $149,410.

- Depreciation expense increased by $64,317 or 1.39% and was 8.13% of total operating expenses.

- Total assessment for faculty services decreased by $21,084 or 100%.

- Loan cancellations and write-offs decreased by $86,964 or 21.32%.

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:

	2020	2019	2018
Cash Provided By (Used In)			
Operating Activities	$ (15,930,975)	$ (11,791,647)	$ (14,318,787)
Noncapital Financing Activities	26,739,213	22,525,937	21,507,907
Capital and Financing Related Activities	(7,422,495)	(7,951,585)	(8,694,958)
Investing Activities	482,315	616,155	385,678
Net Change in Cash and Cash Equivalents	3,868,058	3,398,860	(1,120,160)
Cash - Beginning of Year	31,393,292	27,994,432	29,114,592
Cash - End of Year	$ 35,261,350	$ 31,393,292	$ 27,994,432

Major sources of funds included in operating activities consist of tuition and fees of $12,639,976, contracts and grants of $11,223,030, and auxiliary enterprise charges of $11,281,585. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to $33,031,238, payments to suppliers amounting to $11,844,112, and payments for scholarships and fellowships of $6,115,813.

Major sources of cash flow provided from noncapital financing activities consist of State appropriations amounting to $18,600,341, Federal Pell grant revenues of $6,503,784, and Federal CARES Act revenues of $1,126,500.

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 $1,172,313. The major uses of funds under this category were for the purchase of capital assets in the amount of $1,451,631 and for payment of principal and interest on bonds of $3,402,570 and $2,609,483, 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 $75,000 in fiscal year 2020.

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 2020 amounted to $3,402,570. The current portion of bonds payable due in fiscal year 2020 is $3,621,229 and the noncurrent portion of bonds payable is $63,475,018.

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 2020, 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, 2020 was $1,089,563. As of June 30, 2020, the current portion due to Commission was $134,134, and the noncurrent portion was $955,429.

Economic Outlook

Fiscal year 2021 brings much uncertainty to the higher education front, with the ongoing pandemic adding further woes to the already unfavorable enrollment outlook across the nation. Fairmont State is proud to say it is holding strong and continues to weather the storm. To provide support to our students who may already be struggling financially, Fairmont State chose not to increase tuition and fees or room and board fees for fiscal year 2021. We also did not reduce our scholarship offerings or modify our Education and General budgets for fiscal year 2021. Fall enrollments remain strong as we cautiously approach the Spring term. Adjustments to the academic calendar in an effort to protect the students and staff allowed Fairmont State to implement a 5-week, fully virtual Winter term. This new term will not only allow Fairmont State students more flexibility in their schedule, but will allow students at other institutions to add additional electives or credit hours to maintain scholarships. Interest in this new term is growing daily.

Fairmont State bonded auxiliary facilities were challenged to maintain high revenue generation for the spring term, as the COVID-19 pandemic forced the closure of campus in March. This closure resulted in the refunding of 50% of housing and meal plan bonded revenues assessed for the spring term. Fairmont State recognized funds from the Federal CARES Act to partially support the loss of these revenues. However, because CARES Act funds are nonoperating, they are not considered in the calculation of debt service coverage listed below. Despite these hurdles, Fairmont State maintained debt service coverage ratios that continue to be well above the required level of 100% of operating revenues, as depicted in the chart below, and finished the year with an increase in the net position of the bond segments.

	Debt Coverage Ratios	Ending Balance
June 30, 2019	271%	$22,136,481
June 30, 2020	180%	$22,590,111

Challenges due to the pandemic continue to affect the auxiliaries in fiscal year 2021, but shifts in operations to reduce expenses will ensure the auxiliaries remain stable. Existing reserves provide the ability to support the continued repair and maintenance of facilities.

Fairmont State's unofficial Fall 2020 enrollment reflects a slight increase over last Fall, which is an incredible feat in the current climate of higher education. Fairmont State continues to focus efforts on retention and success of its students. Fairmont State's implementation of a metro rate option for out-of-state students in the contiguous states and the District of Columbia this Fall 2020 (fiscal year 2021) was not able to provide the level of effectiveness expected due to the pandemic. Students are choosing to stay closer to home during this uncertain time, which provided an opportunity for Fairmont State to grow its market share locally. Fairmont State strives to respond to the needs of today's job market by investing in relevant and desirable programs, such as Cybersecurity. Through work to develop a Security Operations Center, Fairmont State's goal is to provide hands-on training to students and ensure they are job-ready upon graduation.

Fairmont State will continue to monitor its 2021 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 56 - 57 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 $6,382,441. This places Fairmont State with unrestricted reserves of $20,341,670 at the end of fiscal year 2020. The net position amount is broken down as follows:

Unrestricted Designated for Auxiliaries	$ 5,446,949
Unrestricted Designated for Fund Managers	2,471,033
Unrestricted Undesignated	12,423,688
Total Unrestricted	$ 20,341,670

STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 35,260,148	$ 31,379,151
Accounts receivable — net	1,691,344	1,794,564
Due from Pierpont for debt service — current portion	248,124	246,925
Inventories	168,819	182,466
Other current assets	55,928	47,811
Total current assets	37,424,363	33,650,917
NONCURRENT ASSETS:		
Cash and cash equivalents	1,202	14,141
Due from Pierpont for debt service	2,046,141	2,319,404
Other noncurrent assets	345,381	271,763
Capital assets — net	130,901,228	133,843,790
Total noncurrent assets	133,293,952	136,449,098
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to net pension liability	68,778	87,027
Deferred outflows relating to net OPEB liability	1,054,290	1,175,178
Deferred loss on refunding	840,800	911,031
Total deferred outflows of resources	1,963,868	2,173,236
TOTAL	$ 172,682,183	$ 172,273,251

(Continued)

STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2020	2019
CURRENT LIABILITIES:		
Accounts payable	$ 886,454	$ 1,208,514
Due to the Commission	-	5,500
Accrued liabilities — payroll	3,703,396	3,576,387
Accrued interest payable	209,734	217,593
Retainages payable	34,571	30,871
Unearned revenue and deposits	3,629,523	3,435,313
Compensated absences — current portion	1,131,948	920,089
Capital leases — current portion	90,415	88,535
Debt obligation to the Commission — current portion	134,134	127,961
Bonds payable — current portion	3,621,229	3,542,533
Total current liabilities	13,441,404	13,153,296
NONCURRENT LIABILITIES:		
Net other postemployment benefits liability	6,382,441	8,319,171
Compensated absences	424,164	356,543
Capital leases	352,840	443,256
Debt obligation due to the Commission	955,429	1,083,695
Bonds payable	63,475,018	67,096,245
Net pension liability	427,502	612,774
Total noncurrent liabilities	72,017,394	77,911,684
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to net pension liability	390,036	413,312
Deferred inflows relating to net OPEB liability	2,942,979	2,078,313
Total deferred inflows of resources	3,333,015	2,491,625
NET POSITION:		
Net investment in capital assets	65,372,657	64,908,054
Restricted for — expendable:		
Scholarships	152,398	44,499
Capital projects	4,370,551	4,458,022
Debt service	35,535	14,141
Total restricted	4,558,484	4,516,662
Unrestricted	13,959,229	9,291,930
Total net position	83,890,370	78,716,646
TOTAL	$ 172,682,183	$ 172,273,251

(Concluded)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $15,109,032 and $15,964,540 in 2020 and 2019, respectively	$ 13,019,238	$ 12,657,900
Student activity support revenue	1,627	22,362
Auxiliary enterprise revenue	10,986,379	13,301,017
Auxiliary support services revenue	429,868	591,456
Contracts and grants:		
Federal	1,256,866	896,497
State	6,483,578	6,845,622
Private	3,280,041	3,108,627
Faculty services revenue	-	9,955
Operating costs revenue	1,373,901	1,500,375
Support services revenue	-	1,412,262
Miscellaneous — net	314,825	503,192
Total operating revenues	37,146,323	40,849,265
OPERATING EXPENSES:		
Salaries and wages	27,059,364	26,568,639
Benefits	5,870,165	6,180,188
Supplies and other services	11,325,034	11,713,851
Utilities	2,286,286	2,506,053
Student financial aid — scholarships and fellowships	6,115,813	5,409,715
Depreciation	4,692,517	4,628,200
Assessment for faculty services	-	21,084
Loan cancellations and write-offs	320,877	407,841
Fees assessed by the Commission for operations	15,562	-
Total operating expenses	57,685,618	57,435,571
OPERATING LOSS	(20,539,295)	(16,586,306)

(Continued)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
NONOPERATING REVENUES (EXPENSES):		
State appropriations	18,600,341	15,111,777
Pell grant revenues	6,503,784	6,889,801
Federal CARES Act revenue	1,126,500	-
E&G capital and debt service support revenue	332,889	541,836
Fees assessed to Pierpont for debt service	67,257	75,031
Investment income	491,865	717,574
Gifts	524,903	531,070
Interest on indebtedness	(2,477,843)	(2,593,442)
Loss on disposal of capital assets	(19,388)	(46,341)
Assessment for E&G capital and debt service costs	(382,089)	(628,635)
Fees assessed by the Commission for debt service	(55,010)	(75,668)
Net nonoperating revenues	24,713,209	20,523,003
INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFER	4,173,914	3,936,697
PAYMENTS MADE AND EXPENSES INCURRED BY THE COMMISSION ON BEHALF OF FAIRMONT STATE	39,505	-
PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF FAIRMONT STATE	702,323	865,685
CAPITAL BOND PROCEEDS FROM THE STATE	15,478	125,603
INCREASE IN NET POSITION BEFORE TRANSFER	4,931,220	4,927,985
TRANSFER OF NET POSITION FROM PIERPONT	242,504	373,362
INCREASE IN NET POSITION	5,173,724	5,301,347
NET POSITION — Beginning of year	78,716,646	73,415,299
NET POSITION — End of year	$ 83,890,370	$ 78,716,646

(Concluded)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 12,639,976	$ 14,966,888
Contracts and grants	11,223,030	11,210,651
Payments to and on behalf of employees	(33,031,238)	(32,641,537)
Payments to suppliers	(11,844,112)	(16,179,215)
Payments to utilities	(2,286,286)	(2,567,832)
Payments for scholarships and fellowships	(6,115,813)	(3,212,676)
Auxiliary enterprise charges	11,281,585	12,886,643
Fees assessed by the Commission	(15,562)	-
Other receipts — net	412,049	180,194
Student activity support revenue	1,627	22,362
Auxiliary fees and debt service support revenue	429,868	591,456
Assessment for support services	-	(9,112)
Support services revenue	-	1,434,212
Faculty services revenue	-	21,215
Assessment for faculty services	-	(23,314)
Operating support services revenue	1,373,901	1,529,082
Assessment for operating cost	-	(664)
Net cash used in operating activities	(15,930,975)	(11,791,647)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	18,600,341	15,111,777
Pell grant revenues	6,503,784	6,889,801
Federal CARES Act revenue	1,126,500	-
Gift receipts	524,903	535,921
William D. Ford direct lending receipts	16,306,014	17,415,122
William D. Ford direct lending payments	(16,306,014)	(17,411,047)
Transfers from Pierpont	23,521	29,485
Transfers to Pierpont	(39,836)	(45,122)
Net cash provided by noncapital financing activities	26,739,213	22,525,937
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital bond proceeds from State	15,478	125,603
E&G capital and debt service support revenue	1,172,313	1,899,408
Payments from Pierpont on debt obligation	272,064	284,204
Fees assessed to Pierpont for debt service	67,257	-
Fees assessed by the Commission	(55,010)	(75,668)
Purchases of capital assets	(1,451,631)	(2,200,358)
Principal paid on leases	(88,536)	(86,695)
Interest paid on leases	(8,321)	(12,189)
Assessment for E&G capital and debt service costs	(1,221,513)	(1,986,207)
Payments to the Commission on debt obligation	(122,093)	(112,602)
Principal paid on bonds	(3,402,570)	(3,294,026)
Interest paid on bonds	(2,609,483)	(2,573,203)
Bond interest income	9,550	80,148
Net cash used in capital financing activities	(7,422,495)	(7,951,585)

(Continued)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments	482,315	616,155
INCREASE IN CASH AND CASH EQUIVALENTS	3,868,058	3,398,860
CASH AND CASH EQUIVALENTS — Beginning of year	31,393,292	27,994,432
CASH AND CASH EQUIVALENTS — End of year	$ 35,261,350	$ 31,393,292
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (20,539,295)	$ (16,586,306)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	4,692,517	4,628,200
Loss from disposal of capital assets	(19,388)	-
Pension expense — special funding situation	115,380	140,139
OPEB expense — special funding situation	386,943	525,546
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables — net	84,832	499,703
Inventories	13,647	(26,573)
Deferred outflows of resources	209,368	(243,355)
Advances from federal sponsors	-	(73,265)
Accounts payable	(390,907)	(211,380)
Accrued liabilities	119,150	52,385
Retainages payable	3,700	-
Unearned revenue and deposits	394,210	(100,108)
Other liabilities	-	(4,261)
Compensated absences	279,480	9,076
Net other postemployment benefits liability	(1,936,730)	(771,367)
Net pension liability	(185,272)	(135,711)
Deferred inflows of resources	841,390	505,630
NET CASH USED IN OPERATING ACTIVITIES	$ (15,930,975)	$ (11,791,647)
NONCASH TRANSACTIONS:		
Construction in progress additions in accounts payable	$ -	$ 586,543
Construction in progress additions in retainages payable	$ 34,571	$ 30,871
Transfer from Pierpont (exclusive of $16,315 and $15,637 of cash in 2020 and 2019, respectively)	$ 242,504	$ 373,362
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and cash equivalents classified as current	$ 35,260,148	$ 31,379,151
Cash and cash equivalents classified as noncurrent	1,202	14,141
	$ 35,261,350	$ 31,393,292

(Concluded)

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.

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, 2020 and 2019.

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.

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.wvbti.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.

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 for the years ended June 30, 2020 and 2019. 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.

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.

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 2020 and 2019, Fairmont State received and disbursed approximately $16.3 million and $17.4 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 2020 and 2019, Fairmont State received and disbursed $6.8 million and $7.1 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by GASB - Fairmont State implemented GASB Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2019. 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. The adoption of GASB Statement No. 90 had no impact on the June 30, 2020 financial statements.

Fairmont State also implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing for one year the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Providing governments with sufficient time to apply the authoritative guidance addressed in this Statement will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements. The adoption of GASB Statement No. 95 by Fairmont State extended the implementation date of all statements through GASB Statement No. 94.

Recent Statements Issued by GASB - GASB has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. 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 June 15, 2021. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020. 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.

GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. 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.

GASB has also issued Statement No. 92, *Omnibus 2020,* which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

GASB has also issued Statement No. 93, *Replacement of Interbank Offered Rates.* The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has also issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* which is effective for fiscal years beginning after June 15, 2023. The requirements of this Statement will improve financial reporting by establishing the definitions of Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

GASB has also issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITA) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. Fairmont State has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*, which is effective immediately for certain provisions, and for the other provisions, is effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The portion of GASB Statement No. 97 that was implemented during the current fiscal year had no impact on the June 30, 2020 financial statements. Fairmont State has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2020 and 2019, was held as follows:

	2020		
	Current	Noncurrent	Total
State Treasurer/BTI	$ 34,883,900	$ -	$ 34,883,900
Trustee	-	1,202	1,202
In bank	373,883	-	373,883
On hand	2,365	-	2,365
	$ 35,260,148	$ 1,202	$ 35,261,350

	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	2,365	-	2,365
	$ 31,379,151	$ 14,141	$ 31,393,292

Cash held by the Treasurer includes no restricted cash at June 30, 2020 and 2019.

The combined carrying amount of cash in the bank at June 30, 2020 and 2019 was $373,883 and $313,949, respectively, as compared with the combined bank balance of $718,630 and $163,658, 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.

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Amounts with the State Treasurer were $34,883,900 and $31,062,837 as of June 30, 2020 and 2019, respectively. Of these amounts, $31,599,019 and $28,130,979 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2020 and 2019, respectively. The remainder of the cash held with the State Treasurer was not invested as of June 30, 2020 and 2019.

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:

	2020		2019	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	$ 30,849,893	AAAm	$ 27,480,556	AAAm
WV Short Term Bond Pool	749,126	Not Rated	650,423	Not Rated

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:

	2020		2019	
External Pool	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	$ 30,849,893	44	$ 27,480,556	42

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

	2020		2019	
External Pool	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	$ 749,126	620	$ 650,423	723

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.

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 and 2019, are as follows:

	2020	2019
Student tuition and fees - net of allowance for doubtful accounts of $4,079,089 and $3,758,213, respectively	$ 954,667	$ 1,142,465
Grants and contracts receivable	362,680	187,461
Due from the Commission	104,999	75,062
Due from other State agencies	15,478	134,236
Due from Pierpont	70,836	163,633
Other accounts receivable	182,684	91,707
	$ 1,691,344	$ 1,794,564

5. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2020 and 2019 are as follows:

	2020				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 7,932,173	$ -	$ -	$ -	$ 7,932,173
Construction in progress	766,628	807	889,690	(248,129)	1,408,996
Total capital assets not being depreciated	$ 8,698,801	$ 807	$ 889,690	$ (248,129)	$ 9,341,169
Other capital assets:					
Land improvements	$ 5,604,047	$ 11,236	$ -	$ -	$ 5,615,283
Infrastructure	10,884,339	58,423	-	-	10,942,762
Buildings	166,458,981	353,687	233,298	-	167,045,966
Equipment	7,390,428	4,198	628,207	(522,713)	7,500,120
Computer software	441,342	-	13,288	(31,850)	422,780
Library books	3,670,293	-	13,502	(4,321)	3,679,474
Total other capital assets	194,449,430	427,544	888,295	(558,884)	195,206,385
Less accumulated depreciation for:					
Land improvements	4,042,223	5,702	272,318	-	4,320,243
Infrastructure	9,469,709	50,875	622,792	-	10,143,376
Buildings	46,715,477	127,507	3,213,416	-	50,056,400
Equipment	5,046,973	3,128	545,362	(501,673)	5,093,790
Computer software	408,219	-	19,441	(31,850)	395,810
Library books	3,621,840	-	19,188	(4,321)	3,636,707
Total accumulated depreciation	69,304,441	187,212	4,692,517	(537,844)	73,646,326
Other capital assets - net	$125,144,989	$ 240,332	$ (3,804,222)	$ (21,040)	$121,560,059
Capital asset summary:					
Capital assets not being depreciated	$ 8,698,801	$ 807	$ 889,690	$ (248,129)	$ 9,341,169
Other capital assets	194,449,430	427,544	888,295	(558,884)	195,206,385
Total cost of capital assets	203,148,231	428,351	1,777,985	(807,013)	204,547,554
Less accumulated depreciation	69,304,441	187,212	4,692,517	(537,844)	73,646,326
Capital assets - net	$133,843,790	$ 241,139	$(2,914,532)	$ (269,169)	$130,901,228

5. CAPITAL ASSETS (CONTINUED)

	2019				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 7,932,173	$ -	$ -	$ -	$ 7,932,173
Construction in progress	358,804	917	1,622,351	(1,215,444)	766,628
Total capital assets not being depreciated	$ 8,290,977	$ 917	$ 1,622,351	$ (1,215,444)	$ 8,698,801
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	2,486,901	1,178,928	17,664	(13,200)	3,670,293
Total other capital assets	189,371,506	1,805,722	4,186,682	(914,480)	194,449,430
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	2,450,866	1,161,847	22,327	(13,200)	3,621,840
Total accumulated depreciation	64,121,442	1,405,469	4,628,200	(850,670)	69,304,441
Other capital assets - net	$ 125,250,064	$ 400,253	$ (441,518)	$ (63,810)	$125,144,989
Capital asset summary:					
Capital assets not being depreciated	$ 8,290,977	$ 917	$ 1,622,351	$ (1,215,444)	$ 8,698,801
Other capital assets	189,371,506	1,805,722	4,186,682	(914,480)	194,449,430
Total cost of capital assets	197,662,483	1,806,639	5,809,033	(2,129,924)	203,148,231
Less accumulated depreciation	64,121,442	1,405,469	4,628,200	(850,670)	69,304,441
Capital assets - net	$ 133,541,041	$ 401,170	$ 1,180,833	$ (1,279,254)	$133,843,790

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’s construction commitments were $158,348 and 332,771 as of June 30, 2020 and 2019, respectively.

6. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2020, and 2019 are as follows:

	2020					
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 68,661,014	$ -	$ -	$ (3,402,570)	$ 65,258,444	$ 3,481,268
Add (less) deferred amounts:						
Premium on issuance	1,977,764	-	-	(139,961)	1,837,803	139,961
Total bonds payable - net	70,638,778	-	-	(3,542,531)	67,096,247	3,621,229
Capital leases payable	531,791	-	-	(88,536)	443,255	90,415
Other long-term liabilities:						
Net other postemployment benefits liability	8,319,171	-	393,691	(2,330,421)	6,382,441	-
Accrued compensated absences	1,276,632	-	991,530	(712,050)	1,556,112	1,131,948
Payable to the Commission	1,211,656	5,866	-	(127,959)	1,089,563	134,134
Net pension liability	612,774	-	25,534	(210,806)	427,502	-
Total long-term liabilities	$ 82,590,802	$ 5,866	$ 1,410,755	$ (7,012,303)	$ 76,995,120	$ 4,977,726

*Transfers represent the ownership change from FY19 to FY20

	2019					
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 71,955,040	$ -	$ -	$ (3,294,026)	$ 68,661,014	$ 3,402,572
Add (less) deferred amounts:						
Premium on issuance	2,117,727	-	-	(139,963)	1,977,764	139,961
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	4,261	-	-	(4,261)	-	-
Total long-term liabilities	$ 87,199,616	$ 9,040	$ 1,894,541	$ (6,512,395)	$ 82,590,802	$ 4,679,118

*Transfers represent the ownership change from FY18 to FY19

7. BONDS PAYABLE

Bonds payable at June 30, 2020 and 2019, are summarized as follows (in thousands):

	Interest Rates	Annual Principal Installments	2020 Principal Outstanding	2019 Principal Outstanding
Facilities Improvement Revenue Bonds				
2006 Series, due through 2026	1.74% (10-year reset)	$343 - $611	$ 3,173	$ 3,671
Revenue Refunding Bonds				
2012, Series A, due through 2032	2.00 - 5.00	730 - 1,155	13,770	14,675
Revenue Refunding Bonds				
2012, Series B, due through 2032	2.00 - 5.00	1,080 - 1,720	20,545	21,915
Revenue Refunding Bonds				
2015, Series A, due through 2045	1.75 - 5.00	580 - 1,665	27,770	28,400
Total outstanding principal			65,258	68,661
Add unamortized bond premium			1,838	1,978
Total			$ 67,096	$ 70,639
Current			$ 3,621	$ 3,543
Noncurrent			63,475	67,096
Total			$ 67,096	$ 70,639

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.

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, 2020 and 2019, Fairmont State and Pierpont had gross revenues that approximated 180% and 271%, respectively, of the maximum annual debt service of the 2012 Series A and B and 2015 Series A Bonds.

7. BONDS PAYABLE (CONTINUED)

Future debt service requirements to maturity for the revenue bonds at June 30, 2020, are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	$ 3,481,268	$ 2,459,391	$ 5,940,659
2022	3,595,113	2,350,752	5,945,865
2023	3,754,116	2,187,750	5,941,866
2024	3,923,275	2,017,090	5,940,365
2025	4,057,595	1,890,771	5,948,366
2026-2030	20,027,077	7,436,741	27,463,818
2031-2035	12,240,000	3,716,300	15,956,300
2036-2040	6,440,000	2,193,563	8,633,563
2041-2045	7,740,000	892,313	8,632,313
Total	$ 65,258,444	$ 25,144,671	$ 90,403,115

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, 2020, are as follows:

Years Ending June 30,	
2021	$ 194,536
2022	192,299
2023	96,048
Total	$ 482,833

Total lease expense for the years ended June 30, 2020 and 2019, was $195,506 and $196,397, respectively. Fairmont State does not have any noncancelable leases.

8. LEASES (CONTINUED)

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

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 $485,960 as of June 30, 2020. Future annual minimum lease payments on capital leases for years subsequent to June 30, 2020, are as follows:

Years Ending June 30,	Principal	Interest	Total
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
2025	69,907	599	70,506
Total	$ 443,255	$ 22,787	$ 466,042

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 years ended June 30, 2020 and 2019:

	2020	2019
Net OPEB liability	$ 6,382,441	$ 8,319,171
Deferred outflows of resources	1,054,290	1,175,178
Deferred inflows of resources	2,942,979	2,078,313
Revenues	386,943	525,546
OPEB expense	(26,842)	763,861
Contributions made by Fairmont State	799,951	826,561

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

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, 2019 and 2018 were:

	2019	2018
Paygo premium	$ 183	$ 177

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, 2020, 2019, and 2018, were $799,951, $826,561, and $827,995, respectively.

Assumptions

The June 30, 2020 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2018 and rolled forward to June 30, 2019. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.75%.
- Wage inflation rate: 4.00%.

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Asset valuation method: Investments are reported at fair (market) value.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition.
- Aging factors: Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”.
- Mortality rates based on RP-2000 Mortality Tables.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

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 actuarial valuation of June 30, 2017 and a measurement date of June 30, 2019. The net effect of assumptions changes to the State OPEB plan was approximately $236 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate $11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate $224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total 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.

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 rates of return 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 rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan’s investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The target allocation and estimates of annualized long-term expected returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	49.5%	4.8%
Core plus fixed income	13.5%	2.1%
Core real estate	9.0%	4.1%
Hedge fund	9.0%	2.4%
Private equity	9.0%	6.8%
Cash and cash equivalents	10.0%	0.3%

Real returns by asset class, as shown in the above tables, were estimated using a static inflation assumption of 2.0%. Consequently, real returns may not reflect the potential volatility of inflation by asset class.

Discount rate. A single discount rate of 7.15% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, 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. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability did not change from the June 30, 2017 valuation to the June 30, 2018 valuation.

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, 2020 and 2019 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 2020	$ 7,617,251	$ 6,382,441	$ 5,349,108
Net OPEB liability 2019	9,777,529	8,319,171	7,103,472

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, 2020 and 2019 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 2020	$ 5,146,514	$ 6,382,441	$ 7,882,232
Net OPEB liability 2019	6,883,665	8,319,171	10,068,284

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

The June 30, 2020 net OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. 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.

At June 30, 2020, Fairmont State's proportionate share of the net OPEB liability was $7,688,573. Of this amount, Fairmont State recognized $6,382,441 as its proportionate share on the statement of net position. The remainder of $1,306,132 denotes Fairmont State's proportionate share of net OPEB liability attributable to the special funding.

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.

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, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, Fairmont State's proportion was 0.384685313%, a decrease of 0.003075979% from its proportion of 0.387761292% calculated as of June 30, 2018. 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.

For the year ended June 30, 2020, Fairmont State recognized OPEB expense of $(26,842). Of this amount, $(413,785) was recognized as Fairmont State's proportionate share of OPEB expense and $386,943 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of $386,943 for support provided by the State.

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.

At June 30, 2020, and 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 744,373
Changes in proportion and differences between employer contributions and proportionate share of contributions	252,764	663,632
Net difference between projected and actual investment earnings	-	68,852
Changes in assumptions	-	1,294,408
Reallocation of opt-out employer change in proportionate share	1,575	171,714
Contributions after the measurement date	799,951	-
Total	$ 1,054,290	$ 2,942,979

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
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	826,561	-
Total	$ 1,175,178	$ 2,078,313

Fairmont State will recognize the $799,951 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Amortization
2021	$ (1,035,152)
2022	(1,032,859)
2023	(629,881)
2024	9,252
	$ (2,688,640)

Payables to the OPEB Plan

Fairmont State did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2020 and 2019.

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.

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 2020 and 2019, Fairmont State reduced its debt to the Commission against the debt obligation by $122,093 and $112,602, respectively. The amount due to Commission at June 30, 2020 and 2019 is $1,089,563 and $1,211,656, respectively.

11. NET POSITION

Fairmont State's net position at June 30, 2020 and 2019 includes certain designated net position, as follows:

	2020		
	Net Position Before Net OPEB Liability	Net OPEB Liability	Total Net Position
Net investment in capital assets	$ 65,372,657	$ -	$ 65,372,657
Restricted for - expendable:			
Scholarships	152,398	-	152,398
Capital projects	4,370,551	-	4,370,551
Debt service	35,535	-	35,535
Total restricted	4,558,484	-	4,558,484
Unrestricted:			
Designated for auxiliaries	5,446,949	686,247	4,760,702
Designated for fund managers	2,471,033	-	2,471,033
Undesignated	12,423,688	5,696,194	6,727,494
Total unrestricted	20,341,670	6,382,441	13,959,229
Total net position	$ 90,272,811	$ 6,382,441	$ 83,890,370

11. NET POSITION (CONTINUED)

	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:			
Scholarships	44,499	-	44,499
Capital projects	4,458,022	-	4,458,022
Debt service	14,141	-	14,141
Total restricted	4,516,662	-	4,516,662
Unrestricted:			
Designated for auxiliaries	6,280,658	894,487	5,386,171
Designated for fund managers	2,259,367	-	2,259,367
Undesignated	9,071,076	7,424,684	1,646,392
Total unrestricted	17,611,101	8,319,171	9,291,930
Total net position	$ 87,035,817	$ 8,319,171	$ 78,716,646

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.

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, 2020 and 2019:

STRS	2020	2019
Net pension liability	$ 427,502	$ 612,774
Deferred outflows of resources	68,778	87,027
Deferred inflows of resources	390,036	413,312
Revenues	115,380	140,139
Pension expense	(11,831)	39,304
Contributions made by Fairmont State	57,411	63,581

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. However, effective July 1, 2005, all new employees hired for the first time are required to participate in STRS.

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.

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. 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: The State (including institutions of higher education) contributes:

- 15% of gross salary of their TRS members hired prior to July 1, 1991;
- 7.5% of the gross salary of their TRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who elected to transfer to TRS effective July 1, 2008;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, 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, 2020 and 2019, Fairmont State's proportionate share attributable to this special funding subsidy was $115,380 and $140,139, respectively.

Fairmont State's contributions to STRS for the years ended June 30, 2020, 2019, and 2018, were $57,411, $63,581, and $86,001, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2018 and 2017 and rolled forward to June 30, 2019 and 2018, 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 2035.
- 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: 3.00%.
- Discount rate: 7.50%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.80-35.00% and non-teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%.

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, 2019 and 2018, are summarized below.

June 30, 2019

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.8%	27.5%
International equity	7.7%	27.5%
Fixed income	3.3%	15.0%
Real estate	6.1%	10.0%
Private equity	8.8%	10.0%
Hedge funds	4.4%	10.0%

June 30, 2018

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%

12. RETIREMENT PLANS (CONTINUED)

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, 2020 and 2019 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 2020	$ 583,500	$ 427,502	$ 294,062
Net pension liability 2019	827,133	612,774	429,513

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The June 30, 2020 STRS net pension liability was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2019. 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 July 1, 2017, rolled forward to the measurement date of June 30, 2018.

At June 30, 2020, Fairmont State's proportionate share of the STRS net pension liability was $1,384,173. Of this amount, Fairmont State recognized $427,502 as its proportionate share on the statement of net position. The remainder of $956,671 denotes Fairmont State's proportionate share of net pension liability attributable to the special funding.

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.

12. RETIREMENT PLANS (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 STRS for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, Fairmont State's proportion was 0.014369%, a decrease of 0.005257% from its proportion of 0.019626% calculated as of June 30, 2018. 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.

For the year ended June 30, 2020, Fairmont State recognized STRS pension expense of $(11,831). Of this amount, $(127,211) was recognized as Fairmont State's proportionate share of the STRS expense and $115,380 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Fairmont State also recognized revenue of $115,380 for support provided by the State.

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.

At June 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,136	$ 14,612
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	363,797
Net difference between projected and actual investment earnings	-	11,627
Changes in assumptions	9,231	-
Contributions after the measurement date	57,411	-
Total	$ 68,778	$ 390,036

12. RETIREMENT PLANS (CONTINUED)

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
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	63,581	-
Total	$ 87,027	$ 413,312

Fairmont State will recognize the $57,411 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, 2021. 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:

Fiscal Year Ended June 30,	Amortization
2021	$ (140,608)
2022	(132,248)
2023	(64,991)
2024	(40,822)
	$ (378,669)

Payables to the Pension Plan

Fairmont State did not report any amounts payable for normal contributions to the STRS as of June 30, 2020 and 2019.

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, 2020, 2019, and 2018. 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, 2020, 2019, and 2018, were $2,759,746, $2,613,260, and $2,587,194, respectively, which consisted of equal contributions from Fairmont State and covered employees of $1,379,873, $1,306,630, and $1,293,597, respectively.

12. RETIREMENT PLANS (CONTINUED)

Total contributions to Educators Money for the years ended June 30, 2020, 2019, and 2018, were $43,978, $147,672, and $151,264, respectively, which consisted of equal contributions from Fairmont State and covered employees of $21,989, $73,836, and $75,632, respectively.

Fairmont State's total payroll for the year ended June 30, 2020, was $27,057,637, and total covered employees' salaries in the Educators Money, STRS, and TIAA-CREF were $366,480, $380,750, and $22,997,890, 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.

13. 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 $35,036,874 and $33,477,946 at June 30, 2020 and 2019, with net assets of $34,952,448 and $33,458,532, respectively. Gifts, grants, and bequests to the Foundation totaled $3,039,136 and $3,741,595 in fiscal years 2020 and 2019, respectively.

Total funds expended by the Foundation in support of Fairmont State activities totaled $2,455,812 and $2,400,654 during 2020 and 2019, respectively.

14. 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:

	2020	2019
Due from:		
Adjutant General	$ -	$ 6,633
Department of Commerce	15,478	125,603
Department of Education	-	2,000
	$ 15,478	$ 134,236
Due to:		
WVNET	$ 6,094	$ 150
WV Center For Nursing (HEPC)	1,250	-
Department of Administration	354	181
State Attorney General	92	-
State Tax Department	3,468	436
State Treasurer's Office	12,719	6,575
PEIA	15,007	14,663
	$ 38,984	$ 22,005

15. RELATED-PARTY TRANSACTIONS

Fairmont State and Pierpont have historically entered 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.

15. RELATED-PARTY TRANSACTIONS (CONTINUED)

The contract services previously referred to as "chargeback" services for teaching, administration, academic support, and student services ceased to exist during fiscal year 2020, as Pierpont employees began to provide these services directly. While Fairmont State and Pierpont continue to share a campus, Fairmont State will continue to provide physical plant administration and related services, liability insurance coverage and limited information technology support to Pierpont. Although no formal agreement was signed in fiscal year 2020, Fairmont State provided services for which Pierpont remitted payment. The institutions are currently in negotiations for the fiscal year 2021 Fee for Service Agreement. In addition, Fairmont State intends to draft 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 2020 transfers and fiscal year 2019 transactions associated with the chargeback agreement are as follows:

	2020	2019
Revenues:		
Student activity support revenue	$ 1,627	$ 22,362
Auxiliary support service revenue	429,868	591,456
Faculty services revenue	-	9,955
Operating costs revenue	1,373,901	1,500,375
Support services revenue	-	1,412,262
E&G capital and debt service support revenue	332,889	541,836
Expenses:		
Assessment for faculty services	-	21,084
Assessment for E&G capital and debt service costs	382,089	628,635

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

16. 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."

16. 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.

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

(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.

(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 $3,173,444 and $3,671,015 as of June 30, 2020 and 2019, respectively.

16. 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:

1. *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.*

2. *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.*

3. *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.*

4. *All land assets will be owned by FSU and land deeds will stay in the name of FSU Board of Governors.*

5. *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.*

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

6. *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."

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

As of June 30, 2020, the average allocated 68.72% of the debt to Fairmont State and 31.28% of the debt to Pierpont. As of June 30, 2019, the average allocated 68.35% of the debt to Fairmont State and 31.65% 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.

17. 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, 2020 and 2019, 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.

17. CONTINGENCIES (CONTINUED)

Beginning in the first quarter of 2020, the nation and Fairmont State's primary market area were affected by the consequences from the COVID-19 (coronavirus) pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies of many states, including the geographical area in which Fairmont State operates. It is unknown how long these conditions will last and what the complete financial effect will be to Fairmont State. Additionally, it is reasonably possible that estimates made in the financial statements may be adversely impacted in the near-term as a result of these conditions.

18. 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 2020 and 2019 were $941,906 and $1,060,493, 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 at both June 30, 2020 and 2019. Fairmont State reports unearned revenue in the amount of $1,807,865 and $2,007,865 at June 30, 2020 and 2019, respectively. 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.

18. SERVICE CONCESSION AGREEMENTS (CONTINUED)

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 2020 and 2019 in the amount of $167,750 and $190,729, 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.

19. 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.

19. SEGMENT INFORMATION (CONTINUED)

The 2012A Bonds outstanding consist of $7,305,000 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 $10,895,000 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%

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, 2020 and 2019, Fairmont State and Pierpont had gross revenues, as defined by the Indenture, that approximated 180% and 271% 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 $3,173,444 at June 30, 2020. 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.

19. SEGMENT INFORMATION (CONTINUED)

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 2015 Project; and (4) pay the costs of issuance of the Series 2015 Bonds and related costs.

The 2015A Bonds outstanding consist of $8,200,000 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%

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.

Certain amounts in the prior year condensed schedule of net position have been reclassified for comparative purposes to conform with the presentation in the current year condensed schedule of net position. The reclassification had no impact on total net position.

Condensed financial information for each of Fairmont State's segments as of and for the years ended June 30, 2020 and 2019 follows:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019
19. SEGMENT INFORMATION (CONTINUED)

	2020	
	Facilities Improvement Bonds 2006, As of/Year Ended June 30, 2020	**Revenue Refunding Bonds 2012 and Housing Construction Bonds 2015 As of/Year Ended June 30, 2020**
CONDENSED SCHEDULE OF NET POSITION		
Assets:		
Current assets	$ 36,475	$ 11,822,116
Noncurrent and capital assets	5,739,697	74,304,934
Total assets	5,776,172	86,127,050
Deferred outflows of resources	-	840,801
Liabilities:		
Current liabilities	515,470	3,569,899
Noncurrent liabilities	2,667,177	60,807,841
Total liabilities	3,182,647	64,377,740
Net position:		
Net investment in capital assets	2,593,525	11,503,188
Restricted/expendable	-	11,086,923
Total net position	$ 2,593,525	$ 22,590,111
CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ -	$ 9,703,211
Operating expenses	-	(5,068,203)
Operating income	-	4,635,008
Net nonoperating revenues (expenses)	535,489	(1,585,154)
Depreciation	(262,480)	(2,596,224)
Increase in net position	273,009	453,630
Net position — beginning of year	2,320,516	22,136,481
Net position — end of year	$ 2,593,525	$ 22,590,111
CONDENSED SCHEDULE OF CASH FLOWS		
Net cash provided by operating activities	$ 559,292	$ 4,375,795
Net cash used in capital and related financing activities	(559,292)	(1,860,064)
Net cash provided by investing activities	-	189,232
Increase in cash and cash equivalents	-	2,704,963
Cash and cash equivalents — beginning of year	-	7,218,355
Cash and cash equivalents — end of year	$ -	$ 9,923,318

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.
Note 3: Net cash used in capital and related financing activities was erroneously reported showing more cash outlay in FY18 and FY19 than was spent. Outlay amounts were overstated by $1,291,258 and $1,723,642, respectively, thus understating ending cash. This is a segment report error only. The correction runs through FY20 activity.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

19. 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	10,092,491
Restricted/expendable	-	12,043,990
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.

FAIRMONT STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

20. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2020 and 2019, are represented as follows:

2020

	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Faculty Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 3,470,731	$ 624,160	$ 3,071,100	$ 1,022,213	$ -	$ -	$ -	$ -	$ -	$ 8,188,204
Instruction	13,598,584	2,779,133	1,837,873	17,055	2,500	-	-	-	-	18,235,145
Research	57,417	1,399	18,794	-	-	-	-	-	-	77,610
Public service	379,158	77,103	344,073	-	2,800	-	-	-	-	803,134
Academic support	2,076,400	450,924	1,031,702	-	1,609	-	-	-	-	3,560,635
Student services	2,994,509	651,430	1,063,326	-	1,000	-	-	-	-	4,710,265
General institutional support	3,131,030	878,913	2,400,122	1,415	-	-	-	-	15,562	6,427,042
Student financial aid	150,795	36,456	-	-	6,107,904	-	-	-	-	6,295,155
Operation and maintenance	1,200,740	370,647	1,558,044	1,245,603	-	-	-	-	-	4,375,034
Depreciation	-	-	-	-	-	4,692,517	-	-	-	4,692,517
Loan cancellations and write-offs	-	-	-	-	-	-	-	320,877	-	320,877
TOTAL	$ 27,059,364	$ 5,870,165	$ 11,325,034	$ 2,286,286	$ 6,115,813	$ 4,692,517	$ -	$ 320,877	$ 15,562	$ 57,685,618

2019

	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Faculty 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	-	-	-	-	-	4,915,935
Depreciation	-	-	-	-	-	4,628,200	-	-	-	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

ADDITIONAL INFORMATION

SCHEDULE OF NET POSITION INFORMATION
JUNE 30, 2020

ALL FUNDS	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted, and Other Funds	Internal Fund Eliminations	Total Institution
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 4,410,136	$ 9,350,517	$ 21,499,495	$ -	$ 35,260,148
Accounts receivable — net	25,045	277,503	1,896,445	(507,649)	1,691,344
Due from Pierpont for debt service — current portion	248,124	-	-	-	248,124
Inventories	-	-	168,819	-	168,819
Other current assets	-	-	55,928	-	55,928
Total current assets	4,683,305	9,628,020	23,620,687	(507,649)	37,424,363
NONCURRENT ASSETS:					
Cash and cash equivalents	948	-	254	-	1,202
Due from Pierpont for debt service	2,046,141	-	-	-	2,046,141
Other noncurrent assets	-	13,387	331,994	-	345,381
Capital assets — net	43,164,165	79,645,286	8,091,777	-	130,901,228
Total noncurrent assets	45,211,254	79,658,673	8,424,025	-	133,293,952
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflows relating to net pension liability	-	-	68,778	-	68,778
Deferred outflows relating to net OPEB liability	-	99,023	955,267	-	1,054,290
Deferred loss on refunding	75,583	753,842	11,375	-	840,800
Total deferred outflows of resources	75,583	852,865	1,035,420	-	1,963,868
TOTAL	$ 49,970,142	$ 90,139,558	$ 33,080,132	$ (507,649)	$ 172,682,183
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable	$ 7,516	$ 629,179	$ 757,408	$ (507,649)	$ 886,454
Due to the Commission	-	-	-	-	-
Accrued liabilities — payroll	-	298,990	3,404,406	-	3,703,396
Accrued interest payable	22,781	184,909	2,044	-	209,734
Retainages payable	8,809	25,762	-	-	34,571
Unearned revenue and deposits	-	2,606,923	1,022,600	-	3,629,523
Compensated absences — current portion	-	189,693	942,255	-	1,131,948
Capital leases — current portion	-	-	90,415	-	90,415
Debt obligation due to the Commission — current portion	134,134	-	-	-	134,134
Bonds payable — current portion	793,234	2,784,802	43,193	-	3,621,229
Total current liabilities	966,474	6,720,258	6,262,321	(507,649)	13,441,404
NONCURRENT LIABILITIES:					
Net other postemployment benefits liability	-	686,247	5,696,194	-	6,382,441
Compensated absences	-	67,356	356,808	-	424,164
Capital leases	-	-	352,840	-	352,840
Debt obligation to the Commission	955,429	-	-	-	955,429
Bonds payable	6,616,954	56,263,569	594,495	-	63,475,018
Net pension liability	-	-	427,502	-	427,502
Total noncurrent liabilities	7,572,383	57,017,172	7,427,839	-	72,017,394
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows relating to net pension liability	-	-	390,036	-	390,036
Deferred inflows relating to net OPEB liability	-	316,431	2,626,548	-	2,942,979
Total deferred inflows of resources	-	316,431	3,016,584	-	3,333,015
NET POSITION:					
Net investment in capital assets	37,025,453	21,324,995	7,022,209	-	65,372,657
Restricted for — expendable:					
Scholarships	-	-	152,398	-	152,398
Capital projects	4,370,551	-	-	-	4,370,551
Debt service	35,281	-	254	-	35,535
Total restricted	4,405,832	-	152,652	-	4,558,484
Unrestricted E&G Plant and President's Control	-	-	6,727,494	-	6,727,494
Unrestricted Auxiliary and Fund Manager Funds	-	4,760,702	2,471,033	-	7,231,735
Total unrestricted	-	4,760,702	9,198,527	-	13,959,229
Total net position	41,431,285	26,085,697	16,373,388	-	83,890,370
TOTAL	$ 49,970,142	$ 90,139,558	$ 33,080,132	$ (507,649)	$ 172,682,183

See note to schedules.

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION
YEAR ENDED JUNE 30, 2020

ALL FUNDS	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted, and Other Funds	Internal Fund Eliminations	Total Institution
OPERATING REVENUES:					
Student tuition and fees — net	$ -	$ -	$ 13,019,238	$ -	$ 13,019,238
Student activity support revenue	-	-	319,035	(317,408)	1,627
Auxiliary enterprise revenue	-	6,618,649	4,367,730	-	10,986,379
Auxiliary support services revenue	-	4,752,912	-	(4,323,044)	429,868
Contracts and grants:					
Federal	-	-	1,256,866	-	1,256,866
State	-	-	6,483,578	-	6,483,578
Private	-	-	3,280,041	-	3,280,041
Faculty services revenue	-	-	-	-	-
Operating costs revenue	-	-	1,373,901	-	1,373,901
Support services revenue	-	-	-	-	-
Miscellaneous — net	783	15,398	298,644	-	314,825
Total operating revenues	783	11,386,959	30,399,033	(4,640,452)	37,146,323
OPERATING EXPENSES:					
Salaries and wages	-	2,715,373	24,343,991	-	27,059,364
Benefits	-	491,451	5,378,714	-	5,870,165
Supplies and other services	109,585	3,260,562	7,954,887	-	11,325,034
Utilities	-	804,617	1,481,669	-	2,286,286
Student financial aid — scholarships and fellowships	-	770,321	5,345,492	-	6,115,813
Depreciation	2,026,408	2,190,569	475,540	-	4,692,517
Assessment for student activity costs	-	-	317,408	(317,408)	-
Assessment for auxiliary fees and debt service	-	-	4,323,044	(4,323,044)	-
Assessment for faculty services	-	-	-	-	-
Loan cancellations and write-offs	-	15,428	305,449	-	320,877
Fees assessed by the Commission for operations	15,562	-	-	-	15,562
Total operating expenses	2,151,555	10,248,321	49,926,194	(4,640,452)	57,685,618
OPERATING INCOME (LOSS)	(2,150,772)	1,138,638	(19,527,161)	-	(20,539,295)
NONOPERATING REVENUES (EXPENSES):					
State appropriations	-	-	18,600,341	-	18,600,341
Pell grant revenues	-	-	6,503,784	-	6,503,784
Federal CARES Act revenue	-	-	1,126,500	-	1,126,500
E&G capital and debt service support revenue	1,172,313	-	-	(839,424)	332,889
Fees assessed to Pierpont for debt service	67,257	-	-	-	67,257
Investment income	68,665	158,871	264,329	-	491,865
Gifts	-	140,000	384,903	-	524,903
Interest on indebtedness	(215,017)	(2,229,188)	(33,638)	-	(2,477,843)
Loss on disposal of fixed assets	-	(8,279)	(11,109)	-	(19,388)
Assessment for E&G capital and debt service costs	-	-	(1,221,513)	839,424	(382,089)
Fees assessed by the Commission for debt service	(55,010)	-	-	-	(55,010)
Total net nonoperating revenues (expenses)	1,038,208	(1,938,596)	25,613,597	-	24,713,209
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFER	(1,112,564)	(799,958)	6,086,436	-	4,173,914
PAYMENTS MADE AND EXPENSES INCURRED BY THE COMMISSION ON BEHALF OF FAIRMONT STATE	39,505	-	-	-	39,505
PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF FAIRMONT STATE	-	241,605	460,718	-	702,323
CAPITAL BOND PROCEEDS FROM THE STATE	15,478	-	-	-	15,478
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFER	(1,057,581)	(558,353)	6,547,154	-	4,931,220
TRANSFER OF NET POSITION FROM (TO) PIERPONT	237,282	944,192	(938,970)	-	242,504
INCREASE (DECREASE) IN NET POSITION	(820,299)	385,839	5,608,184	-	5,173,724
NET POSITION — Beginning of year	42,251,584	25,699,858	10,765,204	-	78,716,646
NET POSITION — End of year	$ 41,431,285	$ 26,085,697	$ 16,373,388	$ -	$ 83,890,370

See note to schedules.

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2020

	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	$ -	$ -	$ 12,639,976	$ -	$ 12,639,976
Contracts and grants	-	-	11,223,030	-	11,223,030
Payments to and on behalf of employees	-	(3,099,728)	(29,931,510)	-	(33,031,238)
Payments to suppliers	(91,361)	(3,857,440)	(7,895,311)	-	(11,844,112)
Payments to utilities	-	(804,617)	(1,481,669)	-	(2,286,286)
Payments for scholarships and fellowships	-	(770,321)	(5,345,492)	-	(6,115,813)
Auxiliary enterprise charges	-	6,913,855	4,367,730	-	11,281,585
Fees assessed by the Commission	(15,562)	-	-	-	(15,562)
Other receipts — net	117,598	6,916	287,535	-	412,049
Student activity support revenue	-	-	319,035	(317,408)	1,627
Auxiliary fees and debt service support revenue	-	4,752,912	-	(4,323,044)	429,868
Assessment for support services	-	-	-	-	-
Support services revenue	-	-	-	-	-
Assessment for student activity costs	-	-	(317,408)	317,408	-
Assessment for auxiliary fees and debt service	-	-	(4,323,044)	4,323,044	-
Faculty services revenue	-	-	-	-	-
Assessment for faculty services	-	-	-	-	-
Operating support services revenue	-	-	1,373,901	-	1,373,901
Assessment for operating cost	-	-	-	-	-
Net cash provided by (used in) operating activities	10,675	3,141,577	(19,083,227)	-	(15,930,975)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State appropriations	-	-	18,600,341	-	18,600,341
Pell grant revenues	-	-	6,503,784	-	6,503,784
Federal CARES Act revenue	-	-	1,126,500	-	1,126,500
Gift receipts	-	140,000	384,903	-	524,903
William D. Ford direct lending receipts	-	-	16,306,014	-	16,306,014
William D. Ford direct lending payments	-	-	(16,306,014)	-	(16,306,014)
Transfers from Pierpont	23,521	-	-	-	23,521
Transfers to Pierpont	(45,058)	944,192	(938,970)	-	(39,836)
Net cash provided by (used in) noncapital financing activities	(21,537)	1,084,192	25,676,558	-	26,739,213
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Capital bond proceeds from State	15,478	-	-	-	15,478
E&G capital and debt service support revenue	1,172,313	-	-	-	1,172,313
Payments from Pierpont on debt obligation	272,064	-	-	-	272,064
Fees assessed to Pierpont for debt service	67,257	-	-	-	67,257
Fees assessed by the Commission	(55,010)	-	-	-	(55,010)
Purchases of capital assets	(346,499)	(552,050)	(553,082)	-	(1,451,631)
Principal paid on leases	-	-	(88,536)	-	(88,536)
Interest paid on leases	-	-	(8,321)	-	(8,321)
Assessment for E&G capital and debt service costs	-	-	(1,221,513)	-	(1,221,513)
Payments to the Commission on debt obligation	(122,093)	-	-	-	(122,093)
Principal paid on bonds	(640,212)	(2,719,823)	(42,535)	-	(3,402,570)
Interest paid on bonds	(354,978)	(2,229,188)	(25,317)	-	(2,609,483)
Bond interest income	-	9,379	171	-	9,550
Net cash provided by (used in) capital financing activities	8,320	(5,491,682)	(1,939,133)	-	(7,422,495)
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments	68,665	149,492	264,158	-	482,315
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,123	(1,116,421)	4,918,356	-	3,868,058
CASH AND CASH EQUIVALENTS — Beginning of year	4,344,961	10,466,938	16,581,393	-	31,393,292
CASH AND CASH EQUIVALENTS — End of year	$ 4,411,084	$ 9,350,517	$ 21,499,749	$ -	$ 35,261,350

(Continued)

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2020

	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted, and Other Funds	Total Institution
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	$ (2,150,772)	$ 1,138,638	$ (19,527,161)	$ (20,539,295)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	2,026,408	2,190,569	475,540	4,692,517
Loss from disposal of capital assets	-	(8,279)	(11,109)	(19,388)
Pension expense — special funding situation	-	-	115,380	115,380
OPEB expense — special funding situation	-	41,605	345,338	386,943
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Receivables — net	116,815	310,634	(342,617)	84,832
Inventories	-	-	13,647	13,647
Deferred outflows of resources	6,313	79,114	123,941	209,368
Advances from federal sponsors	-	-	-	-
Accounts payable	5,685	(585,858)	189,266	(390,907)
Accrued liabilities	(1,882)	58,072	62,960	119,150
Retainages payable	8,809	(5,109)	-	3,700
Unearned revenue and deposits	(701)	(203)	395,114	394,210
Other liabilities	-	-	-	-
Compensated absences	-	37,664	241,816	279,480
Net other postemployment benefits liability	-	(208,240)	(1,728,490)	(1,936,730)
Net pension liability	-	-	(185,272)	(185,272)
Deferred inflows of resources	-	92,970	748,420	841,390
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 10,675	$ 3,141,577	$ (19,083,227)	$ (15,930,975)
NONCASH TRANSACTIONS:				
Construction in progress additions in accounts payable	$ -	$ -	$ -	$ -
Construction in progress additions in retainages payable	$ 8,809	$ 25,762	$ -	$ 34,571
Transfer from (to) Pierpont (exclusive of $16,315 of cash)	$ 237,282	$ 944,192	$ (938,970)	$ 242,504
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:				
Cash and cash equivalents classified at current	$ 4,410,136	$ 9,350,517	$ 21,499,495	$ 35,260,148
Cash and cash equivalents classified at noncurrent	948	-	254	1,202
	$ 4,411,084	$ 9,350,517	$ 21,499,749	$ 35,261,350

(Concluded)

See note to schedules.

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2020

INTERNAL FUND: BOG Support

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Instruction	-	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-	-
General institutional support	-	-	-	-	-	-	-	15,562	15,562
Student financial aid	-	-	-	-	-	-	-	-	-
Operation and maintenance	-	-	109,585	-	-	-	-	-	109,585
Depreciation	-	-	-	-	-	2,026,408	-	-	2,026,408
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-
TOTAL	$ -	$ -	$ 109,585	$ -	$ -	$ 2,026,408	$ -	$ 15,562	$ 2,151,555

See note to schedules.

(Continued)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2020

INTERNAL FUND: AUXILIARY

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Function Total
Auxiliary enterprises	$ 2,400,955	$ 417,083	$ 2,899,774	$ 803,324	$ -	$ -	$ -	$ 6,521,136
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	37,215	2,428	16,422	-	-	-	-	56,065
Academic support	-	-	-	-	-	-	-	-
Student services	52,797	15,893	11,305	-	-	-	-	79,995
General institutional support	126,812	37,062	265,314	-	-	-	-	429,188
Student financial aid	-	-	-	-	770,321	-	-	770,321
Operation and maintenance	97,594	18,985	67,747	1,293	-	-	-	185,619
Depreciation	-	-	-	-	-	2,190,569	-	2,190,569
Loan cancellations and write-offs	-	-	-	-	-	-	15,428	15,428
TOTAL	$ 2,715,373	$ 491,451	$ 3,260,562	$ 804,617	$ 770,321	$ 2,190,569	$ 15,428	$ 10,248,321

See note to schedules.

(Continued)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2020

INTERNAL FUND: UNRESTRICTED, RESTRICTED, AND OTHER FUNDS

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	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 1,069,776	$ 207,077	$ 171,326	$ 218,889	$ -	$ -	$ -	$ 4,323,044	$ -	$ -	$ -	$ 5,990,112
Instruction	13,598,584	2,779,133	1,837,873	17,055	2,500	-	-	-		-	-	18,235,145
Research	57,417	1,399	18,794	-	-	-	-	-	-	-	-	77,610
Public service	341,943	74,675	327,651	-	2,800	-	-	-	-	-	-	747,069
Academic support	2,076,400	450,924	1,031,702	-	1,609	-	-	-	-	-	-	3,560,635
Student services	2,941,712	635,537	1,052,021	-	1,000	-	317,408	-	-	-	-	4,947,678
General institutional support	3,004,218	841,851	2,134,808	1,415	-	-	-	-	-	-	-	5,982,292
Student financial aid	150,795	36,456	-	-	5,337,583	-	-	-	-	-	-	5,524,834
Operation and maintenance	1,103,146	351,662	1,380,712	1,244,310	-	-	-	-	-	-	-	4,079,830
Depreciation	-	-	-	-	-	475,540	-	-	-	-	-	475,540
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-	305,449	-	305,449
TOTAL	$ 24,343,991	$ 5,378,714	$ 7,954,887	$ 1,481,669	$ 5,345,492	$ 475,540	$ 317,408	$ 4,323,044	$ -	$ 305,449	$ -	$ 49,926,194

See note to schedules.

(Concluded)

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 68.72% as of June 30, 2020. 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 produced from Fairmont State's financial reporting system. Data for the BOG Support component included in Pierpont's financial statements is provided by Fairmont State through its financial reporting system in accordance with the Separation of Assets agreement.

The following represents additional footnotes regarding auxiliary and capital fees transferred to Fairmont State from Pierpont per bond indenture requirements and the Separation of Assets agreement.

a. *Revenues* – Required auxiliary and capital fee revenues are recorded as revenues to the institution in which the student is enrolled. These revenues are then transferred to the auxiliary and capital 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. Housing and meal plan revenues, also bonded revenues, are collected by Pierpont and transferred to Fairmont State and recorded as auxiliary enterprise revenues.

b. Expenses – During fiscal year 2020, Fairmont State and Pierpont entered into a fee for service agreement and discontinued the annual chargeback agreement including faculty services, support services, and operating costs. The costs incurred for services provided on Pierpont's behalf are recorded in the operating expenses of Fairmont State's financial statements. The revenue to support those expenses is recorded as operating cost revenue for fiscal year 2020 to provide consistency in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FAIRMONT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

State Teachers' Retirement System
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Fairmont State's proportion of the net pension liability (asset) (percentage)	0.014369%	0.019626%	0.021664%	0.024067%	0.032680%	0.040054%				
Fairmont State's proportionate share of the net pension liability (asset)	$ 427,502	$ 612,774	$ 748,485	$ 989,102	$ 1,132,445	$ 1,381,799				
State's proportionate share of the net pension liability (asset)	956,671	1,587,733	1,655,218	1,883,975	2,583,977	3,122,299				
Total proportionate share of the net pension liability (asset)	$ 1,384,173	$ 2,200,507	$ 2,403,703	$ 2,873,077	$ 3,716,422	$ 4,504,098				
Fairmont State's covered payroll	$ 430,279	$ 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	99.35%	106.32%	125.19%	159.02%	114.51%	112.63%				
Plan fiduciary net position as a percentage of the total pension liability	72.64%	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, 2020

State Teachers' Retirement System
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 57,411	$ 63,581	$ 86,001	$ 89,684	$ 93,303	$ 148,605				
Contributions in relation to the contractually required contribution	(57,411)	(63,581)	(86,001)	(89,684)	(93,303)	(148,605)				
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Fairmont State's covered payroll	$ 380,750	$ 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%	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, 2020

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Fairmont State's proportion of the net OPEB liability (asset) (percentage)	0.384685313%	0.387761292%	0.369685982%							
Fairmont State's proportionate share of the net OPEB liability (asset)	$ 6,382,441	$ 8,319,171	$ 9,090,538							
State's proportionate share of the net OPEB liability (asset)	1,306,132	1,719,350	1,867,207							
Total proportionate share of the net OPEB liability (asset)	$ 7,688,573	$ 10,038,521	$ 10,957,745							
Fairmont State's covered-employee payroll	$ 19,895,139	$ 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	32.08%	41.99%	43.74%							
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	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, 2020

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	$ 799,951	$ 826,561	$ 827,995							
Contributions in relation to the statutorily required contribution	(799,951)	(826,561)	(827,995)							
Contribution deficiency (excess)	$ -	$ -	$ -							
Fairmont State's covered-employee payroll	$ 19,723,043	$ 19,895,139	$ 19,811,760							
Contributions as a percentage of covered-employee payroll	4.06%	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.

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.

	Inflation	Salary Increases	Investment Rate of Return	Mortality	Discount Rate
2019	3.0%	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%.	7.5%, net of pension plan investment expense, including inflation.	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.	7.5%
2018	3.0%	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%.	7.5%, net of pension plan investment expense, including inflation.	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.	7.5%
2017	3.0%	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%.	7.5%, net of pension plan investment expense, including inflation.	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.	7.5%

	Inflation	Salary Increases	Investment Rate of Return	Mortality	Discount Rate
2016	3.0%	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%.	7.5%, net of pension plan investment expense, including inflation.	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.	7.5%
2015	3.0%	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%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant monthly mortality table. Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	7.5%
2014	3.0%	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%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant monthly mortality table; Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	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.

Actuarial Changes Other Postemployment Benefits Plan

The actuarial assumptions used in the total OPEB liability calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
2019	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation.	4.00%	7.15%, net of OPEB plan investment expense, including inflation.	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis.	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
2018	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation.	4.00%	7.15%, net of OPEB plan investment expense, including inflation.	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis.	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate 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 costs beginning in 2022 to account for the Excise Tax.
2017	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation.	4.00%	7.15%, net of OPEB plan investment expense, including inflation.	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis.	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

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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, 2020, 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, 2020.

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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 15, 2020