Fairmont State University

Financial Statements as of and for the
Years Ended June 30, 2012 and 2011, and
Independent Auditors' Reports

FAIRMONT STATE UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Fairmont State University:

We have audited the accompanying statements of net assets of Fairmont State University ("Fairmont State") as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the management of Fairmont State. Our responsibility is to express an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fairmont State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Fairmont State as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 basic financial statements. This additional information is the responsibility of Fairmont State's 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 our audits 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of Fairmont State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

November 9, 2012

FAIRMONT STATE UNIVERSITY

(Includes the following Component Units: Unrestricted, Restricted and Other Funds, Auxiliary Funds and Board of Governors Support Fund)

Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2012

About Fairmont State

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 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 "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.

New legislation became effective July, 1, 2008 that provided for a separate governing board for Pierpont Community & Technical College ("Pierpont"). This new legislation defines the statewide network of independently accredited community and technical colleges. 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. This is the third year of separate financial statement reporting for both Fairmont State & Pierpont.

Total enrollment of Fairmont State is approximately 4,617 students from 26 states and 19 countries. The student to faculty ratio is 18:1. Approximately 90% of our students receive some form of scholarship or financial aid. Campus activities include more than 80 clubs, organizations, student publications, honoraries, sororities and fraternities and intramural sports. Fairmont State is a member of the NCAA Division II and the West Virginia Intercollegiate Athletics Conference.

Overview

The Governmental Accounting Standards Board ("GASB") released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which requires management to provide discussion and analysis to cover the following elements; financial highlights, comparative analysis for each basic financial statement, capital and long-term debt activity, and economic outlook for the entity.

For fiscal years 2002-2009), Fairmont State (which included Fairmont State University, Pierpont Community & Technical College, and Board of Governors Support ("BOG Support") which were component parts of Fairmont State) presented combined financial statements under this GASB standard. Supplementary information was provided in accordance with the requirements of GASB Statement No. 35, and the Higher Education Policy Commission ("Commission") as it relates to reporting of the financial condition and operations of all components. With the separation of assets and liabilities agreement the reporting structure changed beginning with fiscal year 2010. The Fairmont State University audited financial report now includes supplementary information for Unrestricted, Restricted and Other Funds, University owned Auxiliary Funds and Fairmont State's ownership in BOG Support. BOG Support consists primarily of Educational and General (E&G) and Infrastructure funds for the repair and replacement of buildings and capital assets. This component accounts for capital assets, depreciation and debt obligations.

The Fairmont State Foundation financial information will not be presented. This presentation is no longer required to comply with GASB Statement No. 39 due to the fact that the Foundation supports both Fairmont State & Pierpont.

This section of the annual financial report focuses on an overview of Fairmont State's financial performance during the fiscal year ended June 30, 2012, with comparisons to the previous year.

As required by GASB No. 35 reporting standards, the Fairmont State annual report consists of three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets ("SRECNA"); 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

The Board of Governors of Fairmont State and the Board of Governors of Pierpont recognize the historical association between the two institutions and the benefit of collaboration to the students of both Institutions. 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 2012 is the third year of operating and reporting based on the agreement. The Separation of Assets and Liabilities Agreement maintains a relationship which is responsible to the students, bond holders, and the tax payers of the State of West Virginia. The Agreement provides specific language in relation to these goals 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) & 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."

The agreement also establishes general principles to apply to the division of assets and liabilities and allocation of revenues and expenditures between Fairmont State & Pierpont. Some of the most significant guidelines are as follows:

"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."

The Agreement, which applies to the new Series 2012 A and Series 2012 B bonds, also provides specific language in relation to outstanding bond indebtedness as follows:

*"**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.*"

Based on the pledge of cooperation, legislative guidelines and bond covenant requirements, the Board of Governors of Fairmont State & Pierpont agreed to specific terms for financial separation including the following:

> *"All capital and infrastructure fees assessed to both FSU & 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.*
>
> *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 & 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.*
>
> *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 & PCTC students will be required to pay the fees stipulated in all Bond Document covenants."*

We have continued to operate and prepare financial statements for fiscal year 2012 based on this Agreement. Financial Statement Note 16, Separation of Assets and Liabilities Agreement, provides additional information about this Agreement and the defining legislation. The fiscal year 2012 audited financial statements are presented in comparative format and reflect the reporting structure defined in the agreement.

The most significant financial highlight for fiscal year 2012 was the refinancing of Auxiliary and Infrastructure Revenue Bonds by Fairmont State.

On June 12, 2012, the Fairmont State University Board of Governors, in conjunction with Pierpont Community & Technical College Board of Governors, issued Revenue Refunding Bonds, Series 2012 A in the principal amount of $20,165,000 and Revenue Refunding Bonds, Series 2012 B in the principal amount of $30,160,000. The Series 2012 A 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 2012 A bonds and related costs. The 2012 B 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 2012 B bonds and related costs. It is important to note that the Pierpont Board of Governors signed the Bond Indenture to evidence its agreement to certain covenants in the Indenture which are applicable to Pierpont and to the pledge of Fees imposed by it. The Official Statement of the Series 2012 A and Series 2012 B bonds includes information regarding the Separation of Assets and Liabilities Agreement and its application to all existing and future bond covenants. The issuance of the bonds resulted in a loss of $2,275,657 which is a reduction to long term debt. The refinancing resulted in an economic gain at present value of $7,369,689. The collaboration to refinance the bonds resulted in an average savings on future cash debt payments of nearly $590,000 and a total savings over the twenty year life of the bonds of nearly $11,750,000. Of these amounts, Pierpont will realize annual savings of approximately $28,000 on their Payable to Fairmont State and a total savings over the life of the bonds of approximately $560,000 for the Infrastructure related debt. The projected benefits of the savings for auxiliary operations owned and operated by Fairmont State will be used to offset auxiliary fee increases which will benefit the students of both Fairmont State & Pierpont.

Other financial highlights include the increase in other postemployment benefits (OPEB) liability and changes in net assets.

- Effective July 1, 2007, Fairmont State adopted GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement provides standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets and liabilities. The compensated absences liabilities for sick leave calculated as of June 30, 2007 following GASB Statement No. 16 for approximately $2 million were removed from the financial statements. This accrual was replaced by the OPEB liability accrual. The historical activity dealing with the OPEB liability in the past is as follows:
    - For fiscal years 2011, 2010, 2009 and 2008, the OPEB liability accruals were $2,514,779, $2,727,735, $419,810 and $333,145, respectively, for a total unfunded liability of $5,995,469 at June 30, 2011.
    - The additional OPEB liability for fiscal year 2012 was recorded in the amount of $2,552,471 for a total unfunded liability of $8,547,940 as of June 30, 2012.

  The OPEB liability is recorded based on records maintained by the West Virginia Public Employee Insurance Agency (PEIA). The State of West Virginia has instituted several measures to reduce the OPEB liability including: changes in eligibility criteria, retiree benefit changes, reduction in future retiree premium subsidy costs borne by the State, and passed legislation during fiscal year 2012 committing funds to pay down the liability. With the plan and design changes, an additional annual allocation plus the current funds designated for payment of OPEB costs, the liability is projected to be eliminated by fiscal year 2037. The OPEB liability is expected to increase in fiscal year 2013 by approximately $260,000 before reductions to the liability begin in fiscal year 2014.

- Total net assets increased by $3,828,971 or 6.10%. The increase can be attributed to the following:
    - Unrestricted primary operating funds of Fairmont State increased by $212,017 after the increase in OPEB liability of $2,287,196
    - Unrestricted fund manager funds of Fairmont State increased by $258,133
    - Unrestricted net asset balances for Auxiliary funds increased by $903,838 after the increase in OPEB liability of $265,275
    - Restricted for Capital Projects increased by $476,382
    - Restricted Debt Service funds for Auxiliary decreased by $2,103,689
    - Invested in Capital Assets increased by $4,329,382.

Statement of Net Assets

The Statement of Net Assets presents the assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities) of Fairmont State as of the fiscal year end. Assets denote the resources available to continue the operations of Fairmont State. Liabilities indicate how much Fairmont State owes its vendors, employees, and lenders. Net assets provide a way to measure the financial position of Fairmont State.

Net assets are divided into three major categories:

1. ***Invested in capital assets, net of related debt***. 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 assets***. This category includes net assets whose use is restricted either due to externally imposed constraints or restrictions imposed by law. They are further divided into two additional components -- expendable and non-expendable. **Expendable restricted net assets** include resources for which Fairmont State is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. **Non-expendable restricted net assets** include 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 non-expendable net assets.

3. ***Unrestricted net assets***. 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 assets are 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 Schedule of Net Assets

	JUNE 30		
Assets	**2012**	**2011**	**2010**
Current Assets	$ 32,515,882	$ 28,551,797	$ 24,302,410
Non-Current Assets	109,938,638	112,546,964	115,232,106
Total Assets	142,454,520	141,098,761	139,534,516
Liabilities			
Current Liabilities	8,437,890	8,747,956	8,338,397
Non-Current Liabilities	67,411,702	69,574,848	69,258,374
Total Liabilities	75,849,592	78,322,804	77,596,771
Net Assets			
Invested in capital assets, net of related debt	49,105,975	44,776,593	45,311,791
Restricted for:			
Expendable:			
Loans	356,985	389,872	433,187
Scholarships	20,246	234,696	326,521
Sponsored projects			48,233
Capital projects	3,802,416	3,326,034	2,429,668
Debt service	24,612	2,128,056	2,130,107
Total Restricted	4,204,259	6,078,658	5,367,716
Unrestricted	13,294,694	11,920,706	11,258,238
Total Net Assets	$ 66,604,928	$ 62,775,957	$ 61,937,745

- Total current assets increased by $3,964,085 or 13.88% to $32,515,882 resulting primarily from an increase in cash and cash equivalents of $3,798,149. In comparison at June 30, 2011, current assets increased by 17.49% also due primarily to an increase in cash and cash equivalents.
    - The increase in cash consisted primarily of;
        - An increase in Educational and General (E&G) funds cash of $2,330,305 with additional cash balances remaining for Strategic Plan Awards for Fiscal Years 2011 and 2012 in the amount of $494,694.
        - An increase within the Plant Renewal and Replacement Funds for continuing capital projects in the amount of $646,736.
        - An increase in Auxiliary operations cash reserve balances for the Falcon Center, Housing and Facilities in the amount of $698,816, $439,290 and 70,466, respectively. Athletic reserves cash balance decreased by $75,475.
    - Other changes in current assets consisted of an increase in accounts receivable in the amount of $148,129. Student tuition and fees receivable net of allowance increased by $100,492, Due from other State agencies increased by $398,996, Due from the Commission increased by $84,975 and Grants and contracts receivable decreased by $460,761.

- Total non-current assets, comprised primarily of capital assets including buildings and equipment, decreased by $2,608,326 or 2.32% to $109,938,638. In comparison at June 30, 2011, non-current assets decreased by 2.33% due primarily to a decrease in capital assets.
    - The primary cause for the decrease in non-current assets is decrease in cash and cash equivalents of $2,063,852. The debt service reserve funds required by the Series 2002A and Series 2003A bonds in the amount of $1,203,750 and $902,750, respectively, were applied to the redemption of the bonds during the refinancing.

    - Perkins Loans Receivable from students decreased by $54,000.
    - Deferred charges for bond issue costs decreased by $327,659.
    - Due from Pierpont for debt service decreased by $308,440 during the year to reflect Pierpont's portion of indebtedness paid during the year. The balance at June 30, 2012 was $4,103,776.
    - Capital assets increased by $145,625. The cost of assets increased by $3,178,977 due primarily to additions to construction in progress and accumulated depreciation increased by $3,033,352.

- Total current liabilities decreased by $310,066 or 3.54% to $8,437,890 due primarily to decreases in accounts payable, accrued interest payable and debt obligation payable to the Commission of $317,089, $131,318 and $125,767, respectively. These decreases were offset by increases in bonds payable and compensated absences of $282,882 and $30,892, respectively. In comparison at June 30, 2011, current liabilities increased by 4.91% due primarily to an increase in accounts payable and accrued payroll liabilities.
    - The decrease in accounts payable of $317,089 was due to a decrease in Unrestricted, Restricted and Other Fund payables of $548,397, a decrease in Auxiliary accounts payable of $68,409 and an increase in construction accounts payable in the BOG Support funds of $310,041.
    - The decrease in accrued interest payable of $131,318 was due to the bond refunding.
    - The decrease in debt obligation to the Commission of $125,767 was due to final payment on the Series 2003 debt with the Commission. The Series 2007A debt remains outstanding with the Commission.
    - The increase in bonds payable of $282,882 was also due to changes in payments due to the bond refunding.

- Total non-current liabilities decreased by $2,163,146 or 3.11% to $67,411,702. In comparison at June 30, 2011, non-current liabilities increased by 0.46% due primarily to the increase in other post employment benefits ("OPEB") liability.
    - The 2012 decrease is due primarily to a decrease in bonds payable of $4,520,567 due to current year principal payments in the amount of $1,897,718 with the remainder due to the bond refinancing.
    - The decrease in bonds payable is offset by an increase in OPEB liability of $2,552,471 due to the fifth year of accruals as required by GASB Statement No. 45.
    - Existing debt obligations due to the Commission decreased by $107,501.
    - In addition to these items, capital leases payable decreased by $90,670.

- The total assets of Fairmont State exceeded its liabilities at the close of the most recent fiscal year by $66,604,928 (net assets). Of this amount, $13,294,694 (unrestricted net assets) may be used to meet the educational and general operations of Fairmont State. Unrestricted Net Assets by component part were as follows at June 30, 2012:

▪ Auxiliary Funds	$ 6,985,782
▪ Unrestricted and Other Funds	6,308,912
	$13,294,694

The unrestricted, restricted and other funds net assets balance of $6,308,912 includes fund manager funds of $690,319. Also, Fairmont State's unrestricted President's control net asset amount increased by $212,017 to $5,618,593 at June 30, 2012. This increase is after the increase in OPEB liability for fiscal year 2012 in the amount of $2,287,196. The increase in the OPEB liability was offset by an increase in cash in Fairmont State's E&G funds of $2,330,305 at June 30th as well as other cash increases noted above. The auxiliary net assets increased by $903,838. This was also due primarily to an increase in cash of $1,066,255 which was also offset by an increase in the OPEB liability in the auxiliary funds of $265,275.

Invested in capital assets increased by $4,329,382 to $49,105,975. This is due primarily to the decrease in bonds payable due to current year payments of $1,897,718 and the decrease in principal outstanding of $3,599,933 due to the bond refinancing. As noted above, debt service reserve funds in the amount of $2,106,500 were applied to the refinancing.

Statement of Revenues, Expenses, and Changes in Net Assets

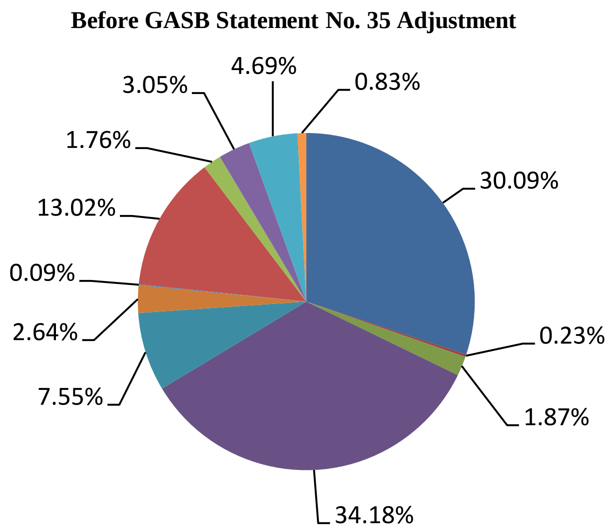
The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of Fairmont State for the fiscal year. The purpose of the statement is to present Fairmont State's revenues (operating and non-operating), expenses (operating and non-operating), and any other revenues, expenses, gains, and losses. State appropriations, while budgeted for operations, are considered and reported as non-operating 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.

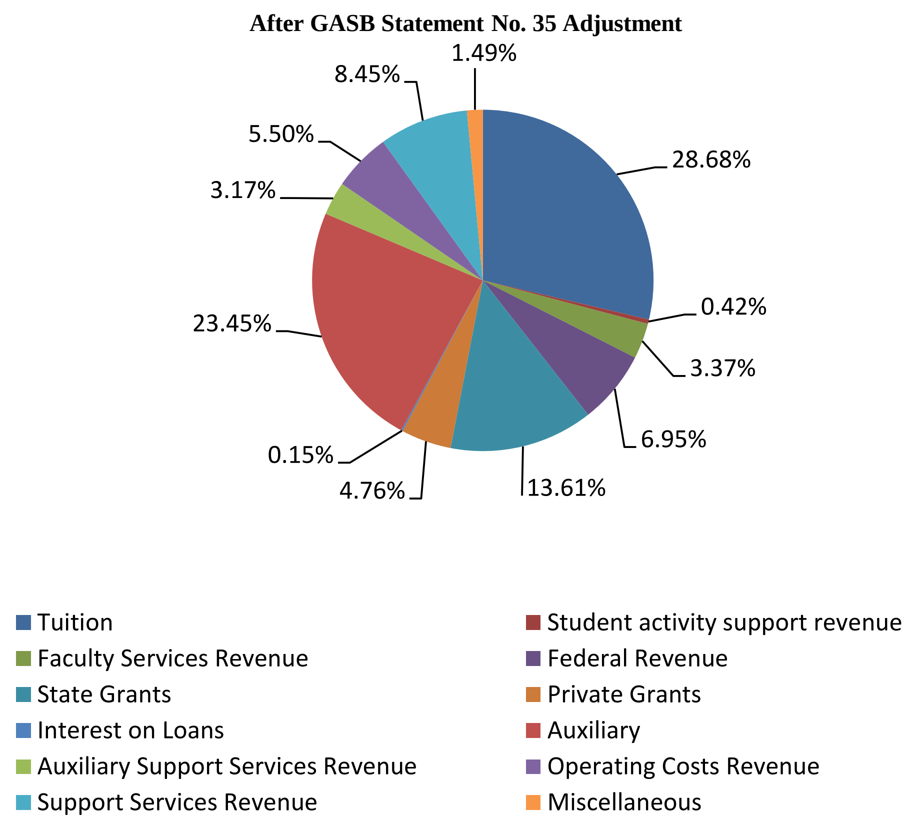
Condensed Schedule of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30:

	2012	2011	2010
Operating Revenue	$ 42,440,294	$ 45,455,579	$ 44,261,100
Operating Expenses	65,422,906	68,378,103	64,603,019
Operating Loss	(22,982,612)	(22,922,524)	(20,341,919)
Total Net Nonoperating Revenues	24,597,216	23,678,324	19,332,894
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	1,614,604	755,800	(1,009,025)
State Capital Grants (Federal)	909,938		
Capital Projects Proceeds from the Commission	305,265	55,830	187,965
Capital Bond Proceeds from the State	1,039,228	49,039	
Increase (Decrease) in Net Assets before Transfers	3,869,035	860,669	(821,060)
Transfer of Net Assets (to) from Pierpont	(40,064)	(22,457)	154,248
Increase (Decrease) in Net Assets	3,828,971	838,212	(666,812)
Net Assets – Beginning Year	62,775,957	61,937,745	62,604,557
Net Assets – End of Year	$ 66,604,928	$ 62,775,957	$ 61,937,745

Revenues:

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





The total gross operating revenues for fiscal year 2012 prior to GASB Statement No. 35 adjustments and reclassification were $76,451,797. This amount was reduced/adjusted for scholarship allowance in the amount of $10,828,805 and direct loans in the amount of $23,182,698. Total operating revenues for fiscal year 2012 after GASB No. 35 adjustments and reclassification is $42,440,294.

	Prior to GASB No. 35 Changes	After GASB No. 35 Changes
Tuition and Fees	$23,005,032	$12,176,227
Federal Revenues	$26,133,100	$ 2,950,402

Highlights of the information presented on the statement of revenues, expenses, and changes in net assets are as follows:

- Tuition and fees revenue, after adjustment for scholarship allowance, increased by $797,347 or 7.01% to $12,176,227 compared to a 5.07% increase in fiscal year 2011.
    - Tuition and fees increased prior to scholarship allowance by $1,087,137 or 4.96%. The scholarship allowance increased by $289,790 for a total increase in net tuition and fees of $797,347.
    - At the request of the Governor, Fairmont State did not increase tuition and fees for fiscal year 2011. However, the Board of Governors did approve a tuition and fee increase of 3.00% for fiscal year 2012.

- Federal Financial Aid and Federal Grants revenues, including GEAR UP, after the adjustment for Direct Loans decreased by $4,158,290 or 58.50% to $2,950,402 compared to decrease of 15.22% in fiscal year 2011.
    - GEAR UP revenues decreased by $3,776,572 due to the close out of the grant.
    - In addition to the decrease in GEAR UP revenues, federal grants revenues decreased in other programs including the NASA Stem Grant by $159,394 and the Department of Education Federal Academic Competitiveness Grant (ACG) by $149,349.

- State contracts and grants decreased by $150,481 or 2.54% to $5,775,026 compared to a decrease of 3.93% in fiscal year 2011. State contracts and grants include institutional grants from other State agencies. This category also includes federal funds received through another state agency or other entity and state funded student financial aid.
    - In fiscal year 2011, both Fairmont State & Pierpont were awarded American Recovery and Reinvestment Act (ARRA) funding for capital projects. This funding was erroneously recorded as State Grants revenue in fiscal year 2011 in the amount of $179,245. For fiscal year 2012, these capital funds were reclassified to State Capital Grants (Federal) on the Statement of Revenues, Expenses and Changes in Net Assets. This is the primary reason for the decrease.
    - The State PROMISE Scholarship program increased by $97,446 to total awards of $2,547,556.
    - The WV State Higher Education Grants revenues decreased by $42,544 for fiscal year 2012 to $2,760,177.
    - The WV State HEAPS grant program increased by $27,509 to total awards of $164,439.

- Private contracts and grants increased by $304,892 or 17.83% to $2,014,595 compared to a decrease of 12.48% in fiscal year 2011.
    - Alternative student loans increased by $45,176 to $763,425.
    - Neighborhood Investment Program Scholarships increased by $74,382 to $108,600.
    - Scholarships awarded from the Foundation increased by $36,107 to $554,601.

- Auxiliary enterprises revenue increased by $263,296 or 2.72% to $9,954,023 compared to an increase of 2.53% in fiscal year 2011.
    - The increase was primarily due to an increase in Auxiliary service revenues of $339,563 for a total of $6,282,931 for fiscal year 2012. Rents from dormitories and apartments and miscellaneous housing revenues totaled approximately $4,413,603 or 70.25% of the $6,282,931 for auxiliary services.
    - The increase was offset by a decrease in student enrollment that generated a decrease in activity fees, athletic fees and facilities fees which decreased by $76,267 to $3,671,091.

- Miscellaneous revenues decreased by $230,695 or 26.76% to $631,508 compared to a decrease of 0.14% in fiscal year 2011.
    - Miscellaneous revenues of $312,043 from auxiliary operations consisted primarily of copy center revenues of $204,284, parking fines of $42,259 and bookstore vendor rent of $65,000.
    - Other miscellaneous revenues earned by Fairmont State were recorded in the amount of $319,463. These revenues consisted of various sources including
        - WV Network contract revenues of $122,125
        - Revenues from the Community Music Program of $54,313
        - Fine arts ticket sales of $41,334 and
        - Administrative costs earned on financial aid of $44,615.

- State appropriations increased by $2,191,966 or 14.04% to $17,803,627 compared to increase of 17.44% in fiscal year 2011. This increase is due to the fourth and final year of equity funding provided to Fairmont State in the amount of $1,250,000 and the increase in State appropriations by the FY 2011 ARRA amount of $700,888. There was also a small increase to offset increased Public Employee Insurance Agency (PEIA) insurance costs.

- For fiscal year 2011, State fiscal stabilization funds were provided through the Governor’s Office from the Federal American Recovery and Reinvestment Act (ARRA) funding in the amount $700,888. These funds were provided to cover decreases in State appropriations and to maintain jobs while avoiding tuition and fee increases. As noted above, for fiscal year 2012 the State increased our State appropriations by the FY 2011 ARRA amount of $700,888.

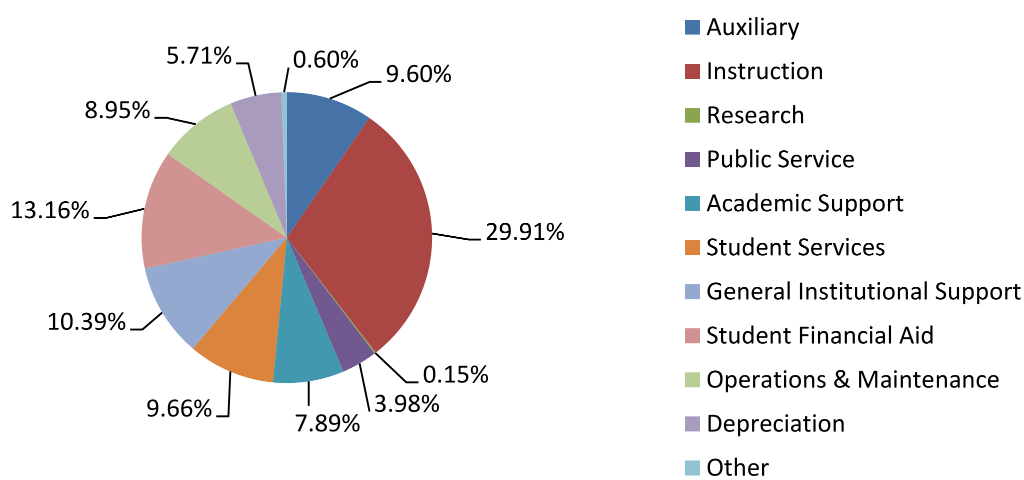
- As noted above, Pell grants are reported as nonoperating revenues because of specific guidance in the AICPA industry audit guide. Pell grants revenue decreased by $997,348 or 9.80% to $9,178,811 compared to a 16.78% increase in fiscal year 2011.

FUNCTIONAL CLASSIFICATION CHART

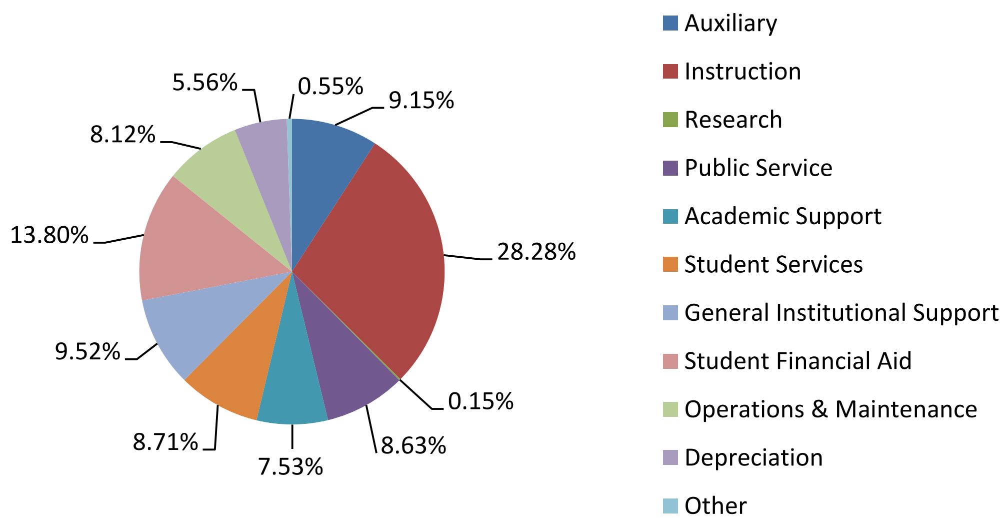
Operating Expenses:

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

2012



2011



Breakdown of Expense by Function:

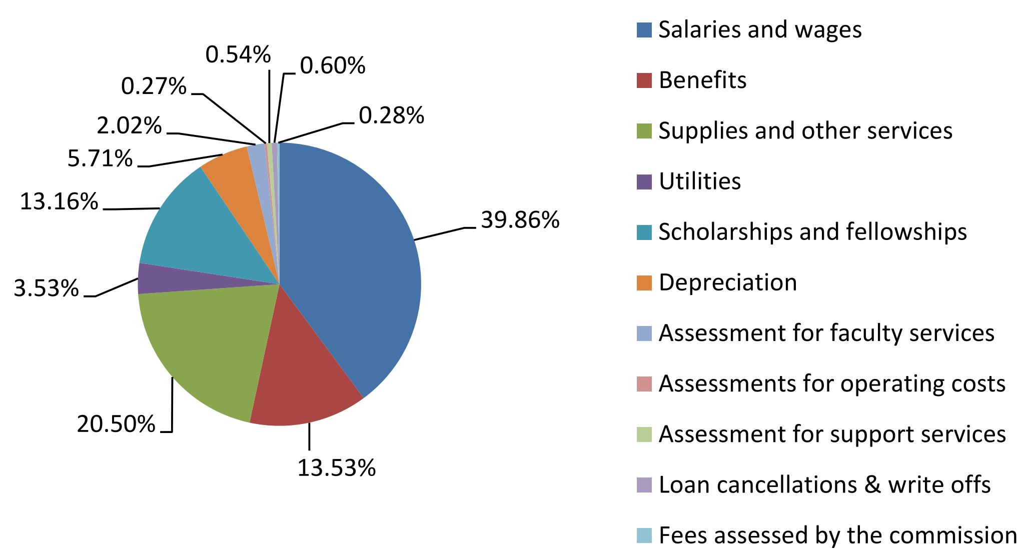
For fiscal year 2012, Fairmont State's total operating expenses were $65,422,906. Instruction expenses totaled $19,569,783 or 29.91% of the total operating budget. The following reflects the amounts and percentage for these expenses:

	2012	%	2011	%	2010	%
Auxiliary	$ 6,283,026	9.60%	$ 6,255,765	9.15%	$ 6,086,468	9.42%
Instruction	19,569,783	29.91%	19,340,726	28.28%	19,016,218	29.44%
Research	96,944	0.15%	101,321	0.15%	143,744	0.22%
Public service	2,604,574	3.98%	5,904,340	8.63%	4,786,076	7.41%
Academic support	5,162,360	7.89%	5,146,971	7.53%	5,076,344	7.86%
Student services	6,317,849	9.66%	5,955,365	8.71%	5,505,906	8.52%
General institutional support	6,796,953	10.39%	6,510,120	9.52%	6,200,695	9.60%
Student financial aid	8,610,724	13.16%	9,429,172	13.80%	8,278,823	12.81%
Operation & maintenance	5,856,061	8.95%	5,554,515	8.12%	5,459,856	8.45%
Depreciation	3,734,752	5.71%	3,801,583	5.56%	3,734,624	5.78%
Other	389,880	0.60%	378,225	0.55%	314,265	0.49%
Total	$ 65,422,906	100%	$ 68,378,103	100%	$ 64,603,019	100.0%

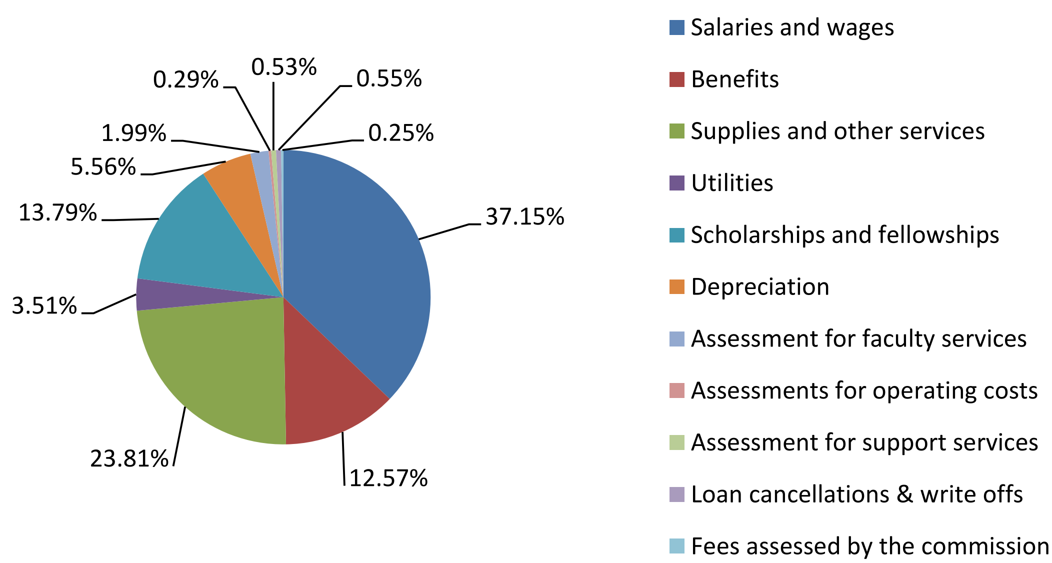
NATURAL CLASSIFICATION CHARTS

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

2012



2011



Breakdown of Expenses by Natural Classification:

For fiscal year 2012, Fairmont State's total operating expenses were $65,422,906. A major portion of the total operating expenses is for salaries, wages, and benefits amounting to $34,927,912 or 53.39%. The following reflects the amounts and percentages for the expenses:

	2012	%	2011	%	2010	%
Salaries and wages	$ 26,078,081	39.86%	$ 25,402,529	37.15%	$ 24,775,693	38.35%
Benefits	8,849,831	13.53%	8,592,815	12.57%	8,712,126	13.49%
Supplies and other services	13,412,943	20.50%	16,278,043	23.81%	14,392,234	22.28%
Utilities	2,310,059	3.53%	2,398,286	3.51%	2,262,138	3.50%
Scholarships and fellowships	8,610,724	13.16%	9,429,172	13.79%	8,278,823	12.81%
Depreciation	3,734,752	5.71%	3,801,583	5.56%	3,734,624	5.78%
Assessment for faculty services	1,319,526	2.02%	1,357,713	1.99%	1,436,654	2.22%
Assessment for operating costs	179,774	0.27%	196,790	0.29%	176,861	0.27%
Assessment for support services	351,776	0.54%	364,520	0.53%	340,976	0.53%
Loan cancellations & write offs	389,880	0.60%	378,225	0.55%	314,265	0.49%
Fees assessed by the commission	185,560	0.28%	178,427	0.25%	178,625	0.28%
Total	$ 65,422,906	100%	$ 68,378,103	100%	$ 64,603,019	100%

- Salaries and Wages increased by $675,552 or 2.66% to $26,078,081 compared to an increase of 2.53% in fiscal year 2011.
  - In fiscal year 2012, 2.3% pay raises that were provided in December 2010 as a one-time pay raise were made permanent for fiscal year 2012. The pay raises including the cost of annual increments was approximately $450,000. Also, classified staff not at their years of service rate on the Mercer classification system were brought up to scale.

- Benefits increased by $257,016 or 2.99% to $8,849,831 compared to an increase of 1.37% in fiscal year 2011.
  - The OPEB expense for fiscal year 2012 increased from $3,205,824 for fiscal year 2011 to $3,266,189 which resulted in an increase to benefits expense of $58,961. Financial statement note number 9 provides additional information on the OPEB liability and expenses.
  - Other benefits expense categories were within a relatively consistent range considering salary increases.

- Supplies and Other Services expense decreased by $2,865,100 or 17.60% to $13,412,943 compared to an increase of 13.10% in fiscal year 2011. The decrease is due primarily to a decrease in expenditures for the Federal Gear-Up Grant program of approximately $3,199,000 due to the last year of the grant program. The decrease was offset by an increase in computer and office equipment expenses of $840,088. Also, computer services decreased by $346,678.

- Utilities expense decreased by $88,227 or 3.68% to $2,310,059 compared to an increase of 6.02% in fiscal year 2011. The increase is due primarily to decreases in electric charges in the amount of approximately $51,000 and water and sewage costs of approximately $58,000. Utilities usage is within a relatively consistent range, with the expected amounts based on the current facilities structure.

- Scholarships expense decreased by $818,448 or 8.68% to $8,610,724 compared to an increase of 13.90 % in fiscal year 2011. Scholarships and Fellowships decreased by $528,658 before scholarship allowance.
  - This decrease is primarily due to a decrease in Federal Pell awards in the amount of $1,001,624.
  - Scholarship allowance increased by $289,790 or 2.75% to $10,828,805 for fiscal year 2012.

- Depreciation expense decreased by $66,831 or 1.76% to $3,734,752 and was 5.71% of total operating expenses. For fiscal year 2011, depreciation expense was $3,801,583 and 5.56% of total operating expenses.

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 non-capital financing activities***. This section reflects the cash received and paid for non-operating, non-investing, and non-capital 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 Schedule of Cash Flows
For the Fiscal Year Ended June 30:

Cash Provided By (Used in)	**2012**	**2011**	**2010**
Operating Activities	$ (16,918,112)	$ (15,772,766)	$ (14,305,212)
Non-Capital Financing Activities	27,026,312	26,605,763	23,819,998
Capital and Financing Related Activities	(8,404,790)	(6,146,640)	(7,476,527)
Investing Activities	30,887	52,053	43,527
Increase in Cash and Cash Equivalents	1,734,297	4,738,410	2,081,786
Cash, Beginning of Year	28,816,854	24,078,444	21,996,658
Cash, End of Year	$ 30,551,151	$ 28,816,854	$ 24,078,444

Major sources of funds included in operating activities consist of tuition and fees $10,333,411, contracts and grants $11,366,007 and auxiliary enterprise charges $9,715,442. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to $32,302,527, to suppliers amounting to $13,964,612, and payments for scholarships and fellowships of $7,128,291.

Major sources of cash flow provided from non-capital financing activities consist of State appropriations amounting to $17,803,627 and Federal Pell grant revenues of $9,177,423.

The major source of cash flow provided from capital financing activity was the proceeds from the bond issuance for the refinancing in the amount of $52,868,781. The major use of funds under this category was the payment of defeasance of the bonds in the amount of $54,382,698. Other uses of cash flow were for payment of principal and interest on bonds of $1,897,718 and $2,974,766 respectively. Construction project expenditures were $2,872,542.

Additional Administrative Notes

During fiscal year 2012, separate budgets were maintained and reported on the three component parts of Fairmont State. These component parts are: 1) Unrestricted, Restricted and Other Funds 2) Auxiliary Funds and 3) Fairmont State's ownership in BOG Support Funds. Fairmont State's management has included the BOG Support component which reports capital funds that support both academic institutions, as a separate reporting component. These funds are allocated based on the average of the past ten (10) years of credit hour enrollments. This allocation is done at the end of each year for financial reporting purposes. The following supplemental schedules were developed to show the component parts of Fairmont State along with a combined column:

1. The Schedule of Net Assets
2. The Schedule of Revenues, Expenses, and Changes in Net Assets
3. The Schedule of Cash Flow
4. The Schedule of Natural Classification vs. Functional Classification

The above schedules may be found in the additional information section of this report.

The component reporting structure for Fairmont State has allowed administration to provide reports to the Fairmont State Board of Governors separated by unrestricted E&G funds, restricted funds, and auxiliary operations. The reporting structure recognizes separate budgeted entities which provides the administration and the Governing Board with information to manage the respective components.

Capital Asset and Long-Term Debt Activity

As described in the financial highlights for fiscal year 2012, Fairmont State has significant outstanding debt from four bond series 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.

The bond issue is supported by auxiliary and infrastructure fund student and user fees. The auxiliary fund budget (which includes interest and principal debt service payments) for fiscal year 2012 currently projects a transfer of excess revenues to plant reserves of approximately $2,000,000.

The refinanced bonds are payable over twenty years and the 2006 bonds are payable over twenty years from the time of issuance. Total principal repayment made during fiscal year 2012 amounted to $1,897,718. The current portion of bonds payable due in fiscal year 2013 is $2,167,193 and the long term portion of bonds payable is $55,057,285.

The 2012A and 2012B 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 are used to calculate the debt service coverage ratio. Fairmont State complied with the debt service coverage ratio requirements of both the Series 2012 Bonds and the 2006 Bonds.

During 2012, 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, 2012 was $2,141,424. As of June 30, 2012, the current portion due to Commission is $106,523 for fiscal year 2013 and the long-term portion is $2,034,901.

Fairmont State's Leadership

The Fairmont State University Governing Board Members for fiscal year 2012:

Name	*Position Held*	*End of 2012 Status*
Matthew Jacques	Classified Staff Representative	Member
Robert Mild	Faculty Representative	Secretary
John Myers	Lay Member	Member
Mark Pallotta	Lay Member	Member
Shirley Stanton	Lay Member	Vice Chair
H. Skip Tarasuk	Lay Member	Member
Bryan Towns	Lay Member	Member
Ron Tucker	Lay Member	Chair
Scott Ullom	Student Representative	Member
Jack "Bob" White	Lay Member	Member
Frank Washenitz	Lay Member	Member
Dixie Yann	Lay Member	Member

The Governing Boards receive a financial report at each meeting.

Economic Outlook

For fiscal year 2013, the University state appropriation increased by $77,044 for a state mandated PEIA medical benefit employer paid increase in rates. Fairmont State did not increase tuition and fees for the 2013 fiscal year. Auxiliary room fees were increased by five (5%) percent and board fees by three (3%) percent for fiscal year 2013.

The room increase of 5% will be repeated in the next four fiscal years to begin to fund a University Housing Master Plan that is a 20-year plan which will replace our apartments with modern style units and also modernize our older dormitory facilities. Even though our planned increases will grow over 25% over the five year period we are currently lower than all of our competitors and expect that average annual market increases will keep us in a competitive position.

At the end of fiscal year 2012, Fairmont State and our campus partner Pierpont Community & Technical College issued a bond refunding and have reduced bond debt payments due over the next 20 years by $590,000 per year for a total of $11,750,000. This refunding is allowing for:

- No increases to the Student Activity Center Fees over the next 20 years
- Reduced rate increases for housing costs
- Reduced rate increases for the Facilities (Security and Parking) Fees over the next 20 years
- Reduced rate increases for the Infrastructure Fees over the next 20 years

The debt coverage ratio for the bonds is required to be 100%. The bond coverage ratio at the end of 2012 and 2011 and ending fund balances are listed below along with the projected budget information for fiscal year 2013:

	Debt Coverage Ratios	Ending Balance
June 30, 2011	320%	$10,092,253
June 30, 2012	306%	$9,453,848
June 30, 2013, projected	311%	$10,363,306

It should be recognized that the University is looking forward for the next twenty years and documenting and obtaining 20 year Master Plans for:

- Student Activity Center (approved by BOG on June 21, 2012)
- Housing Master Plan (approved by BOG on August 16, 2012)
- Facilities/Infrastructure Master Plan (yet to be approved)
- Athletic Master Plan (yet to be approved)

These plans will guide administration for the next 20 years to maintain sound financial operations and up-to-date facilities and equipment.

It is important to acknowledge that the OPEB liability that has grown significantly in the past four years has recently been dealt with by the West Virginia State Legislature and is projected to be eliminated by fiscal year 2037. We do not anticipate any significant future increases to this liability and payments toward this liability will be made primarily by state support over the next 23 years.

State appropriations are expected to be cut by 7.5% or approximately $1,350,000 in fiscal year 2014. To offset part of this reduction, the University is planning to increase the Education and General fees from five to eight percent. Given our tuition and fee rates are in the fifth lowest in the state compared to all West Virginia baccalaureate institutions, the increase is not significant and we should remain very competitive with State institutions.

Fairmont State continues to maintain stable unrestricted net assets, including auxiliary operations, and it is our goal to remain in this stable position for years into the future. Cash reserves in the unrestricted and auxiliary funds increased due to excess operating revenues from the previous year. Education and General (E&G) capital funds continue to be invested in several capital projects occurring to improve student life on the Fairmont State & Pierpont shared campus. The E&G capital reserves are more than sufficient to continue efforts to many repair projects approved by the Governing Boards of Fairmont State & Pierpont. Also, Fairmont State was awarded proceeds from Education, Arts, Science and Tourism (EAST) bonds in fiscal year 2011 for four major facility renovation projects. These projects in progress are:

- Renovation of old student union (Turley Center) to become a student service and success center for $6 million
- Renovation of Wallman Hall to replace the mechanical and electrical services for $5.2 million
- Musick Library elevator project for $2 million and
- Hardway Hall renovations of mechanical and electrical services for $5.5 million.

The overall enrollment of Fairmont State University decreased by 165 or 3.57% in headcount and decreased by 83 or 2.07% in full time equivalents.

While enrollment declined for the fall of 2012 semester the impact of this decline on E&G, Auxiliary, and E&G Capital Fee revenues for the 2013 fiscal year is as follows:

- E&G Fee Operating Revenues - $250,000
- Auxiliary Fee Revenues (Facilities Fee) - $24,000
- E&G Capital Fee Revenues (includes Infrastructure) - $50,000

This decline in revenues will be adjusted for in the 2013 and 2014 budget plans by reducing expenses and/or transfers to reserves at the end of each fiscal year. Compared to the overall budget these adjustments are minor in scope.

This enrollment decline is being reacted to by adding new recruiting staff and strategies and new scholarship funding opportunities. It is important to recognize that while the overall enrollment declined the non-resident student enrollments has increased slightly.

Fairmont State is planning to adjust our budget plans to assure stable outcomes in fiscal years 2013 and 2014, and beyond in our unrestricted E&G and Auxiliary funds. Please know that Fairmont State will continue to invest in the campus to improve campus accessibility and provide improved student life. We have made this campus investment while maintaining a healthy unrestricted net asset balance. Due to the equity funding support provided by the State Legislature to Fairmont State we have been able to improve our student fee competitive position among the West Virginia state colleges and universities. Our annual undergraduate resident rates are 13th out of 17 institutions/programs and our undergraduate non-resident rates are 12th out of 17 institutions/programs.

FAIRMONT STATE UNIVERSITY

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,237,648	$ 26,439,499
Accounts receivable — net	1,716,150	1,568,021
Due from Pierpont for debt service — current portion	198,287	180,691
Loans to students — current portion	209,749	206,642
Inventories	154,048	156,944
Total current assets	32,515,882	28,551,797
NONCURRENT ASSETS:		
Cash and cash equivalents	313,503	2,377,355
Loans to students — net of allowance of $338,338 and $387,745	1,025,323	1,079,323
Deferred charges — bond issuance costs	615,781	943,440
Due from Pierpont for debt service	4,103,776	4,412,216
Capital assets — net	103,880,255	103,734,630
Total noncurrent assets	109,938,638	112,546,964
TOTAL	$ 142,454,520	$ 141,098,761

(Continued)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012 AND 2011

LIABILITIES AND NET ASSETS	2012	2011
LIABILITIES:		
Current liabilities:		
Accounts payable	$ 1,947,078	$ 2,264,167
Due to Pierpont	2,459	1,888
Due to the Commission	8,192	4,274
Accrued liabilities — payroll	2,182,207	2,193,960
Accrued interest payable	140,589	271,907
Retainages payable	40,465	22,674
Deferred revenue and deposits	927,903	991,420
Compensated absences — current portion	811,205	780,313
Capital leases — current portion	90,669	87,345
Debt obligation to the Commission — current portion	106,523	232,290
Bonds payable — current portion	2,180,600	1,897,718
Total current liabilities	8,437,890	8,747,956
Noncurrent liabilities:		
Other post employment benefits liability	8,547,940	5,995,469
Compensated absences	441,578	438,457
Advances from federal sponsors	1,151,584	1,151,584
Capital leases	191,821	282,491
Debt obligation to the Commission	2,034,901	2,142,402
Bonds payable	55,043,878	59,564,445
Total noncurrent liabilities	67,411,702	69,574,848
Total liabilities	75,849,592	78,322,804
NET ASSETS:		
Invested in capital assets — net of related debt	49,105,975	44,776,593
Restricted for — expendable:		
Loans	356,985	389,872
Scholarships	20,246	234,696
Capital projects	3,802,416	3,326,034
Debt service	24,612	2,128,056
Total restricted	4,204,259	6,078,658
Unrestricted	13,294,694	11,920,706
Total net assets	66,604,928	62,775,957
TOTAL	$ 142,454,520	$ 141,098,761

See notes to financial statements.

(Concluded)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $10,828,805 and $10,539,015	$ 12,176,227	$ 11,378,880
Student activity support revenue	178,851	173,576
Auxiliary enterprise revenue	9,954,023	9,690,727
Auxiliary support services revenue	1,343,350	1,324,536
Contracts and grants:		
Federal	2,950,402	7,108,692
State	5,775,026	5,925,507
Private	2,014,595	1,709,703
Interest on student loans receivable	65,397	108,379
Faculty services revenue	1,428,331	1,248,732
Operating costs revenue	2,334,530	2,327,647
Support services revenue	3,588,054	3,596,997
Miscellaneous — net	631,508	862,203
Total operating revenues	42,440,294	45,455,579
OPERATING EXPENSES:		
Salaries and wages	26,078,081	25,402,529
Benefits	8,849,831	8,592,815
Supplies and other services	13,412,943	16,278,043
Utilities	2,310,059	2,398,286
Student financial aid — scholarships and fellowships	8,610,724	9,429,172
Depreciation	3,734,752	3,801,583
Assessment for faculty services	1,319,526	1,357,713
Assessment for operating costs	179,774	196,790
Assessment for support services	351,776	364,520
Loan cancellations and write-offs	389,880	378,225
Fees assessed by the Commission for operations	185,560	178,427
Total operating expenses	65,422,906	68,378,103
OPERATING LOSS	$ (22,982,612)	$ (22,922,524)

(Continued)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$17,803,627	$15,611,661
State fiscal stabilization funds (federal)		700,888
Pell grant revenues	9,178,811	10,176,159
E&G capital and debt service support revenue	1,050,889	1,007,001
Fees assessed to Pierpont for debt service	196,435	213,642
Investment income	75,299	91,251
Gifts	103,647	74,896
Interest on indebtedness	(2,854,131)	(3,021,696)
Gain on disposal of fixed assets	148,564	21,681
Assessment for E&G capital and debt service costs	(865,921)	(869,672)
Fees assessed by the Commission for debt service	(194,787)	(282,754)
Amortization of bond issuance costs, premiums, and discounts	(45,217)	(44,733)
Nonoperating revenues — net	24,597,216	23,678,324
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,614,604	755,800
STATE CAPITAL GRANTS (FEDERAL)	909,938	
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION	305,265	55,830
CAPITAL BOND PROCEEDS FROM THE STATE	1,039,228	49,039
INCREASE IN NET ASSETS BEFORE TRANSFER	3,869,035	860,669
TRANSFER OF NET ASSETS TO PIERPONT	(40,064)	(22,457)
INCREASE IN NET ASSETS	3,828,971	838,212
NET ASSETS — Beginning of year	62,775,957	61,937,745
NET ASSETS — End of year	$66,604,928	$62,775,957

See notes to financial statements. (Concluded)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 10,333,411	$ 10,042,062
Contracts and grants	11,366,007	14,635,030
Payments to and on behalf of employees	(32,302,527)	(31,341,820)
Payments to suppliers	(13,964,612)	(15,666,836)
Payments to utilities	(2,320,786)	(2,392,572)
Payments for scholarships and fellowships	(7,128,291)	(8,280,992)
Loans issued to students	(20,631)	(34,001)
Interest on student loans receivable	15,952	16,610
Auxiliary enterprise charges	9,715,442	9,711,036
Fees assessed by the Commission	(185,560)	(178,427)
Other receipts — net	575,711	550,049
Student activity support revenue	178,851	173,576
Auxiliary fees and debt service support revenue	1,343,350	1,324,536
Assessment support services	(352,030)	(388,028)
Support services revenue	3,588,859	3,888,191
Faculty services revenue	1,428,331	1,248,732
Assessment for faculty services	(1,319,526)	(1,357,713)
Operating support services revenue	2,308,228	2,484,548
Assessment for operating cost	(178,291)	(206,747)
Net cash used in operating activities	(16,918,112)	(15,772,766)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	17,803,627	15,611,661
State fiscal stabilization funds (federal)		700,888
Pell grant revenues	9,177,423	10,176,159
Gift receipts	71,367	109,483
William D. Ford direct lending receipts	23,184,051	23,571,860
William D. Ford direct lending payments	(23,182,502)	(23,574,750)
Transfers to Pierpont	(1,621)	(3,501)
Transfers to/from Pierpont	(26,033)	13,963
Net cash provided by noncapital financing activities	27,026,312	26,605,763
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds from bond issuance	52,868,781	
Payment for defeasance of bonds	(54,382,698)	
State capital grants (federal)	909,938	
Capital projects proceeds from State	512,218	
Capital projects and bond proceeds from the Commission	305,265	71,328
E&G capital and debt service support revenue	1,050,889	1,007,001
Fees assessed to Pierpont	208,527	215,424
Payments from Pierpont on debt obligation	303,823	176,681
Proceeds from sale of fixed assets	11,375	
Fees assessed by the Commission	(194,787)	(282,755)
Purchases of capital assets	(2,872,542)	(613,034)
Purchases of equipment	(523,224)	(539,437)
Principal paid on leases	(87,345)	(84,143)
Interest paid on leases	(13,127)	(16,329)
Assessment for E&G capital and debt service costs	(865,921)	(869,672)
Payments to the Commission on debt obligation	(232,184)	(384,373)
Principal paid on bonds	(1,897,718)	(1,828,829)
Interest paid on bonds	(2,974,766)	(3,042,813)
Payment for bond issue costs	(572,533)	
Bond interest income	41,239	44,311
Net cash used in capital financing activities	(8,404,790)	(6,146,640)

(Continued)

FAIRMONT STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments	$ 30,887	$ 52,053
INCREASE IN CASH AND CASH EQUIVALENTS	1,734,297	4,738,410
CASH AND CASH EQUIVALENTS — Beginning of year	28,816,854	24,078,444
CASH AND CASH EQUIVALENTS — End of year	$ 30,551,151	$ 28,816,854
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$(22,982,612)	$(22,922,524)
Depreciation expense	3,734,752	3,801,583
Changes in assets and liabilities:		
Receivables — net	364,177	531,897
Loans to students — net	50,893	52,090
Inventories	2,897	(11,408)
Accounts payable	(600,899)	458,416
Accrued liabilities — payroll	(11,753)	106,214
Compensated absences	34,013	6,365
Other post employment benefits liability	2,552,471	2,514,780
Deferred revenue	(79,436)	115,731
Undistributed receipts (disbursements) — deposits	17,385	(425,912)
NET CASH USED IN OPERATING ACTIVITIES	$(16,918,112)	$(15,772,768)
NONCASH TRANSACTIONS:		
Property additions in accounts payable	$ 488,785	$ 265,022
Property additions in retainage payable	$ 40,465	$ 22,674
Amortization of bond issuance costs	$ 45,217	$ 44,733
Transfer to Pierpont (exclusive of $1,621 and $3,501 of cash in 2012 and 2011, respectively	$ (12,410)	$ (18,956)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS:		
Cash and cash equivalents classified as current	$ 30,237,648	$ 26,439,499
Cash and cash equivalents classified as noncurrent	313,503	2,377,355
	$ 30,551,151	$ 28,816,854

See notes to financial statements. (Concluded)

1. ORGANIZATION

Fairmont State University ("Fairmont State" or "Fairmont") 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 institution'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, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

Reporting Entity — Fairmont State is an operating 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.

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 assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of Fairmont State's obligations. Fairmont State's net assets are classified as follows:

Invested in Capital Assets — Net of Related Debt — 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 invested in capital assets — net of related debt.

Restricted Net Assets — 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 Assets — 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 assets at June 30, 2012 and 2011.

Unrestricted Net Assets — Unrestricted net assets represent 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 of Governors 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 assets, Fairmont State considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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 and policies set by the BTI, and by provisions of bond indentures and 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 report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, WV 25305 or http://wvbti.com.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and 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.

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 collectibility 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.

Noncurrent Cash and Cash Equivalents — 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 assets are classified as noncurrent assets in the accompanying combined statements of net assets.

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 $32,549 and $10,044 for the years ended June 30, 2012 and 2011, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment. The accompanying financial statements reflect all adjustments required by GASB.

Deferred Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred 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), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or http://www.wvpeia.com.

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. Full-time employees also earn one-and-a-half sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage, and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired on July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer, cost-sharing plan sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3-1/3 years of teaching service extend health insurance for one year of single coverage, and five years extend health insurance for one year of family coverage. The same hire date mentioned above applies to coverage for faculty employees also. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010, receive no health insurance premium subsidy from Fairmont State. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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 assets.

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, life, 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, life, prescription drug drugs, and job-related injuries coverage.

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 Assets — 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 assets are available. Generally, Fairmont State attempts to utilize restricted net assets 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 assets as the loans are repayable directly to the U.S. Department of Education. In 2012 and 2011, Fairmont State received and disbursed $23.2 million and $23.6 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 assets.

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 2012 and 2011, Fairmont State received and disbursed $9.4 million and $10.7 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 assets. 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.

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 escrowed, restricted for noncurrent assets, or in funded reserves, are included as cash and cash equivalents for the purpose of the statements of cash flows.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2011, the University adopted Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. See related disclosures in Note 18.

The University also adopted issued Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The adoption of this statement did not have a material impact on the financial statements.

The University also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This statement improves financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this statement did not have a material impact on the financial statements.

The University also adopted Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This statement improves financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board — The Governmental Accounting Standards Board has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The University has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The GASB has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The University has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its financial statements.

The GASB has also issued Statement No. 66, *Technical Corrections — 2012: An Amendment of GASB Statements No. 10 and No. 64*, effective for fiscal years beginning after December 15, 2012 This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. The University has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its financial statements.

The GASB has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The University has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2012 and 2011, was held as follows:

2012	**Current**	**Noncurrent**	**Total**
State Treasurer	$30,078,075	$ -	$30,078,075
Trustee		40,006	40,006
In bank	156,407	273,497	429,904
On hand	3,166		3,166
	$30,237,648	$313,503	$30,551,151

2011	**Current**	**Noncurrent**	**Total**
State Treasurer	$26,266,972	$ -	$26,266,972
Trustee		2,128,055	2,128,055
In bank	169,362	249,300	418,662
On hand	3,165		3,165
	$26,439,499	$2,377,355	$28,816,854

Cash on deposit with the Trustee at June 30, 2012 and 2011, included $0 and $2,106,500, respectively, invested in a money market fund sponsored by an investment company, the underlying assets of which are securities of the U.S. government and its agencies, authorities, and instrumentalities.

The combined carrying amount of cash in the bank at June 30, 2012 and 2011 was $429,904 and $418,662, respectively, as compared with the combined bank balance of $839,017 and $993,531, 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 up to $250,000. Non-interest-bearing accounts are 100% insured through December 31, 2012.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2012 and 2011, are comprised of the following investment pools:

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI's Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund. Of the BTI's Consolidated Fund pools and accounts in which the Commission invests, all are subject to credit risk.

WV Money Market Pool — Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2012 and 2011, the WV Money Market Pool has been rated AAAm by Standard & Poor's. 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. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of $2,786,968,000 and $3,018,560,000, respectively, of which the Fairmont State's ownership represents 1.01% and 0.82%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2012 and 2011, the WV Government Money Market Pool has been rated AAAm by Standard & Poor's. 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. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of $299,629,000 and $262,692,000, respectively, of which the Fairmont State's ownership represents 0.07% and 0.07%, respectively.

WV Short Term Bond Pool

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (S&P) (or its equivalent) or higher. Commercial paper must be rated at least A-1 by S&P's and P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2012		2011	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset backed securities	Aaa	AAA	$ 95,628	18.99 %	$ 87,197	18.40 %
	Aaa	NR *	38,524	7.64	19,891	4.20
	Aa3	AA+ **			454	0.10
	B1	CCC **	896	0.18	885	0.19
	B3	B **			366	0.08
	B3	BB **	311	0.06		
	B3	BBB **			631	0.13
	B3	BBB- **	53	0.01		
	B3	CCC **	280	0.06		
	Ca	CCC **	586	0.12	664	0.14
	Caa2	CCC **	186	0.04	473	0.10
	Caa3	CCC **	243	0.05	393	0.08
	Caa3	D **	26	0.01	27	0.01
	NR	AA+	3,900	0.77		
	NR *	NR *	3,786	0.75	4,000	0.84
			144,419	28.68	114,981	24.27
Corporate bonds and notes	Aaa	AA			2,043	0.43
	Aa1	A			4,143	0.87
	Aa2	AA+	9,025	1.79		
	Aa2	AA			11,866	2.50
	Aa3	AA			7,064	1.49
	Aa3	AA-	15,666	3.11		
	Aa3	A	23,032	4.57	13,040	2.75
	A1	AA	12,145	2.41	8,107	1.71
	A1	A+	30,684	6.09		
	A1	A			22,731	4.80
	A2	AA			2,555	0.54
	A2	A	39,064	7.76	23,976	5.06
	A3	A			8,770	1.85
	A3	A-	7,755	1.54		
	A3	BBB+	3,006	0.60		
	Baa1	A-	4,162	0.83		
	Baa2	A-	6,709	1.33		
			151,248	30.03	104,295	22.00
Commercial paper	P-1	A-1			15,995	3.38
U.S. agency bonds	Aaa	AAA			20,017	4.22
U.S. agency bonds	Aaa	AA+	45,024	8.94		
U.S. Treasury notes***	Aaa	AAA			25,034	5.28
U.S. Treasury notes***	Aaa	AA+	44,251	8.79		
U.S. agency mortgage backed securities****	Aaa	AAA			97,296	20.53
U.S. agency mortgage backed securities****	Aaa	AA+	77,065	15.30		
Money market funds	Aaa	AAAm	41,610	8.26	96,287	20.32
			$503,617	100 %	$473,905	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2012 and 2011, the Fairmont State's ownership represents 0.74% and 0.68%, respectively, of these amounts held by the BTI.

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 BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	2012		2011	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 90,204	3	$ 84,357	1
U.S. Treasury notes	330,865	122	298,345	137
U.S. Treasury bills	237,978	37	231,051	34
Commercial paper	853,470	35	1,069,576	35
Certificates of deposit	110,000	10	140,000	58
U.S. agency discount notes	738,706	44	697,164	45
Corporate bonds and notes	36,000	48	127,000	20
U.S. agency bonds/notes	189,691	68	170,788	66
Money market funds	200,054	1	200,279	1
	$ 2,786,968	46	$ 3,018,560	46

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

	2012		2011	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 91,900	3	$ 98,400	1
U.S. Treasury notes	103,324	111	45,811	131
U.S. Treasury bills	4,999	62		
U.S. agency discount notes	76,397	52	60,852	74
U.S. agency bonds/notes	23,004	9	57,498	22
Money market funds	5	1	131	1
	$ 299,629	54	$ 262,692	45

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

	2012		2011	
Security Type	**Carrying Value (In thousands)**	**Effective Duration (Days)**	**Carrying Value (In thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 44,251	366	$ 25,034	227
Commercial paper			15,995	55
Corporate notes	151,248	242	104,295	234
Corporate asset backed securities	144,419	250	114,981	268
U.S. agency bonds/notes	45,024	23	20,017	85
U.S. agency mortgage backed securities	77,065	13	97,296	18
Money market funds	41,610	1	96,287	1
	$ 503,617	180	$ 473,905	138

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.

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI's 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.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's statement of fiduciary net assets is invested in a pool managed by the securities lending agent. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Deposits — Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 and 2011, are as follows:

	2012	2011
Student tuition and fee — net of allowance for doubtful accounts of $1,443,765 and $1,193,884	$ 539,221	$ 438,729
Grants and contracts receivable	232,069	692,830
Due from the Commission	114,628	29,653
Due from other State agencies	622,374	223,378
Due from Pierpont	108,834	39,904
Other accounts receivable	99,024	143,527
Accounts receivable — net	$1,716,150	$1,568,021

5. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2012 and 2011, are as follows:

	2012				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 7,046,448	$ -	$ 635,725	$ -	$ 7,682,173
Construction in progress	634,596	(239)	3,213,070	(2,625,230)	1,222,197
Total capital assets not being depreciated	$ 7,681,044	$ (239)	$3,848,795	$(2,625,230)	$ 8,904,370
Other capital assets:					
Land improvements	$ 4,266,639	$ (383)	$ 52,926	$ (17,228)	$ 4,301,954
Infrastructure	10,241,551	(4,571)	129,238		10,366,218
Buildings	111,975,493	(20,693)	2,255,208	(346,922)	113,863,086
Equipment	5,696,820	(145)	517,951	(371,532)	5,843,094
Computer software	504,058		33,671	(112,283)	425,446
Library books	4,338,312	(1,980)	31,055	(188,661)	4,178,726
Total other capital assets	137,022,873	(27,772)	3,020,049	(1,036,626)	138,978,524
Less accumulated depreciation for:					
Land improvements	1,912,502	(141)	274,971	(9,666)	2,177,666
Infrastructure	4,139,826	(1,853)	684,602		4,822,575
Buildings	26,326,504	(6,401)	2,205,784	(26,344)	28,499,543
Equipment	3,931,775	(72)	489,009	(354,236)	4,066,476
Computer software	586,023		22,038	(215,848)	392,213
Library books	4,072,657	(1,859)	58,348	(84,980)	4,044,166
Total accumulated depreciation	40,969,287	(10,326)	3,734,752	(691,074)	44,002,639
Other capital assets — net	$ 96,053,586	$(17,446)	$ (714,703)	$ (345,552)	$ 94,975,885
Capital asset summary:					
Capital assets not being depreciated	$ 7,681,044	$ (239)	$3,848,795	$(2,625,230)	$ 8,904,370
Other capital assets	137,022,873	(27,772)	3,020,049	(1,036,626)	138,978,524
Total cost of capital assets	144,703,917	(28,011)	6,868,844	(3,661,856)	147,882,894
Less accumulated depreciation	40,969,287	(10,326)	3,734,752	(691,074)	44,002,639
Capital assets — net	$103,734,630	$(17,685)	$3,134,092	$(2,970,782)	$103,880,255

	2011				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 7,046,448	$ -	$ -	$ -	$ 7,046,448
Construction in progress	139,886	(170)	818,106	(323,226)	634,596
Total capital assets not being depreciated	$ 7,186,334	$ (170)	$ 818,106	$(323,226)	$ 7,681,044
Other capital assets:					
Land improvements	$ 4,267,661	$ (1,022)	$ -	$ -	$ 4,266,639
Infrastructure	10,253,740	(12,189)			10,241,551
Buildings	111,720,759	(54,881)	309,615		111,975,493
Equipment	5,189,902	(340)	605,539	(98,281)	5,696,820
Computer software	626,985			(122,927)	504,058
Library books	4,314,011	(5,243)	29,544		4,338,312
Total other capital assets	136,373,058	(73,675)	944,698	(221,208)	137,022,873
Less accumulated depreciation for:					
Land improvements	1,638,107	(307)	274,702		1,912,502
Infrastructure	3,461,186	(4,130)	682,770		4,139,826
Buildings	24,149,362	(15,988)	2,193,130		26,326,504
Equipment	3,479,663	(145)	529,220	(76,963)	3,931,775
Computer software	553,686		51,534	(19,197)	586,023
Library books	4,111,157	(4,997)	70,227	(103,730)	4,072,657
Total accumulated depreciation	37,393,161	(25,567)	3,801,583	(199,890)	40,969,287
Other capital assets — net	$ 98,979,897	$(48,108)	$(2,856,885)	$ (21,318)	$ 96,053,586
Capital asset summary:					
Capital assets not being depreciated	$ 7,186,334	$ (170)	$ 818,106	$(323,226)	$ 7,681,044
Other capital assets	136,373,058	(73,675)	944,698	(221,208)	137,022,873
Total cost of capital assets	143,559,392	(73,845)	1,762,804	(544,434)	144,703,917
Less accumulated depreciation	37,393,161	(25,567)	3,801,583	(199,890)	40,969,287
Capital assets — net	$ 106,166,231	$(48,278)	$(2,038,779)	$(344,544)	$ 103,734,630

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.

During December 2010, the University was approved to receive $18.7 million of Education, Arts, Science and Tourism (EAST) bond proceeds to be specifically used for four major facility renovation projects. As of June 30, 2012, $1,656,133 had been incurred for HEPC bond projects, with $876,620 included in accounts receivable from the West Virginia Development Office; 85% of these bond proceeds must be spent by December 2013. These bond proceeds will be accounted for as prescribed in the Separation of Assets and Liabilities Agreement between Fairmont State and Pierpont Community & Technical College (“Pierpont”). At June 30, 2012, Fairmont State’s portion of the receivable was $576,027. Upon completion, the increase in capitalized assets for Fairmont State and Pierpont are estimated to be approximately $12.3 million and $6.4 million, respectively. The West Virginia Development Office is responsible for repayment of this debt.

Fairmont State has construction commitments of $6,672,717 as of June 30, 2012.

6. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2012 and 2011, are as follows:

	2012					
	Beginning Balance	Transfers*	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$61,167,624	$ -	$50,325,000	$(54,532,718)	$56,959,906	$2,167,193
Add (less) deferred amounts:						
Premium on issuance	369,050		2,543,781	(375,763)	2,537,068	127,189
Discount on issuance	(74,511)			74,511	-	
Deferred loss on refunding			(2,275,657)	3,161	(2,272,496)	(113,782)
Total bonds payable — net	61,462,163	-	50,593,124	(54,830,809)	57,224,478	2,180,600
Capital leases payable	369,836			(87,346)	282,490	90,669
Other long-term liabilities:						
Other postemployment benefits liability	5,995,469		2,552,471		8,547,940	
Accrued compensated absences	1,218,770		688,389	(654,376)	1,252,783	811,205
Advances from federal sponsors	1,151,584				1,151,584	
Payable to the Commission	2,374,692	(1,084)		(232,184)	2,141,424	106,523
Total long-term liabilities	$72,572,514	$(1,084)	$53,833,984	$(55,804,715)	$70,600,699	

*Transfers represent the ownership change from FY11 to FY12.

	2011					
	Beginning Balance	Transfers*	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$62,996,453	$ -	$ -	$(1,828,829)	$61,167,624	
Add (less) deferred amounts:						
Premium on issuance	386,256			(17,206)	369,050	
Discount on issuance	(78,045)			3,534	(74,511)	
Total bonds payable — net	63,304,664	-	-	(1,842,501)	61,462,163	$1,897,718
Capital leases payable	453,979			(84,143)	369,836	87,345
Other long-term liabilities:						
Other postemployment benefits liability	3,480,690		2,514,779		5,995,469	
Accrued compensated absences	1,212,405		610,865	(604,500)	1,218,770	780,313
Advances from federal sponsors	1,151,584				1,151,584	
Payable to the Commission	2,762,423	(3,358)		(384,373)	2,374,692	232,290
Total long-term liabilities	$72,365,745	$(3,358)	$3,125,644	$(2,915,517)	$72,572,514	

*Transfers represent the ownership change from FY10 to FY11.

7. BONDS PAYABLE

Bonds payable at June 30, 2012, are summarized as follows (in thousands):

	Interest Rates	Annual Principal Installments	2012 Principal Outstanding	2011 Principal Outstanding
University Facilities Revenue Bonds 2002, Series A, due through 2032	3.75%-5.375%	$430-$1,145	$ -	$15,180
Infrastructure Revenue Bonds 2002, Series B, due through 2032	3.75-5.00	225-565		7,645
University Facilities Revenue Bonds 2003, Series A, due through 2032	3.75-5.25	330-860		11,530
Student Activity Revenue Bonds 2003, Series B, due through 2032	3.75-5.25	570-1,475		19,835
Facilities Improvement Revenue Bonds 2006 Series, due through 2026	4.18 (10-year reset)	343-611	6,634	6,978
Revenue Refunding Bonds 2012, Series A, due through 2032	2.00-5.00	735-1,155	20,165	
Revenue Refunding Bonds 2012, Series B, due through 2032	2.00-5.00	1,075-1,720	30,160	
Total outstanding principal			56,959	61,168
Add unamortized bond premium			2,537	369
Less unamortized bond discount				(75)
Less deferred loss on refunding			(2,272)	
Total			$57,224	$61,462
Current			$ 2,180	$ 1,898
Noncurrent			55,044	59,564
Total			$57,224	$61,462

Fairmont State has issued the following revenue bonds:

a. *University Facilities Revenue Bonds 2002, Series A* — On August 1, 2002, Fairmont State issued University Facilities Revenue Bonds 2002, Series A (the “2002A Bonds”) amounting to $18,170,000. The 2002A Bonds were issued to (1) finance the costs of acquisition of student housing facilities, consisting of an existing 113-unit apartment complex; (2) finance the costs of the design, acquisition, and construction of a new, approximately 1,000-space motor vehicle parking facility; (3) establish a debt service reserve fund for the 2002A Bonds; (4) capitalize interest on the 2002A Bonds during the construction of the parking facility; and (5) pay the cost of issuance of the 2002A Bonds and related costs. The 2002A Bonds were refinanced by the 2012A Bonds.

b. *Infrastructure Revenue Bonds 2002, Series B* — On August 1, 2002, Fairmont State issued Infrastructure Revenue Bonds 2002, Series B (the “2002B Bonds”) amounting to $9,310,000. The 2002B Bonds were issued to (1) finance the costs of acquisition and construction of improvements to the campus infrastructure and utilities, including the entranceways to the main shared campus and the roads surrounding the campus, and electrical, water, and sewerage systems, and (2) pay the costs of issuance of the 2002B Bonds and related costs. The 2002B Bonds were refinanced by the 2012A Bonds.

c. *University Facilities Revenue Bonds 2003, Series A* — On March 1, 2003, Fairmont State issued University Facilities Revenue Bonds 2003, Series A (the "2003A Bonds") amounting to $13,320,000. The 2003A Bonds were issued to (1) finance the costs of the design, acquisition, construction, and equipping of a new dormitory facility anticipated to include approximately 400 units; (2) make a deposit to the debt service reserve fund for the 2003A Bonds; (3) capitalize interest on the 2003A Bonds during the construction of the dormitory; and (4) pay the costs of issuance of the 2003A Bonds and related costs. The 2003A Bonds were refinanced by the 2012B Bonds.

d. *Student Activity Revenue Bonds 2003, Series B* — On March 1, 2003, Fairmont State issued Student Activity Revenue Bonds Series B (the "2003B Bonds") amounting to $22,925,000. The 2003B Bonds were issued to (1) finance the costs of designing, acquisition, construction, and equipping a new student activities center (including demolition of an existing dining facility) to be located on the shared campus; (2) capitalize interest on the 2003B Bonds during the construction of the student activities center; and (3) pay the costs of issuance of the 2003B Bonds and related costs. The 2003B Bonds were refinanced by the 2012B Bonds.

e. *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 & 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.

f. *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.

g. *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.

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 bonds, except for the 2006 Bonds, are fully insured as to principal and interest by Financial Guaranty Insurance Company.

The 2012 Series A and B 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 net 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 of $3,659,260. For the year ended June 30, 2012, Fairmont and Pierpont had gross revenues that approximated 306% of the maximum annual debt service.

Future debt service requirements to maturity for the revenue bonds at June 30, 2012, are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2013	$ 2,167,193	$ 2,119,816	$ 4,287,009
2014	2,182,280	2,105,218	4,287,498
2015	2,258,003	2,031,694	4,289,697
2016	2,344,392	1,940,506	4,284,898
2017	2,441,472	1,845,826	4,287,298
2018–2022	13,649,906	7,786,592	21,436,498
2023–2027	15,801,660	4,992,290	20,793,950
2028–2032	16,115,000	2,160,775	18,275,775
Total	$56,959,906	$24,982,717	$81,942,623

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, 2012, are as follows:

Years Ending June 30	
2013	$ 37,800
2014	36,339
2015	34,168
2016	32,687
Total	$ 140,994

Total lease expense for the years ended June 30, 2012 and 2011, was $44,702 and $41,588, respectively. The University does not have any noncancelable leases.

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

Fairmont State entered into a lease agreement with Fieldturf Finance in April 2007 to cover the acquisition and installation costs for an athletic field turf, markings, and logo. The lease is accounted for as a capital lease, with a total cost of $686,930 and a net book value of $515,190 and $563,781 as of June 30, 2012 and 2011, respectively. The athletic field was placed into service in February 2008. Fairmont State also entered into a lease agreement with Banc of America in September 2012 to cover the acquisition and installation costs for an alarm system for Pence and Pritchard residence halls. The lease will be accounted for as a capital lease with a total cost of $198,522. The alarm system was not installed as of June 30, 2012, therefore, a capital asset and the related capital lease liability were not recorded in the University's financial statements. Future annual minimum lease payments on capital leases for years subsequent to June 30, 2012, are as follows:

Years Ending June 30	Principal	Interest	Total
2013	$ 90,669	$ 9,803	$ 100,472
2014	94,120	6,353	100,473
2015	97,701	2,771	100,472
Total	$ 282,490	$ 18,927	$ 301,417

9. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2012, 2011, and 2010, the noncurrent liability related to OPEB costs was $8,547,940 $5,995,469, and $3,480,690, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $3,266,189 and $90,029, respectively, during 2012. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $3,205,824 and $100,775, respectively, during 2011. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $3,367,463 and $90,163 , respectively, during 2010. As of both June 30, 2012, 2011, and 2010, there were 63, 63, and 60, respectively, retirees receiving these benefits.

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 Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The 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 2012 and 2011, Fairmont State paid $233,268 and $384,373, respectively, to the Commission against the debt obligation. The amount due to Commission at June 30, 2012 and 2011, is $2,141,424 and $2,374,692, respectively.

11. NET ASSETS

Fairmont State's net assets at June 30, 2012 and 2011, include certain designated net assets, as follows:

	2012		
	Net Assets Before OPEB Liability	Net Assets Less OPEB Liability	Total Net Assets
Invested in capital assets — net of related debt	$49,105,975	$ -	$49,105,975
Restricted for — expendable:			
Loans	356,985		356,985
Scholarships	20,246		20,246
Capital projects	3,802,416		3,802,416
Debt service	24,612		24,612
Total restricted	4,204,259	-	4,204,259
Unrestricted:			
Designated for auxiliaries	7,890,401	904,619	6,985,782
Designated for fund managers	690,319		690,319
Undesignated	13,261,914	7,643,321	5,618,593
Total unrestricted	21,842,634	8,547,940	13,294,694
Total net assets	$75,152,868	$8,547,940	$66,604,928

	2011		
	Net Assets Before OPEB Liability	Net Assets Less OPEB Liability	Total Net Assets
Invested in capital assets — net of related debt	$44,776,593	$ -	$44,776,593
Restricted for — expendable:			
Loans	389,872		389,872
Scholarships	234,696		234,696
Capital projects	3,326,034		3,326,034
Debt service	2,128,056		2,128,056
Total restricted	6,078,658	-	6,078,658
Unrestricted:			
Designated for auxiliaries	6,721,288	639,344	6,081,944
Designated for fund managers	432,186		432,186
Undesignated	10,762,701	5,356,125	5,406,576
Total unrestricted	17,916,175	5,995,469	11,920,706
Total net assets	$68,771,426	$5,995,469	$62,775,957

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 new Great West 401(a) basic retirement plan ("Great West"). New hires have the choice of either plan.

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the Legislature. The contractual maximum contribution rate is 15%. Fairmont State accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2012 and 2011. Required employee contributions were at the rate of 6% of total annual salary for both years ended June 30, 2012 and 2011. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2012 and 2011, were $287,403 and $338,412, respectively, which consisted of $205,296 and $241,723, respectively, from Fairmont State in 2012 and 2011, and $82,107 and $96,689, respectively, from the covered employees.

The contribution rate is set by the Legislature on an overall basis, and the STRS does not perform a calculation of the contribution requirement for individual employers, such as Fairmont State. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

The TIAA-CREF is a defined contribution benefit plan in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation for both years ended June 30, 2012 and 2011. 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, which are not matched by Fairmont State.

Total contributions to the TIAA-CREF for the years ended June 30, 2012 and 2011, were $2,482,730 and $2,356,524, respectively, which consisted of equal contributions from Fairmont State and covered employees of $1,241,365 and $1,178,262, respectively.

Total contributions to Great West for the years ended June 30, 2012 and 2011, were $87,482 and $92,310, respectively, which consisted of equal contributions from Fairmont State and covered employees of $43,741 and $46,155, respectively.

Fairmont State's total payroll for the years ended June 30, 2012 and 2011, were $26,369,131 and $25,598,315, respectively, total covered employees' salaries in the Great West, STRS, and TIAA-CREF were $729,011, $1,366,630, and $20,682,387, respectively, in 2012 and $769,255, $1,609,631, and $19,622,260 in 2011, respectively.

13. FAIRMONT STATE FOUNDATION, INC. (UNAUDITED)

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 27 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 for the benefit of Fairmont State.

The Foundation's assets totaled $16,897,103 and $17,239,005 at June 30, 2012 and 2011, with net assets of $16,780,662 and $17,155,695, respectively. Gifts grants and bequests to the Foundation totaled $1,500,837 and $4,527,958 in fiscal years 2012 and 2011, respectively.

Total funds expended by the Foundation in support of Fairmont State activities totaled $769,233 and $824,775 during the years 2012 and 2011, respectively. This support and the related expenditures are recorded in Fairmont State's combined financial statements.

14. AFFILIATED ORGANIZATION

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 (1) it is not material and (2) it has dual-purposes (i.e. not entirely or almost entirely for the benefit of Fairmont State).

15. RELATED-PARTY TRANSACTIONS

Fairmont State and Pierpont enter into an annual contractual agreement to establish the contractual services that will be provided by both institutions. These contract services are referred to as chargeback services and occur from each institution to the other. The definition of chargeback services is services provided from teaching, administrative, academic support, student services, and physical plant support areas of Fairmont State to Pierpont and vice versa.

Chargeback services 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 required by bond covenants. A contractual agreement may be negotiated for services to be provided until the governing boards of both institutions mutually agree to end the contract agreement. Currently, a chargeback agreement for fiscal year 2013 has been negotiated and has approval from the Boards of Governors of both Fairmont State & Pierpont. Additional information regarding these transactions may be found in the Component Parts Financial Data section of the Note to Schedules.

Fiscal years 2012 and 2011 transactions associated with the chargeback agreement for FY12 and FY11 are as follows:

	Fairmont State	
	2012	2011
Revenues:		
Student activity support revenue	$ 178,851	$ 173,576
Auxiliary support service revenue	1,343,350	1,324,536
Faculty service revenue	1,428,331	1,248,732
Operating cost revenue	2,334,531	2,327,647
Support service revenue	3,588,054	3,596,997
E&G capital and debt service support revenue	1,050,889	1,007,001
Expenses:		
Assessment for faculty service	1,319,526	1,357,713
Assessment for operating costs	179,774	196,790
Assessment for support service	351,776	364,520
Assessment for E&G capital and debt service costs	865,921	869,672

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 new 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) & 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."

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

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

and

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

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

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

(1) For accounting purposes, the institution that assumes responsibility for any asset also shall assume responsibility for any associated liabilities.

(2) *Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.*

(A) *Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.*

(B) *Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.*

(3) *The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities.*

(4) *The institutions shall develop a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year two thousand twelve.*

(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 2012 A in the principal amount of $20,165,000 and Revenue Refunding Bonds, Series 2012 B 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 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.

(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 currently outstanding in the principal amount of $6,634,905.91 and $6,977,623.67 updated as of June 30, 2012 and 2011, respectively.

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 Board of Governors of Fairmont State & 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.*

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."

As of June 30, 2012, the average allocated 65.71% of the debt to Fairmont and 34.29% of the debt to Pierpont. As of June 30, 2011, the average allocated 65.74% of the debt to Fairmont and 34.26% 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 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, 2012 and 2011, 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.

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 SCA. SCAs are 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, 2008, Fairmont State granted to Aladdin the exclusive right to manually provide food products and nonalcoholic beverages at its food service facilities. Aladdin provides food service in the Falcon Center, Nickel Snack Bar, 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 revenue from Aladdin in fiscal years 2012 and 2011 were $843,723 and $850,765, respectively. Aladdin also provides $75,000 annually to Fairmont State & Pierpont during the term of the agreement for student scholarships. The scholarships are split between Fairmont & Pierpont based on FTE.

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 2012 in the amount of $426,578. 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 & Pierpont during the term of the agreement for student scholarships. The scholarships are split between Fairmont & Pierpont based on FTE.

The bookstore was operated by Barnes and Noble in fiscal year 2011. Barnes and Noble provided vendor contract revenues to Fairmont State in fiscal year 2011 in the amount of $332,494.

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 recognize that they are bound by all bond covenants and are 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 Board of Governors of Fairmont State & Pierpont binds both Fairmont State & Pierpont to the debt obligation and is stated as:

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

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

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

The 2012A Bonds outstanding consist of $13,700,000 serial bonds with varying interest rates from 2% to 5%, and mature serially from June 1, 2013 to 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 $20,510,000 serial bonds with varying interest rates from 2% to 5%, and mature serially from June 1, 2013 to 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 & 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 student activities center. Fairmont State & 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 years ended June 30, 2012 and 2011, Fairmont State & Pierpont had gross revenues, as defined by the Indenture, that approximated 306% and 320% 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 $6,634,906 with 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 shall automatically adjust to the reset rate and shall bear the reset rate from May 1, 2016, to maturity.

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 & Pierpont have (i) fulfilled their obligations with respect to the Commission bonds during each six-month period and (ii) fulfilled their debt obligations of the Series 2006 bonds. All remaining university fees are allocated for the repair and replacement of the facilities financed with the system bonds.

Condensed financial information for each of Fairmont State's segments as of and for the years ended June 30, 2012 and 2011, is as follows:

	2012		
	Facilities Improvement Bonds 2006, As of/Year Ended June 30, 2012		**Revenue Refunding Bonds 2012, As of/Year Ended June 30, 2012**
CONDENSED SCHEDULE OF NET ASSETS			
Assets:			
Current assets	$ -		10,268,894
Noncurrent and capital assets	8,005,675		57,627,485
Total assets	8,005,675		67,896,379
Liabilities:			
Current liabilities	(403,416)		(2,261,881)
Long-term liabilities	(6,277,713)		(48,862,076)
Total liabilities	(6,681,129)		(51,123,957)
Net assets:			
Invested in capital assets — net of related debt	1,324,546		6,896,668
Restricted/Expendable			9,875,754
Total net assets	$ 1,324,546		$ 16,772,422
CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating revenues	$ 630,838		$ 11,190,202
Operating expenses			(4,979,963)
Operating income	630,838		6,210,239
Nonoperating revenue			52,388
Nonoperating expense	(288,398)		(2,697,877)
Depreciation	(315,680)		(1,836,411)
Increase in net assets	26,760		1,728,339
Net assets — beginning of year	1,297,786		15,044,083
Net assets — end of year	$ 1,324,546		$ 16,772,422
CONDENSED SCHEDULE OF CASH FLOWS			
Net cash provided by operating activities	$ -		$ 6,118,746
Net cash used in capital and related financing activities		(1)	(6,767,358)
Net cash provided by investing activities			10,207
Decrease in cash and cash equivalents	-		(638,405)
Cash and cash equivalents — beginning of year			10,092,253
Cash and cash equivalents — end of year	$ -		$ 9,453,848

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

	2011	
	Facilities Improvement Bonds 2006, As of/Year Ended June 30, 2011	Revenue Refunding Bonds 2012, As of/Year Ended June 30, 2011
CONDENSED SCHEDULE OF NET ASSETS		
Assets:		
Current assets	$ -	$ 8,681,761
Noncurrent and capital assets	8,323,430	61,417,302
Total assets	8,323,430	70,099,063
Liabilities:		
Current liabilities	(390,738)	(1,984,196)
Long-term liabilities	(6,634,906)	(53,070,784)
Total liabilities	(7,025,644)	(55,054,980)
Net assets:		
Invested in capital assets — net of related debt	1,297,786	3,822,180
Restricted/Designated		11,221,903
Total net assets	$ 1,297,786	$ 15,044,083
CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	$ 630,838	$ 11,724,730
Operating expenses		(5,687,807)
Operating income	630,838	6,036,923
Nonoperating revenue		58,384
Nonoperating expense	(300,103)	(2,822,094)
Depreciation	(315,680)	(1,826,737)
Increase in net assets	15,055	1,446,476
Net assets — beginning of year	1,282,731	13,597,607
Net assets — end of year	$ 1,297,786	$ 15,044,083
CONDENSED SCHEDULE OF CASH FLOWS		
Net cash provided by operating activities	$ -	$ 5,764,542
Net cash used in capital and related financing activities	(1)	(4,613,709)
Net cash provided by investing activities		15,483
Increase in cash and cash equivalents	-	1,166,316
Cash and cash equivalents — beginning of year		8,925,937
Cash and cash equivalents — end of year	$ -	$ 10,092,253

Note: Segment information may include assets, liabilities, revenue and expenses that are also contained in Pierpont’s financial statements.
(1) Activity netted to zero.

20. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2012 and 2011, are represented as follows:

2012

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 2,249,114	$ 723,024	$ 2,550,864	$ 760,024	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,283,026
Instruction	12,564,276	3,938,714	1,334,301	5,370			1,319,526	166,571	241,025			19,569,783
Research	61,486	5,168	30,290									96,944
Public service	558,160	197,105	1,831,897	17,412								2,604,574
Academic support	2,609,377	864,772	1,564,257					13,203	110,751			5,162,360
Student services	3,364,030	1,067,509	1,886,310									6,317,849
General institutional support	3,106,283	1,285,817	2,218,087	1,206							185,560	6,796,953
Student financial aid					8,610,724							8,610,724
Operation and maintenance	1,565,355	767,722	1,996,937	1,526,047								5,856,061
Depreciation						3,734,752						3,734,752
Loan cancellations and write-offs										389,880		389,880
TOTAL	$26,078,081	$8,849,831	$13,412,943	$2,310,059	$8,610,724	$3,734,752	$1,319,526	$179,774	$351,776	$389,880	$185,560	$65,422,906

2011

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 2,221,005	$ 719,565	$ 2,512,502	$ 802,693	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,255,765
Instruction	12,123,024	3,873,802	1,565,955	6,156			1,357,713	173,062	241,014			19,340,726
Research	66,370	9,950	25,001									101,321
Public service	625,491	207,324	5,052,529	18,996								5,904,340
Academic support	2,674,440	741,228	1,584,069					23,728	123,506			5,146,971
Student services	3,138,407	1,025,140	1,791,818									5,955,365
General institutional support	3,044,131	1,267,677	2,017,853	2,032							178,427	6,510,120
Student financial aid					9,429,172							9,429,172
Operation and maintenance	1,509,661	748,129	1,728,316	1,568,409								5,554,515
Depreciation						3,801,583						3,801,583
Loan cancellations and write-offs										378,225		378,225
TOTAL	$25,402,529	$8,592,815	$16,278,043	$2,398,286	$9,429,172	$3,801,583	$1,357,713	$196,790	$364,520	$378,225	$178,427	$68,378,103

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ADDITIONAL INFORMATION

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NET ASSETS INFORMATION
AS OF JUNE 30, 2012

ALL FUNDS	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted and Other Funds	Component Parts Eliminations	Total Institution
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 3,870,264	$ 8,686,845	$17,720,545	$ -	$ 30,277,654
Accounts receivable — net	610,406	310,796	842,448	(47,500)	1,716,150
Due from Pierpont for debt service — current portion	198,287				198,287
Loans to students — current portion			209,749		209,749
Inventories			154,048		154,048
Total current assets	4,678,957	8,997,641	18,926,790	(47,500)	32,555,888
NONCURRENT ASSETS:					
Cash and cash equivalents			273,497		273,497
Loans to students — net			1,025,323		1,025,323
Deferred charges — bond issuance costs	99,304	505,851	10,626		615,781
Due from Pierpont for debt service	4,103,776				4,103,776
Capital assets — net	39,535,615	57,425,166	6,919,474		103,880,255
Total noncurrent assets	43,738,695	57,931,017	8,228,920	-	109,898,632
TOTAL	$48,417,652	$66,928,658	$27,155,710	$(47,500)	$142,454,520
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	$ 596,854	$ 285,920	$ 1,111,804	$(47,500)	$ 1,947,078
Due to Pierpont			2,459		2,459
Due to the Commission			8,192		8,192
Accrued liabilities — payroll		135,922	2,046,285		2,182,207
Accrued interest payable	57,301	81,620	1,668		140,589
Retainages payable	40,465				40,465
Deferred revenue	10,530	426,461	490,912		927,903
Compensated absences — current portion		115,304	695,901		811,205
Capital lease payable — current portion		90,669			90,669
Debt obligation payable to the Commission — current portion	106,523				106,523
Bonds payable — current portion	578,264	1,569,061	33,275		2,180,600
Total current liabilities	1,389,937	2,704,957	4,390,496	(47,500)	8,437,890
NONCURRENT LIABILITIES:					
Other post employment benefits liability		904,619	7,643,321		8,547,940
Compensated absences		55,099	386,479		441,578
Advances from federal sponsors			1,151,584		1,151,584
Capital lease payable		191,821			191,821
Debt obligation to the Commission	2,034,901				2,034,901
Bonds payable	12,067,154	42,105,330	871,394		55,043,878
Total noncurrent liabilities	14,102,055	43,256,869	10,052,778	-	67,411,702
Total liabilities	15,491,992	45,961,826	14,443,274	(47,500)	75,849,592
NET ASSETS:					
Invested in capital assets — net of related debt	29,106,407	13,974,136	6,025,432		49,105,975
Restricted for — expendable:					
Loans			356,985		356,985
Scholarships	16,592		3,654		20,246
Sponsored projects					
Capital projects	3,802,416				3,802,416
Debt service	245	24,313	54		24,612
Total restricted	3,819,253	24,313	360,693		4,204,259
Unrestricted E&G Plant and President's Control			5,618,593		5,618,593
Unrestricted Auxiliary and Fund Manager Funds		6,968,383	707,718		7,676,101
Total unrestricted	-	6,968,383	6,326,311	-	13,294,694
Total net assets	32,925,660	20,966,832	12,712,436	-	66,604,928
TOTAL	$48,417,652	$66,928,658	$27,155,710	$(47,500)	$142,454,520

See note to schedules.

FAIRMONT STATE UNIVERSITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

ALL FUNDS	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted and Other Funds	Component Parts Eliminations	Total Institution
OPERATING REVENUES:					
Tuition and fees — net	$ -	$ -	$ 12,176,227	$ -	$ 12,176,227
Student activity support revenue			581,942	(403,091)	178,851
Auxiliary enterprise revenue		6,282,932	3,671,091		9,954,023
Auxiliary support service revenue		5,009,300		(3,665,950)	1,343,350
Contracts and grants:					
Federal			2,950,402		2,950,402
State/local	14,984		5,760,042		5,775,026
Private	(904)		2,015,499		2,014,595
Interest on student loans receivable			65,397		65,397
Faculty services revenue			1,428,331		1,428,331
Operating costs revenue			2,334,530		2,334,530
Support services revenue			3,588,054		3,588,054
Miscellaneous — net		312,043	319,465		631,508
Total operating revenues	14,080	11,604,275	34,890,980	(4,069,041)	42,440,294
OPERATING EXPENSES:					
Salaries and wages	7,885	2,188,176	23,882,020		26,078,081
Benefits	574	715,650	8,133,607		8,849,831
Supplies and other services	268,114	2,671,888	10,472,941		13,412,943
Utilities		760,024	1,550,035		2,310,059
Student financial aid — scholarships and fellowships	371	447,775	8,162,578		8,610,724
Depreciation	1,731,408	1,575,827	427,517		3,734,752
Assessment for student activity costs			403,091	(403,091)	-
Assessment for auxiliary fees and debt service			3,665,950	(3,665,950)	-
Assessment for faculty services			1,319,526		1,319,526
Assessment for operating costs			179,774		179,774
Assessment for support services			351,776		351,776
Loan cancellations and write-offs		97,473	292,407		389,880
Fees assessed by the Commission for operations			185,560		185,560
Total operating expenses	2,008,352	8,456,813	59,026,782	(4,069,041)	65,422,906
OPERATING INCOME (LOSS)	(1,994,272)	3,147,462	(24,135,802)	-	(22,982,612)
NONOPERATING REVENUES (EXPENSES):					
State appropriations			17,803,627		17,803,627
State fiscal stabilization funds (federal)					
Pell grant revenues			9,178,811		9,178,811
E&G capital and debt service support revenue	2,710,254			(1,659,365)	1,050,889
Fees assessed to Pierpont for debt service	196,435				196,435
Investment income	4,791	51,527	18,981		75,299
Gifts	9,857		93,790		103,647
Interest on indebtedness	(565,012)	(2,240,406)	(48,713)		(2,854,131)
Loss/gain on disposal of fixed assets	(271,113)	6,735	412,942		148,564
Assessment for E&G capital and debt service costs			(2,525,286)	1,659,365	(865,921)
Fees assessed by the Commission for debt service	(194,787)				(194,787)
Amortization of bond issuance costs	(7,852)	(36,496)	(869)		(45,217)
Total nonoperating revenues (expenses)	1,882,573	(2,218,640)	24,933,283	-	24,597,216
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(111,699)	928,822	797,481		1,614,604
STATE CAPITAL GRANTS (FEDERAL)	909,938				909,938
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION	305,265				305,265
CAPITAL BOND PROCEEDS FROM THE STATE	1,039,228				1,039,228
INCREASE IN NET ASSETS BEFORE TRANSFER	2,142,732	928,822	797,481	-	3,869,035
TRANSFER OF NET ASSETS TO PIERPONT	35,856	(361,303)	285,383		(40,064)
INCREASE (DECREASE) IN NET ASSETS	2,178,588	567,519	1,082,864	-	3,828,971
NET ASSETS — Beginning of year	30,747,072	20,399,313	11,629,572		62,775,957
NET ASSETS — End of year	$32,925,660	$20,966,832	$ 12,712,436	$ -	$ 66,604,928

See note to schedules.

FAIRMONT STATE UNIVERSITY

SCHEDULE OF CASH FLOW INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted and Other Funds	Component Parts Eliminations	Total Institution
CASH FLOWS FROM OPERATING ACTIVITIES:					
Student tuition and fees	$ (101,945)	$ 5,922	$ 10,429,434	$ -	$ 10,333,411
Contracts and grants	158,189		11,207,818		11,366,007
Payments to and on behalf of employees	(8,459)	(2,561,836)	(29,732,232)		(32,302,527)
Payments to suppliers	(208,012)	(2,680,785)	(11,075,815)		(13,964,612)
Payments to utilities		(752,940)	(1,567,846)		(2,320,786)
Payments for scholarships and fellowships	285	(447,775)	(6,680,801)		(7,128,291)
Loans issued to students			(20,631)		(20,631)
Interest on student loans receivable			15,952		15,952
Auxiliary enterprise charges		6,055,929	3,659,513		9,715,442
Fees assessed by the Commission			(185,560)		(185,560)
Other receipts — net		315,648	260,063		575,711
Student activity support revenue			581,942	(403,091)	178,851
Auxiliary fees & debt service support revenues		5,009,300		(3,665,950)	1,343,350
Assessment support services			(352,030)		(352,030)
Support services revenue			3,588,859		3,588,859
Assessment for student activity costs			(403,091)	403,091	-
Assessment for auxiliary fees & debt service			(3,665,950)	3,665,950	-
Faculty services revenue			1,428,331		1,428,331
Assessment for faculty services			(1,319,526)		(1,319,526)
Operating support services revenue			2,308,228		2,308,228
Assessment for operating cost			(178,291)		(178,291)
Net cash (used in) provided by operating activities	(159,942)	4,943,463	(21,701,633)	-	(16,918,112)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
State appropriations			17,803,627		17,803,627
Pell grant revenues			9,177,423		9,177,423
Gift receipts	9,857		61,510		71,367
William D. Ford direct lending receipts			23,184,051		23,184,051
William D. Ford direct lending payments			(23,182,502)		(23,182,502)
Transfer to Pierpont	(1,621)				(1,621)
Transfer to/from Pierpont	49,887	(361,304)	285,384		(26,033)
Net cash (used in) provided by noncapital financing activities	58,123	(361,304)	27,329,493	-	27,026,312
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from bond issuance	6,252,778	45,674,875	941,128		52,868,781
Payment for defeasance of bonds	(6,531,795)	(46,867,779)	(983,124)		(54,382,698)
State Capital Grants (Federal)	909,938				909,938
Capital projects proceeds from State	512,218				512,218
Capital projects proceeds from the Commission	305,265				305,265
E&G capital and debt service support revenue	2,710,254			(1,659,365)	1,050,889
Fees assessed to Pierpont	208,527				208,527
Payments from Pierpont on debt obligation	303,823				303,823
Proceeds from sale of fixed assets		11,375			11,375
Fees assessed by the Commission	(194,787)				(194,787)
Purchases of capital assets	(2,531,144)	(211,632)	(129,766)		(2,872,542)
Purchases of equipment	(81,229)	(59,029)	(382,966)		(523,224)
Principal paid on leases		(87,345)			(87,345)
Interest paid on leases		(13,127)			(13,127)
Assessment for E&G capital and debt service costs			(2,525,286)	1,659,365	(865,921)
Payments to the Commission on debt obligation	(232,184)				(232,184)
Principal paid on bonds	(538,288)	(1,330,000)	(29,430)		(1,897,718)
Interest paid on bonds	(608,128)	(2,318,483)	(48,155)		(2,974,766)
Payment for bond issue costs	(68,736)	(493,451)	(10,346)		(572,533)
Bond interest income	2	41,237			41,239
Net cash provided by (used in) capital financing activities	416,514	(5,653,359)	(3,167,945)	-	(8,404,790)
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments	4,181	9,454	17,252		30,887
INCREASE IN CASH AND CASH EQUIVALENTS	318,876	(1,061,746)	2,477,167	-	1,734,297
CASH AND CASH EQUIVALENTS — Beginning of year	3,551,388	9,748,591	15,516,875		28,816,854
CASH AND CASH EQUIVALENTS — End of year	$ 3,870,264	$ 8,686,845	$ 17,994,042	$ -	$ 30,551,151

(Continued)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF CASH FLOW INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

	Board of Governors Support Fund	Auxiliary Funds	Unrestricted, Restricted and Other Funds	Total Institution
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating income (loss)	$ (1,994,272)	$ 3,147,462	$ (24,135,802)	$ (22,982,612)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	1,731,408	1,575,827	427,517	3,734,752
Changes in assets and liabilities:				
Receivables — net	142,507	(33,583)	255,253	364,177
Loans to students — net			50,893	50,893
Inventories			2,897	2,897
Accounts payable	61,583	(73,102)	(589,380)	(600,899)
Accrued liabilities — payroll		69,888	(81,641)	(11,753)
Compensated absences		10,142	23,871	34,013
Other postemployment benefits liability		265,275	2,287,196	2,552,471
Deferred revenue		(54,570)	(24,866)	(79,436)
Undistributed receipts (disbursements) — deposits	(101,168)	36,124	82,429	17,385
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (159,942)	$ 4,943,463	$ (21,701,633)	$ (16,918,112)
NONCASH TRANSACTIONS:				
Construction in progress additions in accounts payable	$ 476,285	$ -	$ 12,500	$ 488,785
Construction in progress additions in retainage	$ 40,465	$ -	$ -	$ 40,465
Amortization of bond issuance costs, premiums, and discounts	$ 7,852	$ 36,496	$ 869	$ 45,217
Transfer to Pierpont (exclusive of $1,621 of cash)	$ (12,410)	$ -	$ -	$ (12,410)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS:				
Cash and cash equivalents classified at current	$ 3,868,673	$ 8,648,794	$ 17,720,181	$ 30,237,648
Cash and cash equivalents classified at noncurrent	1,591	38,051	273,861	313,503
	$ 3,870,264	$ 8,686,845	$ 17,994,042	$ 30,551,151

See note to schedules.

(Concluded)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

COMPONENT: BOG Support

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Function Total
Auxiliary enterprises	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Instruction								
Research								
Public service								
Academic support								
Student services								
General institutional support			5,675					5,675
Student financial aid					371			371
Operation and maintenance	7,885	574	262,439					270,898
Depreciation						1,731,408		1,731,408
Loan cancellations and write-offs								
TOTAL	$ 7,885	$ 574	$ 268,114	$ -	$ 371	$ 1,731,408	$ -	$ 2,008,352

See note to schedules. (Continued)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

COMPONENT: AUXILIARY

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Function Total
Auxiliary enterprises	$ 1,939,860	$ 637,420	$ 2,462,525	$ 760,024	$ -	$ -	$ -	$ 5,799,829
Instruction								
Research								
Public service	9,445	765	7,219					17,429
Academic support								
Student services	300	41						341
General institutional support	117,885	41,937	74,461					234,283
Student financial aid					447,775			447,775
Operation and maintenance	120,686	35,487	127,683					283,856
Depreciation						1,575,827		1,575,827
Loan cancellations and write-offs							97,473	97,473
TOTAL	$ 2,188,176	$ 715,650	$ 2,671,888	$ 760,024	$ 447,775	$ 1,575,827	$ 97,473	$ 8,456,813

(Continued)

FAIRMONT STATE UNIVERSITY

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

COMPONENT: FAIRMONT STATE UNIVERSITY

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Activity, Capital and Debt Service Costs	Assessment for Auxiliary Fees and Debt Service	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 309,254	$ 85,604	$ 88,339	$ -	$ -	$ -	$ -	$3,665,950	$ -	$ -	$ -	$ -	$ -	$ 4,149,147
Instruction	12,564,276	3,938,714	1,334,302	5,370					1,319,526	166,571	241,025			19,569,784
Research	61,486	5,168	30,290											96,944
Public service	548,715	196,340	1,824,678	17,412										2,587,145
Academic support	2,609,377	864,772	1,564,257							13,203	110,751			5,162,360
Student services	3,363,730	1,067,468	1,886,310				403,091							6,720,599
General institutional support	2,988,398	1,243,880	2,137,951	1,206									185,560	6,556,995
Student financial aid					8,162,578									8,162,578
Operation and maintenance	1,436,784	731,661	1,606,814	1,526,047										5,301,306
Depreciation						427,517								427,517
Loan cancellations and write-offs												292,407		292,407
TOTAL	$23,882,020	$8,133,607	$10,472,941	$1,550,035	$8,162,578	$427,517	$403,091	$3,665,950	$1,319,526	$179,774	$351,776	$292,407	$185,560	$59,026,782

See note to schedules.

(Concluded)

1. COMPONENT FINANCIAL DATA

The additional information schedules are included to comply with the requirements of Higher Education Policy Commission ("Commission") to provide financial information for all component parts 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 component comprises Fairmont State's ownership based on the Separation of Assets and Liabilities Agreement which was 65.71% as of June 30, 2012. The BOG Support component consists of capital funds for all Educational and General (E&G) shared bonding and plant repairs and replacements, plant and other capitalized assets, and grants in support of capital projects.

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

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

a. *Revenues* — State appropriations are allocated by the Legislature each year. Appropriations increased by 14.04% for Fairmont State.

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

   1. Required auxiliary, capital, and student activity fee revenues are recorded as revenues to the institution in which the student is enrolled. Under the contract agreement, all (100%) of these revenues will be transferred as an expense to the capital, auxiliary, and student activity funds from which the operating, capital, and debt service expenditures are paid (primarily Fairmont State funds). Most of these fees are pledged on revenue bonds and must be transferred to maintain compliance with bond covenants.

   2. User fees collected from students of either institution are deposited directly to the appropriate auxiliary revenue account and are not recorded as revenues by separate institutions. Examples of this type of revenue are parking, books, meals, and rent.

   3. Grant revenues are deposited in the institution's fund to which the grant was awarded.

4. Student payments made via lockbox, Web, etc., are deposited to Fairmont State's clearing fund and are moved daily to the appropriate operating state fund for each institution.

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

b. *Expenses*:

Direct expenditures:

1. Direct expenditures will be assigned directly to either Fairmont State or Pierpont.

2. Full- and part-time faculty personnel services and fringe benefit expenditures are paid from the institution where the personnel are employed.

Chargeback expenditures:

1. Teaching service expenses are charged back from one institution to the other based on the number of credit hours taught. This chargeback process includes instructional salary and benefit costs. The calculation includes the faculty member's salary and benefit costs, courses taught, the student being taught, and the number of student credit hours being taught. The teaching chargeback services calculations are performed once each semester. The teaching chargeback calculation results in a value allocated for each institution for the credit hours taught to both Pierpont and Fairmont State students.

2. Support service chargebacks are for salary and benefit costs from one institution to the other and/or services provided from the administrative, academic support, student service, and physical plant support areas of Fairmont State to Pierpont and vice versa. The salary and benefit chargeback services from each institution to the other for support services are based on the percentage of total credit hours (FTE enrollment) taken by Pierpont and Fairmont State students.

   Support service chargebacks for staff located in the academic schools for salary and benefit costs:

   > The chargeback services for support staff located in the academic units are based on enrollment percentages within that academic unit.

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

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

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

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

both institutions. These fund balances are under the direct control of the respective Presidents of each institution.

Academic operating costs are funded directly by Education and General (E&G) revenues received by each institution. In some academic units, a portion of the operating (nonlabor) expense budgets are based on the percentage of total credit hours taken by Pierpont and Fairmont State students in that academic unit. The chargeback for these operating expenses is driven by the state code requirements. The organization manager of those academic units has budget authority to spend against these budgets during the fiscal year. All unspent budgets at the end of each fiscal year are not carried forward to future fiscal years. Once again, any unspent budget increases the fund balance of the appropriate institutions. These fund balances are under the direct control of the respective Presidents of each institution.

4. Support staff actual liability costs:

   The liability costs incurred annually from employee benefits provided to support staff, such as retiree health premiums and severance payable are allocated to the institutions based on the percentage of total credit hours (FTE enrollment) taken by the Pierpont and Fairmont State students.

5. Support staff accrued liabilities:

   Accrued liabilities (OPEB liability, annual leave, severance payable, etc.) required to be recorded in the financial statements annually for all support staff are allocated to the institutions based on the percentage of total credit hours (FTE enrollment) taken by the Pierpont and Fairmont State students.

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

   Compensated Absences — As of June 30, 2012, PEIA retiree and severance costs and liabilities are distributed to the component units based on funding source. However, the chargeback agreement for fiscal year 2012 between the institutions reads as follows: Payout of PEIA retiree and severance costs incurred during the year will be allocated to the institutions based on the percentage defined in the chargeback agreement. For fiscal year 2012, the percentages are 34.52% for the two-year institution and 65.48% for the four-year institution.

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INDEPENDENT AUDITORS' 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*

To the Governing Board of
Fairmont State University:

We have audited the financial statements of Fairmont State University ("Fairmont State") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Fairmont State is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fairmont State's internal control over financial reporting as a basis for designing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairmont State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fairmont State's internal control over financial reporting.

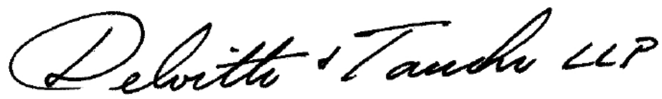
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Fairmont State University Governing Board, managements of Fairmont State University and the West Virginia Higher Education Policy Commission, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



November 9, 2012