

BOARD
OF
GOVERNORS



AGENDA
FAIRMONT STATE UNIVERSITY
BOARD OF GOVERNORS' MEETING
OCTOBER 20, 2011, 9:00 A.M.



- I. CALL TO ORDER**
 - A. Roll Call
 - B. Public Comment
 - C. Approve Agenda..... *Action Item*

- II. APPROVAL OF MINUTES OF AUGUST 18, 2011.....** Tab 1 *Action Item*

- III. CHAIRMAN'S REPORT**

- IV. PRESIDENT'S REPORT**

- V. REPORTS AND PRESENTATIONS**
 - A. Foundation (Kim Pellillo)

- VI. CONSENT AGENDA.....** Tab 2 *Action Item*
 - A. Financial Reports
 - B. Capital Projects FY 2012

- VII. ACADEMIC AFFAIRS/ADMISSIONS (Janet Crescenzi, Chair)**
 - A. West Virginia Higher Education Policy Commission Institutional Compact 2010-2011 Update Tab 3 *No Action*
(Information Only)

- VIII. STUDENT LIFE COMMITTEE (Skip Tarasuk, Chair)**

- IX. FINANCE COMMITTEE (Mark Pallotta, Chair)**
 - A. Falcon Center 20-Year Plan Tab 4 *Action Item*
 - B. Acceptance of the Bond Audits..... Tab 5 *Action Item*

- X. EXECUTIVE COMMITTEE (Ron, Tucker, Chair)**

- XI. BY-LAWS COMMITTEE (Shirley Stanton, Chair)**

- XII. POSSIBLE EXECUTIVE SESSION**

- XIII. ADJOURNMENT**

NEXT MEETING: DECEMBER 15, 2011



FAIRMONT STATE UNIVERSITY
BOARD OF GOVERNORS
MEETING MINUTES
AUGUST 18, 2011, 9:00 A.M.

I. CALL TO ORDER

A. Roll Call

Chairman Ron Tucker convened a meeting of the Fairmont State University (FSU) Board of Governors held on August 18, 2011, beginning at approximately 9:00 a.m. in the Board Room at the Falcon Center, 1201 Locust Avenue, Fairmont, West Virginia. Prior to the meeting, new members Scott Ullom and Frank Washenitz were sworn in.

Present for the meeting were board members Matt Jacques, Jim Kettering, Robert Mild, Mark Pallotta, Shirley Stanton, Skip Tarasuk, Bryan Towns, Ron Tucker, Bob White, Scott Ullom, and Frank Washenitz. Board member Janet Crescenzi was absent. Also in attendance were FSU President Rose and President's Council members Amantha Cole, Devanna Corley, Bill Finley, Christina Lavorata, Rick Porto, Amantha Cole, and David Tamm.

At the request of Chairman Tucker, Judy Biafore conducted a roll call of the Board of Governors. One member was absent and eleven members were present.

B. Public Comment

Member Skip Tarasuk reported that Mr. Frank Gabor representing a group of alumni signed up for public comment. Mr. Gabor offered advice and suggestions to the Board of Governors based on his background and expertise in various areas that relate to the institution.

C. Approval of Agenda

Bob Mild made a motion to approve the agenda. Matt Jacques seconded. Motion passed.

II. APPROVAL OF MINUTES OF JUNE 16, 2011

Mark Pallotta moved approval of the minutes of the meeting held on June 16, 2011, as provided in the agenda materials. Scott Ullom seconded. Motion passed.

III. CHAIRMAN'S REPORT

- A. Chairman Tucker reported that the campus community is gearing up for the fall semester to officially start on Monday.

He thanked the staff, faculty, and administrators who do their very best every day to make Fairmont State a special place.

- B. The Marion County Chamber of Commerce hosted its annual dinner last week in the Falcon Center. Senator Manchin was the keynote speaker.

- C. Last Tuesday our campus hosted the U.S. Patriot Flag Ceremony. The flag has been traveling through the nation in preparation for the 10th anniversary of the September 11, 2001 tragedy.

- D. Chairman Tucker thanked all of the board members who attended the two recent workshops hosted by the Higher Education Policy Commission. "Capitalizing on the Foundation-Institution Partnership" was held last month and was facilitated by the Association of Governing Boards.

Last Friday, HEPC hosted the "Strategic Planning Finance Workshop". He thanked all who took part in this opportunity.

He reminded board members (with the exception of our student representative) that they must complete at least six hours of training and development within every two years of service. Each of these workshops counted for five hours of training.

Chairman Tucker recognized and welcomed new board members, Scott Ullom and Frank Washenitz. Mr. Ullom has been elected to serve as student representative. Mr. Washenitz is an alumnus, former student athlete, and works with Mylan Pharmaceuticals.

IV. PRESIDENT'S REPORT

- A. President Rose reported that Monday, (August 15) faculties were officially welcomed back to campus with a general opening session.

- B. She stated that over the summer she charged a creative team in the Office of Institutional Advancement with the challenge of finding a way to make Fairmont State relevant to our current students and to create a campaign for the University that represents our student-centered focus and dynamic campus community.

President Rose reported that this was the beginning of the Faculty Development week which is coordinated through the Center for Teaching Excellence. She also stated that the campus is busy with meetings and programs related to this. Also, the committees for each criterion for the HLC accreditation self-study report are busy at work and the campus community is participating by completing surveys and gathering helpful information.

Also this week, the director of the Mid-Atlantic ADA Center, Marian Vessels, met with several groups on campus to discuss current legislation and ADA requirements. While she said our campus has been compliant, she encouraged us to keep ADA in mind as we plan ahead for new projects and programs and to keep ADA requirements as part of the plan and not an afterthought.

President Rose reported that students are still being enrolled and that updated numbers will be provided at a later time.

She stated that overflow student housing has been proactively approached and believes that a better solution has been implemented. Selected housing has been “tripled-up” for a short time in order to keep students on campus. Students will be given a discount on their room rate until permanent housing is provided.

Great progress is being made on the Folklife Center especially with the second floor. Landscaping for the grounds has begun with additional work planned for one of the gardens. Completion with the allotment from the HERA fund is scheduled for September 30. An opening and dedication is being planned for Homecoming Week.

President Rose stated that our campus will again hold a convocation ceremony this year to officially and formally welcome new students to campus. This year, faculty will participate wearing their academic regalia and the event will be ceremonial in nature—a preview to commencement and the successful completion of their academic journey.

V. REPORTS AND PRESENTATIONS

A. Foundation (Kim Pellillo)

Craig Shaffer, executive Director of the Fairmont State Foundation reported for Kim Pellillo.

Mr. Shaffer reported that a very informative workshop “Capitalizing on the Foundation Institutional Partnership” was held July 29 at Stonewall resort.

He also stated that a fundraiser will be held October 6, 2011, at the Mollohan Building prior to the FSU football game. It will be a formal event.

Mr. Shaffer also informed those in attendance that the D & G Golf Outing will be held September 16. The Foundation Office will be working closely with the Athletic Office and Institutional Advancement Office to plan the event and work on potential sponsorships.

He also reported that Mr. John Myers, Chair of the Development Committee, met with President Rose to discuss funding priorities for the next 18 months.

Gary Bennett, Vice-President of the Fairmont State Foundation, reported on the Neighborhood Investment Plan (NIP). He stated that there was a 24% increase in funding over what had been received in the past. Mr. Bennett stated that he appreciated all the help President Rose has given the FS Foundation and said that Dr. Rose had been a “delight” to work with. He reported that they would do their best to serve both FSU and Pierpont well.

B. Institutional Advancement (Devanna Corley)

Devanna Corley, Vice President of Institutional Advancement, presented the new marketing plan, “Be First”.

VI. CONSENT AGENDA

Jim Kettering moved to accept the following Consent Agenda as presented.

- A. Financial Report
- B. Capital Projects FY 2011

Bob Mild seconded. Motion passed.

VII. ACADEMIC AFFAIRS/ADMISSIONS (Janet Crescenzi, Chair)

No report for Academic Affairs/Admissions.

VIII. STUDENT LIFE COMMITTEE (Skip Tarasuk, Chair)

Mr. Tarasuk reported that there will be more information on dorm enrollments at the next meeting. He then asked that Dr. Quentin Johnson, Vice-President of Enrollment & Student Services, report on activities and this week's "Welcome Weekend".

IX. FINANCE COMMITTEE (Jim Kettering, Chair)

A. Moody's Bond Ratings

This item was informational only. No action was taken.

**B. Audit for Applying Agreed Upon Procedures
Over Cash/Depositing Practices**

Finance Committee Chair Kettering reported that "The Finance Committee approves of the University's responses and is comfortable with the procedures that are in place".

This item was informational only. No action was taken.

C. Capital Appropriation Request for 2013

Scott Ullom made a motion to accept the Capital Appropriation Request. Shirley Stanton seconded. Motion passed

D. State Appropriation request for 2013

Shirley Stanton made a motion to accept the State Appropriation Request. Mark Pallotta seconded. Motion passed.

E. RFP Athletic Master Plan

Shirley Stanton made a motion to accept the RFP Athletic Master Plan and Scott Ullom seconded. Motion passed.

X. EXECUTIVE COMMITTEE (Ron, Tucker, Chair)

There was no item to bring forth by the Executive Committee.

XI. BY-LAWS COMMITTEE (Shirley Stanton, Chair)

There was no item to bring forth by the By-Laws Committee.

XII. EXECUTIVE SESSION

There was no item necessary for Executive Session.

XIII. ADJOURNMENT

Bob Mild moved to adjourn the meeting. Matt Jacques seconded. Motion passed.

Ronald Tucker

FSU Board of Governors' Chairman

Robert Mild

FSU Board of Governors' Secretary

**Fairmont State University
Board of Governors
Financial Report
for the period ending July 31, 2011**

Unrestricted Fund:

Budget changes to the 2012 fiscal year since the board approved the budget improved the planned deficit condition by \$213,909. The budget improvement occurred primarily because of corrections to the graduate school E&G revenue budget, which was understated in the original budget proposed and approved in June. Tuition and Fee revenue received achieved 43% of budget and we have received 31% of overall operating revenue planned for this fiscal year through the end of July. Non-operating revenue (state appropriations) is at 20% of budget. Operating expenses through the end of July is at 4.16% of budget. The actual surplus condition through the end of July is \$11,317,869. Please note that we are just beginning the fiscal year, student fee revenues are recorded when invoiced, and our appropriation is provided quarterly at the beginning of each quarter.

Auxiliary Fund:

Budget changes to the 2012 fiscal year since the board approved the budget were in the area of Auxiliary Support Services Fee Revenue. Review of the revenue budgets based on enrollment growth since the budget approval required a correction, which lowered the revenue budget plan. To adjust for this correction we reduced the planned transfer to reserve by \$67,000 approximately.

Auxiliary enterprise revenue achieved 37% of budget and we received 19.5% of overall operating revenue planned for this fiscal year through the end of July. Operating expenses through the end of July is at 4.66% of budget. The actual surplus condition through the end of July is \$1,882,568. Please note that we are just beginning the fiscal year and revenues are recorded when invoiced.

Restricted Fund:

The 2012 fiscal year budget for the restricted fund compared to the 2011 fiscal year is reduced in both revenues and expenses due to a number of grants terminating. The largest of these grants is the GEAR-UP Grant. This grant is going into a carry-over year where this grant will be closed out in August 2012. We have applied for a new GEAR-UP Grant and are awaiting results of this application. The revenue and expense budget reductions for grants are in the neighborhood of \$5,000,000. The grant operating revenue and expense activity was minimal in the month of July. Actual balance through the end of July is a surplus condition of \$222,809.

Please find the attached financial reports.

Fairmont State University
 Actual vs Budget Statement of Revenues and Expenses
 Current Unrestricted
 As of July 31, 2011

		Approved Budget	Current Budget	YTD Actual	YTD Actual to Current Budget
OPERATING REVENUE	Tuition and Fees	22,627,694	22,820,516	9,801,662	42.95
	Student Activity Support Revenue	580,069	589,989	0	0.00
	Faculty Services Revenue	1,272,439	1,272,439	0	0.00
	Operating Costs Revenue	2,437,328	2,431,578	0	0.00
	Support Services Revenue	3,955,116	3,915,269	0	0.00
	Other Operating Revenue	428,458	428,458	(48,488)	(11.32)
	Total:	31,301,104	31,458,249	9,753,173	31.00
OPERATING EXPENSE	Salaries	24,065,999	24,203,087	999,285	4.13
	Benefits	6,032,487	6,067,625	222,271	3.66
	Student financial aid-scholarships	2,078,727	2,063,727	18,369	0.89
	Utilities	1,749,920	1,749,920	(1,091)	(0.06)
	Supplies and Other Services	8,873,122	8,776,086	288,047	3.28
	Equipment Expense	1,182,232	1,181,776	371,041	31.40
	Fees retained by the Commission	178,427	185,560	46,390	25.00
	Assessment for Faculty Services	1,502,589	1,502,589	0	0.00
	Assessment for Support Services	400,712	379,760	0	0.00
	Assessment for Student Activity Costs	421,938	415,260	0	0.00
	Assessment for Operating Costs	203,317	202,764	0	0.00
	Total:	46,689,470	46,728,155	1,944,311	4.16
OPERATING INCOME / (LOSS)		(15,388,367)	(15,269,906)	7,808,862	(51.14)
NONOPERATING REVENUE (EXPENSE)	State Appropriations	17,803,627	17,803,627	3,560,725	20.00
	Gifts	12,500	12,500	39,587	316.70
	Investment Income	266,166	266,166	19	0.01
	Assessment for E&G Capital & Debt Service Costs	(2,518,828)	(2,545,328)	0	0.00
	Total:	15,563,465	15,536,965	3,600,331	23.17
TRANSFERS & OTHER	Capital Expenditures	(602,136)	(503,436)	(136,173)	27.05
	Construction Expenditures	0	0	(505)	
	Transfers for Debt Service	(77,585)	0	0	
	Transfers for Fin Aid Match	(124,877)	(77,585)	0	0.00
	Indirect Cost Recoveries	131,212	(124,877)	45,355	(36.32)
	Transfers for Capital Projects	0	154,460	0	0.00
	Transfers for Scholarships	(45,000)	(45,000)	0	0.00
	Total:	(718,386)	(596,439)	(91,323)	15.31
BUDGET BALANCE		(543,288)	(329,380)	11,317,869	
* Add: PROJECTED UNRESTRICTED NET ASSETS - Beginning of Year		11,308,868	11,308,868		
Less: USE OF RESERVE		0	0		
Equals: PROJECTED UNRESTRICTED NET ASSETS - End of Year		<u>10,765,580</u>	<u>10,979,488</u>		

* Projected Net Assets - Beginning of Year is before cumulative OPEB liability at June 30, 2011 in the amount of \$5,356,125

Unrestricted Net Asset Balance is 24.20% of the current budget total operating expense.

Auxiliary
Actual vs Budget Statement of Revenues and Expenses
Board of Governors
As of July 31, 2011

		Approved Budget	Current Budget	YTD Actual	YTD Actual to Current Budget
OPERATING REVENUE	Auxiliary Enterprise Revenue	5,880,149	5,880,149	2,183,123	37.13
	Auxiliary Fees & Debt Service Support Revenue	5,142,625	5,060,347	0	0.00
	Other Operating Revenue	307,438	307,438	9,467	3.08
	Total:	11,330,212	11,247,934	2,192,590	19.49
OPERATING EXPENSE	Salaries	2,336,998	2,341,044	163,842	7.00
	Benefits	561,907	542,861	29,455	5.43
	Student financial aid-scholarships	555,228	555,228	7	0.00
	Utilities	853,996	853,996	7,657	0.90
	Supplies and Other Services	2,325,112	2,325,112	109,686	4.72
	Equipment Expense	70,946	70,946	1,066	1.50
	Loan cancellations and write-offs	1,131	1,131	0	0.00
	Total:	6,705,318	6,690,318	311,713	4.66
OPERATING INCOME / (LOSS)		4,624,894	4,557,616	1,880,878	41.27
NONOPERATING REVENUE (EXPENSE)	Interest on capital asset related debt	(100,473)	(100,473)	0	0.00
	Total:	(100,473)	(100,473)	0	0.00
TRANSFERS & OTHER	Capital Expenditures	(154,259)	(154,259)	0	0.00
	Construction Expenditures	0	0	1,690	
	Transfers for Debt Service	(3,607,733)	(3,607,733)	0	0.00
	Transfers for Fin Aid Match	(3,425)	(3,425)	0	0.00
	Transfer to Reserves	(804,005)	(736,727)	0	0.00
	Transfers for Scholarships	45,000	45,000	0	0.00
	Total:	(4,524,422)	(4,457,144)	1,690	(0.04)
BUDGET BALANCE		0	0	1,882,568	
* Add: PROJECTED NET ASSETS - Beginning of Year		<u>6,589,251</u>	<u>6,589,251</u>		
Equals: PROJECTED NET ASSETS - End of Year		<u>6,589,251</u>	<u>6,589,251</u>		

* Projected Net Assets - Beginning of Year is before cumulative OPEB liability at June 30, 2011 in the amount of \$639,344.

Auxiliary Net Assets are required to support future repair and replacement costs. Planning activities are in progress to document a 20 year plan to support each auxiliary enterprise capital repair/replacement need.

FAIRMONT STATE UNIVERSITY
Actual vs Budget Statement of Revenues and Expenses
Current Restricted
As of July 31, 2011

		Approved Budget	Current Budget	YTD Actual	YTD Actual to Current Budget
OPERATING REVENUE					
	Federal Grants and Contracts	28,542,265	28,542,265	67,231	0.24
	State/Local Grants and Contracts	5,783,500	5,783,500	138	0.00
	Private Grants and Contracts	1,943,864	1,943,864	8,148	0.42
	Other Operating Revenue	0	0	0	0.00
	Total:	36,269,629	36,269,629	75,516	0.21
OPERATING EXPENSE					
	Salaries	743,671	743,671	40,121	5.39
	Benefits	83,909	83,909	6,114	7.29
	Student financial aid - scholarships	42,835,523	42,835,523	31,483	0.07
	Utilities	4	4	0	0.00
	Supplies and Other Services	2,406,388	2,406,388	(285,380)	(11.86)
	Equipment Expense	716,738	716,738	24,454	3.41
	Total:	46,786,233	46,786,233	(183,209)	(0.39)
OPERATING INCOME / (LOSS)		(10,516,604)	(10,516,604)	258,725	(2.46)
NONOPERATING REVENUE (EXPENSE)					
	Federal Pell Grant Revenues	10,500,000	10,500,000	9,439	0.09
	Total:	10,500,000	10,500,000	9,439	0.09
TRANSFERS & OTHER					
	Capital Expenditures	(1,014)	(1,014)	0	0.00
	Transfers for Fin Aid Match	128,302	128,302	0	0.00
	Indirect Cost Recoveries	(154,460)	(154,460)	(45,355)	29.36
	Transfers - Other	0	0	0	0.00
	Total:	(27,172)	(27,172)	(45,355)	166.92
BUDGET BALANCE		(43,776)	(43,776)	222,809	
* Add: PROJECTED RESTRICTED NET ASSETS - Beginning of Year		98,568	98,568		
** Equals: PROJECTED RESTRICTED NET ASSETS - End of Year		<u>54,793</u>	<u>54,792</u>		

Fairmont State University
Board of Governors
Financial Report
for the period ending August 31, 2011

Unrestricted Fund:

A number of small budget changes to the 2012 fiscal year during the month of August reduced the planned budget deficit by \$11,664. Tuition and Fee revenues received achieved 48.55% of budget and we have received 37.37% of the overall operating revenue planned for this fiscal year. Non-operating revenue is at 16.25% of plan. Operating expenses through the end of August is at 12.15% of budget. The actual surplus condition through the end of August is \$8,490,484.

The beginning of the year Unrestricted Net Assets (prior to the annual audit being completed) is \$11,194,887 (after the OPEB liability is added back). This represents 24.01% of the current budget total operating expense for the 2012 fiscal year. We feel that our Unrestricted Net Assets value should be at least 15% of the current budget total operating expense. This positive net asset gain with the Board's approval will allow administration to present a supplemental plan for strategic plan expenditures to be presented to the Board at the December meeting. Over the next couple of months, the President through the University Budget Committee is collecting strategic plan related grant proposals that will be considered to be brought forward for recommendation for funding from a portion of this net asset gain.

Auxiliary Fund:

Budget changes to the 2012 fiscal year during the month of August created a negative impact on the budget for \$2,606, which reduced transfers to reserves to \$734,121.

Auxiliary enterprise revenue achieved 38.77% of budget and we received 38.61% of overall operating revenue planned for the fiscal year. Operating expenses through the end of August is at 15.22% of budget. The actual surplus condition through the end of August is \$3,315,061.

Restricted Fund:

The restricted fund received two new grants in the month of August totaling \$114,450. Operating revenue achieved 39.04% of budget and Federal Pell Grant revenue achieved 42.63% of budget. Operating expenses through the end of August is at 39.08% of budget. The actual surplus condition through the end of August is \$298,704.

Please find the attached financial reports.

Fairmont State University
 Actual vs Budget Statement of Revenues and Expenses
 Current Unrestricted
 As of August 31, 2011

		Approved Budget	Current Budget	YTD Actual	YTD Actual to Current Budget
OPERATING REVENUE	Tuition and Fees	22,627,694	22,820,516	11,079,404	48.55
	Student Activity Support Revenue	580,069	589,989	237,803	40.31
	Faculty Services Revenue	1,272,439	1,272,439	8,783	0.69
	Operating Costs Revenue	2,437,328	2,432,438	153,662	6.32
	Support Services Revenue	3,955,116	3,906,483	291,735	7.47
	Other Operating Revenue	428,458	428,458	(17,093)	(3.99)
	Total:	31,301,104	31,450,323	11,754,293	37.37
OPERATING EXPENSE	Salaries	24,065,999	24,188,178	2,216,742	9.16
	Benefits	6,032,487	6,076,690	585,011	9.63
	Student financial aid-scholarships	2,078,727	2,063,727	1,034,045	50.11
	Utilities	1,749,920	1,749,920	112,730	6.44
	Supplies and Other Services	8,873,122	8,626,095	929,594	10.78
	Equipment Expense	1,182,232	1,240,866	550,492	44.36
	Fees retained by the Commission	178,427	185,560	46,390	25.00
	Assessment for Faculty Services	1,502,589	1,502,589	0	0.00
	Assessment for Support Services	400,712	377,656	20,575	5.45
	Assessment for Student Activity Costs	421,938	415,260	166,199	40.02
	Assessment for Operating Costs	203,317	202,691	2,793	1.38
	Total:	46,689,470	46,629,232	5,664,571	12.15
OPERATING INCOME / (LOSS)		(15,388,367)	(15,178,909)	6,089,722	(40.12)
NONOPERATING REVENUE (EXPENSE)	State Appropriations	17,803,627	17,803,627	3,560,725	20.00
	Gifts	12,500	12,500	39,587	316.70
	Investment Income	266,166	266,166	3,332	1.25
	Assessment for E&G Capital & Debt Service Costs	(2,518,828)	(2,545,328)	(1,078,276)	42.36
	Total:	15,563,465	15,536,965	2,525,368	16.25
TRANSFERS & OTHER	Capital Expenditures	(602,136)	(582,220)	(77,762)	13.36
	Construction Expenditures	0	0	(100,000)	
	Transfers for Debt Service	(77,585)	(77,585)	0	0.00
	Transfers for Fin Aid Match	(124,877)	(124,877)	(60,124)	48.15
	Indirect Cost Recoveries	131,212	153,910	113,270	73.60
	Transfers for Scholarships	(45,000)	(45,000)	0	0.00
	Transfers - Other	0	9	9	100.00
	Total:	(718,386)	(675,763)	(124,606)	18.44
BUDGET BALANCE		(543,288)	(317,707)	8,490,484	
* Add: UNRESTRICTED NET ASSETS - Beginning of Year		11,194,887	11,194,887		
Less: USE OF RESERVE		0	0		
Equals: PROJECTED UNRESTRICTED NET ASSETS - End of Year		<u>10,651,599</u>	<u>10,877,180</u>		

* Net Assets - Beginning of Year is before cumulative OPEB liability at June 30, 2011 in the amount of \$5,356,125

Unrestricted Net Asset Balance is 24.01% of the current budget total operating expense.

Auxiliary
Actual vs Budget Statement of Revenues and Expenses
Board of Governors
As of August 31, 2011

		Approved Budget	Current Budget	YTD Actual	YTD Actual to Current Budget
OPERATING REVENUE	Auxiliary Enterprise Revenue	5,880,149	5,880,149	2,279,891	38.77
	Auxiliary Fees & Debt Service Support Revenue	5,142,625	5,060,347	2,032,236	40.16
	Other Operating Revenue	307,438	307,438	30,345	9.87
	Total:	11,330,212	11,247,934	4,342,472	38.61
OPERATING EXPENSE	Salaries	2,336,998	2,363,549	322,890	13.66
	Benefits	561,907	549,769	65,322	11.88
	Student financial aid-scholarships	555,228	555,228	183,230	33.00
	Utilities	853,996	853,996	50,731	5.94
	Supplies and Other Services	2,325,112	2,298,305	325,615	14.17
	Equipment Expense	70,946	120,901	78,415	64.86
	Loan cancellations and write-offs	1,131	1,131	0	0.00
	Total:	6,705,318	6,742,879	1,026,204	15.22
OPERATING INCOME / (LOSS)		4,624,894	4,505,055	3,316,269	73.61
NONOPERATING REVENUE (EXPENSE)	Interest on capital asset related debt	(100,473)	(100,473)	0	0.00
	Total:	(100,473)	(100,473)	0	0.00
TRANSFERS & OTHER	Capital Expenditures	(154,259)	(104,304)	0	0.00
	Construction Expenditures	0	0	505	
	Transfers for Debt Service	(3,607,733)	(3,607,733)	0	0.00
	Transfers for Fin Aid Match	(3,425)	(3,425)	(1,713)	50.00
	Transfer to Reserves	(804,005)	(734,121)	0	0.00
	Transfers for Scholarships	45,000	45,000	0	0.00
	Total:	(4,524,422)	(4,404,583)	(1,207)	0.03
BUDGET BALANCE		0	0	3,315,061	
* Add: NET ASSETS - Beginning of Year		<u>6,589,251</u>	<u>6,589,251</u>		
Equals: PROJECTED NET ASSETS - End of Year		<u>6,589,251</u>	<u>6,589,251</u>		

* Net Assets - Beginning of Year is before cumulative OPEB liability at June 30, 2011 in the amount of \$639,344.

Auxiliary Net Assets are required to support future repair and replacement costs. Planning activities are in progress to document a 20 year plan to support each auxiliary enterprise capital repair/replacement need.

FAIRMONT STATE UNIVERSITY
Actual vs Budget Statement of Revenues and Expenses
Current Restricted
As of August 31, 2011

		Approved Budget	Current Budget	YTD Actual	YTD Actual to Current Budget
OPERATING REVENUE					
	Federal Grants and Contracts	28,542,265	30,402,578	11,219,339	36.90
	State/Local Grants and Contracts	5,783,500	5,894,573	2,852,372	48.39
	Private Grants and Contracts	1,943,864	1,896,025	830,424	43.80
	Other Operating Revenue	0	0	9,760	0.00
	Total:	36,269,629	38,193,176	14,911,895	39.04
OPERATING EXPENSE					
	Salaries	743,671	1,156,837	129,912	11.23
	Benefits	83,909	211,231	19,436	9.20
	Student financial aid - scholarships	42,835,523	42,835,523	18,507,707	43.21
	Utilities	4	19,004	0	0.00
	Supplies and Other Services	2,406,388	3,770,297	243,729	6.46
	Equipment Expense	716,738	718,548	136,939	19.06
	Total:	46,786,233	48,711,440	19,037,722	39.08
OPERATING INCOME / (LOSS)		(10,516,604)	(10,518,265)	(4,125,828)	39.23
NONOPERATING REVENUE (EXPENSE)					
	Federal Pell Grant Revenues	10,500,000	10,500,000	4,475,975	42.63
	Total:	10,500,000	10,500,000	4,475,975	42.63
TRANSFERS & OTHER					
	Capital Expenditures	(1,014)	0	0	0.00
	Transfers for Fin Aid Match	128,302	128,302	61,836	48.20
	Indirect Cost Recoveries	(154,460)	(153,910)	(113,270)	73.60
	Transfers - Other	0	(9)	(9)	0.00
	Total:	(27,172)	(25,617)	(51,443)	200.82
BUDGET BALANCE		(43,776)	(43,882)	298,704	
* Add: RESTRICTED NET ASSETS - Beginning of Year		98,568	98,568		
** Equals: PROJECTED RESTRICTED NET ASSETS - End of Year		<u>54,793</u>	<u>54,687</u>		

AUXILIARY CAPITAL PROJECTS

FY 2012

<i>Project</i>	<i>Project Budget</i>	<i>Expenses & Encumbrances</i>	<i>Available Project Budget</i>	<i>Project Completion Date and/or Update Notes</i>	
Press Box Roof Renewal	\$ 6,670.00	\$ 6,670.00	\$ -	Project is complete.	Completed
Press Box Upgrades	\$ 26,850.64	\$ 27,039.89	\$ (189.25)	Project is complete.	
Falcon Center - Dining Carpet Replacement	\$ 78,000.00	\$ 47,617.24	\$ 30,382.76	Project is complete.	
Falcon Center - Furniture (Lounge)	\$ 35,000.00	\$ 24,788.00	\$ 10,212.00	Project is complete.	
Falcon Center - Window Cleaning	\$ 20,000.00	\$ 17,096.02	\$ 2,903.98	Project is currently 95% complete.	In Progress
Residence Hall - Bryant Hall Gutter Repair	\$ 23,000.00	\$ -	\$ 23,000.00	Gutter repair has been completed. Contractor is waiting on ice guard material.	
Residence Hall - Bryant Place 1st Floor Showers	\$ 10,000.00	\$ -	\$ 10,000.00	Project has been awarded. Contractor has measured showers and is waiting on materials.	
Residence Hall - Morrow Hall Boiler Replacement	\$ 171,559.67	\$ 171,559.67	\$ (0.00)	Project is currently underway. Demolition of old equipment is currently taking place.	
Residence Halls - Facility Audit Master Plan	\$ 163,835.00	\$ 143,635.00	\$ 20,200.00	Project is nearing completion.	
Duvall Rosier Field - Turf Field Groom Machine	\$ 16,650.00	\$ -	\$ 16,650.00		Not Started
Falcon Center - Fabric Duct Replacement	\$ 35,000.00	\$ -	\$ 35,000.00		
Parking Garage - Maintenance - Caulking & Painting	\$ 100,000.00	\$ -	\$ 100,000.00		
Parking Lot - NAEC Paving	\$ 125,000.00	\$ -	\$ 125,000.00		

CAPITAL PROJECTS

FY 2012

Project	Project Budget	Expenses & Encumbrances	Available Project Budget	Project Completion Date and/or Update Notes
Aerospace Fire Suppression - ARRA	\$ 1,138,192.80	\$ 1,138,192.80	\$ -	Classrooms are substantially complete. Furniture was delivered last week. 3 additional HVAC units are in process and scheduled to be on site late Oct/early Nov. Funds have been transferred from Math and Writing Grant.
Byrd Center - HVAC Units (2)	\$ 67,480.00	\$ 67,480.00	\$ -	New units are in place and operating.
Byrd Center - Roof Renewal	\$ 400,000.00	\$ 285,440.00	\$ 114,560.00	Project is Substantially Complete. Certificate has been issued. Excess funds will be used to replace HVAC units.
Folklife - Phase III (ARRA)	\$ 500,000.00	\$ 494,766.50	\$ 5,233.50	Project is overall 98% complete. Interior siding and flooring are complete. Concrete on south end is complete and pergola is being framed. Misc trim and chandeliers remain to be installed.
Hardway Hall Renovations	\$ 5,500,000.00	\$ 415,000.00	\$ 5,085,000.00	Programming will proceed after Turley programming is finished.
Hunt Haught Hall - HVAC Units	\$ 735,518.00	\$ 734,393.00	\$ 1,125.00	New boilers and roof top unit are in place and operational. Units are on manual control until temperature controls are completed.
Hunt Haught Hall - Temperature Controls	\$ 90,000.00	\$ 87,807.00	\$ 2,193.00	New controls are currently being installed. New system should be complete by end of September.
Hunt Haught Hall Glass Front	\$ 194,000.00	\$ 194,000.00	\$ -	Work is substantially complete. Both sides of stair tower are open for complete access to all levels.
Infrastructure - Access Road Tennis Courts	\$ 125,000.00	\$ -	\$ 125,000.00	Project is being designed and will be put out to bid Sept/Oct
Infrastructure - IT Emergency Back-Up	\$ 197,299.00	\$ 194,293.00	\$ 3,006.00	Conduit and wire have been installed. The new generator is scheduled to be delivered first of November.
Musick Library Elevator	\$ 2,000,000.00	\$ 144,000.00	\$ 1,856,000.00	Project is currently being designed. Project will be bid Jan/Feb for a Spring construction start.
Turley Center Renovations	\$ 6,000,000.00	\$ 482,500.00	\$ 5,517,500.00	Project programming has been completed. Schematic design plans should be complete within one month.
Wallman Hall - Foundation Waterproof	\$ 150,000.00	\$ -	\$ 150,000.00	Project is currently being designed. Bid date has not been established.
Wallman Hall Renovations	\$ 5,200,000.00	\$ 390,000.00	\$ 4,810,000.00	Project is currently being designed.

In Progress

CAPITAL PROJECTS

FY 2012

Project	Project Budget	Expenses & Encumbrances	Available Project Budget	Project Completion Date and/or Update Notes	
Byrd Center - HVAC Units (FY 2012)	\$ 50,000.00		\$ 50,000.00		Not Started
Hunt Haught Hall - Window Replacement	\$ 60,000.00	\$ -	\$ 60,000.00		
Infrastructure - Gates @ Physical Plant	\$ 20,000.00	\$ -	\$ 20,000.00		
Infrastructure - Paving Lot #15	\$ 83,560.00	\$ -	\$ 83,560.00		
Infrastructure - Retaining Wall Merchant Street	\$ 350,000.00	\$ 9,000.00	\$ 341,000.00		
Infrastructure - Sealing Parking Lots	\$ 25,000.00	\$ -	\$ 25,000.00		
Jaynes Hall - Roof Renewal	\$ 350,000.00	\$ -	\$ 350,000.00		
Locust Avenue	\$ 40,000.00	\$ -	\$ 40,000.00		
Turley Center Renovations - FF&E	\$ 874,055.00	\$ -	\$ 874,055.00		
Academic Fund	\$ 100,000.00	\$ -	\$ 100,000.00	On-going - Numerous projects through-out year	On Going
Landscaping	\$ 100,000.00	\$ 17,115.62	\$ 82,884.38	On-going - Numerous projects through-out year	
Physical Plant - Small Projects	\$ 225,100.00	\$ 51,157.96	\$ 173,942.04	On-going - Numerous projects through-out year	

West Virginia Higher Education Policy Commission Institutional Compact 2010-2011 Update Executive Summary

The West Virginia Higher Education Policy Commission (HEPC) initiated a process for institutions to develop a compact with the Commission that would further institutional advancement and demonstrate commitment to the goals of the master plan, *Charting the Future 2007-2012*. Each year an update to the institutional compact is required.

The institutional compact is comprised of a set of core elements:

- **Enrollment** - Fairmont State University's fall 2010-11 headcount was 4,709 which surpassed the goal of 4,599. The 2010-11 annualized FTE was 3,907 which surpassed the goal of 3,877.
- **Retention** – The 2010-11 the retention rate was 63% which surpassed the goal of 62%. Fairmont State has established institutional strategies to improve retention rates.
- **Graduation** - Fairmont State University's six-year graduation rate for 2010-11 was 35% which fell short of our goal of 36%. Fairmont State University exceeded goals for associate and master's degrees, but did not attain the goal for baccalaureate degrees.
- **Science, Technology, Engineering, Math (STEM) Degrees** – Fairmont State University graduated 142 students with STEM degrees in 2010-11; however, this fell short of the goal of 186.
- **Licensure Passage Rates** - The School of Education licensure passage rate was 80%; the School of Nursing licensure passage rate for 2010-11 was 76%. Strategies to improve are being implemented.
- **Faculty With Terminal Degrees** – During the fall of 2010 Fairmont State University had 172 full-time faculty members, and 75.37% of these faculty members possess terminal degrees.
- **Assessment of Student Learning** - Each academic program has an individual improvement plan that uses assessment of student learning for program improvement. Major Field Tests, licensure exams, and program accreditations drive this process.
- **Alignment with K-12 Schools** Fairmont State University has developed a Professional Development School (PDS) Partnership with over forty schools in our service region.
- **Instructional Technology** – Fairmont State University uses virtual classroom technology as a component in all courses; the number of courses offered completely online has expanded to 249.
- **Financial Aid** - Fairmont State University awarded over fifteen million dollars in federal, state, and scholarship aid during 2010-11.
- **Programs of Distinction** – Accounting and Occupational Safety are recognized as programs of distinction.

Other compact elements are elective:

Economic Growth - Promotion of Global Awareness – Fairmont State University is participating in exchange programs with schools in Italy and Korea; international student recruitment has increased; Fulbright scholars have been on campus for the past three years; study abroad programs continue to grow.

Access - Educational Services to Adults – 29.8% of FSU students are 25 years of age or older.

Cost and Affordability - External Funding – During 2010-11 grants and contracts generated \$11,673,971.58. These included awards from Higher Education Policy Commission, NASA and GEAR UP.

Learning and Accountability - Expansion of Graduate Education – Fairmont State University has over 350 students enrolled in graduate programs; Education continues to be the largest graduate program.

Innovation - Civic Engagement – During 2010-11, over 3,000 Fairmont State University students participated in community service learning activities.

Please visit <http://www.fairmontstate.edu/institutionalresearch> to view the compact 2010-11 update.

**Fairmont State University
Board of Governors
October 20, 2011**

Item: Approval of the Falcon Center 20-year Budget Plan.

Committee: Committee of the Whole

Recommended Resolution: Be it resolved, that the Board of Governors approved the Falcon Center 20-year Budget Plan as the general guide for management to follow to maintain operations of the Falcon Center and to maintain the facility up-to-date during the 20-year period from FY 2012 to 2031.

Staff Member: Rick Porto

Background: The 20-year plan targets funding plans and priorities and sets timetables for repair, replacement, and managing the Falcon Center Auxiliary Enterprise. Auxiliary Enterprises are self-supporting activities conducted to provide facilities or services to students, faculty, and staff. This plan provides general direction for future fee increases that will support future costs. This plan will not replace the need for the President or Board of Governors to approve an annual budget for the Falcon Center. This plan is to set in place a long-term guide for the Falcon Center that allows management to be reminded of important replacement cycles for equipment and capital projects such as roof replacement, pool resurfacing, etc.

The following summarizes the revenue and expense plans for the Falcon Center over the next 20-years.

Revenue Plans:

Falcon Center 20-year Capital Improvement and Operating Budget Plan requires fee increases in the following areas:

- 2% to 3% increase each year in pricing for meal plans and menu items.
- 2% increase in bookstore revenues through enrollment and/or sales increases.
- 4% increases to the Falcon Center Operations Fee in FY 2013 and 2031.
- 3.5% increases to the Falcon Center Operations Fee in FY 2016, 2019, 2022, 2025, and 2028.

These increases are suggested and should be planned for to assure the Falcon Center is maintained successfully in the next twenty (20) years.

Expenditure Plans:

- Labor costs are projected to increase 2.3% for the first two of every three years. This begins in 2012 (current) year.
- Operating Expenses are projected to increase 2% each year.
- Debt Service payments continue for the next 20-years at \$1,550,000 per year approximately.
- Turf lease payments will continue for the next 20-years to support intramural activity on the Duvall-Rosier Football Field.
- Capital Project costs for renovations are planned for over the next twenty (20) years in this budget plan.
- Equipment replacement needs are planned for over the next twenty (20) years in the budget plan.

General Information:

Both Fairmont State and Pierpont students are required to pay the Falcon Center Operating Fee for any class on the main campus (same rates) and all increases to this fee. See below schedule of operating fees planned (per semester) for the next twenty (20) years.

From FY 2012 through FY 2012	\$113.00 per semester
From FY 2013 through FY 2015	\$118.00 per semester
From FY 2016 through FY 2018	\$122.00 per semester
From FY 2019 through FY 2021	\$126.00 per semester
From FY 2022 through FY 2024	\$130.00 per semester
From FY 2025 through FY 2026	\$135.00 per semester
From FY 2028 through FY 2030	\$140.00 per semester
From FY 2031 through FY 2031	\$146.00 per semester

Both Fairmont State and Pierpont students who live in the University dorms are required to have meal plans and are required to pay the same rates and all future planned increases to this meal plan rate. See below schedule of percentage increases planned for meal plans and menu items.

FY 2012 through FY 2015	3.0% increase planned each year
FY 2016 through FY 2018	2.0% increase planned each year
FY 2019 through FY 2020	3.5% increase planned each year
FY 2021 through FY 2022	3.0% increase planned each year

FY 2023 through FY 2025	2.5% increase planned each year
FY 2026 through FY 2026	2.0% increase planned each year
FY 2027 through FY 2027	3.5% increase planned each year
FY 2028 through FY 2028	3.0% increase planned each year
FY 2029 through FY 2029	2.5% increase planned each year
FY 2030 through FY 2031	2.0% increase planned each year

Please find attached the 20-year budget projection model, on-going repair, replacement of capital and equipment items, and dining services projections.

This plan once approved by the University Board should be forwarded to the Pierpont Board so they may plan accordingly for future impacts to their students who are impacted by fee increases planned for over the next 20-years.

Assumptions for Falcon Center 20 Year Budget Projection

- Food Service/Dining Revenue is based upon study provided by John Kellar. Projection uses 'Client Return' numbers plus estimated 'Equipment and Smallwares' excess to determine expected revenue. Fiscal years 2030 and 2031 are previous year's number plus a 2% escalator due to no information available. This is a 76.11% increase in revenue from 2012 to 2031. Fee schedule utilizes revenue projection percentage increases from the study.
- Bookstore revenue assumes a 2% increase each year. This is a 45.68% increase from 2012 to 2031.
- Falcon Center Operations Fee Revenue is projected to increase by 3.5% in 2016, 2019, 2022, 2025 and 2028 and 4% in 2013 and 2031. This is a 28.46% increase from 2012 to 2031. Falcon Center Building Fee Revenue and Other Operating Revenue has no increases projected.
- Labor currently has a projected increase of 2.3% for the first two of every three years, beginning in 2012.
- Operating Expense is currently projected to increase 2% each year.
- Debt Service payments are posted at full payment due. They are not reduced by any interest earnings in the bond fund that may be available to pay. Due to the economy, these earnings have not been significant.
- Turf Lease payments are projected for the full 20 years due to assumption of replacement. This represents half of the annual payment amount. The Athletics budget covers the other half of the payment.
- Interest is modestly projected at \$5,000. We received \$4,686.70 from the state in FY 10.
- \$60,000 currently received for rent is budgeted to continue to be received from Follett.
- Project cost estimates are listed based on projections received from Jim Decker for capital projects and Robin Yeager for ongoing repair and replacement.
- Both Fairmont State and Pierpont students pay the Falcon Center Operating Fee for any class on the main campus (same rates) and all increases to this fee.
- Both Fairmont State and Pierpont students pay the same meal plan rates (who are required to have a meal plan) and all increases to this fee.

Fairmont State University
Falcon Center Financial Analysis
20 Year Budget Projection

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Food Service/Dining	758,034.00	786,779.00	810,003.00	899,071.00	887,357.00	895,451.00
Bookstore	400,000.00	408,000.00	416,160.00	424,483.20	432,972.86	441,632.32
Subtotal	1,158,034.00	1,194,779.00	1,226,163.00	1,323,554.20	1,320,329.86	1,337,083.32
Falcon Center Operations Fee	1,143,010.00	1,188,730.40	1,188,730.40	1,188,730.40	1,230,335.96	1,230,335.96
Falcon Center Building Fee	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00
Other Operating Revenue	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00
Falcon Center Revenue Total	2,694,362.00	2,740,082.40	2,740,082.40	2,740,082.40	2,781,687.96	2,781,687.96
Total Revenue	3,852,396.00	3,934,861.40	3,966,245.40	4,063,636.60	4,102,017.83	4,118,771.29
Falcon Center	941,740.04	963,400.06	963,400.06	985,558.26	1,008,226.10	1,008,226.10
Falcon Center Labor Total	941,740.04	963,400.06	963,400.06	985,558.26	1,008,226.10	1,008,226.10
Total Labor	941,740.04	963,400.06	963,400.06	985,558.26	1,008,226.10	1,008,226.10
Falcon Center	1,275,164.64	1,300,667.94	1,326,681.30	1,353,214.92	1,380,279.22	1,407,884.80
Falcon Center Operating Total	1,275,164.64	1,300,667.94	1,326,681.30	1,353,214.92	1,380,279.22	1,407,884.80
Total Operating	1,275,164.64	1,300,667.94	1,326,681.30	1,353,214.92	1,380,279.22	1,407,884.80
Total Expenses	2,216,904.69	2,264,068.00	2,290,081.36	2,338,773.18	2,388,505.32	2,416,110.91
Net Total Revenue	1,635,491.32	1,670,793.40	1,676,164.04	1,724,863.42	1,713,512.50	1,702,660.38
Debt Service Payment	1,548,237.50	1,546,862.50	1,548,852.50	1,549,252.50	1,548,012.50	1,548,150.00
Annual Lease Payment - Turf	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00
Transfers To Reserves	37,017.81	73,694.90	77,075.54	125,374.92	115,264.00	104,274.38
Net Revenue - after Debt Payment & Transfers to Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Bookstore Escalator	1.02	1.02	1.02	1.02	1.02	1.02
Revenue Escalator - Operations Fee	1	1.04	1	1	1.035	1
Labor Escalator	1.023	1.023	1	1.023	1.023	1
Operating Escalator	1.02	1.02	1.02	1.02	1.02	1.02
Beginning Cash Balance - Reserves	2,037,681.47	1,914,462.87	1,950,879.67	1,917,132.34	1,755,369.60	1,801,363.96
Interest	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Other Sources	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Transfers In - Reserves	37,017.81	73,694.90	77,075.54	125,374.92	115,264.00	104,274.38
Less - Projects	(225,236.42)	(102,278.10)	(175,822.87)	(352,137.65)	(134,269.65)	(70,096.46)
Ending Cash Balance - Reserves	1,914,462.87	1,950,879.67	1,917,132.34	1,755,369.60	1,801,363.96	1,900,541.88
2012	2013	2014	2015	2016	2017	
Student Recreation Center (Building Fee) - cap	110.00	110.00	110.00	110.00	110.00	110.00
Student Recreation Center (Building Fee) - per credit hour	10.00	10.00	10.00	10.00	10.00	10.00
Student Activity Operations - cap	113.00	118.00	118.00	118.00	122.00	122.00
Student Activity Operations - per credit hour	10.00	10.00	10.00	10.00	11.00	11.00
2012	2013	2014	2015	2016	2017	
Meal Plan Escalator	1.04	1.03	1.03	1.03	1.02	1.02
15 meals per week (+65 points)	1,608.00	1,656.00	1,705.00	1,756.00	1,791.00	1,826.00
19 meals per week (+75 points)	1,761.00	1,813.00	1,867.00	1,923.00	1,961.00	2,000.00
15 meals per week (+150 points)	1,693.00	1,743.00	1,795.00	1,848.00	1,884.00	1,921.00
12 meals per week (+225 points)	1,631.00	1,679.00	1,729.00	1,780.00	1,815.00	1,851.00

Fairmont State University
Falcon Center Financial Analysis
20 Year Budget Projection

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Food Service/Dining	893,669.00	977,734.00	1,040,113.00	1,017,604.00	1,096,948.00	1,147,243.00	1,172,056.00
Bookstore	450,464.97	459,474.27	468,663.75	478,037.03	487,597.77	497,349.72	507,296.72
Subtotal	1,344,133.97	1,437,208.27	1,508,776.75	1,495,641.03	1,584,545.77	1,644,592.72	1,679,352.72
Falcon Center Operations Fee	1,230,335.96	1,273,397.72	1,273,397.72	1,273,397.72	1,317,966.64	1,317,966.64	1,317,966.64
Falcon Center Building Fee	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00
Other Operating Revenue	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00
Falcon Center Revenue Total	2,781,687.96	2,824,749.72	2,824,749.72	2,824,749.72	2,869,318.64	2,869,318.64	2,869,318.64
Total Revenue	4,125,821.93	4,261,957.99	4,333,526.48	4,320,390.75	4,453,864.41	4,513,911.37	4,548,671.36
Falcon Center	1,031,415.30	1,055,137.86	1,055,137.86	1,079,406.03	1,104,232.37	1,104,232.37	1,129,629.71
Falcon Center Labor Total	1,031,415.30	1,055,137.86	1,055,137.86	1,079,406.03	1,104,232.37	1,104,232.37	1,129,629.71
Total Labor	1,031,415.30	1,055,137.86	1,055,137.86	1,079,406.03	1,104,232.37	1,104,232.37	1,129,629.71
Falcon Center	1,436,042.50	1,464,763.35	1,494,058.62	1,523,939.79	1,554,418.59	1,585,506.96	1,617,217.10
Falcon Center Operating Total	1,436,042.50	1,464,763.35	1,494,058.62	1,523,939.79	1,554,418.59	1,585,506.96	1,617,217.10
Total Operating	1,436,042.50	1,464,763.35	1,494,058.62	1,523,939.79	1,554,418.59	1,585,506.96	1,617,217.10
Total Expenses	2,467,457.80	2,519,901.21	2,549,196.47	2,603,345.82	2,658,650.95	2,689,739.32	2,746,846.81
Net Total Revenue	1,658,364.13	1,742,056.78	1,784,330.00	1,717,044.93	1,795,213.46	1,824,172.04	1,801,824.55
Debt Service Payment	1,546,475.00	1,548,037.50	1,547,550.00	1,550,012.50	1,550,237.50	1,548,250.00	1,550,750.00
Annual Lease Payment - Turf	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00
Transfers To Reserves	61,653.13	143,783.28	186,544.00	116,796.43	194,739.96	225,686.04	200,838.55
Net Revenue - after Debt Payment & Transfers to Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bookstore Escalator	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Revenue Escalator - Operations Fee	1	1.035	1	1	1.035	1	1
Labor Escalator	1.023	1.023	1	1.023	1.023	1	1.023
Operating Escalator	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Beginning Cash Balance - Reserves	1,900,541.88	1,867,003.33	1,964,452.50	1,407,624.97	1,433,187.64	1,556,582.74	1,648,977.39
Interest	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Other Sources	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Transfers In - Reserves	61,653.13	143,783.28	186,544.00	116,796.43	194,739.96	225,686.04	200,838.55
Less - Projects	(160,191.67)	(111,334.12)	(808,371.53)	(156,233.76)	(136,344.86)	(198,291.40)	(317,260.59)
Ending Cash Balance - Reserves	1,867,003.33	1,964,452.50	1,407,624.97	1,433,187.64	1,556,582.74	1,648,977.39	1,597,555.35
Student Recreation Center (Building Fee) - cap	110.00	110.00	110.00	110.00	110.00	110.00	110.00
Student Recreation Center (Building Fee) - per credit hour	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Student Activity Operations - cap	122.00	126.00	126.00	126.00	130.00	130.00	130.00
Student Activity Operations - per credit hour	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Meal Plan Escalator	1.02	1.035	1.035	1.03	1.03	1.025	1.025
15 meals per week (+65 points)	1,862.00	1,927.00	1,994.00	2,053.00	2,114.00	2,166.00	2,220.00
19 meals per week (+75 points)	2,040.00	2,111.00	2,184.00	2,249.00	2,316.00	2,373.00	2,432.00
15 meals per week (+150 points)	1,959.00	2,027.00	2,097.00	2,159.00	2,223.00	2,278.00	2,334.00
12 meals per week (+225 points)	1,888.00	1,954.00	2,022.00	2,082.00	2,144.00	2,197.00	2,251.00

Fairmont State University
Falcon Center Financial Analysis
20 Year Budget Projection

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Food Service/Dining	1,210,946.00	1,131,749.00	1,244,959.00	1,199,796.00	1,283,166.00	1,308,829.32	1,335,005.91
Bookstore	517,442.65	527,791.51	538,347.34	549,114.28	560,096.57	571,298.50	582,724.47
Subtotal	1,728,388.65	1,659,540.51	1,783,306.34	1,748,910.28	1,843,262.57	1,880,127.82	1,917,730.38
Falcon Center Operations Fee	1,364,095.48	1,364,095.48	1,364,095.48	1,411,838.82	1,411,838.82	1,411,838.82	1,468,312.37
Falcon Center Building Fee	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00	1,089,598.00
Other Operating Revenue	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00	461,754.00
Falcon Center Revenue Total	2,915,447.48	2,915,447.48	2,915,447.48	2,963,190.82	2,963,190.82	2,963,190.82	3,019,664.37
Total Revenue	4,643,836.13	4,574,987.98	4,698,753.81	4,712,101.10	4,806,453.38	4,843,318.64	4,937,394.75
Falcon Center	1,155,611.19	1,155,611.19	1,182,190.25	1,209,380.63	1,209,380.63	1,237,196.38	1,265,651.90
Falcon Center Labor Total	1,155,611.19	1,155,611.19	1,182,190.25	1,209,380.63	1,209,380.63	1,237,196.38	1,265,651.90
Total Labor	1,155,611.19	1,155,611.19	1,182,190.25	1,209,380.63	1,209,380.63	1,237,196.38	1,265,651.90
Falcon Center	1,649,561.44	1,682,552.67	1,716,203.72	1,750,527.79	1,785,538.35	1,821,249.12	1,857,674.10
Falcon Center Operating Total	1,649,561.44	1,682,552.67	1,716,203.72	1,750,527.79	1,785,538.35	1,821,249.12	1,857,674.10
Total Operating	1,649,561.44	1,682,552.67	1,716,203.72	1,750,527.79	1,785,538.35	1,821,249.12	1,857,674.10
Total Expenses	2,805,172.63	2,838,163.86	2,898,393.97	2,959,908.42	2,994,918.98	3,058,445.50	3,123,326.00
Net Total Revenue	1,838,663.50	1,736,824.12	1,800,359.84	1,752,192.68	1,811,534.41	1,784,873.14	1,814,068.75
Debt Service Payment	1,550,750.00	1,548,250.00	1,548,250.00	1,550,500.00	1,549,750.00	1,551,000.00	1,549,000.00
Annual Lease Payment - Turf	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00	50,236.00
Transfers To Reserves	237,677.50	138,338.12	201,873.84	151,456.68	211,548.41	183,637.14	214,832.75
Net Revenue - after Debt Payment & Transfers to Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bookstore Escalator	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Revenue Escalator - Operations Fee	1.035	1	1	1.035	1	1	1.04
Labor Escalator	1.023	1	1.023	1.023	1	1.023	1.023
Operating Escalator	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Beginning Cash Balance - Reserves	1,597,555.35	461,521.92	289,176.08	287,962.30	267,945.53	240,093.98	95,497.35
Interest	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Other Sources	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Transfers In - Reserves	237,677.50	138,338.12	201,873.84	151,456.68	211,548.41	183,637.14	214,832.75
Less - Projects	(1,438,710.93)	(375,683.96)	(268,087.62)	(236,473.45)	(304,399.96)	(393,233.76)	(341,439.90)
Ending Cash Balance - Reserves	461,521.92	289,176.08	287,962.30	267,945.53	240,093.98	95,497.35	33,890.20
2025	2026	2027	2028	2029	2030	2031	
Student Recreation Center (Building Fee) - cap	110.00	110.00	110.00	110.00	110.00	110.00	110.00
Student Recreation Center (Building Fee) - per credit hour	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Student Activity Operations - cap	135.00	135.00	135.00	140.00	140.00	140.00	146.00
Student Activity Operations - per credit hour	12.00	12.00	12.00	12.00	12.00	12.00	13.00
2025	2026	2027	2028	2029	2030	2031	
Meal Plan Escalator	1.025	1.02	1.035	1.03	1.025	1.02	1.02
15 meals per week (+65 points)	2,275.00	2,320.00	2,401.00	2,473.00	2,534.00	2,584.00	2,635.00
19 meals per week (+75 points)	2,492.00	2,541.00	2,629.00	2,707.00	2,774.00	2,829.00	2,885.00
15 meals per week (+150 points)	2,392.00	2,439.00	2,524.00	2,599.00	2,663.00	2,716.00	2,770.00
12 meals per week (+225 points)	2,307.00	2,353.00	2,435.00	2,508.00	2,570.00	2,621.00	2,673.00

Falcon Center Project Justification
Ongoing Repair and Replacement

The student Falcon Center opened January 2005 and has been heavily used throughout the year, the facility is closed approximately 20 days per year. To maintain the ongoing repairs and replacement items associated with the building a 20 year plan has been created. The following items are listed as needed to be replaced:

- Fitness room equipment which also include spinning bikes which are utilized for Spinning classes
- Replacement of basketball hoops
- Replacement of lifeguard stands and pool furniture
- Replacement of washer/dryer
- Replacement of TV's in fitness room
- Replacement of building furniture including the Nickel area, Conference center and board room and dining room furniture

The fitness room equipment, spinning bikes, basketball hoops, pool equipment and furniture, washer/dryer, building furniture and TV's in the fitness room were purchased when the building opened and over time will need to be replaced due to wear and tear.

- Replacement of folding chairs, chair racks, folding tables, staging , stairs
- Replacement of POS systems, DCT readers, ID cameras, system computers and printers, and vending machine readers
- Replacement of gym floor covers (tiles and carts)

During the subsequent years that the Falcon Center has been in operation, the above items were either purchased or added to inventory. All chairs, chair racks, staging, stairs that are used on the entire campus are stored in Gym 1 of the Falcon Center. Gym floor covers for both Colebank gym and the large gym in Falcon Center were purchased to utilize gym spaces for internal and external conferences, banquets and events. The chairs, racks, tables, staging and stairs are also utilized for events taking place in the Falcon Center as well as other facilities on campus. The POS systems, cameras, computers, printers and readers are used in the dining area, ID card station and Caperton for distribution of ID cards, meal plans and cash registers for many forms of revenue into the facility and campus.

Finally new items and services will be needed to maintain the cleanliness and safety of the facility and expansion of services for the conference center. The following are these items and services.

- Cleaning of glass windows
- Purchase of conference patio furniture
- Purchase of security cameras for the building

Capital Projects

Facility maintenance, in a building with the usage that this building has, needs to be addressed on a continual basis. We have attempted to address items that will need to be replaced on a life cycle basis such as the roof as well as items that will need replaced due simply to wear and tear. Being that this is a relatively new building, we will have some time before the majority of the building systems will begin needing replaced. We have budgeted for a number of issues to be addressed over multiple years, such as HVAC mechanical units and elevators.

Items to be replaced on normal life cycle basis will include but not limited to:

- Roof
- Pool Equipment
- HVAC roof top equipment
- Kitchen hood equipment
- Elevators

Items to be replaced on a normal wear and tear basis:

- Fabric ducts
- Rubber athletic flooring
- Carpet
- Tile
- Paint
- Sound System

Existing finishes are maintained on a continual basis. Touch up painting is addressed regularly and tile is replaced as it becomes damaged. In the budget, we are addressing wholesale replacement of finish systems. Finishes in certain high traffic areas will need replaced more often than other areas. An example of this is the carpet in the Dining Hall area.

Falcon Center Project Cost Estimates											
	Inflation Rate	3%									
Building & Work Item	2011 Estimated Cost of Work	2012 1	2013 2	2014 3	2015 4	2016 5	2017 6	2018 7	2019 8	2020 9	2021 10
		0	0	0	0	0	0	0	0	0	0
Falcon Center Capital Projects											
Roof	475,380.00										
Patio water Sealant	75,060.00									100,874.36	
Pool Equipment	75,000.00				86,945.56						
Pool Resurface	15,000.00									20,158.75	
HVAC Equipment	100,000.00										
Fabric Ducts	30,000.00	31,827.00									
Hood Exhaust Fans	15,000.00									20,158.75	20,763.51
Rubber Flooring	156,000.00									209,650.96	
Sound System	50,000.00										
Carpet - Dining Area	72,222.00	76,620.32						91,488.67			
Carpet - Other Areas	54,444.00									73,168.18	
Bookstore Carpet	8,167.00									10,975.77	
Elevator Upgrade	75,000.00										
2nd Passenger Elevator	75,000.00				86,945.56						
Painting of Building	229,000.00									307,756.85	
Total	1,505,273.00	108,447.32	0.00	0.00	173,891.11	0.00	0.00	91,488.67	0.00	742,743.61	20,763.51
Ongoing Repair and Replacement											
Cleaning of Glass windows	15,000.00	15,450.00							19,001.55		
9 Flat screen TV's for fitness room (each)	900.00		8,593.29								10,885.72
New Fitness room equipment	400,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
New Spin bikes (each)	3,500.00	3,605.00	3,713.15	3,824.54	3,939.28	4,057.46	4,179.18	4,304.56	4,433.70	4,566.71	4,703.71
Replace BB hoops (each)	10,000.00		21,218.00		22,510.18		23,881.05		25,335.40		
Replace lifeguard stands (each)	3,500.00		7,426.30					8,609.12			
Replace pool furniture	12,000.00										
*Replacement of folding chairs (each)	40.00	4,120.00	4,243.60	4,370.91	4,502.04	4,637.10	4,776.21	4,919.50	5,067.08	5,219.09	5,375.67
*Replacement of folding rack for chairs (each)	500.00	1,030.00		1,092.73		1,159.27		1,229.87		1,304.77	
*Replacement of folding tables (each)	80.00	824	848.72	874.18	900.41	927.42	955.24	983.90	1,013.42	1,043.82	1,075.13
*Replacement of staging/stairs	77,600.00					89,959.67					
Replace Wash/Dryer	6,500.00		6895.85						8,234.01		
Replace 8 POS systems (each)	7,000.00	14,420.00	14,852.60	15,298.18	15,757.12			17,218.23	17,734.78	18,266.82	18,266.82
Replace 5 DCT readers (each)	1,785.00	3,677.10	5,681.12			4,138.61	6,394.15			4,658.04	7,196.67
Relace 3 ID camera's (each)	1,100.00	1,133.00	1,166.99	1,202.00	1,238.06	1,275.20	1,313.46	1,352.86	1,393.45	1,435.25	1,478.31
Replace 3 ID printers (each)	6,000.00		6,365.40	6,556.36	6,753.05	6,955.64	7,164.31	7,379.24	7,600.62	7,828.64	8,063.50
Replace 3 ID system computers (each)	1,200.00		1,273.08	1,311.27	1,350.61		1,432.86	1,475.85	1,520.12		1,612.70
Replace 10 Vending machine readers (each)	1,000.00	1,030.00		1,092.73		1,159.27		1,229.87		1,304.77	
Patio Furniture	40,000.00			43,709.08							
Replace Gym Floor covers (tiles w/cart)-CB	20,000.00										26,878.33
Replace Gym Floor covers (tiles w/cart)-Gym 1	22,273.48										29,933.69
Nickel Area Furniture	90,000.00				101,295.79						
Conference Area Furniture	62,000.00										
Board Room Furniture	20,000.00										
Dining Room Furniture (150 tables/600 chairs)	70,000.00			76,490.89							
Security Cameras for Building	50,000.00	51,500.00									
Total	921,978.48	116,789.10	102,278.10	175,822.87	178,246.54	134,269.65	70,096.46	68,703.01	111,334.12	65,627.92	135,470.25
Grand Total	2,427,251.48	225,236.42	102,278.10	175,822.87	352,137.65	134,269.65	70,096.46	160,191.67	111,334.12	808,371.53	156,233.76
* Current # of folding chairs = @1000 (72 per rack)											
* Current # of folding tables = 100											
* Current number of racks =											
* Current pieces of staging = 36											

Falcon Center Project Cost Estimates											
	Inflation Rate										
Building & Work Item	2011 Estimated Cost of Work	2022 11	2023 12	2024 13	2025 14	2026 15	2027 16	2028 17	2029 18	2030 19	2031 20
		0	0	0	0	0	0	0	0	0	0
Falcon Center Capital Projects											
Roof	475,380.00				740,626.55						
Patio water Sealant	75,060.00										
Pool Equipment	75,000.00				116,847.56						
Pool Resurface	15,000.00										
HVAC Equipment	100,000.00					160,470.64	165,284.76	170,243.31	175,350.61	180,611.12	
Fabric Ducts	30,000.00										
Hood Exhaust Fans	15,000.00	21,386.41	22,028.01	22,688.85	23,369.51	24,070.60					
Rubber Flooring	156,000.00										
Sound System	50,000.00				77,898.37						
Carpet - Dining Area	72,222.00				112,519.52						
Carpet - Other Areas	54,444.00										
Bookstore Carpet	8,167.00										
Elevator Upgrade	75,000.00				116,847.56	120,352.98				135,458.34	
2nd Passenger Elevator	75,000.00										
Painting of Building	229,000.00										
Total	1,505,273.00	21,386.41	22,028.01	22,688.85	1,188,109.07	304,894.22	165,284.76	170,243.31	175,350.61	316,069.47	0.00
Ongoing Repair and Replacement											
Cleaning of Glass windows	15,000.00						24,070.60				
9 Flat screen TV's for fitness room (each)	900.00								13,789.71		
New Fitness room equipment	400,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
New Spin bikes (each)	3,500.00	4,844.82	4,990.16	5,139.87	5,294.06	5,452.89	5,616.47	5,784.97	5,958.52	6,137.27	6,321.39
Replace BB hoops (each)	10,000.00		28,515.22		30,251.79		32,094.13		34,048.66		36,122.22
Replace lifeguard stands (each)	3,500.00		9,980.33					11,569.93			
Replace pool furniture	12,000.00		17,109.13								
*Replacement of folding chairs (each)	40.00	5,536.94	5,703.04	5,874.13	6,050.36	6,231.87	6,418.83	6,611.39	6,809.73	7,014.02	7,224.44
*Replacement of folding rack for chairs (each)	500.00	1,384.23		1,468.53		1,557.97		1,652.85		1,753.51	
*Replacement of folding tables (each)	80.00	1,107.39	1,140.61	1,174.83	1,210.07	1,246.37	1,283.77	1,322.28	1,361.95	1,402.80	1,444.89
*Replacement of staging/stairs	77,600.00										140,154.23
Replace Wash/Dryer	6,500.00				9,831.83						11,739.72
Replace 8 POS systems (each)	7,000.00		19,960.65	20,559.47	21,176.26	21,811.54			23,834.06	24,549.08	25,285.56
Replace 5 DCT readers (each)	1,785.00			5,242.67	8,099.92			5,900.67	9,116.53		
Relace 3 ID camera's (each)	1,100.00	1,522.66	1,568.34	1,615.39	1,663.85	1,713.76	1,765.18	1,818.13	1,872.68	1,928.86	1,986.72
Replace 3 ID printers (each)	6,000.00	8,305.40	8,554.57	8,811.20	9,075.54	9,347.80	9,628.24	9,917.09	10,214.60	10,521.04	10,836.67
Replace 3 ID system computers (each)	1,200.00	1,661.08	1,710.91		1,815.11	1,869.56	1,925.65		2,042.92	2,104.21	2,167.33
Replace 10 Vending machine readers (each)	1,000.00	1,384.23		1,468.53		1,557.97		1,652.85		1,753.51	1,806.11
Patio Furniture	40,000.00		57,030.44								
Replace Gym Floor covers (tiles w/cart)-CB	20,000.00										36,122.22
Replace Gym Floor covers (tiles w/cart)-Gym 1	22,273.48										40,228.38
Nickel Area Furniture	90,000.00					136,133.08					
Conference Area Furniture	62,000.00			91,049.09							
Board Room Furniture	20,000.00			29,370.67							
Dining Room Furniture (150 tables/600 chairs)	70,000.00			102,797.36							
Security Cameras for Building	50,000.00	69,211.69									
Total	921,978.48	114,958.44	176,263.39	294,571.75	250,601.87	70,789.74	102,802.85	66,230.15	129,049.35	77,164.30	341,439.90
Grand Total	2,427,251.48	136,344.86	198,291.40	317,260.59	1,438,710.93	375,683.96	268,087.62	236,473.45	304,399.96	393,233.76	341,439.90
											6,305,898.67
* Current # of folding chairs = @1000 (72 per rack)											
* Current # of folding tables = 100											
* Current number of racks =											
* Current pieces of staging = 36											

Twenty Year Projection
J. Kellar
10-25-10

Assumptions / Considerations:

1. Forecasted inflationary factor pattern based on the Consumer Price Index pattern from 1975 through 2008.
 - a. Food cost thusly affected
 - b. Direct Costs thusly affected.
 - c. Aladdin Fee thusly affected.
2. Forecasted approved board rate increases and retail pricing increases based on combination of past CPI and actual rate increases experienced.
 - a. Revenues thusly affected.
 - b. Labor cost thusly affected.
3. Forecasted annual income statements based on recent years performance results and budgetary expectations with above projections applied.
4. Small Wares accrual @ 2.5% with Major Equipment accrual @ 2.0% to project increase in future accrual accounts based on increased revenues.
5. Listed all equipment and furnishings in the department categorizing them into annual replacement assignments.
 - a. Current costs to acquire replacement equipment multiplied by CPI pattern and rounded.
6. Distributed replacement costs into an annual graph based on total cost and product life expectancy.
7. Assumed stability in data base;
 - a. Board Plan population remains at recent levels.
 - b. Program remains at current standards (menu, service hours, personnel).
 - c. No additional food service operations considered.

cost Inflation percentile	YEAR ENDING	REVENUE INDEX	SALES	FOOD INDEX	FOOD COST	LABOR INDEX	LABOR COST	DIRECT INDEX	DIRECT COST	MGMT FEE INDEX	MGMT FEE	CLIENT RETURN
		price increase		cost increase		wage increase		cost increase		cost increase		
	2011	preset	3,602,864	preset	1,051,918	preset	1,302,983	preset	406,069	preset	157,508	684,386
104.20%	2012	103.5%	3,728,964	104.20%	1,096,099	103.5%	1,348,587	104.20%	423,124	104.20%	164,123	697,031
103.00%	2013	103.0%	3,840,833	103.00%	1,128,982	103.0%	1,389,045	103.00%	435,818	103.00%	169,047	717,942
103.00%	2014	103.0%	3,956,058	103.00%	1,162,851	103.0%	1,430,716	103.00%	448,892	103.00%	174,118	739,480
102.60%	2015	103.0%	4,074,740	102.60%	1,193,085	103.0%	1,473,638	102.60%	460,563	102.60%	178,646	768,808
102.80%	2016	102.0%	4,156,235	102.80%	1,226,491	102.0%	1,503,111	102.80%	473,459	102.80%	183,648	769,526
103.00%	2017	102.0%	4,239,359	103.00%	1,263,286	102.0%	1,533,173	103.00%	487,663	103.00%	189,157	766,080
102.30%	2018	102.0%	4,324,147	102.30%	1,292,342	102.0%	1,563,836	102.30%	498,879	102.30%	193,508	775,582
101.60%	2019	103.5%	4,475,492	101.60%	1,313,019	103.5%	1,618,571	101.60%	506,861	101.60%	196,604	840,437
102.20%	2020	103.5%	4,632,134	102.20%	1,341,906	103.5%	1,675,221	102.20%	518,012	102.20%	200,929	896,067
103.40%	2021	103.0%	4,771,098	103.40%	1,387,530	103.0%	1,725,477	103.40%	535,625	103.40%	207,761	914,705
102.80%	2022	103.0%	4,914,231	102.80%	1,426,381	103.0%	1,777,241	102.80%	550,622	102.80%	213,578	946,408
101.50%	2023	102.5%	5,037,087	101.50%	1,447,777	102.5%	1,821,673	101.50%	558,881	101.50%	216,782	991,974
102.30%	2024	102.5%	5,163,014	102.30%	1,481,076	102.5%	1,867,214	102.30%	571,736	102.30%	221,768	1,021,220
102.70%	2025	102.5%	5,292,089	102.70%	1,521,065	102.5%	1,913,895	102.70%	587,173	102.70%	227,755	1,042,202
103.40%	2026	102.0%	5,397,931	103.40%	1,572,781	102.0%	1,952,173	103.40%	607,136	103.40%	235,499	1,030,342
103.20%	2027	103.5%	5,586,859	103.20%	1,623,110	103.5%	2,020,499	103.20%	626,565	103.20%	243,035	1,073,650
102.80%	2028	103.0%	5,754,464	102.80%	1,668,557	103.0%	2,081,114	102.80%	644,109	102.80%	249,840	1,110,845
103.90%	2029	102.5%	5,898,326	103.90%	1,733,631	102.5%	2,133,141	103.90%	669,229	103.90%	259,584	1,102,741

	4.5% accrual									Equipment	Smallwares	BALANCE*
2011	\$162,129	\$8,082	\$7,200	\$8,800	\$1,000	\$3,100	\$1,200	\$500	\$12,247	\$42,129	\$40,000	\$80,000
2012	\$167,803	\$7,000	\$9,000	\$40,000	\$2,800	\$0	\$2,000	\$0	\$5,000	\$65,800	\$41,000	\$61,003
2013	\$172,837	\$2,500	\$9,000	\$40,000	\$2,800	\$2,800	\$2,500	\$1,200	\$1,200	\$62,000	\$42,000	\$68,837
2014	\$178,023	\$2,500	\$0	\$60,000	\$1,500	\$500	\$0	\$0	\$0	\$64,500	\$43,000	\$70,523
2015	\$183,363	\$2,500	\$1,200	\$2,000	\$1,200	\$1,200	\$500	\$500	\$500	\$9,100	\$44,000	\$130,263
2016	\$187,031	\$9,000	\$500	\$3,800	\$2,800	\$2,500	\$4,500	\$700	\$1,400	\$25,200	\$44,000	\$117,831
2017	\$190,771	\$4,800	\$2,200	\$3,800	\$2,800	\$400	\$1,200	\$1,200	\$0	\$16,400	\$45,000	\$129,371
2018	\$194,587	\$8,000	\$7,500	\$5,000	\$6,000	\$1,000	\$4,000	\$0	\$0	\$31,500	\$45,000	\$118,087
2019	\$201,397	\$2,400	\$2,400	\$5,000	\$600	\$1,500	\$1,500	\$3,000	\$1,700	\$18,100	\$46,000	\$137,297
2020	\$208,446	\$2,400	\$2,000	\$500	\$2,000	\$500	\$500	\$6,000	\$4,500	\$18,400	\$46,000	\$144,046
2021	\$214,699	\$7,500	\$3,500	\$15,000	\$15,000	\$15,000	\$4,000	\$4,800	\$0	\$64,800	\$47,000	\$102,899
2022	\$221,140	\$5,000	\$3,500	\$3,500	\$900	\$2,400	\$500	\$2,800	\$5,000	\$23,600	\$47,000	\$150,540
2023	\$226,669	\$2,400	\$3,500	\$500	\$1,500	\$1,000	\$1,500	\$4,000	\$9,000	\$23,400	\$48,000	\$155,269
2024	\$232,336	\$1,500	\$10,000	\$15,000	\$1,500	\$2,500	\$1,000	\$1,500	\$500	\$33,500	\$48,000	\$150,836
2025	\$238,144	\$5,000	\$2,000	\$2,400	\$3,000	\$2,500	\$2,500	\$2,500	\$500	\$20,400	\$49,000	\$168,744
2026	\$242,907	\$90,000	\$1,000	\$500	\$500	\$500	\$0	\$0	\$0	\$92,500	\$49,000	\$101,407
2027	\$251,409	\$12,000	\$4,400	\$10,000	\$500	\$1,500	\$1,700	\$0	\$0	\$30,100	\$50,000	\$171,309
2028	\$258,951	\$120,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$120,000	\$50,000	\$88,951
2029	\$265,425	\$2,500	\$10,000	\$500	\$10,000	\$10,000	\$0	\$0	\$0	\$33,000	\$52,000	\$180,425

Meal Plan Summary
Past 20 Years

	Fairmont State/Pierpont				WVU		Marshall		Shepherd
	19 Meals	% Increase	15 Meals	% Increase	19 Meals	15 Meals	Unlimited	15 Meals	Board
2011	1,694.00	2.98%	1,547.00	3.00%	1,911.00	1,785.00	1,703.00	1,622.00	1,759.00
2010	1,645.00	0.00%	1,502.00	0.00%	1,829.00	1,708.00	1,541.00	1,463.00	1,669.00
2009	1,645.00	5.04%	1,502.00	5.03%	1,750.00	1,634.00	1,475.00	1,400.00	1,599.00
2008	1,566.00	4.40%	1,430.00	4.76%	1,659.00	1,549.00	1,437.00	1,389.00	1,559.00
2007	1,500.00	4.90%	1,365.00	5.00%	1,565.00	1,461.00	1,437.00	1,389.00	1,499.00
2006	1,430.00	2.00%	1,300.00	2.04%					
2005	1,402.00	5.02%	1,274.00	5.03%					
2004	1,335.00	3.97%	1,213.00	4.03%					
2003	1,284.00	6.03%	1,166.00	6.00%					
2002	1,211.00	6.98%	1,100.00	7.00%					
2001	1,132.00	0.00%	1,028.00	0.00%					
2000	1,132.00	8.02%	1,028.00	7.98%					
1999	1,048.00	5.01%	952.00	4.96%					
1998	998.00	5.05%	907.00	4.98%					
1997	950.00	0.00%	864.00	0.00%					
1996	950.00	7.95%	864.00	8.00%					
1995	880.00	7.32%	800.00	8.11%					
1994	820.00	0.00%	740.00						
1993	820.00	7.89%							
1992	760.00								
20 Year Increase	\$934.00	116.45%	\$762.00	109.05%					
Average Increase	\$46.70	5.82%	\$44.82	6.41%					

**Fairmont State University
Board of Governors
October 20, 2011**

Item: Acceptance of the Bond Audits

Committee: Committee of the Whole

Resolution: Whereas, the Infrastructure Revenue Bonds 2002 Series B, Facilities Revenue Bonds 2002 Series A and 2003 Series A, and Student Activity Revenue Bonds 2003 Series B have been audited with no material findings; and

Whereas, all three audit reports indicate that debt coverage ratios have been exceeded with debt coverage ratios of 196%, 263%, and 300% respectively; for FY 2011, compared to debt coverage ratios for FY 2010 of 175%, 243%, and 264% respectively.

Whereas, the Board of Governors of both Fairmont State University and Pierpont Community and Technical College recognize that are bound by all bond covenants and are legally obligated for the bond debt payments.

Further, let it be resolved that these audit reports be accepted as official audited bond statements for the year ending June 30, 2011.

Staff Member: Rick Porto

Background: We are required to have annual audits of these bonds.

Board of Governors of
Fairmont State University
University Facilities Revenue
Bonds 2002 Series A and 2003
Series A

Combined Special-Purpose Financial Statements — Modified
Cash Basis as of and for the Years Ended June 30, 2011 and
2010, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Governing Board of Fairmont State University:

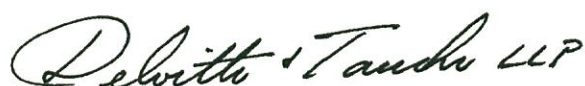
We have audited the accompanying combined special-purpose statements of assets, liabilities, and fund balance (deficit) — modified cash basis of the Board of Governors of Fairmont State University University Facilities Revenue Bonds 2002 Series A and 2003 Series A (the “Bonds”), as of June 30, 2011 and 2010, and the related combined special-purpose statements of revenues collected, expenses and costs paid, and changes in fund balance (deficit) — modified cash basis for the years then ended. These combined special-purpose financial statements are the responsibility of Fairmont State University’s management. Our responsibility is to express an opinion on these combined special-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 combined special-purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the combined special-purpose financial statements, these combined special-purpose financial statements were prepared in connection with the related bond agreements and are intended to present only the selected assets, liabilities, fund balances (deficit), revenues, and expenses of Fairmont State University required to be presented under these agreements. These combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These combined special-purpose financial statements are not intended to be a complete presentation of Fairmont State University.

In our opinion, such combined special-purpose financial statements present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the Bonds at June 30, 2011 and 2010, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the years then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Governing Board of Fairmont State University, management of Fairmont State University, the West Virginia Higher Education Policy Commission, management of the West Virginia Higher Education Policy Commission, and the bondholders, and should not be used for any other purpose.



September 8, 2011

**BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY
UNIVERSITY FACILITIES REVENUE BONDS
2002 SERIES A AND 2003 SERIES A**

**COMBINED SPECIAL-PURPOSE
STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE (DEFICIT) — MODIFIED CASH BASIS
AS OF JUNE 30, 2011 AND 2010**

	2011				2010			
	Revenue Fund	Bond Fund	Debt Service Reserve Fund	Combined	Revenue Fund	Bond Fund	Debt Service Reserve Fund	Combined
ASSETS								
DEPOSITS WITH THE TRUSTEE BANK	\$ -	\$ 21,289	\$ 2,106,500	\$ 2,127,789	\$ -	\$ 23,369	\$ 2,106,500	\$ 2,129,869
DEPOSITS WITH THE STATE TREASURY HELD IN ACCOUNTS OF FAIRMONT STATE UNIVERSITY	3,451,812			3,451,812	3,044,279			3,044,279
TOTAL	<u>\$ 3,451,812</u>	<u>\$ 21,289</u>	<u>\$ 2,106,500</u>	<u>\$ 5,579,601</u>	<u>\$ 3,044,279</u>	<u>\$ 23,369</u>	<u>\$ 2,106,500</u>	<u>\$ 5,174,148</u>
LIABILITIES AND FUND BALANCE (DEFICIT)								
LIABILITIES — Bond indebtedness	\$ 26,710,000	\$ -	\$ -	\$ 26,710,000	\$ 27,445,000	\$ -	\$ -	\$ 27,445,000
FUND (DEFICIT) BALANCE	<u>(23,258,188)</u>	<u>21,289</u>	<u>2,106,500</u>	<u>(21,130,399)</u>	<u>(24,400,721)</u>	<u>23,369</u>	<u>2,106,500</u>	<u>(22,270,852)</u>
TOTAL	<u>\$ 3,451,812</u>	<u>\$ 21,289</u>	<u>\$ 2,106,500</u>	<u>\$ 5,579,601</u>	<u>\$ 3,044,279</u>	<u>\$ 23,369</u>	<u>\$ 2,106,500</u>	<u>\$ 5,174,148</u>

See notes to combined special-purpose modified cash basis financial statements.

**BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY
UNIVERSITY FACILITIES REVENUE BONDS
2002 SERIES A AND 2003 SERIES A**

**COMBINED SPECIAL-PURPOSE
STATEMENTS OF REVENUES COLLECTED, EXPENSES AND COSTS PAID, AND CHANGES IN FUND BALANCE (DEFICIT) —
MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011				2010			
	Revenue Fund	Bond Fund	Debt Service Reserve Fund	Combined	Revenue Fund	Bond Fund	Debt Service Reserve Fund	Combined
REVENUES COLLECTED:								
Parking and housing fees	\$ 5,533,868	\$ -	\$ -	\$ 5,533,868	\$ 5,301,973	\$ -	\$ -	\$ 5,301,973
Other operating revenue	42,558			42,558	39,994			39,994
Interest on investments	8,800	725	42,941	52,466	9,047	296	46,218	55,561
Total revenues collected	<u>5,585,226</u>	<u>725</u>	<u>42,941</u>	<u>5,628,892</u>	<u>5,351,014</u>	<u>296</u>	<u>46,218</u>	<u>5,397,528</u>
EXPENSES AND COSTS PAID:								
Salaries and employee benefits	1,238,734			1,238,734	1,148,733			1,148,733
Utilities	450,544			450,544	433,310			433,310
Administrative	987,225			987,225	869,207			869,207
Repairs and alterations	132,992			132,992	175,801			175,801
Equipment and supplies	159,455			159,455	145,970			145,970
Construction	152,680			152,680	114,569			114,569
Interest		1,366,809		1,366,809		1,391,039		1,391,039
Total expenses and costs paid	<u>3,121,630</u>	<u>1,366,809</u>		<u>4,488,439</u>	<u>2,887,590</u>	<u>1,391,039</u>		<u>4,278,629</u>
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID	2,463,596	(1,366,084)	42,941	1,140,453	2,463,424	(1,390,743)	46,218	1,118,899
RETIREMENT OF BONDS	735,000	(735,000)		-	710,000	(710,000)		-
TRANSFERS (FROM) TO — For payment of current debt service	(2,056,063)	2,099,004	(42,941)	-	(2,038,240)	2,084,458	(46,218)	-
FUND (DEFICIT) BALANCE — Beginning of year	<u>(24,400,721)</u>	<u>23,369</u>	<u>2,106,500</u>	<u>(22,270,852)</u>	<u>(25,535,905)</u>	<u>39,654</u>	<u>2,106,500</u>	<u>(23,389,751)</u>
FUND (DEFICIT) BALANCE — End of year	<u>\$(23,258,188)</u>	<u>\$ 21,289</u>	<u>\$2,106,500</u>	<u>\$(21,130,399)</u>	<u>\$(24,400,721)</u>	<u>\$ 23,369</u>	<u>\$2,106,500</u>	<u>\$(22,270,852)</u>

See notes to combined special-purpose modified cash basis financial statements.

**BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY
UNIVERSITY FACILITIES REVENUE BONDS
2002 SERIES A AND 2003 SERIES A**

**NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL STATEMENTS — MODIFIED CASH BASIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Fairmont State University (the “University”) is governed by the Board of Governors of Fairmont State University (the “Board”). The Board was established by Senate Bill 653 (S.B. 653), which was enacted by the West Virginia Legislature on March 19, 2000, and restructured public 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 the University, the duty to develop a master plan for the University, the power to prescribe the specific functions and University’s budget request, the duty to review, at least every five years, all academic programs offered at the University, and the power to fix tuition and other fees for different classes or categories of students enrolled at the University.

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

During fiscal year 2008, House Bill 3215 was passed, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, the administratively linked community and technical college of Fairmont State established its own Board of Governors. The newly established Board of Governors of Pierpont Community & Technical College (Pierpont) and the Board of Governors of Fairmont State University jointly agreed to a division of assets and liabilities of Fairmont State effective July 1, 2009.

The Separation of Assets and Liabilities Agreement was made in accordance with the provisions of West Virginia State Code — §18B-2A-7a (2008 supp.) which states as follows:

(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.

The Agreement further specifies the following agreement in regard to bond indebtedness:

Whereas, there is currently outstanding the following bonded indebtedness:

(A) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2002 A (the “Series 2002A Bonds”), issued in the principal amount of \$18,170,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the “2002A Indenture”), with WesBanco Bank, Inc., as Trustee (the “Bond Trustee”), and currently outstanding in the principal amount of \$15,180,000 updated as of June 30, 2011;

- (B) Board of Governors of Fairmont State College College Infrastructure Revenue Bonds, Series 2002 B (the “Series 2002B Bonds”), issued in the principal amount of \$9,310,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the “2002B Indenture”), with the Bond Trustee and currently outstanding in the principal amount of \$7,645,000 *updated as of June 30, 2011*;
- (C) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2003A (the “Series 2003A Bonds”), issued in the principal amount of \$13,320,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the “2003A Indenture”), supplementing and amending the 2002A Indenture, with the Bond Trustee and currently outstanding in the principal amount of \$11,530,000 *updated as of June 30, 2011*;
- (D) Board of Governors of Fairmont State College Student Activity Revenue Bonds, Series 2003B (the “Series 2003B Bonds”), issued in the principal amount of \$22,925,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the “2003B Indenture”), with the Bond Trustee and currently outstanding in the principal amount of \$19,835,000 *updated as of June 30, 2011*; and
- (E) Fairmont State University Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the “Series 2006 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 \$6,977,624 *updated as of June 30, 2011*.

and

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 Pierpont, and both FSU and Pierpont have copies of the Bond Documents.

and

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

The Boards of Governors of both Fairmont State University and Pierpont Community and Technical College recognize that they are bound by all bond covenants and are legally obligated for the bond debt payments.

Basis of Presentation — The Bond Indenture (the “Indenture”) requires that the University maintain certain accounts and funds related to the University Facilities Revenue Bonds 2002 Series A (“2002A Bonds”), and the University Facilities Revenue Bonds 2003 Series A (“2003A Bonds”) (collectively, the “Bonds”), and that the University prepare annual financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the University is required to maintain and to present in the form of financial statements:

Revenue Fund — The revenue fund accounts for pledged revenues and expenses and costs paid related thereto and outstanding bonds.

Bond Fund — The bond fund accounts for the proceeds of the bonds and subsequent disbursement thereof for their intended purpose and the payment of bond principal and interest.

Debt Service Reserve Fund — The debt service reserve fund accounts for the required debt service reserve fund activity.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net assets, revenues, and expenses of the University, but present only the funds the University is required to present in the combined special-purpose financial statements pursuant to the provisions of the Indenture.

In accordance with requirements of the Bond Trust Indentures and Security Agreements (the “Indentures”), the accounting records for the Bonds are maintained on the modified cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses and costs are recognized when paid rather than when the obligation is incurred. These combined special-purpose financial statements are prepared on the modified cash basis of accounting which is an other comprehensive basis of accounting required by the Indentures. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special-purpose financial statements to comply with the Indenture, a Management’s Discussion and Analysis (MD&A) is not included in the combined special-purpose financial statements.

Deposits with the Trustee Bank as of June 30, 2011 and 2010, include \$2,127,789 and \$2,129,869, respectively, invested in a money market fund sponsored by an investment company, the underlying assets of which are securities of the U.S. government, its agencies, authorities, and instrumentalities.

Deposits with the West Virginia State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits is allocated to the various funds based on the balances of these deposits at the end of the month in which the income was earned.

Fixed assets are not included in these combined special-purpose financial statements because they do not represent financial resources available for expenditures, but are items for which financial resources have been used. Title to and accountability for fixed assets remain with the University.

2. BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY, UNIVERSITY FACILITIES REVENUE BONDS, 2002 SERIES A AND 2003 SERIES A

In August 2002 and March 2003, \$18,170,000 of the 2002A Bonds and \$13,320,000 of the 2003A Bonds, respectively, were sold. The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds are secured pursuant to the Indentures and Security Agreements, dated as of August 1, 2002 and March 1, 2003, by and between the Board and WesBanco Bank, Inc. (the “Trustee”). The 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 design, acquisition, construction, and equipping of a new dormitory anticipated to include approximately 400 units, (3) finance the costs of design, acquisition, and construction of a new, approximately 1,000 space motor vehicle parking facilities, (4) establish a debt service reserve fund for the Bonds, (5) capitalize interest on the Bonds, and (6) pay the costs of issuance of the Bonds and related costs.

The 2002A and 2003A Bonds outstanding consist of \$1,825,000 and \$1,405,000 of serial bonds, respectively, with varying interest rates from 3.75% to 4.2%, and mature serially from June 1, 2012 to June 1, 2015, and Term Bonds as follows:

Principal Amount	Maturity Date	Interest Rate
\$4,125,000	June 1, 2022	5.375 %
3,170,000	June 1, 2022	5.250
4,030,000	June 1, 2027	5.375
5,200,000	June 1, 2032	5.000
6,955,000	June 1, 2032	5.000

The Term Bonds are subject to mandatory redemption prior to maturity. The redemption prices are 100% of the principal amount, plus accrued interest.

The Bonds are special obligations of the University and are secured by and payable from certain pledged revenues of the housing, apartment, and parking funds of the University held under the Indentures. The Bonds shall not be deemed to be general obligations or a debt of the State of West Virginia (the "State") within the meaning of the Constitution of the State, and the credit or taxing power of the State or University shall not be pledged therefor. The Bonds are fully insured as to principal and interest by Financial Guaranty Insurance Company.

The University has fixed and will maintain just and equitable rules, regulations, rents, charges, and fees for the use and occupancy of housing, apartment, and parking facilities (collectively, the "Facilities"). The University must fix rents, charges, and fees to produce revenues from Facilities sufficient to pay operating expenses and to make the prescribed payments into the funds and accounts created under the Indentures, and that such schedule of rents, charges, and fees 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 fiscal year equal to at least 110% of the maximum annual debt service. For the years ended June 30, 2011 and 2010, the University had net revenues when combined with other monies legally available, as defined in the Indentures, that approximated 263% and 243%, respectively, of the maximum annual debt service. Additionally, the debt service reserve fund originally had deposits totaling \$2,107,495 as required by the Indentures. Subsequently, the Trustee reduced the 2003A Bond requirements from \$903,745 to \$902,750. Deposits held under the Debt Service Reserve Fund totaled \$2,106,500 at both June 30, 2011 and 2010.

A summary of annual aggregate principal, interest, and sinking fund payments is as follows:

Fiscal Years Ending June 30	2002 Series A		2003 Series A		Total Principal	Total Interest	Grand Total
	Principal Payments Due June 1	Interest (Due June 1 and December 1)	Principal Payments Due June 1	Interest (Due June 1 and December 1)			
2012	\$ 430,000	\$ 770,670	\$ 330,000	\$ 569,575	\$ 760,000	\$ 1,340,245	\$ 2,100,245
2013	445,000	754,545	345,000	557,200	790,000	1,311,745	2,101,745
2014	465,000	737,301	360,000	543,745	825,000	1,281,046	2,106,046
2015	485,000	718,701	370,000	529,345	855,000	1,248,046	2,103,046
2016	500,000	698,331	385,000	514,175	885,000	1,212,506	2,097,506
2017	525,000	671,456	405,000	493,963	930,000	1,165,419	2,095,419
2018	555,000	643,238	430,000	472,700	985,000	1,115,938	2,100,938
2019	590,000	613,406	450,000	450,125	1,040,000	1,063,531	2,103,531
2020	620,000	581,694	475,000	426,500	1,095,000	1,008,194	2,103,194
2021	650,000	548,369	500,000	401,563	1,150,000	949,932	2,099,932
2022	685,000	513,431	525,000	375,313	1,210,000	888,744	2,098,744
2023	720,000	476,613	555,000	347,750	1,275,000	824,363	2,099,363
2024	765,000	437,913	580,000	320,000	1,345,000	757,913	2,102,913
2025	805,000	396,794	610,000	291,000	1,415,000	687,794	2,102,794
2026	845,000	353,525	640,000	260,500	1,485,000	614,025	2,099,025
2027	895,000	308,106	670,000	228,500	1,565,000	536,606	2,101,606
2028	940,000	260,000	705,000	195,000	1,645,000	455,000	2,100,000
2029	985,000	213,000	740,000	159,750	1,725,000	372,750	2,097,750
2030	1,040,000	163,750	780,000	122,750	1,820,000	286,500	2,106,500
2031	1,090,000	111,750	815,000	83,750	1,905,000	195,500	2,100,500
2032	1,145,000	57,250	860,000	43,000	2,005,000	100,250	2,105,250
Total outstanding	15,180,000	10,029,843	11,530,000	7,386,204	26,710,000	17,416,047	44,126,047
Cumulative bonds retired and interest paid through June 30, 2011	<u>2,990,000</u>	<u>7,323,824</u>	<u>1,790,000</u>	<u>5,010,558</u>	<u>4,780,000</u>	<u>12,334,382</u>	<u>17,114,382</u>
	<u>\$18,170,000</u>	<u>\$17,353,667</u>	<u>\$13,320,000</u>	<u>\$12,396,762</u>	<u>\$31,490,000</u>	<u>\$29,750,429</u>	<u>\$61,240,429</u>

3. OTHER TRANSACTIONS

Certain purchasing, accounting, and other administrative services are provided by other State agencies to the University.

* * * * *

Board of Governors of Fairmont
State University
Infrastructure Revenue Bonds
2002 Series B

Combined Special-Purpose Financial Statements — Modified
Cash Basis as of and for the Years Ended June 30, 2011 and
2010, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Governing Board of Fairmont State University:

We have audited the accompanying combined special-purpose statements of assets, liabilities, and fund balance (deficit) — modified cash basis of the Board of Governors of Fairmont State University Infrastructure Revenue Bonds 2002 Series B (the “Bonds”) as of June 30, 2011 and 2010, and the related combined special-purpose statements of revenues collected, expenses and costs paid, and changes in fund balance (deficit) — modified cash basis for the years then ended. These combined special-purpose financial statements are the responsibility of the Fairmont State University’s management. Our responsibility is to express an opinion on these combined special purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit 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.

As described in Note 1 to the combined special-purpose financial statements, these combined special purpose financial statements were prepared in connection with the related bond agreements and are intended to present only the selected assets, liabilities, fund balances (deficit), revenues, and expenses of the Fairmont State University required to be presented under these agreements. These combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These combined special-purpose financial statements are not intended to be a complete presentation of Fairmont State University.

In our opinion, such combined special-purpose financial statements present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the Bonds at June 30, 2011 and 2010, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the years then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Governing Board of Fairmont State University, management of Fairmont State University, the West Virginia Higher Education Policy Commission, management of the West Virginia Higher Education Policy Commission, and the bondholders, and should not be used for any other purpose.

Delwitte + Tander LLP

September 8, 2011

**BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY
INFRASTRUCTURE REVENUE BONDS 2002 SERIES B**

**COMBINED SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND FUND
BALANCE (DEFICIT) — MODIFIED CASH BASIS
AS OF JUNE 30, 2011 AND 2010**

	2011		2010	
	Revenue Fund	Bond Fund	Revenue Fund	Bond Fund
ASSETS				
DEPOSITS WITH THE TRUSTEE BANK	\$ -	\$ 82	\$ -	\$ 73
DEPOSITS WITH THE STATE TREASURY HELD IN ACCOUNTS OF FAIRMONT STATE UNIVERSITY	<u>1,400,625</u>	<u>1,400,625</u>	<u>1,201,781</u>	<u>1,201,781</u>
TOTAL	<u>\$ 1,400,625</u>	<u>\$ 1,400,707</u>	<u>1,201,781</u>	<u>1,201,854</u>
LIABILITIES AND FUND BALANCE (DEFICIT)				
LIABILITIES — Bond indebtedness	\$ 7,645,000	\$ -	\$ 7,860,000	\$ -
FUND (DEFICIT) BALANCE	<u>(6,244,375)</u>	<u>82</u>	<u>(6,658,219)</u>	<u>73</u>
TOTAL	<u>\$ 1,400,625</u>	<u>\$ 82</u>	<u>\$ 1,201,781</u>	<u>\$ 73</u>

See notes to combined special-purpose modified cash basis financial statements.

**BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY
INFRASTRUCTURE REVENUE BONDS 2002 SERIES B**

**COMBINED SPECIAL-PURPOSE STATEMENTS OF REVENUES COLLECTED, EXPENSES AND COSTS PAID,
AND CHANGES IN FUND BALANCE (DEFICIT) — MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010	
	Revenue Fund	Bond Fund	Revenue Fund	Bond Fund
		Combined		Combined
REVENUES COLLECTED:				
Infrastructure fee	\$ 1,166,303	\$ 1,166,303	\$ 1,042,323	\$ 1,042,323
Interest on investments	919	1,117	80	80
Total revenues collected	<u>1,167,222</u>	<u>1,167,420</u>	<u>1,042,323</u>	<u>1,042,403</u>
EXPENSES AND COSTS PAID:				
Repairs and Alterations	93,625	93,625	-	-
Equipment and supplies	3,954	3,954	-	-
Construction and related expenses	264,604	264,604	313,430	313,430
Interest		375,957		383,308
Administrative	15,427	15,427	8,050	8,050
Total expenses and costs paid	<u>377,610</u>	<u>375,957</u>	<u>321,480</u>	<u>383,308</u>
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID	789,612	(375,759)	720,843	(383,228)
RETIREMENT OF BONDS	215,000	(215,000)	210,000	(210,000)
TRANSFERS (FROM) TO — For payment of current debt service	(590,768)	590,768	(592,966)	592,966
FUND (DEFICIT) BALANCE — Beginning of year	<u>(6,658,219)</u>	<u>73</u>	<u>(6,996,096)</u>	<u>335</u>
FUND (DEFICIT) BALANCE — End of year	<u>\$ (6,244,375)</u>	<u>\$ 82</u>	<u>\$ (6,658,219)</u>	<u>\$ 73</u>

See notes to combined special-purpose modified cash basis financial statements.

BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY INFRASTRUCTURE REVENUE BONDS 2002 SERIES B

NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL STATEMENTS — MODIFIED CASH BASIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Fairmont State University (the “University”) is governed by the Board of Governors of Fairmont State University (the “Board”). The Board was established by Senate Bill 653 (S.B. 653), which was enacted by the West Virginia Legislature on March 19, 2000, and restructured public 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 the University; the duty to develop a master plan for the University; the power to prescribe the specific functions and the University’s budget request; the duty to review, at least every five years, all academic programs offered at the University; and the power to fix tuition and other fees for different classes or categories of students enrolled at the University.

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

During fiscal year 2008, House Bill 3215 was passed, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, the administratively linked community and technical college of Fairmont State established its own Board of Governors. The newly established Board of Governors of Pierpont Community & Technical College (Pierpont) and the Board of Governors of Fairmont State University jointly agreed to a division of assets and liabilities of Fairmont State effective July 1, 2009.

The Separation of Assets and Liabilities Agreement was made in accordance with the provisions of West Virginia State Code — §18B-2A-7a (2008 supp.) which states as follows:

(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.

The Agreement further specifies the following agreement in regard to bond indebtedness:

WHEREAS, there is currently outstanding the following bonded indebtedness:

(A) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2002 A (the “Series 2002A Bonds”), issued in the principal amount of \$18,170,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the “2002A Indenture”), with WesBanco Bank, Inc., as Trustee (the “Bond Trustee”), and currently outstanding in the principal amount of \$15,180,000 *updated as of June 30, 2011*;

- (B) Board of Governors of Fairmont State College College Infrastructure Revenue Bonds, Series 2002 B (the “Series 2002B Bonds”), issued in the principal amount of \$9,310,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the “2002B Indenture”), with the Bond Trustee and currently outstanding in the principal amount of \$7,645,000 *updated as of June 30, 2011*;
- (C) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2003 A (the “Series 2003A Bonds”), issued in the principal amount of \$13,320,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the “2003A Indenture”), supplementing and amending the 2002A Indenture, with the Bond Trustee and currently outstanding in the principal amount of \$11,530,000 *updated as of June 30, 2011*;
- (D) Board of Governors of Fairmont State College Student Activity Revenue Bonds, Series 2003 B (the “Series 2003B Bonds”), issued in the principal amount of \$22,925,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the “2003B Indenture”), with the Bond Trustee and currently outstanding in the principal amount of \$19,835,000 *updated as of June 30, 2011*; and
- (E) Fairmont State University Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the “Series 2006 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 \$6,977,624 *updated as of June 30, 2011*.

and

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 Pierpont, and both FSU and Pierpont have copies of the Bond Documents.

and

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

The Boards of Governors of both Fairmont State University and Pierpont Community and Technical College recognize that they are bound by all bond covenants and are legally obligated for the bond debt payments.

Basis of Presentation — The Bond Indenture (the “Indenture”) requires that the University maintain certain accounts and funds related to the Infrastructure Revenue Bonds 2002 Series B (the “Bonds”) and that the University prepare annual financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the University is required to maintain and to present in the form of financial statements:

Revenue Fund — The revenue fund accounts for pledged revenues and expenses and costs paid related thereto and outstanding bonds.

Bond Fund — The bond fund accounts for the proceeds of the bonds and subsequent disbursement thereof for their intended purpose and the payment of bond principal and interest.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net assets, revenues, and expenses of the University, but present only the funds the University is required to present in the combined special-purpose financial statements pursuant to the provisions of the Indenture.

In accordance with requirements of the Indenture, the accounting records for the Bonds are maintained on the modified cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received, rather than when earned and certain expenses and costs are recognized when paid rather than when the obligation is incurred. These combined special-purpose financial statements are prepared on the modified cash basis of accounting which is an other comprehensive basis of accounting required by the Indenture. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special purpose financial statements to comply with the Indenture, a Management's Discussion and Analysis (MD&A) is not included in the combined special-purpose financial statements.

Deposits with the Trustee Bank as of June 30, 2011 and 2010, include \$82 and \$73, respectively, invested in a money market fund sponsored by an investment company, the underlying assets of which are securities of the U.S. government, its agencies, authorities, and instrumentalities.

Deposits with the West Virginia State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits is allocated to the various funds based on the balances of these deposits at the end of the month in which the income was earned.

Fixed assets are not included in the combined special-purpose financial statements because they do not represent financial resources available for expenditures, but are items for which financial resources have been used. Title to and accountability for fixed assets remain with the University.

2. BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY INFRASTRUCTURE REVENUE BONDS, 2002 SERIES B

In August 2002, \$9,310,000 of the Bonds were sold. The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds are secured pursuant to the Indenture and Security Agreement, dated as of August 1, 2002, by and between the Board and WesBanco (the "Trustee"). The Bonds were issued to (1) finance the costs of acquisition and construction of improvements to the campus infrastructure and utilities, including the entrances to the University and the roads surrounding the University, and electrical, water, and sewerage systems (including reimbursements to the University as approved by Bond Counsel) and (2) pay the costs of issuance of the Bonds and related costs.

The Bonds outstanding consist of \$950,000 of serial bonds, with varying interest rates from 3.75% to 4.2% and mature serially from June 1, 2012 to June 1, 2015. Term Bonds of \$2,115,000 and \$4,580,000 bear interest at 4.8% and 5.0% and mature on June 1, 2022 and 2032, respectively.

Term Bonds are subject to mandatory redemption prior to maturity. The redemption prices are 100% of the principal amount, plus accrued interest.

The Bonds are special obligations of the University and are secured by and payable from fees assessed to students of the University held under the Indenture. The infrastructure fee assessed for both years ended June 30, 2011 and 2010, was \$85 per full-time student and is subject to pro rata reductions for part-time and summer-term students and for waivers required by West Virginia Code.

The Bonds shall not be deemed to be general obligations or a debt of the State of West Virginia (the "State") within the meaning of the Constitution of the State, and the credit or taxing power of the State or the University shall not be pledged therefor. The Bonds are fully insured as to principal and interest by the Financial Guaranty Insurance Company.

The University has fixed and will assess and maintain just and equitable fees, which shall at all times be adequate to produce revenues sufficient to make the prescribed payments into the funds and accounts created under the Indenture. The amount of the fees shall be revised from time to time to provide revenues each fiscal year equal to at least 100% of the maximum annual debt service. For the years ended June 30, 2011 and 2010, the University had revenues, as defined in the Indenture, which approximated 196% and 175%, respectively, of the maximum annual debt service.

A summary of annual aggregate principal, interest, and sinking fund payments is as follows:

Fiscal Years Ending June 30	2002 Series B		
	Principal Payments Due June 1	Interest (Due June 1 and December 1)	Grand Total
2012	\$ 225,000	\$ 368,164	\$ 593,164
2013	235,000	359,726	594,726
2014	240,000	350,620	590,620
2015	250,000	341,020	591,020
2016	260,000	330,520	590,520
2017	275,000	318,040	593,040
2018	290,000	304,840	594,840
2019	300,000	290,920	590,920
2020	315,000	276,520	591,520
2021	330,000	261,400	591,400
2022	345,000	245,560	590,560
2023	365,000	229,000	594,000
2024	380,000	210,750	590,750
2025	400,000	191,750	591,750
2026	420,000	171,750	591,750
2027	445,000	150,750	595,750
2028	465,000	128,500	593,500
2029	490,000	105,250	595,250
2030	510,000	80,750	590,750
2031	540,000	55,250	595,250
2032	565,000	28,250	593,250
Total outstanding	7,645,000	4,799,330	12,444,330
Cumulative bonds retired and interest paid through June 30, 2011	1,665,000	3,523,286	5,188,286
	<u>\$9,310,000</u>	<u>\$8,322,616</u>	<u>\$17,632,616</u>

3. OTHER TRANSACTIONS

Certain purchasing, accounting, and other administrative services are provided by other State agencies to the University.

* * * * *

Board of Governors of
Fairmont State University
Student Activity Revenue
Bonds 2003 Series B

Combined Special-Purpose Financial Statements — Modified
Cash Basis as of and for the Years Ended June 30, 2011 and
2010, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Governing Board of Fairmont State University:

We have audited the accompanying combined special-purpose statements of assets, liabilities, and fund balance (deficit) — modified cash basis of the Board of Governors of Fairmont State University Student Activity Revenue Bonds 2003 Series B (the “Bonds”) as of June 30, 2011 and 2010, and the related combined special-purpose financial statements of revenues collected, expenses and costs paid, and changes in fund balance (deficit) — modified cash basis for the years then ended. These combined special-purpose financial statements are the responsibility of Fairmont State University’s management. Our responsibility is to express an opinion on these combined special-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 combined special-purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the combined special-purpose financial statements, these combined special-purpose financial statements were prepared in connection with the related bond agreement and are intended to present only the selected assets, liabilities, fund balances (deficit), revenues, and expenses of Fairmont State University required to be presented under this agreement. These combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These combined special-purpose financial statements are not intended to be a complete presentation of Fairmont State University.

In our opinion, such combined special-purpose financial statements present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the Bonds at June 30, 2011 and 2010, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the years then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Governing Board of Fairmont State University, management of Fairmont State University, the West Virginia Higher Education Policy Commission, management of the West Virginia Higher Education Policy Commission, and the bondholders, and should not be used for any other purpose.



September 8, 2011

**BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY
STUDENT ACTIVITY REVENUE BONDS 2003 SERIES B**

**COMBINED SPECIAL-PURPOSE
STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE (DEFICIT) — MODIFIED CASH BASIS
AS OF JUNE 30, 2011 AND 2010**

	2011		2010	
	Revenue Fund	Bond Fund	Revenue Fund	Bond Fund
ASSETS				
DEPOSITS WITH THE TRUSTEE BANK	\$ -	\$ 212	\$ -	\$ 190
DEPOSITS WITH THE STATE TREASURY HELD IN ACCOUNTS OF FAIRMONT STATE UNIVERSITY	<u>3,111,733</u>	<u>3,111,733</u>	<u>2,549,745</u>	<u>2,549,745</u>
TOTAL	<u>\$ 3,111,733</u>	<u>\$ 3,111,945</u>	<u>\$ 2,549,745</u>	<u>\$ 2,549,935</u>
LIABILITIES AND FUND BALANCE (DEFICIT)				
LIABILITIES — Bond indebtedness	\$ 19,835,000	\$ -	\$ 20,385,000	\$ -
FUND (DEFICIT) BALANCE	<u>(16,723,267)</u>	<u>212</u>	<u>(17,835,255)</u>	<u>190</u>
TOTAL	<u>\$ 3,111,733</u>	<u>\$ 3,111,945</u>	<u>\$ 2,549,745</u>	<u>\$ 2,549,935</u>

See notes to combined special-purpose modified cash basis financial statements.

**BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY
STUDENT ACTIVITY REVENUE BONDS 2003 SERIES B**

**COMBINED SPECIAL-PURPOSE
STATEMENTS OF REVENUES COLLECTED, EXPENSES AND COSTS PAID, AND CHANGES IN FUND BALANCE (DEFICIT) —
MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011		2010	
	Revenue Fund	Bond Fund	Revenue Fund	Bond Fund
REVENUES COLLECTED:				
Student union fees	\$ 2,320,348	\$ -	\$ 2,320,348	\$ -
Operating fees	1,682,364		1,682,364	
Interest on investments	5,764	514	6,278	208
<u>Total revenues collected</u>	<u>4,008,476</u>	<u>514</u>	<u>4,008,990</u>	<u>208</u>
EXPENSES AND COSTS PAID:				
Salaries and employee benefits	719,216		719,216	
Utilities	361,944		361,944	
Administrative	680,644		680,644	
Repairs and alterations	80,563		80,563	
Equipment and supplies	48,411		48,411	
Interest	8,165	998,037	1,006,202	1,015,693
<u>Total expenses and costs paid</u>	<u>1,898,943</u>	<u>998,037</u>	<u>2,896,980</u>	<u>1,015,693</u>
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID	2,109,533	(997,523)	1,112,010	(1,015,485)
RETIREMENT OF BONDS	550,000	(550,000)	-	(535,000)
TRANSFERS (FROM) TO — For payment of current debt service	(1,547,545)	1,547,545	-	1,549,811
FUND (DEFICIT) BALANCE — Beginning of year	(17,835,255)	190	(17,835,065)	864
FUND (DEFICIT) BALANCE — End of year	<u>\$(16,723,267)</u>	<u>\$ 212</u>	<u>\$(16,723,055)</u>	<u>\$ 190</u>
				<u>Revenue Fund</u>
				<u>Bond Fund</u>
				<u>Combined</u>
				<u>\$ 2,224,645</u>
				<u>1,652,659</u>
				<u>5,497</u>
				<u>3,882,593</u>
				<u>208</u>
				<u>208</u>
				<u>698,967</u>
				<u>298,570</u>
				<u>701,663</u>
				<u>69,023</u>
				<u>68,986</u>
				<u>1,025,400</u>
				<u>1,846,916</u>
				<u>1,020,192</u>
				<u>535,000</u>
				<u>1,549,811</u>
				<u>(18,856,121)</u>
				<u>864</u>
				<u>\$(17,835,255)</u>
				<u>\$(17,835,065)</u>

See notes to combined special-purpose modified cash basis financial statements.

BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY STUDENT ACTIVITY REVENUE BONDS 2003 SERIES B

NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL STATEMENTS — MODIFIED CASH BASIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Fairmont State University (the “University”) is governed by the Board of Governors of Fairmont State University (the “Board”). The Board was established by Senate Bill 653 (S.B. 653), which was enacted by the West Virginia Legislature on March 19, 2000, and restructured public 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 the University, the duty to develop a master plan for the University, the power to prescribe the specific functions and University’s budget request, the duty to review, at least every five years, all academic programs offered at the University, and the power to fix tuition and other fees for different classes or categories of students enrolled at the University.

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

During fiscal year 2008, House Bill 3215 was passed, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, the administratively linked community and technical college of Fairmont State established its own Board of Governors. The newly established Board of Governors of Pierpont Community & Technical College (Pierpont) and the Board of Governors of Fairmont State University jointly agreed to a division of assets and liabilities of Fairmont State effective July 1, 2009.

The Separation of Assets and Liabilities Agreement was made in accordance with the provisions of West Virginia State Code — §18B-2A07a (2008 supp.) which states as follows:

(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.

The Agreement further specifies the following agreement in regard to bond indebtedness:

WHEREAS, there is currently outstanding the following bonded indebtedness:

(A) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2002 A (the “Series 2002A Bonds”), issued in the principal amount of \$18,170,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the “2002A Indenture”), with WesBanco Bank, Inc., as Trustee (the “Bond Trustee”), and currently outstanding in the principal amount of \$15,180,000 *updated as of June 30, 2011*;

- (B) Board of Governors of Fairmont State College College Infrastructure Revenue Bonds, Series 2002 B (the “Series 2002B Bonds”), issued in the principal amount of \$9,310,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the “2002B Indenture”), with the Bond Trustee and currently outstanding in the principal amount of \$7,645,000 *updated as of June 30, 2011*;
- (C) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2003A (the “Series 2003A Bonds”), issued in the principal amount of \$13,320,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the “2003A Indenture”), supplementing and amending the 2002A Indenture, with the Bond Trustee and currently outstanding in the principal amount of \$11,530,000 *updated as of June 30, 2011*;
- (D) Board of Governors of Fairmont State College Student Activity Revenue Bonds, Series 2003B (the “Series 2003B Bonds”), issued in the principal amount of \$22,925,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the “2003B Indenture”), with the Bond Trustee and currently outstanding in the principal amount of \$19,835,000 *updated as of June 30, 2011*; and
- (E) Fairmont State University Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the “Series 2006 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 \$6,977,624 *updated as of June 30, 2011*.

and

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 Pierpont, and both FSU and Pierpont have copies of the Bond Documents.

and

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

The Boards of Governors of both Fairmont State University and Pierpont Community and Technical College recognize that they are bound by all bond covenants and are legally obligated for the bond debt payments.

Basis of Presentation — The Bond Indenture (the “Indenture”) requires that the University maintain certain accounts and funds related to the Student Activity Revenue Bonds 2003 Series B (the “Bonds”) and that the University prepare annual financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the University is required to maintain and to present in the form of financial statements:

Revenue Fund — The revenue fund accounts for pledged revenues and expenses and costs paid related thereto and outstanding bonds.

Bond Fund — The bond fund accounts for the proceeds of the bonds and subsequent disbursement thereof for their intended purpose and the payment of bond principal and interest.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net assets, revenues, and expenses of the University, but present only the funds the University is required to present in the combined special-purpose financial statements pursuant to the provisions of the Indenture.

In accordance with requirements of the Indenture, the accounting records for the Bonds are maintained on the modified cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses and costs are recognized when paid rather than when the obligation is incurred. These combined special-purpose financial statements are prepared on the modified cash basis of accounting which is an other comprehensive basis of accounting required by the Indenture. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special-purpose financial statements to comply with the Indenture, a Management's Discussion and Analysis (MD&A) is not included in the combined special-purpose financial statements.

Deposits with the Trustee Bank as of June 30, 2011 and 2010, include \$212 and \$190, respectively, invested in a money market fund sponsored by an investment company, the underlying assets of which are securities of the U.S. government, its agencies, authorities, and instrumentalities.

Deposits with the West Virginia State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits is allocated to the various funds based on the balances of these deposits at the end of the month in which the income was earned.

Fixed assets are not included in the combined special-purpose financial statements because they do not represent financial resources available for expenditures, but are items for which financial resources have been used. Title to and accountability for fixed assets remain with the University.

2. BOARD OF GOVERNORS OF FAIRMONT STATE UNIVERSITY, STUDENT ACTIVITY REVENUE BONDS, 2003 SERIES B

In March 2003, \$22,925,000 of the Bonds were sold. The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds are secured pursuant to the Indenture and Security Agreement, dated as of March 1, 2003, by and between the Board and WesBanco Bank, Inc. (the "Trustee"). The Bonds were issued to (1) finance the costs of design, acquisition, construction, and equipping a new student activities center (including demolition of an existing dining facility) to be located on the campus of the University (the "Project"), (2) capitalize interest on the Bonds during and for a reasonable time after construction of the Project, and (3) pay the costs of issuance of the Bonds and related costs.

The Bonds outstanding consist of \$2,415,000 of serial bonds, with varying interest rates from 3.75% to 4.1%, and mature serially from June 1, 2012 to June 1, 2015. Term bonds mature as follows:

Principal Amount	Maturity Date	Interest Rate
\$ 5,130,000	June 1, 2022	5.25 %
325,000	June 1, 2022	4.75
11,965,000	June 1, 2032	5.00

The Bonds maturing June 1, 2022, and June 1, 2032, are subject to mandatory redemption prior to maturity. The mandatory redemption prices are 100% of the principal amount, plus accrued interest.

The Bonds are special obligations of the University and are secured by and payable from certain pledged revenues of the student union and bookstore funds of the University held under the Indenture. The Bonds shall not be deemed to be general obligations or a debt of the State of West Virginia (the "State") within the meaning of the Constitution of the State, and the credit or taxing power of the State or University shall not be pledged therefor. The Bonds are fully insured as to principal and interest by Financial Guaranty Insurance Company.

The University has fixed and will maintain and collect from each student who attends one or more classes at the University's main campus student union fees of not less than \$110 per semester, as defined in the Indenture. Upon issuance of the Bonds and while the Bonds are outstanding, the University has fixed and will maintain and collect from each student who attends one or more classes at the University's main campus operating fees of not less than \$40 per semester, as defined in the Indenture. Upon the opening of the Facilities, an additional operating fee of not less than \$50 per semester will be assessed. The Student Union Fees and Operating Fees are subject to pro-rata reductions for part-time and summer term students and for waivers required by West Virginia Code.

The University must maintain Student Union Fees and Operating Fees 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 leave net revenues, when combined with other monies legally available to be used for such purposes, each fiscal year equal to at least 100% of the maximum annual debt service. For the years ended June 30, 2011 and 2010, the University had pledged revenues, as defined in the Indenture, which approximated 300% and 264%, respectively, of the maximum annual debt service.

A summary of annual aggregate principal, interest, and sinking fund payments is as follows:

Fiscal Years Ending June 30	2003 Series B		Grand Total
	Principal Payments Due June 1	Interest (Due June 1 and December 1)	
2012	\$ 570,000	\$ 978,238	\$ 1,548,238
2013	590,000	956,863	1,546,863
2014	615,000	933,853	1,548,853
2015	640,000	909,253	1,549,253
2016	665,000	883,013	1,548,013
2017	700,000	848,150	1,548,150
2018	735,000	811,475	1,546,475
2019	775,000	773,038	1,548,038
2020	815,000	732,550	1,547,550
2021	860,000	690,013	1,550,013
2022	905,000	645,238	1,550,238
2023	950,000	598,250	1,548,250
2024	1,000,000	550,750	1,550,750
2025	1,050,000	500,750	1,550,750
2026	1,100,000	448,250	1,548,250
2027	1,155,000	393,250	1,548,250
2028	1,215,000	335,500	1,550,500
2029	1,275,000	274,750	1,549,750
2030	1,340,000	211,000	1,551,000
2031	1,405,000	144,000	1,549,000
2032	<u>1,475,000</u>	<u>73,750</u>	<u>1,548,750</u>
Total outstanding	19,835,000	12,691,934	32,526,934
Cumulative bonds retired and interest paid through June 30, 2011	<u>3,090,000</u>	<u>8,607,764</u>	<u>11,697,764</u>
	<u>\$22,925,000</u>	<u>\$21,299,698</u>	<u>\$44,224,698</u>

3. OTHER TRANSACTIONS

Certain purchasing, accounting, and other administrative services are provided by other State agencies to the University.

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