M E M O R A N D U M

TO: Board of Visitors Administration and Finance Committee

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Carlton F. Bennett
Pamela C. Kirk
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Donna L. Scassera
Ingrid Whitaker *(Faculty Representative)*

FROM: Gregory E. DuBois
Vice President for Administration and Finance

DATE: November 16, 2018

SUBJECT: Meeting of the Committee, December 6, 2018

The Board of Visitors Administration and Finance Committee will meet on Thursday, December 6, 2018, from 10:00-11:15 a.m. in Committee Room B (2205) of the Kate and John R. Broderick Dining Commons. Enclosed for your review are the agenda and supporting documents.

I. ACTION ITEMS

A. Approval of Minutes – The minutes of the Administration and Finance Committee meeting held on September 20, 2018, will be presented for the Committee's approval.

II. PRESENTATIONS

A. Unaudited Financial Statements - Mary Deneen, Assistant Vice President for Finance/ University Controller, will present the enclosed Unaudited Financial Statements for the year ended June 30, 2018**.**

B. APA Comparative Report on Financial Ratios – Deb Swiecinski, Associate Vice President for Financial Services, will brief the Committee on the Auditor of Public Accounts' Comparative Report on Financial Ratios as of Fiscal Year 2017 for Virginia's four-year public institutions. The report is enclosed.

C. Vice President's Report – In his report to the Committee, Vice President DuBois will brief the Committee on several items of interest.

III. STANDING REPORTS

The Committee will receive briefings on the following standing reports:

A. Investment Report – Maggie Libby, Associate Vice President for Advancement - Foundations (Enclosed)

B. Public Safety Update – Rhonda Harris, Assistant Vice President for Public Safety

C. Capital Outlay Projects Status Report – David Robichaud, Assistant Director of Design & Construction (Enclosed)

Old Dominion University
Financial Statements

June 30, 2018

(unaudited)

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Old Dominion University is a comprehensive, multicultural, and student-centered residential doctoral research university whose central mission is to provide students with the best education possible. The University's seven colleges--Arts and Letters, Business, Continuing Education and Professional Development, Education, Engineering and Technology, Health Sciences and Sciences--offer 70 baccalaureate programs, 54 master's programs, two education specialist programs, 42 doctoral programs and an award-winning distance learning program. The University provides a world-class education to more than 24,300 undergraduate and graduate students from all 50 states and 97 countries and has a strong global network of 145,000 alumni.

The University's local, regional and national impact continues to grow. Our entrepreneurial approach drives research and collaboration, and the University contributes nearly $2.0 billion annually to the Hampton Roads economy. Old Dominion University is one of the largest generators of new jobs in the region. Not only do we educate the workforce of tomorrow, but Old Dominion University's Veterans Business Outreach Center is taking a leading role in training veteran entrepreneurs and retaining veteran-owned small business enterprises in our region. The University is also committed to providing research-driven solutions. Our world-class researchers partner with business, industry, government and investment leaders to create answers for society's most pressing challenges. Old Dominion University has made great strides in advancing research and innovation, including our internationally renowned areas of strength in modeling and simulation, bioelectrics, maritime, ports and logistics, nanotechnologies, sea level rise and alternative energies. Currently we are working on more than 400 projects at our research centers across the state. These initiatives, such as Old Dominion's modeling and simulation, not only fill a vital need in the workforce, but they are propelling job creation and economic growth by tying in nicely into regional strengths—federal labs, the port, military, Chesapeake Bay and health care.

As an agency of the Commonwealth of Virginia, Old Dominion University is included as a component unit in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The 17 members of Old Dominion University's Board of Visitors, whom are appointed by the Governor of Virginia, govern University operations.

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Old Dominion University's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2018. Note that although the University's foundations, identified as component units under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, are reported in the financial statements, they are excluded from this MD&A, except where specifically noted. Comparative numbers, where presented, are for the fiscal year ended June 30, 2017. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, Notes to the Financial Statements, and other supplemental information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The three basic financial statements are the Statement of Net Position (balance sheet), the Statement of Revenues, Expenses and Changes in Net Position (operating statement), and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

Statement of Net Position

The Statement of Net Position presents the University's assets, deferred outflows, liabilities, deferred inflows and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a snapshot of the University's financial position at year end. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. It also allows readers to determine how much the University owes vendors and creditors.

Net position is divided into three major categories. The first category, net investment in capital assets, depicts the University's equity in property, plant, and equipment owned by the University. The next category is restricted which is divided into two categories in the financial statements, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the University's permanent endowment funds and is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on them. The final category is unrestricted net position which is available to the institution for any lawful purpose of the institution.

Condensed Summary of Net Position
(amounts in thousands)

	Year Ended June 30, 2018	2017	Increase / (Decrease)	Percent Change
Assets and deferred outflows:				
Current	$ 162,453	$ 146,801	$ 15,652	10.7 %
Capital, net of accumulated depreciation	618,209	621,912	(3,703)	-0.6 %
Other noncurrent	62,013	53,515	8,498	15.9 %
Deferred outflows of resources	30,569	36,354	(5,785)	-15.9 %
Total assets & deferred outflows	873,244	858,582	14,662	1.7 %
Liabilities and deferred inflows:				
Current	81,435	73,286	8,149	11.1 %
Noncurrent	395,341	361,087	34,254	9.5 %
Deferred inflows of resources	20,206	3,846	16,360	425.4 %
Total liabilities & deferred inflows	496,982	438,219	58,763	13.4 %
Net position:				
Net investment in capital assets	414,489	399,394	15,095	3.8 %
Restricted	40,373	30,518	9,855	32.3 %
Unrestricted	(78,600)	(9,549)	(69,051)	-723.1 %
Total net position	$ 376,262	$ 420,363	$ (44,101)	-10.5 %

Total University assets and deferred outflows of resources increased by $14.7 million or 1.7% bringing the total to $873.2 million at fiscal year end 2018. The increase in current assets of $15.7 million or 10.7% was primarily due to an increase in security lending cash equivalent, general fee reserve and cash for housing reserve. Capital, net of accumulated depreciation, decreased $3.7 million or 0.6% was primarily due to no new major construction in progress/building additions coupled with normal depreciation. Other noncurrent assets increased $8.5 million or 15.9% largely due to stock proceeds and gain on investments. The decrease in deferred outflows of $5.8 million or 15.9% was a result of debt refunding, pension-related transactions and first year reporting for other post employment benefits (OPEB).

Total liabilities and deferred inflows of resources increased $58.8 million or 13.4%. Current liabilities increased $8.1 million or 11.1% primarily due to the timing of payments for goods or services and the return of the obligation for the Securities Lending Program. Noncurrent liabilities increased by $34.3 million or 9.5% as a result of the normal payment of debt, offset by a net increase in pension and OPEB liability. Deferred inflows of resources increased $16.4 million or 425.4% as a result of pension and OPEB related transactions.

The increase in total assets and deferred outflows of $14.7 million coupled with the increase in total liabilities and deferred inflows of $58.8 million resulted in an overall decrease in the University's financial position over the prior fiscal year of $44.1 million or 10.5%. The University's net position took a slight decline but still strong even after recording the net pension and net OPEB liability of $194.6 million. The growth in the overall net position reflects the University's continued investment in facilities and equipment in support of the University's mission, as well as prudent management of the University's fiscal resources.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University during the fiscal year.

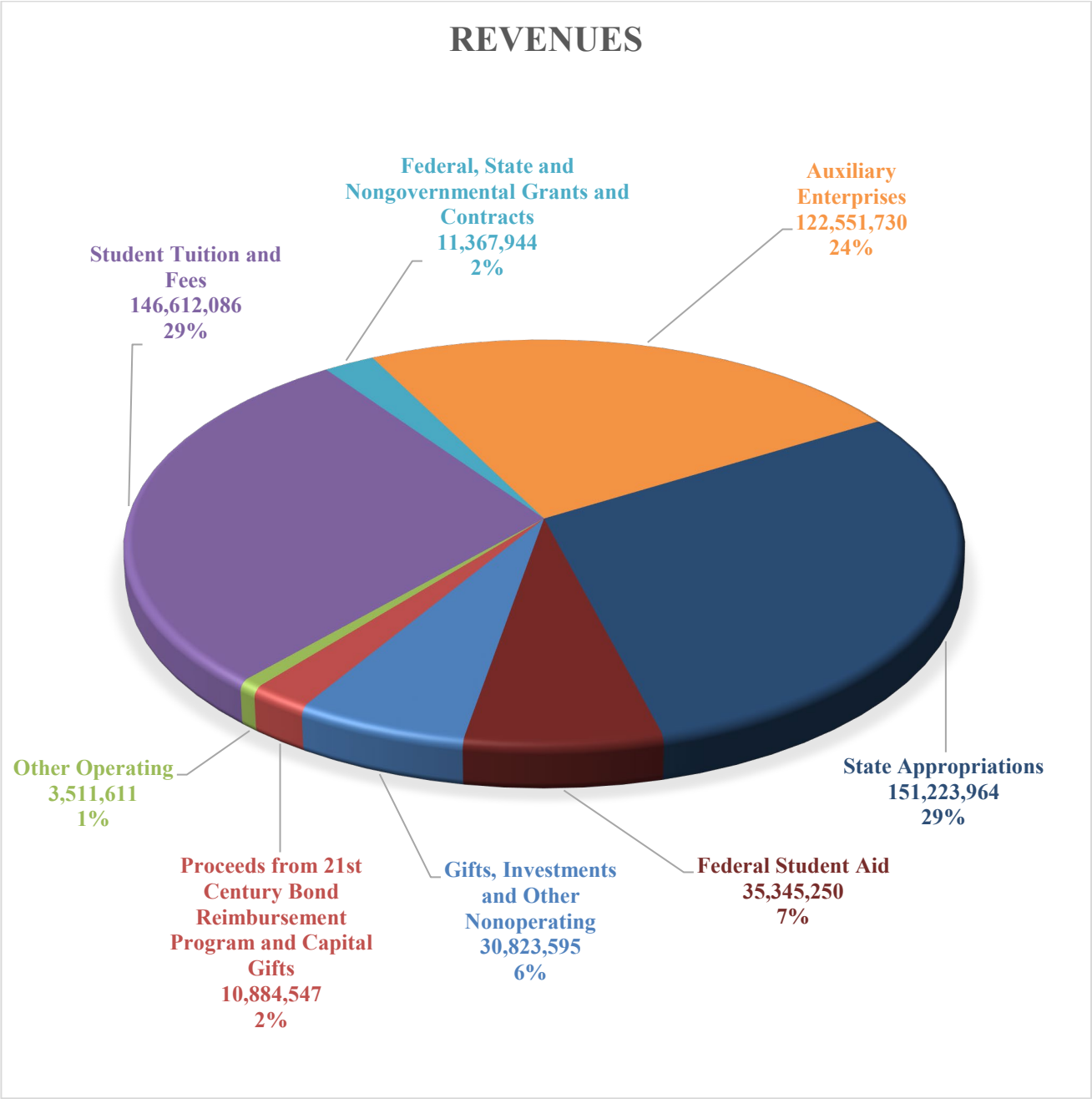
Generally, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Salaries and fringe benefits for faculty and staff are the largest type of operating expense.

Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

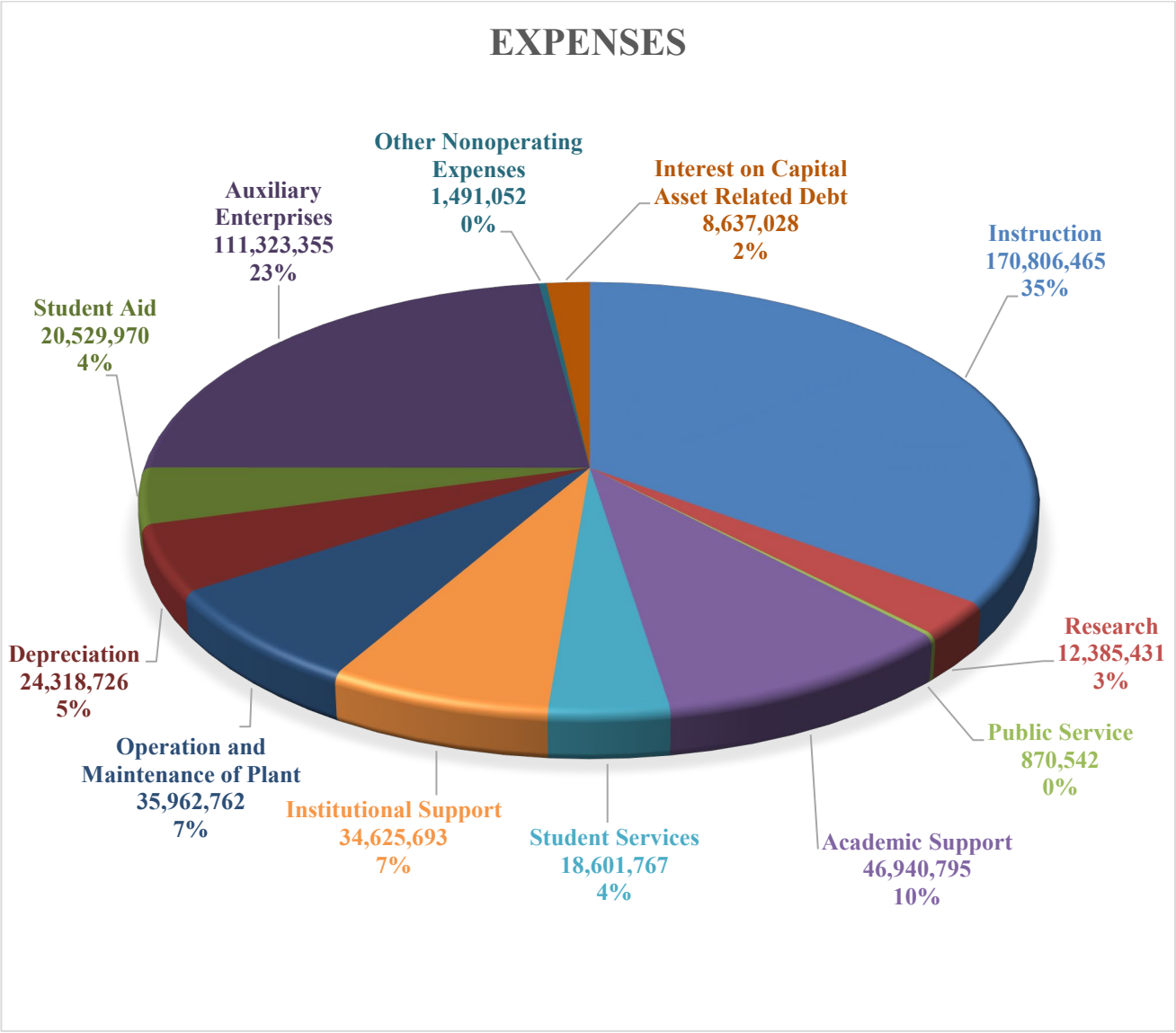
Condensed Summary of Revenues, Expenses and Changes in Net Position

(amounts in thousands)

	Year Ended June 30, 2018	2017	Increase / (Decrease)	Percent Change
Operating revenues:				
Student tuition and fees	$ 146,612	$ 144,278	$ 2,334	1.6 %
Federal grants and contracts	8,019	7,444	575	7.7 %
State, local & nongovernmental grants	3,349	3,384	(35)	-1.0 %
Auxiliary enterprises	122,552	122,356	196	0.2 %
Other operating revenues	3,511	3,522	(11)	-0.3 %
Total operating revenues	284,043	280,984	3,059	1.1 %
Operating expenses:				
Instruction	170,806	166,846	3,960	2.4 %
Research	12,385	12,287	98	0.8 %
Public service	870	566	304	53.7 %
Academic support	46,941	42,407	4,534	10.7 %
Student services	18,602	18,309	293	1.6 %
Institutional support	34,626	33,495	1,131	3.4 %
Operation and maintenance	35,963	32,739	3,224	9.8 %
Depreciation	24,319	23,959	360	1.5 %
Scholarships and fellowships	20,530	20,163	367	1.8 %
Auxiliary activities	111,323	110,507	816	0.7 %
Total operating expenses	476,365	461,278	15,087	3.3 %
Operating loss	(192,322)	(180,294)	(12,028)	-6.7 %
Net nonoperating revenues and expenses	207,815	192,885	14,930	7.7 %
Income before other revenues/ (expenses)/gains/(losses)	15,493	12,591	2,902	23.0 %
Net other revenues and expenses	10,334	14,176	(3,842)	-27.1 %
Increase in net position	25,827	26,767	(940)	-3.5 %
Net position - beginning of year	420,363	393,596	26,767	6.8 %
Net effect of change (Note 2)	(69,928)	-	(69,928)	-100.0 %
Net position - beginning of year as restated	350,435	393,596	(43,161)	-11.0 %
Net position - end of year	$ 376,262	$ 420,363	$ (44,101)	-10.5 %



Total operating revenues, which grew $3.1 million or 1.1%, are largely comprised of tuition and fees and additional receipts from federal grants and contracts offset by a slight decline in auxiliary, state and nongovernmental grants. The growth in tuition and fee revenue was due to a 3.1% rise in rates. Nonoperating revenue increased $15.9 million or 7.9% as a result of increases in State Appropriations, Pell grant revenue, gifts, investment income and Equipment Trust Fund revenue. Finally, other revenues decreased $6.1 million or 35.8% as a result of proceeds from the 21st Century Bond reimbursement program and non-capital ETF revenue included in fiscal year 2017 and reclassed in fiscal year 2018.



Operating expenses increased by $15.1 million or 3.3% primarily due to salary increases along with promotions for retention efforts to retain well qualified faculty. Further, there were new faculty positions created to support critical and high demand academic programs and to continue to improve student faculty ratios. Increased expenses were also incurred in support of research initiatives, and there were mandatory cost increases related to health care costs. In addition, there were increases in support of contractual obligations, leases, and the operation and maintenance of new facilities.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and provides detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees ($175.9 million) and auxiliary enterprises ($136.3 million). The primary uses are payments to employees including salaries, wages, and fringe benefits ($264.8 million) and payments to vendors ($117.9 million).

The second section presents cash flows from non-capital financing activities and reflects nonoperating sources and uses of cash primarily to support operations. The largest sources are state appropriations ($151.1 million) and gifts and grants ($49.0 million).

The third section represents cash flows from capital financing activities and details the activities related to the acquisition and construction of capital assets including related debt payments. The primary source of funds is bond proceeds from reimbursements from the Commonwealth ($7.6 million) and capital gifts ($3.3 million). The primary uses are purchases of capital assets ($20.2 million) and principal and interest payments on capital debt ($28.2 million).

The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments. The primary source was interest on investments ($0.4 million). The last section, which is not included below, reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Summary of Cash Flows
(amounts in thousands)

	Year ended June 30, 2018	2017	Increase / (Decrease)	Percent Change
Cash flows from operating activities	$ (165,967)	$ (161,458)	$ (4,509)	-2.8 %
Cash flows from non-capital financing activities	202,665	195,065	7,600	3.9 %
Cash flows from capital financing activities	(37,431)	(36,025)	(1,406)	-3.9 %
Cash flows from investing activities	384	450	(66)	-14.7 %
Net change in cash	$ (349)	$ (1,968)	$ 1,619	82.3 %

Capital Asset and Debt Administration

The University continues to maintain and upgrade current structures, as well as adding new facilities. Investment in the development and renewal of capital assets is one of the key factors in sustaining the high quality of the University's academic, research, and residential life functions. Overall, funds invested in capital assets reflect the ongoing campus construction as indicated in Note 6. Capital asset additions for June 30, 2018 include increases of $13.6 million in construction in progress, $6.8 million in equipment, $0.6 million in improvements other than buildings and $0.5 million in library books.

Several new and ongoing capital projects were added and completed during the fiscal year which resulted in a net increase in construction in progress of $13.1 million. New additions to construction in progress include the chemistry building, Webb center, residence halls, foreman field, basketball practice facility and several maintenance reserve renovations. Renovations to existing facilities were completed and added to improvement other than buildings. Projects were financed through issuance of General Obligation and revenue bonds and receipt of capital gifts.

Financial stewardship requires effective management of resources, including the use of long-term debt to finance capital projects. The University's long-term debt decreased $20.5 million as reflected in Notes 8 and 9. The decrease is the result of normal payments towards current debt.

Uncompleted construction and other related contractual commitments increased from $3.4 million at June 30, 2017 to $53.0 million at June 30, 2018, as reflected in Note 13. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements. The increase is primarily the result of continued construction of the foreman field reconstruction, nursing suites renovation and Kaufman Hall roof replacement.

Economic Outlook

The passage of the Virginia Higher Education Opportunity Act by the 2011 Session of the General Assembly speaks to the importance of policy goals of increasing accessibility and enrollments in high-demand disciplines such as Science, Technology, Engineering, and Mathematics (STEM) and the number of restructuring initiatives to enhance progress in promoting higher education opportunities. To further assess institutional performance, Chapter 2, 2014 Virginia Acts of Assembly, Special Session I included a requirement in the General Provisions to assess and certify institutional performance annually on several financial and administrative standards. The State Council of Higher Education (SCHEV) recently certified that Old Dominion University passed all the standards. Financial benefits provided to each institution will be evaluated in light of the institution's performance. While all Virginia universities are faced with the challenge of containing costs through business process improvements and efficiencies, they must also provide a quality education to students with limited state general fund support at affordable tuition prices. Old Dominion University's tuition and fees are the lowest of all the Virginia doctoral institutions.

Budget actions taken by the Governor and General Assembly during the 2018 session include $1.0 million of new general funds for the Virginia Modeling, Analysis & Simulation Center (VMASC) Digital Shipbuilding. In addition, the University received Capital Outlay authority to proceed with the $3.4 million investment of institutional funds to construct the Women's Volleyball Facility.

An additional $8.0 million in tuition revenue was included in the 2018-2019 operating budget to cover a portion of the cost increases related to benefits, mandatory operational cost increase for utilities and leases, creation of new faculty lines, and resources to enhance student recruitment and retention. The tuition revenue will also support the implementation of the goals of the University's 2014-2019 Strategic Plan as they relate to academic and research excellence, student success, quality of university life, community engagement and the promotion of an entrepreneurial culture.

The 2018-2019 tuition and fee changes were developed with consideration for the impact of escalating college costs on Virginia students and their families. The 5% increase in mandatory tuition and fees results in an annual cost increase of $522 for an in-state undergraduate student taking 30 credit hours.

Finally, the 2018-2019 budget reallocates $4.9 million of existing resources for critical operations and support functions that will further strategic objectives of the University. These initiatives include academic and research-related technology and equipment support; academic and research excellence; and student success and recruitment initiatives.

Going forward, Old Dominion University will continue to manage its resources and position itself to continue its pursuit of excellence in teaching, research, entrepreneurism and public service.

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OLD DOMINION UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2018

	Old Dominion University	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents (Note 3)	$ 124,858,456	$ 43,550,523
Less: deposits held for affiliate	-	(20,567,296)
Cash and cash equivalent, net	124,858,456	22,983,227
Accounts receivable (Net of allowance for doubtful accounts $1,132,644) (Note 5)	20,101,160	14,130,906
Contributions receivable (Net of allowance for doubtful collections $189,241) (Note 12)	-	5,113,483
Due from the Commonwealth (Note 5)	6,489,799	-
Appropriations available	1,168,442	-
Travel advances	-	112,803
Prepaid expenses	8,075,154	769,905
Inventory	487,056	-
Notes receivable (Net of allowance for doubtful accounts $274,040)	1,273,419	-
Other assets	-	244,668
Total current assets	162,453,486	43,354,992
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	18,366,627	-
Endowment investments (Note 4)	22,062,439	-
Investments (Notes 3 and 12)	14,129,494	265,597,416
Accounts receivable	-	43,204,788
Contributions receivable (Net of allowance for doubtful collections $81,844) (Note 12)	-	18,927,604
Notes receivable (Net of allowance for doubtful accounts $302,669)	1,647,199	-
Nondepreciable capital assets (Notes 6 and 12)	55,754,577	23,132,067
Capital assets (Notes 6 and 12)	562,454,435	6,087,511
Net OPEB asset (Note 17)	3,707,000	-
Other assets	2,100,000	-
Total noncurrent assets	680,221,771	356,949,386
Total assets	842,675,257	400,304,378
Deferred outflows of resources:		
Pension related (Note 14)	16,900,892	-
Other post-employment benefits related (Note 17)	5,125,567	-
Loss on refunding of debt	8,542,159	-
Total deferred outflows of resources	30,568,618	-
Total assets and deferred outflows of resources	$ 873,243,875	$ 400,304,378
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	$ 39,357,217	$ 8,595,146
Due to affiliates	-	3,097,543
Unearned revenue	12,289,300	3,967,381
Obligations under securities lending (Note 3)	5,568,897	-
Deposits held in custody for others	2,750,114	31,994
Other liabilities	-	24,803,019
Line of credit	-	4,857,336
Long-term liabilities - current portion (Notes 8 and 12)	21,469,915	3,912,210
Total current liabilities	81,435,443	49,264,629
Noncurrent liabilities (Notes 8 and 12)	395,340,560	70,575,362
Total liabilities	476,776,003	119,839,991
Deferred inflows of resources:		
Pension related (Note 14)	9,299,000	-
Other post-employment benefits related (Note 17)	10,906,843	-
Total deferred inflows of resources	20,205,843	-
Total liabilities and deferred inflows of resources	496,981,846	119,839,991
Net investment in capital assets	414,489,175	24,362,242
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	5,886,375	-
Permanently restricted	-	143,306,393
Expendable:		
Scholarships and fellowships	17,658,142	-
Research	2,266,335	-
Loans	3,028,595	-
Capital projects	540,734	-
Temporarily restricted	-	102,030,570
Departmental uses	10,992,769	-
Unrestricted	(78,600,096)	10,765,182
Total net position	$ 376,262,029	$ 280,464,387

The accompanying Notes to Financial Statements are an integral part of this statement.

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of $36,246,911)	$ 146,612,086	$ -
Gifts and contributions	-	35,804,108
Federal grants and contracts	8,019,007	-
State grants and contracts	967,651	-
Indirect cost	-	8,331,674
Sponsored research	-	37,987,883
Nongovernmental grants and contracts	2,381,286	-
Auxiliary enterprises (Net of scholarship allowances of $22,468,664)	122,551,730	-
Other operating revenues	3,511,611	8,450,947
Total operating revenues	284,043,371	90,574,612
Operating expenses:		
Instruction	170,806,465	2,482,865
Research	12,385,431	43,882,887
Public service	870,542	-
Academic support	46,940,795	7,941,903
Student services	18,601,767	-
Institutional support	34,625,693	14,383,189
Operation and maintenance	35,962,762	64,472
Depreciation	24,318,726	174,409
Student aid	20,529,970	4,418,778
Auxiliary activities	111,323,355	-
Total operating expenses	476,365,506	73,348,503
Operating (loss)	(192,322,135)	17,226,109
Nonoperating revenues (expenses):		
State appropriations (Note 11)	152,707,336	-
Pell grant revenue	35,345,250	-
Gifts	13,727,577	-
Investment income (Net of investment expenses of $268,972 and $858,498)	13,412,876	23,065,384
Other nonoperating revenues	3,674,786	-
Other nonoperating expenses	(60,816)	-
Interest on capital asset-related debt	(8,637,028)	-
Payments to Commonwealth from state appropriations	(1,108,899)	-
Pension related repayment to General Fund	(668,621)	-
Payments to Treasury Board	(374,473)	-
Payments to grantors	(202,560)	-
Net nonoperating revenues (expenses)	207,815,428	23,065,384
Income before other revenues, (expenses), gains, and (losses)	15,493,293	40,291,493
Proceeds from 21st Century bond reimbursement program	7,500,613	-
Capital gifts and grants	3,383,934	-
Gain/(loss) on disposal of plant assets	(559,055)	78,736
Build America bond interest	8,356	-
Contributions to permanent endowments	-	4,953,026
Total other revenues, (expenses), gains, and (losses)	10,333,848	5,031,762
Increase in net position	25,827,141	45,323,255
Net position - beginning of year (as restated) (Note 2)	350,434,888	235,141,132
Net position - end of year	$ 376,262,029	$ 280,464,387

The accompanying Notes to Financial Statements are an integral part of this statement.

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

Cash flows from operating activities:		
Student tuition and fees	$	175,872,050
Grants and contracts		9,997,936
Auxiliary enterprises		136,283,059
Other receipts		3,519,809
Payments to employees		(199,596,212)
Payments for fringe benefits		(65,220,911)
Payments for services and supplies		(110,556,070)
Payments for travel		(7,386,833)
Payments for scholarships and fellowships		(88,200,054)
Payments for noncapitalized improvements and equipment		(20,609,645)
Loans issued to students		(572,760)
Collections of loans from students		502,210
Net cash used by operating activities		(165,967,421)
Cash flows from non-capital financing activities:		
State appropriations		151,074,548
Virginia Retirement System repayment		(668,621)
Pell grant revenue		35,345,250
Gifts and grants for other than capital purposes		13,679,036
William D. Ford direct lending receipts		105,521,957
William D. Ford direct lending disbursements		(105,521,957)
PLUS loan receipts		21,051,641
PLUS loan disbursements		(21,051,641)
Federal grants and contracts		(50,623)
Refunded to federal government		(202,560)
Other receipts		3,471,164
Agency receipts		3,192,610
Agency payments		(3,174,946)
Net cash provided by non-capital financing activities		202,665,858
Cash flows from capital financing activities:		
Contribution from primary government		7,625,528
Proceeds from bonds		9,209
Capital gifts		3,283,777
Proceeds from capital debt and investments		34,029
Purchase of capital assets		(20,156,700)
Principal paid on capital debt, leases and installments		(18,051,937)
Interest paid on capital debt, leases and installments		(10,175,298)
Net cash used by capital financing activities		(37,431,392)
Cash flows from investing activities:		
Interest on investments and cash management		384,382
Net cash provided by investing activities		384,382
Net change in cash		(348,573)
Cash and cash equivalents - beginning of the year		138,004,759
Cash and cash equivalents - end of the year	$	137,656,186

RECONCILIATION OF STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:	
Statement of Net Position	
Cash and cash equivalents	$ 143,225,083
Less: Securities lending - Treasurer of Virginia	(5,568,897)
Net cash and cash equivalents	$ 137,656,186
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating (loss)	$ (192,322,135)
Adjustments to reconcile net income/(loss) to net cash used by operating activities:	
Depreciation expense	24,318,726
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Receivables, net	(2,995,079)
Prepaid expenses	782,848
Inventory	35,958
Net OPEB asset	(3,707,000)
Deferred outflows of resources	4,644,030
Accounts payable and accrued expenses	2,581,976
Deposits	196,688
Unearned revenue	388,944
Net pension liability	(15,196,000)
Net OPEB liability	(1,056,220)
Deferred inflows of resources	16,359,843
Net cash used by operating activities	$ (165,967,421)
Non-cash investing, capital and financing activities:	
Security lending	$ 5,568,897
Change in fair value of investments	$ (3,273,246)
Capitalization of interest expense	$ 139,675
Amortization of bond premium	$ 2,363,965
Change in receivables relating to nonoperating income	$ (167,569)
Loss on disposal of plant assets	$ (559,055)

The accompanying Notes to Financial Statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Old Dominion University (the University) is a comprehensive university that is part of the Commonwealth of Virginia's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate financial report is prepared for the Commonwealth which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The University includes all entities over which the University exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, the Old Dominion University Educational Foundation, the Old Dominion University Real Estate Foundation, the Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation (the Foundations) are included as component units of the University. These foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University.

The Educational and Real Estate Foundations receive, administer, and distribute gifts for the furtherance of educational activities and objectives of the University. The Athletic Foundation receives, administers, and distributes gifts for the furtherance of educational and athletic activities of the University. For additional information on these foundations, contact Foundation Offices at 4417 Monarch Way, 4th Floor, Norfolk, Virginia 23529. The Educational, Real Estate, and Athletic Foundations have adopted December 31 as their year-end. All amounts reflected are as of December 31, 2017. The Research Foundation coordinates and accounts for substantially all grants and contracts awarded for research at the University. For additional information, contact the Research Foundation at 4111 Monarch Way, Suite 204, Norfolk, Virginia 23508.

Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundations can only be used by or for the benefit of the University, the Foundations are considered component units of the University and are discretely presented in the financial statements.

Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) in the Codification of Governmental Accounting and Financial Reporting Standards. The University follows accounting and reporting standards for reporting by special-purpose governments engaged only in business-type activities.

The Foundations are private, nonprofit organizations, and as such the financial statement presentation follows the recommendation of accounting literature related to nonprofits. As a result, reclassifications have been made to convert the Foundation's financial information to GASB format.

Basis of Accounting

For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, its statements have been presented using the economic resource measurement focus and the accrual basis of accounting; whereby, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. All intra-agency transactions have been eliminated.

Cash and Cash Equivalents

In accordance with the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

Investments

The University accounts for its investments at fair value and measures them by using the market approach valuation technique. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses and Changes in Net Position.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the federal, state, and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of allowance for doubtful accounts.

Prepaid Expenses

The University's prepaid expenses include membership dues, subscriptions, maintenance and support, lease payments, and insurance payments for fiscal year 2019 that were paid in advance as of June 30, 2018.

Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market, and consist primarily of expendable supplies held for consumption.

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, reserve funds, or purchase or construct capital and other noncurrent assets, are classified as noncurrent assets in the Statement of Net Position.

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles, and infrastructure assets such as campus lighting. Capital assets generally are defined by the University as assets with an estimated useful life in excess of one year and an initial cost of $5,000 or more, except for computer software which is capitalized at a cost of $100,000. Library materials are valued using published average prices for library acquisitions. Donated capital assets are recorded at the acquisition value at the date of donation, with the exception of intra-entity capital asset donations which, in accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Other assets are recorded at actual cost or estimated historical cost if purchased or constructed, except for intra-entity purchases which are recorded at the transferor's carrying value. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of $139,675 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2018. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	5-50 years
Other improvements and infrastructure	2-30 years
Equipment	2-25 years
Library materials	5 years
Intangible assets	3-25 years

Noncurrent Other Assets

Other assets represent Board approved investment in the Real Estate Foundation of $2,100,000 for the purpose of acquiring land for the University Village project.

Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned but not taken as of June 30, 2018. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contribution) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

- Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- State Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- VRS Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB asset, deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the VRS Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of

resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the VRS Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- Pre-Medicare Retiree Healthcare

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia*, for retirees who are not yet eligible to participate in Medicare. This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,600 retirees and 91,000 active employees in the program in fiscal year 2017. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Unearned Revenue

Unearned revenue primarily includes amounts received for tuition and fees and certain auxiliary activities and advance payments on grants and contracts prior to the end of the fiscal year, but related to the period after June 30, 2018.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, installment purchases, and capital lease obligations with contractual maturities greater than one year as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year. Also included is pension liability for defined benefit plans administrated by the Virginia Retirement System (VRS) and Other Post Employment Benefit plans managed by VRS except for Pre-Medicare Retiree Healthcare which is administered by Department of Human Resource Management (DHRM).

Discounts, Premiums, and Bond Issuance Costs

Bonds payable on the Statement of Net Position are reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs are expensed as non-operating expenses.

Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

Net Position

GASB standards require the classification of net position into three components: net investment in capital assets, amounts that are restricted and amounts that are unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets consists of total investments in capital assets, net accumulated depreciation and outstanding debt obligations.

Restricted Net Position:

Nonexpendable includes endowment and similar type assets whose use is limited by donors or other outside sources, and as a condition of the gift, the principal is to be maintained in perpetuity.

Expendable represents funds that have been received for specific purposes and the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, such as state appropriations, investment, and interest income.

Nonoperating expenses primarily include interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. Restricted funds remain classified as such until restrictions have been satisfied.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from charges to students are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the differences between the actual charge for goods and services provided by the University and the amounts that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Student financial assistance grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship allowance.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, Perkins Loans, Stafford Loans, Parent Loans for Undergraduate and Graduate Students (PLUS and GPLUS), and Teacher Education Assistance for College and Higher Education grants (TEACH). Federal programs are audited in accordance with generally accepted governmental auditing standards.

Commonwealth Equipment and Capital Project Reimbursement Programs

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2018, funding has been provided to the University from two programs managed by the Virginia College Building Authority (VCBA): 21st Century and Equipment Trust Fund. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities. The liability is assumed by the Commonwealth and is not reflected as a liability of the University.

The Statement of Net Position line item "Due from the Commonwealth" includes pending reimbursement at year-end from these programs, as further described in Note 5. The Statement of Revenue, Expenses and Changes in Net Position line items "Other nonoperating revenues", "Proceeds from 21st Century bond reimbursement program", and "Capital gifts and grants" include reimbursements during the year for the acquisition of equipment and facilities under these programs.

NOTE 2: RESTATEMENT OF NET POSITION

Beginning net position was adjusted to reflect the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as amended by GASB Statement No. 85, *Omnibus 2017*.

Net position balance as previously reported at June 30, 2017	$ 420,363,268
Change in reporting for OPEB	(69,928,380)
Net position balance beginning of year as restated	$ 350,434,888

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2018. The following risk disclosures are required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk (Category 3 deposits and investments) - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University is not exposed to custodial credit risk at June 30, 2018.

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires the disclosure of the credit quality rating on any investments subject to credit risk. The University does not have a credit rate risk policy. The University's portfolio can be characterized as having minimal exposure to credit risk as indicated by the majority of credit ratings being A- or better.

Concentration of credit risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer of fixed income securities. The University does not have a concentration of credit risk policy. As of June 30, 2018, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. government and mutual fund or pool investments) representing 5% or more of its total investments.

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires disclosure of maturities for any investments subject to interest rate risk. None of the University's investments are considered highly sensitive to changes in interest rates. The University does not have an interest rate risk policy. Interest rate information is organized by investment type and amount using weighted average maturity.

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign deposits but does have foreign investments for June 30, 2018. The foreign investments are traded in U.S. dollars and the risk is considered to be low. The University does not have a foreign currency risk policy.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all state funds of the University are maintained by the Treasurer of Virginia who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*. Cash and cash equivalents represent cash with the Treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP complies will all standards of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. SNAP investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides an NAV that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

Deposits

At June 30, 2018, the carrying value of the University's deposit with banks was $53,277,882 and the bank balance was $51,838,297. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. The deposits of the University are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50% to 100% for financial institutions choosing the pooled method of collateralization, and from 105% to 130% for financial institutions choosing the dedicated method of collateralization. At June 30, 2018, the University's deposits were not exposed to custodial credit risk.

Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board's Administration and Finance Committee. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4518, et seq., *Code of Virginia*. Authorized investments include: U.S. Treasury and agency securities, municipal securities, corporate debt securities of domestic corporations, agency mortgage-backed securities, negotiable certificates of deposit, repurchase agreements, common and preferred equities, and mutual and money market funds.

Investments fall into two groups: short- and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

Security Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of $5,568,897 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

Fair Value Measurement

The University implemented GASB Statement No. 72, *Fair Value Measurement and Application,* which establishes a three level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs are quoted prices for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs are unobservable inputs for an asset or liability and should be used only when relevant level 1 and level 2 inputs are unavailable.

The University establishes the fair value of its investments in funds that do not have a readily determinable fair value by using net asset value (NAV) per share, or its equivalent, as reported by the external fund manager when NAV per share is calculated as of the measurement date in a manner consistent with FASB's measurement principles for investment companies.

Investments measured at Net Asset Value (NAV) are held with Old Dominion University Educational Foundation and the Commonfund, balances at June 30, 2018 were $25,236,928 and $6,582,758, respectively. The Educational Foundation manages the University's investments using the same investment strategy as endowments, which they also manage. The primary investment objective of the endowment is to provide a real rate of return over inflation sufficient to support, in perpetuity, the mission of the University. To achieve the endowment objective, the endowment's assets are invested to generate appreciation and/or dividend and interest income while maintaining acceptable risk levels. To accomplish this goal, the endowment diversifies assets among several asset classes. The investment objective of the Commonfund is to produce a total rate of return in excess of its benchmark, the Bank of America Merrill Lynch 1-3 Year Treasury Index, but attaches greater emphasis to its goal of generating a higher current yield than short-term money market investments in a manner that mitigates the chances of a negative total return over any 12-month period. The Commonfund seeks to achieve its investment objective by allocating assets to managers who employ various strategies emphasizing sector rotation, security selection, yield curve position, liquidity and diversification.

Investments Measured at Fair Value including categorization of credit quality and interest rate risk

Investments held on June 30, 2018

	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	1-5 Years	6-10 Years	Fair Value Measurement (Per GASB 72) Not Applicable to Fair Value Measurement	Level 1 [3]	Level 2 [4]
Investments by Fair Value (FV)								
Cash Equivalents:								
BB&T/Treasurer of VA (Securities Lending)	NR	$ 5,587,147	$ 5,587,147	$ -	$ -	$ 5,587,147	$ -	$ -
SNAP	AAAm	495,339	495,339	-	-	495,339	-	-
Total Cash Equivalents		6,082,486	6,082,486	-	-	6,082,486	-	-
Investments:								
U.S. Treasury Securities [1]	NR	431,014	72,120	115,701	243,193	-	431,014	-
Corporate Bonds	AAA	19,648	-	-	19,648	-	-	19,648
	AA+	39,325	-	39,325	-	-	-	39,325
	AA	24,087	-	-	24,087	-	-	24,087
	AA-	72,841	-	63,345	9,496	-	-	72,841
	A+	132,203	25,451	69,883	36,869	-	-	132,203
	A	200,907	-	136,792	64,115	-	-	200,907
	A-	132,275	-	108,259	24,016	-	-	132,275
Municipal Securities	AAA	120,116	-	120,116	-	-	-	120,116
	AA+	4,810	-	-	4,810	-	-	4,810
	AA	50,790	50,790	-	-	-	-	50,790
	AA-	40,823	-	26,078	14,745	-	-	40,823
	AA [5]	24,943	24,943	-	-	-	-	24,943
U.S. Government Agency Mortgage Backed	AA+	407,308	100,443	171,732	135,133	-	407,308	-
Foreign Bonds/Notes	AA-	23,941	-	23,941	-	-	-	23,941
	A+	24,835	24,835	-	-	-	-	24,835
	A	26,133	-	26,133	-	-	-	26,133
	A-	14,953	-	14,953	-	-	-	14,953
Mutual Funds Equity [2]		1,926,119	-	-	-	-	1,926,119	-
Mutual Funds - Intl Equity [2]		655,176	-	-	-	-	655,176	-
Total Investments		4,372,247	298,582	916,258	576,112	-	3,419,617	952,630
Total Cash Equivalents and Investments at Fair Value		10,454,733	6,381,068	916,258	576,112	$ 6,082,486	$ 3,419,617	$ 952,630
Investments Measured at Net Asset Value (NAV)								
Investments:								
Mutual Funds	AA	6,582,758	-	6,582,758	-			
Mutual Funds with ODU Educational Foundation	NA	25,236,928	-	25,236,928	-			
Total Investments Measured at the NAV		31,819,686	-	31,819,686	-			
Total Cash Equivalents and Investments		$ 42,274,419	$ 6,381,068	$ 32,735,944	$ 576,112			

[1] Credit quality ratings are not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government and equity funds.

[2] Credit quality ratings and interest rate risk are not required by equity investments.

[3] Level 1 is based upon quoted market prices.

[4] Level 2 is based on quoted prices for similar instruments in active markets or quoted markets for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.

[5] Fitch credit rating

Additional Disclosure for Investments Measured using NAV Estimate

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds	$ 6,582,758	-	Weekly	5 Business Days
Mutual Funds with ODU Educational Foundation	25,236,928	-	N/A	N/A
	$ 31,819,686			

NOTE 4: DONOR RESTRICTED ENDOWMENT

Investments of the University's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations.

The Uniform Prudent Management of Institutional Funds Act, *Code of Virginia* Section 64.2-1100 et. seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2018, the payout percentage was 4.0%. The payout percentage is reviewed and adjusted annually, as deemed prudent.

At June 30, 2018, net appreciation of $330,791 is available to be spent, which is reported in the Statement of Net Position as Restricted for Expendable Scholarships and Fellowships.

NOTE 5: ACCOUNTS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2018:

Student tuition and fees	$ 11,831,454
Auxiliary enterprises	4,874,392
Federal, state, and nongovernmental grants and contracts	4,059,143
Other activities	468,815
Gross receivables	21,233,804
Less allowance for doubtful accounts	(1,132,644)
Net accounts receivable	$ 20,101,160

B. Due from the Commonwealth consisted of the following at June 30, 2018:

Equipment trust fund reimbursement	$ 4,672,386
Virginia College Building Authority 21st Century bond reimbursements	1,817,413
Total due from Commonwealth of Virginia	$ 6,489,799

NOTE 6: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2018 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 37,040,495	$ -	$ -	$ 37,040,495
Construction in progress	5,568,869	13,603,803	458,590	18,714,082
Total nondepreciable capital assets	42,609,364	13,603,803	458,590	55,754,577
Depreciable capital assets:				
Buildings	811,766,530	-	-	811,766,530
Equipment	89,905,673	6,842,687	4,842,957	91,905,403
Infrastructure	3,253,062	-	-	3,253,062
Improvements other than buildings	16,418,220	628,590	-	17,046,810
Library books	74,352,853	544,270	2,491,675	72,405,448
Intangible assets	2,746,058	13,642	11,383	2,748,317
Total depreciable capital assets	998,442,396	8,029,189	7,346,015	999,125,570
Less accumulated depreciation for:				
Buildings	271,810,941	15,832,952	-	287,643,893
Equipment	60,554,761	6,678,534	4,283,902	62,949,393
Infrastructure	1,749,092	133,016	-	1,882,108
Improvements other than buildings	9,986,098	720,214	-	10,706,312
Library books	72,662,779	832,543	2,491,675	71,003,647
Intangible assets	2,375,698	121,467	11,383	2,485,782
Total accumulated depreciation	419,139,369	24,318,726	6,786,960	436,671,135
Depreciable capital assets, net	579,303,027	(16,289,537)	559,055	562,454,435
Total capital assets, net	$ 621,912,391	$ (2,685,734)	$ 1,017,645	$ 618,209,012

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2018:

Employee salaries, wages, and fringe benefits payable	$ 19,575,933
Retainage payable	346,224
Interest payable	1,729,591
Virginia Retirement System payable	1,034,315
Vendors and suppliers accounts payable	16,671,154
Current liabilities - accounts payable and accrued expenses	$ 39,357,217

NOTE 8: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 9) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2018 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligation bonds	$ 51,543,202	$ -	$ 4,359,211	$ 47,183,991	$ 3,703,671
Revenue bonds	124,584,790	-	12,237,384	112,347,406	9,660,000
Installment purchases	920,272	-	178,409	741,863	181,188
Capital leases	56,806,341	-	3,640,897	53,165,444	1,401,375
Contractual Obligations	121,000	-	60,500	60,500	60,500
Total long-term debt	233,975,605	-	20,476,401	213,499,204	15,006,734
Accrued compensated absences	8,522,960	7,542,194	7,380,043	8,685,111	6,463,181
Net pension liability	140,950,000	-	15,196,000 *	125,754,000	-
Net OPEB liability **	77,075,529	-	8,203,369 *	68,872,160	-
Federal loan program contributions	203,623	-	203,623	-	-
Total long-term liabilities	$460,727,717	$ 7,542,194	$ 51,459,436	$416,810,475	$ 21,469,915

* *Reductions reflect net decrease.*

** *Beginning balance was restated to reflect recording of OPEB liability due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as amended by GASB Statement No. 85, Omnibus 2017.*

NOTE 9: LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University issued 9(d) bonds through the Virginia College Building Authority's (VCBA) Pooled Bond Program created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the VCBA issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue, not otherwise obligated, also secures these notes.

Description	Interest Rates	Maturity	2018
General obligation bonds:			
Dormitory, Series 2009C	4.00%	2022	$ 698,799
Dormitory, Series 2009D	5.00%	2022	1,135,000
Dormitory, Series 2009D	5.00%	2022	2,020,000
Dormitory, Series 2010A	2.95% - 4.40%	2030	1,315,000
Dormitory, Series 2012A	5.00%	2024	654,765
Dormitory, Series 2013B	4.00%	2025	349,247
Dormitory, Series 2013B	4.00%	2026	2,352,314
Dormitory, Series 2013B	4.00% - 5.00%	2025	6,344,322
Dormitory, Series 2015B	5.00%	2027	2,050,327
Dormitory, Series 2015B	4.00% - 5.00%	2028	24,073,712
Total general obligation bonds			40,993,486
Revenue bonds:			
Classrooms, Series 2014B	5.00%	2020	118,281
Recreation, Series 2007B	4.00% - 4.50%	2020	4,514,994
Recreation, Series 2010B	5.00%	2021	630,000
Recreation, Series 2010B	5.00%	2022	3,415,000
Recreation, Series 2014B	5.00%	2020	133,322
Parking, Series 2007B	4.00% - 4.50%	2020	1,715,006
Parking, Series 2009A	3.25% - 5.00%	2021	540,000
Parking, Series 2010B	5.00%	2021	360,000
Parking, Series 2010B	5.00%	2022	1,045,000
Parking, Series 2010B	5.00%	2021	345,000
Parking, Series 2012A	5.00%	2024	370,000
Parking, Series 2012A	3.00% - 5.00%	2025	1,695,000
Parking, Series 2014B	5.00%	2020	193,397
Parking, Series 2014B	4.00% - 5.00%	2026	3,805,000
Parking, Series 2015B	3.00% - 5.00%	2029	3,095,000
Parking, Series 2016A	3.00% - 5.00%	2028	1,235,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	990,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,475,000
Athletic Fac. Exp., Series 2014B	4.00%	2026	255,000

Description	Interest Rates	Maturity	2018
Athletic Fac. Exp., Series 2014B	5.00%	2024	315,000
Athletic Fac. Exp., Series 2014B	4.00% - 5.00%	2026	225,000
Athletic Fac. Exp., Series 2016A	3.00%	2027	190,000
Athletic Fac. Exp., Series 2016A	3.00% - 5.00%	2028	60,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2025	830,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2025	1,475,000
H&PE Renovation, Series 2014B	4.00%	2026	255,000
H&PE Renovation, Series 2014B	4.00% - 5.00%	2026	7,025,000
H&PE Renovation, Series 2016A	3.00% - 5.00%	2028	2,285,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	615,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	1,150,000
Indoor Tennis Court, Series 2014B	4.00%	2026	200,000
Indoor Tennis Court, Series 2014B	5.00%	2024	90,000
Indoor Tennis Court, Series 2014B	4.00% - 5.00%	2026	120,000
Indoor Tennis Court, Series 2016A	3.00%	2027	35,000
Indoor Tennis Court, Series 2016A	3.00% - 5.00%	2028	30,000
Dormitory, Series 2012A	3.00% - 5.00%	2025	9,685,000
Dormitory, Series 2014B	4.00%	2026	1,670,000
Powhatan Sports Ctr, Series 2009A	3.25% - 5.00%	2021	2,735,000
Powhatan Sports Ctr, Series 2010A	3.75% - 5.50%	2031	675,000
Powhatan Sports Ctr, Series 2014A	5.00%	2035	2,720,000
Powhatan Sports Ctr, Series 2014B	4.00% - 5.00%	2026	2,900,000
Powhatan Sports Ctr, Series 2015B	3.00% - 5.00%	2029	15,620,000
Powhatan Sports Ctr, Series 2016A	3.00% - 5.00%	2028	945,000
Webb Center Expansion, Series 2009B	5.00%	2020	65,000
Webb Center Expansion, Series 2014A	5.00%	2035	2,295,000
Webb Center Expansion, Series 2016A	3.00% - 5.00%	2030	430,000
Campus Dining Impr., Series 2014A	5.00%	2035	18,960,000
Total revenue bonds			99,530,000
Installment purchases	1.56%	2022	741,863
Capital leases	Various	2019-34	53,165,444
Total bonds, installment purchases, and capital leases			194,430,793
Contractual Obligations		2019	60,500
Unamortized bond premium, general obligation bonds			6,190,505
Unamortized bond premium, revenue bonds			12,817,406
Total bonds, installment purchases, capital leases, contractual obligations, and unamortized bond premiums			$ 213,499,204

Long-term debt matures as follows:

	Principal	Interest
2019	$ 14,946,234	$ 7,560,955
2020	17,059,689	7,997,036
2021	17,441,099	7,209,808
2022	17,263,437	6,381,077
2023	15,264,208	5,607,291
2024-2028	76,656,764	17,203,488
2029-2033	31,557,695	4,549,303
2034-2038	4,241,667	211,483
Total	$ 194,430,793	$ 56,720,441

Defeasance of Debt

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous fiscal years for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2018, $19,130,000 of the defeased bonds was outstanding.

Assets Purchased Under Capital Leases

At June 30, 2018, assets purchased under capital leases were included in depreciable capital assets in the amount of $60,345,547 with a corresponding lease liability in long-term debt. The assets are net of accumulated depreciation. The University's capital lease obligations are mainly with the Old Dominion University Real Estate Foundation for the following buildings: Bookstore (42,138 square foot), President's House (6,103 square foot), Parking Garage D (288,575 square foot) and Village Apartments (457,004 square foot). The equipment acquired as capital leases include two ultrasound machines and a precision cut mower.

NOTE 10: EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses both by function, as listed in the Statement of Revenues, Expenses and Changes in Net Position, and by natural classification which is the basis for amounts shown in the Statement of Cash Flows.

	Compensation and Benefits	Goods and Services	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	$148,276,254	$ 18,088,945	$ -	$ 4,441,266	$ -	$170,806,465
Research	7,105,203	5,098,011	-	182,217	-	12,385,431
Public service	754,025	116,080	-	437	-	870,542
Academic support	31,563,100	10,713,579	-	4,664,116	-	46,940,795
Student services	14,062,567	4,471,319	-	67,881	-	18,601,767
Institutional support	27,527,544	6,717,378	-	380,771	-	34,625,693
Operation and maintenance of plant	14,166,287	18,878,216	-	2,918,259	-	35,962,762
Depreciation expense	-	-	-	-	24,318,726	24,318,726
Scholarship and related expenses	2,150	513,156	20,014,524	140	-	20,529,970
Auxiliary activities	32,224,171	61,796,537	10,554,308	6,748,339	-	111,323,355
Total	$275,681,301	$126,393,221	$ 30,568,832	$ 19,403,426	$ 24,318,726	$476,365,506

NOTE 11: STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

The following is a summary of state appropriations received by the University, including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 836:	
Educational and general programs	$ 117,711,131
Student financial assistance/grants	25,587,571
Supplemental adjustments:	
Central fund transfers - compensation and benefits	4,178,000
Online Virginia Network Authority (OVN)	1,140,000
Grants	4,073,257
The Virtual Library of Virginia (VIVA)	17,577
Educational and general reversion	(200)
Adjusted appropriations	$ 152,707,336

NOTE 12: COMPONENT UNIT FINANCIAL INFORMATION

The University's component units are presented in the aggregate on the face of the financial statements. Below is a condensed summary of each foundation and the corresponding footnotes. The University has four component units - Old Dominion Athletic Foundation, Old Dominion University Educational Foundation, Old Dominion University Real Estate Foundation, and Old Dominion University Research Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements.

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
STATEMENT OF NET POSITION					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 962,172	$ 1,063,410	$ 11,692,031	$ 29,832,910	$ 43,550,523
Less - deposits held for affiliate	-	-	-	(20,567,296)	(20,567,296)
Cash and cash equivalents, net	962,172	1,063,410	11,692,031	9,265,614	22,983,227
Accounts receivable, net	148,938	181,196	2,524,555	11,276,217	14,130,906
Contributions receivable, net	1,486,837	2,126,646	1,500,000	-	5,113,483
Travel advances	-	-	-	112,803	112,803
Prepaid expenses	7,875	-	220,934	541,096	769,905
Other assets	66,865	177,803	-	-	244,668
Total current assets	2,672,687	3,549,055	15,937,520	21,195,730	43,354,992
Noncurrent assets:					
Investments	38,386,038	217,010,845	1,897,698	8,302,835	265,597,416
Accounts receivable	-	-	43,204,788	-	43,204,788
Contributions receivable, net	4,187,696	5,884,497	8,855,411	-	18,927,604
Nondepreciable capital assets	-	-	23,077,265	54,802	23,132,067
Capital assets	60,243	2,633,394	883,314	2,510,560	6,087,511
Total noncurrent assets	42,633,977	225,528,736	77,918,476	10,868,197	356,949,386
Total assets	$ 45,306,664	$229,077,791	$ 93,855,996	$ 32,063,927	$400,304,378
LIABILITIES					
Current liabilities:					
Accounts payable	$ 547,067	$ 306,263	$ 1,564,310	$ 6,177,506	$ 8,595,146
Due to affiliates	-	-	-	3,097,543	3,097,543
Unearned revenue	6,290	-	23,912	3,937,179	3,967,381
Deposits held in custody for others	-	-	31,994	-	31,994
Agency related payables	-	24,803,019	-	-	24,803,019
Line of credit	-	-	4,857,336	-	4,857,336
Long-term liabilities – current portion	-	143,125	3,769,085	-	3,912,210
Total current liabilities	553,357	25,252,407	10,246,637	13,212,228	49,264,629
Noncurrent liabilities	-	829,287	69,746,075	-	70,575,362
Total liabilities	553,357	26,081,694	79,992,712	13,212,228	119,839,991
NET POSITION					
Net investment in capital assets	60,243	2,633,394	19,103,243	2,565,362	24,362,242
Permanently restricted	16,542,820	126,763,573	-	-	143,306,393
Temporarily restricted	10,467,837	66,220,323	9,071,218	16,271,192	102,030,570
Unrestricted	17,682,407	7,378,807	(14,311,177)	15,145	10,765,182
Total net position	$ 44,753,307	$202,996,097	$ 13,863,284	$ 18,851,699	$280,464,387

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
Operating revenues:					
Gifts and contributions	$ 9,866,808	$ 14,536,839	$ 11,400,461	$ -	$ 35,804,108
Indirect cost	-	-	-	8,331,674	8,331,674
Sponsored research	-	-	-	37,987,883	37,987,883
Other operating revenues	187,290	181,693	5,755,190	2,326,774	8,450,947
Total operating revenues	10,054,098	14,718,532	17,155,651	48,646,331	90,574,612
Operating expenses:					
Instruction	-	2,482,865	-	-	2,482,865
Research	-	-	-	43,882,887	43,882,887
Academic support	3,173,661	4,768,242	-	-	7,941,903
Institutional support	2,863,943	1,275,334	4,896,171	5,347,741	14,383,189
Operation and maintenance of plant	-	64,472	-	-	64,472
Depreciation	44,537	32,568	97,304	-	174,409
Student aid	1,872,356	2,546,422	-	-	4,418,778
Total operating expenses	7,954,497	11,169,903	4,993,475	49,230,628	73,348,503
Operating gain/(loss)	2,099,601	3,548,629	12,162,176	(584,297)	17,226,109
Investment income	4,198,087	17,201,674	1,486,668	178,955	23,065,384
Gain/loss on disposal of plant assets	12,044	-	66,692	-	78,736
Contributions to permanent endowments	621,258	4,331,768	-	-	4,953,026
Increase in net position	6,930,990	25,082,071	13,715,536	(405,342)	45,323,255
Beginning net position	37,822,317	177,914,026	147,748	19,257,041	235,141,132
Ending net position	$ 44,753,307	$ 202,996,097	$ 13,863,284	$ 18,851,699	$ 280,464,387

Contributions Receivable

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	TOTAL
Current Receivable				
Receivable due in less than one year	$ 1,536,118	$ 2,266,606	$ 1,500,000	$ 5,302,724
Less allowance for doubtful accounts	49,281	139,960	-	189,241
Net current accounts receivable	1,486,837	2,126,646	1,500,000	5,113,483
Receivable due in greater than 1 year, net of discount ($2,218,183)	4,204,073	5,949,964	8,855,411	19,009,448
Less allowance for doubtful accounts	16,377	65,467	-	81,844
Net noncurrent contributions receivable	4,187,696	5,884,497	8,855,411	18,927,604
Total contributions receivable	$ 5,674,533	$ 8,011,143	$ 10,355,411	$ 24,041,087

Investments

The Foundations record investments at market value except for real estate held for investment, which is recorded at the lower of cost or fair market value.

Summary Schedule of Investments

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
U.S. treasury and agency securities	$ -	$ -	$ -	$ 3,773,128	$ 3,773,128
Common & preferred stocks	49,875	680,823	-	557	731,255
Certificates of deposit	-	-	-	3,687,673	3,687,673
Mutual and money market funds	26,713,314	120,258,019	1,177,147	841,477	148,989,957
Partnerships	11,622,849	71,268,984	720,551	-	83,612,384
Managed investments	-	24,803,019	-	-	24,803,019
Total	$ 38,386,038	$217,010,845	$ 1,897,698	$ 8,302,835	$265,597,416

Capital Assets

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
Nondepreciable capital assets:					
Land	$ -	$ -	$ 6,758,659	$ 54,802	$ 6,813,461
Construction in progress	-	-	16,318,606	-	16,318,606
Total capital assets not being depreciated	-	-	23,077,265	54,802	23,132,067
Depreciable capital assets:					
Buildings	-	-	1,997,334	1,037,290	3,034,624
Equipment	400,005	2,704,158	11,620	22,922,965	26,038,748
Total capital assets being depreciated	400,005	2,704,158	2,008,954	23,960,255	29,073,372
Less accumulated depreciation for:					
Buildings	-	-	1,114,297	979,599	2,093,896
Equipment	339,762	70,764	11,343	20,470,096	20,891,965
Total accumulated depreciation	339,762	70,764	1,125,640	21,449,695	22,985,861
Total depreciable capital assets, net	60,243	2,633,394	883,314	2,510,560	6,087,511
Total capital assets, net	$ 60,243	$ 2,633,394	$ 23,960,579	$ 2,565,362	$ 29,219,578

Long-Term Liabilities

Old Dominion University Real Estate Foundation and Old Dominion University Educational Foundation:

Description	Interest Rates	Maturity	2017
Bonds payable:			
Norfolk Redevelopment & Housing Authority Revenue Bonds Series 2015	3.545%	2033	$ 41,310,000
Norfolk Redevelopment & Housing Authority Revenue Bonds Series 2015	4.475%	2031	9,670,000
Norfolk Airport Authority $10,000,000 Revenue Bond (Barry Art Museum) Series 2016	2.020%	2025	8,888,889
Total bonds payable			59,868,889
Notes payable:			
Bookstore	5.585%	2032	4,261,611
President's House	4.500%	2028	1,629,175
Total notes payable			5,890,786
Total bonds and notes payable			65,759,675
Unamortized bond issuance costs			(76,915)
Other long-term liabilities			8,804,812
Total long-term debt			$ 74,487,572

Long-term debt maturities are as follows for bonds payable and notes payable:

2018	$ 3,778,699
2019	3,900,911
2020	4,021,937
2021	4,158,434
2022	4,294,449
Thereafter	45,605,245
Total	$ 65,759,675

Other Significant Transactions with Old Dominion University

The University has entered into various Deed of Lease Agreements with Old Dominion University Real Estate Foundation. Under the agreements as of June 30, 2018, the University will repay $53,156,930. At the expiration of the lease terms, the Old Dominion University Real Estate Foundation shall transfer the properties to the University. As such, the University has recorded capital leases relating to these lease agreements.

Direct payments to the University from the Old Dominion University Educational Foundation, Old Dominion University Real Estate Foundation, Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2018 totaled $9,553,256; $854,881; $5,046,017; and $9,900,939 respectively. This includes gift transfers, payments for facilities, and payments for services.

Component Unit Subsequent Event

In 2015, the Real Estate Foundation refinanced the ODU Village Student Housing and Parking Facility through Bank of America. In 2016, the Foundation obtained bond financing for the Barry Art Museum. Each bond transaction had yield protection provisions wherein the interest rate would be adjusted automatically as of the effective date of a change in the maximum federal corporate rate. The maximum federal corporate rate changed via the Tax Cuts and Jobs Act of 2017 in December 2017 from 35% to 20% which triggered the provisions to increase the interest rates on the bonds. The interest rate for the bond financing for the Barry Art Museum increased January 1, 2018 to 2.455% from 2.020%. The Foundation and Bank of America agreed to modify the bond financing agreements for ODU Village Student Housing and Parking Facility. The effective date of the modification is July 1, 2018. The rate (swap and bond interest) for the Housing Facility increased to 3.8% from 3.59% and the rate (swap and bond interest) for the Parking Facility increased to 5.465% from 5.125%

On February 15, 2018, the Real Estate Foundation entered into a lease agreement with the University for the Barry Art Museum building for a base rent of $1 per year. The lease commences on June 1, 2018 and expires June 30, 2025 with an option for an additional four years.

NOTE 13: COMMITMENTS

At June 30, 2018, the University was a party to construction contracts totaling approximately $66,758,762 of which $13,709,092 has been incurred.

The University is committed under various operating leases for equipment and space. In general, the equipment leases and the space leases are for varying terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, similar leases will replace these leases. Rental expense was approximately $8,493,472 for the year ended June 30, 2018.

The University has, as of June 30, 2018, the following future minimum rental payments due under the above leases:

Year Ending June 30,	Operating Lease Obligation
2019	$ 7,958,421
2020	5,322,029
2021	4,827,594
2022	4,033,480
2023	3,457,793
2024-2028	4,804,928
Total	$ 30,404,245

NOTE 14: RETIREMENT PLANS

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table following:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

PLAN 1	PLAN 2	HYBRID PLAN
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS). Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1	PLAN 2	HYBRID PLAN
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

PLAN 1	PLAN 2	HYBRID PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

PLAN 1	PLAN 2	HYBRID PLAN
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **Defined Contribution Component:** Not applicable.

PLAN 1	PLAN 2	HYBRID PLAN
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** Age 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

PLAN 1	PLAN 2	HYBRID PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

PLAN 1	PLAN 2	HYBRID PLAN
• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

PLAN 1	PLAN 2	HYBRID PLAN
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012, state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2018 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of $162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of $16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $11,567,805 and $11,023,973 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the University to the VaLORS Retirement Plan were $463,596 and $445,084 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the University reported a liability of $121,699,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $4,055,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University's proportion of the VRS State Employee Retirement Plan was 2.08834% as compared to 2.07063% at June 30, 2016. At June 30, 2017, the University's proportion of the VaLORS Retirement Plan was 0.61789% as compared to 0.57858% at June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of $11,477,000 for the VRS State Employee Retirement Plan and $536,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions for the VRS State Employee Retirement Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 258,000	$ 3,685,000
Net difference between projected and actual earnings on pension plan investments	-	5,199,000
Change in assumptions	1,182,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,164,000	-
Universtiy contributions subsequent to the measurement date	11,567,805	-
Total	$ 16,171,805	$ 8,884,000

$11,567,805 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense in future reporting periods as follows:

Year ended June 30,	
2019	$ (2,781,000)
2020	$ 1,710,000
2021	$ 288,000
2022	$ (3,497,000)
2023	$ -

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions for the VaLORS Retirement Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,000	$ 10,000
Net difference between projected and actual earnings on pension plan investments	-	112,000
Change in assumptions	-	264,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	477,000	29,000
University contributions subsequent to the measurement date	463,596	-
Total	$ 952,596	$ 415,000

$463,596 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense in future reporting periods as follows:

Year ended June 30,	
2019	$ 91,000
2020	$ 58,000
2021	$ -
2022	$ (75,000)
2023	$ -

Actuarial Assumptions

VRS

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females with 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

VaLORS

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates, 85% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 1 year.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate form 50% to 35%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows

	State Employee Retirement Plan	VaLORS Retirement Plan
Total pension liability	$ 23,617,412,000	$ 2,002,184,000
Plan fiduciary net position	17,789,888,000	1,345,887,000
Employer's net pension liability	$ 5,827,524,000	$ 656,297,000
Plan fiduciary net position as a percentage of the total pension liability	75.33%	67.22%

The total pension liability is calculated by the System's actuary and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirement of GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one year-returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VRS State Employee Retirement Plan net pension liability	$ 179,766,000	$ 121,699,000	$ 72,935,000

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VaLORS Retirement Plan net pension liability	$ 5,657,000	$ 4,055,000	$ 2,731,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at https://www.varetire.org/Pdf/Publications/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, the University reported a payable of $829,042 for the outstanding amount of contributions to the pension plan required for the year end June 30, 2018.

NOTE 15: OTHER RETIREMENT PLANS

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by two different providers rather than VRS. The two different providers are Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies and Fidelity Investments Tax-Exempt Services Company. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4% contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5% contribution and the employee's 5.0% contribution, plus net investment gains.

Individual contracts issued under the plans provide for full, immediate vesting of both the University's and employee's contributions. Total pension expense recognized was $7,221,098 for the year ended June 30, 2018. Contributions to the optional retirement plans were calculated using the base salary amount $75,004,757 for fiscal year 2018.

NOTE 16: DEFERRED COMPENSATION

State employees may participate in the Commonwealth's Deferred Compensation Plan in accordance with Internal Revenue Code section 457(b). Under this plan, the University's cash match under the Internal Revenue Code section 401(a) during fiscal year 2018 was a maximum match up to $20 per pay period or $40 per month. Employer contributions under this plan were approximately $593,476 for fiscal year 2018.

NOTE 17: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Group Life Insurance Program (GLI)

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts
The benefits payable under the Group Life Insurance Program have several components.
• **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
• **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
• **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  o Accidental dismemberment benefit
  o Safety belt benefit

- Repatriation benefit
- Felonious assault benefit
- Accelerated death benefit option

Reduction in Benefit Amounts
The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. The University has elected to pay both employer and employee component. Contributions to the Group Life Insurance Program from the University for general state employees were $2,140,795 and $2,072,442 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the University for VaLORS employees were $27,944 and $27,146 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the University reported a liability of $12,930,000 for its proportionate share of the net GLI OPEB liability for general state employees and a liability of $175,000 for its proportionate share of the net GLI OPEB liability for VaLORS employees. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University's proportion was 0.85926% as compared to 0.86603% at June 30, 2016 for general state employees. At June 30, 2017, the University's proportion was 0.01166% as compared to 0.01114% at June 30, 2016 for VaLORS employees.

For the year ended June 30, 2018, the University recognized GLI OPEB expense of $127,000 for general state employees and $3,000 for VaLORS employees. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for general state employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 286,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	487,000
Change in assumptions	-	666,000
Changes in proportion	-	100,000
University contributions subsequent to the measurement date	2,140,795	-
Total	$ 2,140,795	$ 1,539,000

$2,140,795 reported as deferred outflows of resources related to the GLI OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30,	
2019	$ (314,000)
2020	$ (314,000)
2021	$ (314,000)
2022	$ (314,000)
2023	$ (193,000)
Thereafter	$ (90,000)

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for VaLORS employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,000
Change in assumptions	-	9,000
Changes in proportion	8,000	-
University contributions subsequent to the measurement date	27,944	-
Total	$ 35,944	$ 20,000

$27,944 reported as deferred outflows of resources related to the GLI OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30,		
2019	$	(3,000)
2020	$	(3,000)
2021	$	(3,000)
2022	$	(3,000)
2023	$	-
Thereafter	$	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	
General state employees	3.5% – 5.35%
VaLORS employees	3.5% – 4.75%
Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females with 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – VaLORS Employees:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates, females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate form 50% to 35%

Net GLI OPEB Liability

The net OPEB liability (NOL) is calculated for the Group Life Insurance Program and represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows:

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 2,942,426,000
Plan fiduciary net position	1,437,586,000
Employer's net GLI OPEB liability	$ 1,504,840,000
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirement of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one year-returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the University's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net GLI OPEB liability for general state employees using the discount rate of 7.00%, as well as what the University's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the Group Life Insurance Program net OPEB liability for general state employees	$ 16,724,000	$ 12,930,000	$ 9,855,000

The following presents the University's proportionate share of the net GLI OPEB liability for VaLORS employees using the discount rate of 7.00%, as well as what the University's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the Group Life Insurance Program net OPEB liability for VaLORS employees	$ 227,000	$ 175,000	$ 133,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2018, the University reported a payable of $93,142 for the outstanding amount of contributions to the GLI OPEB plan required for the year end June 30, 2018.

State Employee Health Insurance Credit Program (HIC)

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For State employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. • **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2018 was 1.18% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program for general state employees were $1,926,629 and $1,864,063 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the University to the VRS State Employee Health Insurance Credit Program for VaLORS employees were $24,410 and $24,625 for the years ended June 30, 2018 and June 30, 2017, respectively.

State Employee Health Insurance Credit Program OPEB Liabilities, State Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee Health Insurance Credit Program OPEB

At June 30, 2018, the University reported a liability of $22,311,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program net OPEB liability for general state employees and a liability of $300,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program net OPEB liability for VaLORS employees. The net VRS State Employee Health Insurance Credit Program OPEB liability was measured as of June 30, 2017 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the net VRS State Employee Health Insurance Credit Program OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net VRS State Employee Health Insurance Credit Program OPEB liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University's proportion of the VRS State Employee Health Insurance Credit Program was 2.45033% as compared to 2.46540% at June 30, 2016 for general state employees. At June 30, 2017, the University's proportion was 0.03294% as compared to 0.03174% at June 30, 2016 for VaLORS employees.

For the year ended June 30, 2018, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of $1,916,000 for general state employees and $28,000 for VaLORS employees. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB for general state employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on State HIC OPEB program investments	-	55,000
Change in assumptions	-	251,000
Changes in proportion	-	116,000
University contributions subsequent to the measurement date	1,926,629	-
Total	$ 1,926,629	$ 422,000

$1,926,629 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net State Employee HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30,		
2019	$	(84,000)
2020	$	(84,000)
2021	$	(84,000)
2022	$	(84,000)
2023	$	(70,000)
Thereafter	$	(16,000)

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB for VaLORS employees from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	-
Net difference between projected and actual earnings on State HIC OPEB program investments		-		1,000
Change in assumptions		-		3,000
Changes in proportion		9,000		-
University contributions subsequent to the measurement date		24,410		-
Total	$	33,410	$	4,000

$24,410 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net State Employee HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30,		
2019	$	1,000
2020	$	1,000
2021	$	1,000
2022	$	1,000
2023	$	1,000
Thereafter	$	-

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	
General state employees	3.5% – 5.35%
VaLORS employees	3.5% – 4.75%
Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females with 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – VaLORS Employees:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates, females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate form 50% to 35%

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows:

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB liability	$ 990,028,000
Plan fiduciary net position	79,516,000
State Employee net HIC OPEB liability	$ 910,512,000
Plan fiduciary net position as a percentage of the total State Employee HIC OPEB liability	8.03%

The total State Employee HIC OPEB liability is calculated by the System's actuary and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirement of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one year-returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

Sensitivity of the University's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability for general state employees using the discount rate of 7.00%, as well as what the University's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the total VRS State Employee HIC net OPEB liability for general state employees	$ 24,670,000	$ 22,311,000	$ 20,282,000

The following presents the University's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability for VaLORS employees using the discount rate of 7.00%, as well as what the University's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the total VRS State Employee HIC net OPEB liability for VaLORS employees	$ 332,000	$ 300,000	$ 273,000

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the State Employee Health Insurance Credit Program OPEB Plan

At June 30, 2018, the University reported a payable of $84,017 for the outstanding amount of contributions to the State Employee Health Insurance Credit Program OPEB plan required for the year end June 30, 2018.

VRS Disability Insurance Program (VSDP)

Plan Description

All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

Eligible Employees

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
    - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
    - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
    - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement
    - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2018 was 0.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University for general state employees were $459,971 and $434,920 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Disability Insurance Program (VSDP) from the University for VaLORS employees were $14,135 and $13,646 for the years ended June 30, 2018 and June 30, 2017, respectively.

Disability Insurance Program (VSDP) OPEB Assets, VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB

At June 30, 2018, the University reported an asset of $3,594,000 for its proportionate share of the net VSDP OPEB asset for general state employees and an asset of $113,000 for its proportionate share of the net VSDP OPEB asset for VaLORS employees. The net VSDP OPEB asset was measured as of June 30, 2017 and the total VSDP OPEB asset used to calculate the net VSDP OPEB asset was determined by an actuarial valuation as of that date. The University's proportion of the net VSDP OPEB asset was based on the University's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University's proportion was 1.75047% as compared to 1.69495% at June 30, 2016 for general state employees. At June 30, 2017, the University's proportion was 0.05495% as compared to 0.05254% at June 30, 2016 for VaLORS employees.

For the year ended June 30, 2018, the University recognized VSDP OPEB expense of $291,000 for general state employees and $5,000 for VaLORS employees. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB for general state employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on VSDP OPEB program investments	-	282,000
Change in assumptions	-	270,000
Changes in proportion	-	82,000
University contributions subsequent to the measurement date	459,971	-
Total	$ 459,971	$ 634,000

$459,971 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the net VSDP OPEB asset in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB in future reporting periods as follows:

Year ended June 30,	
2019	$ (118,000)
2020	$ (118,000)
2021	$ (118,000)
2022	$ (118,000)
2023	$ (48,000)
Thereafter	$ (114,000)

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB for VaLORS employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on VSDP OPEB program investments	-	9,000
Change in assumptions	-	8,000
Changes in proportion	-	-
University contributions subsequent to the measurement date	14,135	-
Total	$ 14,135	$ 17,000

$14,135 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the net VSDP OPEB asset in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB in future reporting periods as follows:

Year ended June 30,		
2019	$	(3,000)
2020	$	(3,000)
2021	$	(3,000)
2022	$	(3,000)
2023	$	(1,000)
Thereafter	$	(4,000)

Actuarial Assumptions

The total VSDP OPEB asset was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	
General state employees	3.5% – 5.35%
VaLORS employees	3.5% – 4.75%
Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females with 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – VaLORS Employees:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates, females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate form 50% to 35%

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB asset determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. As of June 30, 2017, NOA amounts for the Disability Insurance Program (VSDP) is as follows:

	Disability Insurance Program
Total VSDP OPEB liability	$ 237,013,000
Plan fiduciary net position	442,334,000
Employer's net OPEB asset	$ (205,321,000)
Plan fiduciary net position as a percentage of the total VSDP OPEB liability	186.63%

The total VSDP OPEB asset is calculated by the System's actuary and the plan's fiduciary net position is reported in the System's financial statements. The net OPEB asset is disclosed in accordance with the requirement of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one year-returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VSDP OPEB asset was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB asset.

Sensitivity of the University's Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate

The following presents the University's proportionate share of the net VSDP OPEB asset for general state employees using the discount rate of 7.00%, as well as what the University's proportionate share of the net VSDP OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the total VSDP net OPEB asset for general state employees	$ 3,421,000	$ 3,594,000	$ 3,895,000

The following presents the University's proportionate share of the net VSDP OPEB asset for VaLORS employees using the discount rate of 7.00%, as well as what the University's proportionate share of the net VSDP OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the total VSDP net OPEB asset for VaLORS employees	$ 107,000	$ 113,000	$ 122,000

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Disability Insurance Program (VSDP) OPEB Plan

At June 30, 2018, the University reported a payable of $25,328 for the outstanding amount of contributions to the Disability Insurance Program (VSDP) OPEB plan required for the year end June 30, 2018.

Line of Duty Act Program (LODA)

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for Line of Duty Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
Eligible Employees The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).
Benefit Amounts The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals: • **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • **Health Insurance** – The Line of Duty Act program provides health insurance benefits through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University for VaLORS employees were $26,099 and $25,532 for the years ended June 30, 2018 and June 30, 2017, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2018, the University reported a liability of $622,000 for its proportionate share of the net LODA OPEB liability for VaLORS employees. The net LODA liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the net LODA OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net LODA OPEB liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the University's proportion was 0.23673% as compared to 0.20739% at June 30, 2016 for VaLORS employees.

For the year ended June 30, 2018, the University recognized LODA OPEB expense of $64,000. Since there was a change in proportionate share between the measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB for VaLORS employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,000
Change in assumptions	-	64,000
Changes in proportion	73,000	-
University contributions subsequent to the measurement date	26,099	-
Total	$ 99,099	$ 65,000

$26,099 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net LODA OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB in future reporting periods as follows:

Year ended June 30,	
2019	$ 1,000
2020	$ 1,000
2021	$ 1,000
2022	$ 1,000
2023	$ 1,000
Thereafter	$ 3,000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	
General state employees	3.5% – 5.35%
VaLORS employees	3.5% – 4.75%
Medical cost trend rate assumptions	
Under age 65	7.75% – 5.0%
Age 65 and older	5.75% – 5.0%
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, and a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Mortality rates – VaLORS Employees:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates, females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate form 50% to 35%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Program (LODA) is as follows:

	Line of Duty Act Program
Total LODA OPEB liability	$ 266,252,000
Plan fiduciary net position	3,461,000
Employer's net OPEB liability	$ 262,791,000
Plan fiduciary net position as a percentage of the total LODA OPEB Liability	1.30%

The total LODA OPEB liability is calculated by the System's actuary and each plan's fiduciary net position is reported in the System's financial statements. The net LODA OPEB liability is disclosed in accordance with the requirement of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the LODA OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total LODA OPEB liability.

Sensitivity of the University's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net LODA OPEB liability for VaLORS employees using the discount rate of 3.56%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
University's proportionate share of the total LODA net OPEB liability for VaLORS employees	$ 706,000	$ 622,000	$ 553,000

Sensitivity of the University's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the net LODA OPEB liability for VaLORS employees using health care trend rate of 7.75% decreasing to 5.00%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1.00% Decrease (6.75% decreasing to 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
University's proportionate share of the total LODA Net OPEB Liability for VaLORS employees	$ 528,000	$ 622,000	$ 739,000

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Pre-Medicare Retiree Healthcare

Plan Description

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS or a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

- be receiving (not deferring) the annuity or periodic benefit immediately upon retirement;
- have his or her last employer before retirement be the state;
- be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage); and
- have submitted within 31 days of his or her retirement date an Enrollment Form to his or her Benefits Administrator to enroll.

The University does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the University's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,600 retirees and 91,000 active employees in the program in fiscal year 2017. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2017. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.62% for medical and pharmacy and 4.0% for dental. The ultimate trend rates used were 5.0% for medical and pharmacy and 4.0% for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2017 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.43 years
Discount Rate	3.58%
Projected Salary Increases	4.00%
Medical Trend under 65	Medial & Rx: 8.62% to 5.00% Dental: 4% Before reflecting Excise tax
Year of Ultimate Trend	2025

Mortality rates – vary by participant status:

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females with 130% of rates.

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2017.

Changes of Assumptions: The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates – updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rate – adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index. Spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the University reported a liability of $32,534,160 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $1.3 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2017, the University's proportion was 2.50474% as compared to 2.43937% at June 30, 2016. For the year ended June 30, 2018, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of $2,755,102.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,308,571
Change in assumptions	-	6,897,272
Changes in proportion	864,521	-
Subtotal	864,521	8,205,843
University contributions subsequent to the measurement date	862,771	-
Total	$ 1,727,292	$ 8,205,843

$862,771 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year ended June 30,	
2019	$ (1,351,993)
2020	$ (1,351,993)
2021	$ (1,351,993)
2022	$ (1,351,993)
2023	$ (1,351,993)
Thereafter	$ (581,357)

Sensitivity of the University's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.58%, as well as what the University's proportionate share of the net Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1.00% Decrease (2.58%)	Current Discount Rate (3.58%)	1.00% Increase (4.58%)
University's proportionate share of the Pre-Medicare Retiree Healthcare net OPEB liability	$ 34,851,512	$ 32,534,160	$ 30,313,889

Sensitivity of the University's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the University's proportionate share of the net Pre-Medicare Retiree Healthcare OPEB liability using the healthcare cost trend rate of 8.62% decreasing to 5%, as well as what the University's proportionate share of the net Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.62% decreasing to 4.0%) or one percentage point higher (9.62% decreasing to 6.0%) than the current rate:

	1.00% Decrease (7.62% decreasing to 4.00%)	Trend Rate (8.62% decreasing to 5.00%)	1.00% Increase (9.62% decreasing to 6.00%)
University's proportionate share of the Pre-Medicare Retiree Healthcare net OPEB liability	$ 28,947,152	$ 32,534,160	$ 36,739,220

NOTE 18: CONTINGENCIES

Grants and Contracts

The University has received grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2018, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University is a party to various litigations. While the final outcome cannot be determined at this time, management is of the opinion that any ultimate liability to which the University may be exposed, if any, for these legal actions will not have a material effect on the University's financial position.

NOTE 19: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

NOTE 20: RELATED PARTY TRANSACTIONS

The Old Dominion University Museum Foundation and the University entered into an agreement on July 19, 2016 for the Museum Foundation to operate the Barry Art Museum. On December 6, 2016, an agreement was entered into which set the manner in which the University provides support to the Foundation. The Foundation reimburses the University for the salary and benefits of each University staff member proportionate to the time devoted to serving the Foundation and for supplies and travel. This amount totaled $175,257 for the year ended June 30, 2018. In addition, the University will donate space, computer services and other support to the Foundation. This amount totaled $2,500 for the year ended June 30, 2018.

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Required Supplementary Information

Schedules of University's Share of Net Pension Liability

VRS State Employee Retirement Plan
For the Years Ended June 30, 2018, 2017, 2016 and 2015*

	2018	2017	2016	2015
University's proportion of the net pension liability	2.08834%	2.07063%	2.01167%	1.95702%
University's proportionate share of the net pension liability	$ 121,699,000	$136,471,000	$123,166,000	$109,562,000
University's covered payroll	$ 84,076,306	$ 81,802,831	$ 77,640,742	$ 75,442,144
University's proportionate share of the net pension liability as a percentage of its covered payroll	144.75%	166.83%	158.64%	145.23%
Plan fiduciary net position as a percentage of the total pension liability	75.33%	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

VaLORS State Employee Retirement Plan
For the Years Ended June 30, 2018, 2017, 2016 and 2015*

	2018	2017	2016	2015
University's proportion of the net pension liability	0.61789%	0.57858%	0.48062%	0.50752%
University's proportionate share of the net pension liability	$ 4,055,000	$ 4,479,000	$ 3,416,000	$ 3,421,000
University's covered payroll	$ 2,122,770	$ 1,989,450	$ 1,631,065	$ 1,789,631
University's proportionate share of the net pension liability as a percentage of its covered payroll	191.02%	225.14%	209.43%	191.16%
Plan fiduciary net position as a percentage of the total pension liability	67.22%	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedules of University's Share of Net Other Post-Employment Benefits (OPEB) Liabilities/Assets

Group Life Insurance Program
For the Years Ended June 30, 2017*

	2017
University's proportion of the net GLI OPEB liability	0.85926%
University's proportionate share of the net GLI OPEB liability	$ 12,930,000
University's covered payroll	$158,571,272
University's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.15%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Group Life Insurance Program - VaLORS
For the Years Ended June 30, 2017*

	2017
University's proportion of the net GLI OPEB liability	0.01166%
University's proportionate share of the net GLI OPEB liability	$ 175,000
University's covered payroll	$ 2,027,918
University's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.63%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Health Insurance Credit Program
For the Years Ended June 30, 2017*

	2017
University's proportion of the net HIC OPEB liability	2.45033%
University's proportionate share of the net HIC OPEB liability	$ 22,311,000
University's covered payroll	$158,430,255
University's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	14.08%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	8.03%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Health Insurance Credit Program - VaLORS
For the Years Ended June 30, 2017*

	2017
University's proportion of the net HIC OPEB liability	0.03294%
University's proportionate share of the net HIC OPEB liability	$ 300,000
University's covered payroll	$ 2,094,380
University's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	14.32%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	8.03%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

VRS Disability Insurance Program
For the Years Ended June 30, 2017*

	2017
University's proportion of the net VSDP OPEB asset	1.75047%
University's proportionate share of the net VSDP OPEB asset	$ 3,594,000
University's covered payroll	$ 65,820,010
University's proportionate share of the net VSDP OPEB asset as a percentage of its covered payroll	5.46%
Plan fiduciary net position as a percentage of the total VSDP OPEB liability	186.63%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

VRS Disability Insurance Program - VaLORS
For the Years Ended June 30, 2017*

	2017
University's proportion of the net VSDP OPEB asset	0.05495%
University's proportionate share of the net VSDP OPEB asset	$ 113,000
University's covered payroll	$ 2,067,510
University's proportionate share of the net VSDP OPEB asset as a percentage of its covered payroll	5.47%
Plan fiduciary net position as a percentage of the total VSDP OPEB liability	186.63%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Line of Duty Act Program - VaLORS
For the Years Ended June 30, 2017*

	2017
University's proportion of the net LODA OPEB liability	0.23673%
University's LODA GLI OPEB liability	$ 622,000
University's covered payroll **	$ 2,067,510
University's proportionate share of the net LODA OPEB liability as a percentage of its covered payroll **	30.08%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.30%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

** The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution.

Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees
For the Years Ended June 30, 2017*

	2017
University's proportion of the collective OPEB liability	2.50474%
University's proportionate share of the collective total OPEB liability	$ 32,534,160
University's covered payroll	$124,158,296
University's proportionate share of the collective total OPEB liability as a percentage of its covered payroll	26.20%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedules of University Contributions

VRS State Employee Retirement Plan
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 11,567,805	$ 11,567,805	$ -	$ 109,416,937	10.57%
2017	$ 11,023,973	$ 11,023,973	$ -	$ 84,076,306	13.11%
2016	$ 11,261,826	$ 11,261,826	$ -	$ 81,802,831	13.77%
2015	$ 9,425,735	$ 9,425,735	$ -	$ 77,640,742	12.14%
2014	$ 6,608,367	$ 6,608,367	$ -	$ 75,442,144	8.76%
2013	$ 6,165,085	$ 6,165,085	$ -	$ 70,144,229	8.79%
2012	$ 4,530,971	$ 4,530,971	$ -	$ 68,551,568	6.61%
2011	$ 7,080,130	$ 7,080,130	$ -	$ 50,877,836	13.92%
2010	$ 6,184,748	$ 6,184,748	$ -	$ 49,075,436	12.60%
2009	$ 6,995,067	$ 6,995,067	$ -	$ 62,081,885	11.27%

VaLORS State Employee Retirement Plan
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 463,596	$ 463,596	$ -	$ 2,202,360	21.05%
2017	$ 445,084	$ 445,084	$ -	$ 2,122,770	20.97%
2016	$ 374,028	$ 374,028	$ -	$ 1,989,450	18.80%
2015	$ 286,246	$ 286,246	$ -	$ 1,631,065	17.55%
2014	$ 265,182	$ 265,182	$ -	$ 1,789,631	14.82%
2013	$ 269,568	$ 269,568	$ -	$ 1,859,613	14.50%
2012	$ 256,778	$ 256,778	$ -	$ 1,961,636	13.09%
2011	$ 335,448	$ 335,448	$ -	$ 1,574,922	21.30%
2010	$ 329,048	$ 329,048	$ -	$ 1,603,468	20.52%
2009	$ 347,353	$ 347,353	$ -	$ 1,806,305	19.23%

Group Life Insurance Program
For the Year Ended June 30, 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 856,318	$ 856,318	$ -	$ 163,420,387	0.52%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Group Life Insurance Program - VaLORS
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 11,178	$ 11,178	$ -	$ 2,133,091	0.52%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

State Employee Health Insurance Credit Program
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 1,926,629	$ 1,926,629	$ -	$ 163,298,010	1.18%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

State Employee Health Insurance Credit Program - VaLORS
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 24,410	$ 24,410	$ -	$ 2,068,615	1.18%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

VRS Disability Insurance Program
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 459,971	$ 459,971	$ -	$ 69,678,403	0.66%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

VRS Disability Insurance Program - VaLORS
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 14,135	$ 14,135	$ -	$ 2,141,626	0.66%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Line of Duty Act Program - VaLORS
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 26,099	$ 26,099	$ -	N/A *	N/A *

** The Line of Duty Act Program (LODA) includes full-time employees, part-time employees and volunteers. Contributions for the Program are based on the number of full-time equivalen employees in the Program using a per capita-based contributions versus a payroll-based contribution.*

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

VRS State Employee Retirement Plan

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate form 50% to 35%

Group Life Insurance Program, VRS Disability Insurance Program, VRS State Employee Health Insurance Credit Program, and Line of Duty Act Program

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made for general state employees effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

The following changes in actuarial assumptions were made for the VaLORS employee effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate form 50% to 35%

Pre-Medicare Retiree Healthcare

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates – updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rate – adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index. Spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

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Norfolk, Virginia

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"I hereby affirm that the financial statements or information of the HEI submitted are true and correct to the best of my knowledge and belief."

Signature

Assistant Vice President for Finance/University Controller
Title

State of Virginia; City/County of:
Norfolk

This is to certify that **Mary C. Deneen** on this **29th** day of **October, 2018**, took and subscribed the foregoing oath required by laws of the Commonwealth.

Holly V. Lucas
Name of Notary

Holly V Lucas
10-29-18

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HIGHER EDUCATION
COMPARATIVE REPORT

FISCAL YEAR 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA
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EXECUTIVE SUMMARY

The purpose of this report is to provide comparative financial information for Virginia's four-year public institutions of higher education. The citizens of the Commonwealth partially fund the operations of each of these institutions with taxes paid to the Commonwealth and through tuition and fees paid by Virginia residents attending each institution. The basic mission of each of these institutions, providing post-secondary education to students, is essentially the same. However, the methodology for accomplishing this mission differs among institutions. Some examples of these differences in approach include the incorporation of military training in the educational environment, engagement of professors and students in various levels of research activities, and the inclusion of institution health systems or hospitals as part of the university-entity. In addition, both the age and location of the institution can cause large financial and physical resource differences. For example, older institutions have had a longer time to build financial reserves and expand their physical footprints. Smaller institutions, which may be attempting to achieve faster rates of growth, may be investing more heavily in their facilities and capital projects. This growth could contribute to lower reserves and higher levels of expense relative to total assets.

To create this report, we primarily used amounts from state fiscal years 2015 through 2017, which covers the period from July 1, 2014, to June 30, 2017. We derived most of the information from the institutions' individually published financial statements and footnotes. Annually, the Auditor of Public Accounts audits each of these institutions' financial statements and provides an opinion on the fairness of those statements.

Although there are significant differences in how each institution operates, ratio analysis provides a methodology for beginning to understand the differences in financial activity at each institution and how changes in activity can be a reflection of each institution's operating philosophy. In addition, as this report will be an ongoing analysis over time, future reports will continue to compare each institution's ratios to those of previous years. Trend analysis will provide a well-rounded comparison of each institution's figures to its own financial statements in previous years as well as to those of other institutions and attempt to show the impact of micro and macroeconomic shifts on the operations and financial stability of Virginia's public four-year institutions of higher education.

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BACKGROUND

The Commonwealth of Virginia has 15 four-year, public institutions of higher education as listed in Table 1 below. The basic mission of these institutions is to provide post-secondary education; however, the institutions can vary drastically based on several factors. Some of these factors include the age of the institution, the size of its endowments, and the setting in which it provides higher education. For instance, Virginia's institutions range in age from just over 50 years old to over 320 years old. The size of each institution's endowment ranges from the tens of millions to just over $6 billion. The Appendix: Institution Background Information includes additional biographical information regarding Virginia's public four-year institutions. A comparative financial analysis of these institutions must consider a variety of factors including size, age, and type of institution.

Table 1. Institution Abbreviations

Abbreviation	Institution
CNU	Christopher Newport University
CWM	The College of William and Mary in Virginia
GMU	George Mason University
JMU	James Madison University
LU	Longwood University
NSU	Norfolk State University
ODU	Old Dominion University
RU	Radford University
UMW	University of Mary Washington
UVA	University of Virginia
UVA-Wise	University of Virginia's College at Wise
VCU	Virginia Commonwealth University
VMI	Virginia Military Institute
VT	Virginia Polytechnic Institute and State University
VSU	Virginia State University

Endowments are donations of money or property, which provide ongoing support for an organization. Institutions typically invest these funds and use the income and/or principal from those investments to support the institutions in accordance with the donors' wishes. The original donation is typically not spendable, which allows for the continued earning of income to support future operations of the institution. Some institutions invest endowment funds directly, while affiliated university not-for-profit foundations primarily hold and invest endowment funds for other institutions. An understanding of how Virginia's public institutions operate, at a minimum, must consider the size of the institutions and the institutions' endowments. For purposes of this study, to obtain endowment asset amounts, we used self-reported data from each of the institutions to the National Association of Colleges and University Business Officers (NACUBO) Commonfund Study of Endowments (NCSE)[1] as of fiscal year 2017, which was the latest data available at the time of our study. CNU and LU did not participate in the 2017 NCSE, and as such, we obtained their most recently submitted endowment data from the Integrated

Postsecondary Education System (IPEDS).[6] We obtained full-time equivalent enrollment information from the State Council for Higher Education in Virginia (SCHEV).

According to the NCSE, the average endowment of institutions who participated in their latest study (809 institutions nationwide for fiscal year 2017) was about $704.5 million with a median endowment of $130.9 million; however, these averages include both public and private institutions. When considering public institutions alone, as in this comparative study, the average endowment per institution decreased to $476.3 million with a median endowment of $106.2 million. Based on an analysis of institutions submitting data to the NCSE, the average endowment for Virginia public institutions of higher education was $923.3 million, with a median endowment of $153.4 million. As noted in Table 2 below, four of Virginia's 15 public four-year institutions have endowments larger than the national average for public institutions, while six of Virginia's 15 institutions exceed the national median for endowment assets based on the information reported to the NCSE. Using NCSE data for institutions reporting enrollment statistics, the average endowment per full-time equivalent student for public four-year institutions nationally is $22,471 with a median endowment per full-time equivalent student of $9,423. The average endowment per full-time equivalent student for Virginia's public four-year institutions reporting to the NCSE is $53,130 with a median endowment per full-time equivalent student of $10,834. This was the most current endowment-per-student data available at the time of this report. Although some institutions may not exceed national averages, many different factors contribute to the size of an institution's endowment including the age of the institution, the alumni base and the pace at which they provide donations, the success of the endowment investment managers, and annual endowment spending percentages.

Table 2. Institution Endowment Data

Classification	Institution	FY17 Endowment (in millions)[1]	Fall 2016 FTE Enrollment[2]	Endowment per FTE Student
Highest Research	GMU	$ 77.7	29,377	$ 2,645
Highest Research	UVA	6,400.0	24,329	263,061
Highest Research	VCU	1,840.0	28,496	64,570
Highest Research	VT	995.8	33,675	29,571
Higher Research	CWM	874.1	8,610	101,521
Higher Research	JMU	93.1	20,837	4,468
Higher Research	ODU	213.5	20,031	10,658
Master's and Baccalaureate	CNU	24.1	4,986	4,834
Master's and Baccalaureate	LU	51.8	4,705	11,010
Master's and Baccalaureate	NSU	19.5	4,800	4,063
Master's and Baccalaureate	RU	50.1	9,165	5,466
Master's and Baccalaureate	UMW	47.9	4,296	11,150
Master's and Baccalaureate	VMI	435.1	1,953	222,785
Master's and Baccalaureate	VSU	36.1	4,505	8,013

For purposes of this report, data presented for UVA includes UVA-Wise, as the institutions present consolidated financial statements for reporting purposes. For the same reason, CWM includes Richard Bland College, Virginia's only junior college, as the institutions report to the same governing body and present consolidated financial statements for financial reporting purposes. The Virginia Community College System (VCCS) is not included in the comparative analysis, as this report does not intend to compare financial information of four-year institutions to financial information of the Commonwealth's two-year institutions. The VCCS consists of 23 individual community colleges located throughout the Commonwealth of Virginia. The institutions that comprise the VCCS do not offer Bachelor's Degrees; instead, they typically provide two-year Associate Degrees and certificates. With over 40 campuses and a total full-time equivalent student population of 105,242 as of the 2016-2017 academic year,[2] it is difficult to provide a direct comparison between the VCCS and the Commonwealth's four-year institutions. With the exception of VMI and UVA-Wise, all of Virginia's four-year higher education institutions operate graduate programs with varying degree options. For the purposes of this report, we will refer to the universities as institutions even though some use "college" or "institute" as part of their formal name.

In addition to size of the institution and available resources, certain differences in organizational structure can impact comparability of financial information performed in this report. For example, the University of Virginia Medical Center (UVA Medical Center) is a division of UVA and accounting standards require the inclusion of its financial information with the financial activity of the UVA's academic division. In contrast, accounting standards require reporting the VCU Health System Authority, a component unit of VCU, in a separate column alongside the institution's information. For purposes of this report, we will use financial information of the primary university entity consistent with the presentation in the independently published financial statements of each institution. Except as otherwise noted, UVA Medical Center's financial information will be combined with UVA, but the VCU Health System Authority will not be included with the information presented for VCU.

Certain differences in organizational structure impact comparability of financial information performed in this report.

In most cases, the institutions present financial information pertaining to their non-profit foundations either alongside or immediately following the institution's financial information. However, foundations support the institutions in different ways. For consistency throughout the remainder of this report, unless otherwise noted, we have included only the financial information of the institution and have excluded that of the institution's respective foundations. It is important to note, however, that higher education foundations exist primarily to support the mission of the corresponding institution of higher education and will use their resources for various purposes to benefit the institution. In most cases, including foundation resources would significantly improve the financial position of each institution beyond what this report shows.

To aid in comparability among higher education institutions, we referred to four basic classifications prescribed by the Carnegie Foundation for the Advancement of Teaching.[3] These Carnegie classifications include doctoral or research institutions (highest research activity, higher research activity, moderate research activity), master's (larger programs, medium programs, and smaller

programs), and baccalaureate colleges. We have classified Virginia's state-supported institutions into three broad categories based on the above classifications: research institutions with the highest research activity, research institutions with higher research activity, and master's and baccalaureate institutions. These classifications take into account research and development spending, science and engineering research staff, doctoral conferrals, program size, and number of master's degrees awarded. The assumption is that institutions with similar levels of research activity and similar degrees awarded operate more similarly to each other than to other institutions outside of their assigned classification. Institutions operating similarly are likely to be more comparable in types and levels of expenses and investments. Research institutions with the highest research activity include GMU, UVA, VCU, and VT. Research institutions with higher research activity include CWM, JMU, and ODU. The master's and baccalaureate institutions include CNU, LU, NSU, RU, UMW, VMI, and VSU.

INTRODUCTION TO FINANCIAL ANALYSIS

Ratios are quantitative relationships between two amounts showing the number of times one value (denominator) is contained within the other (numerator). This report uses several ratios to compare balances and activities within institution financial statements. Ratios help to provide relative comparability of each institution's activities, financial performance, and reserves rather than comparing total dollar values from one institution to the next. The tables, charts, and graphs below show summarized financial health and performance by assigned classification for the institutions. The Appendix: Condensed Financial Information provides additional detailed information for each institution.

Starting in fiscal year 2015, new accounting standards significantly affected financial information of each institution of higher education in Virginia. These standards require each institution to record a liability representing the institution's share of the Commonwealth of Virginia's overall net pension liability for employee pension benefits.[4] Before these standards, it was uncommon for institutions to show a negative balance in unrestricted net position. However, following the implementation of the standards, only a few institutions continued to have a positive balance for this net position classification. As some uncertainty remains as to the best way to account for the impact of these new standards within the traditional ratio analysis model, we opted to exclude the impact from the ratios presented in this report. As these standards affect all institutions, we believe the exclusion of these liabilities should not significantly impact the comparability of ratios from one institution to another.

RATIOS AND ANALYSIS

Financial Resource Ratios

The financial resource ratios focus on available resources and the returns generated from those resources. They intend to answer whether institutions have sufficient resources and whether they use those resources to support the mission and strategic direction of the institution.

Primary Reserve Ratio

The Primary Reserve ratio measures the financial strength of an institution by comparing expendable net position to total expenses. Expendable net position consists of resources the institution can access in a short amount of time to satisfy obligations. Expendable net position excludes an institution's net investment in capital assets and other nonexpendable net position elements. Resources considered nonexpendable are generally not available to satisfy obligations unless the institution satisfies specific restrictions. For example, institutions do not generally sell their capital assets to cover obligations, except in extreme circumstances, and as such, resources invested in capital assets do not meet the liquidity requirement used in this ratio. A high Primary Reserve ratio indicates an institution can withstand times of economic downturn, decreases in enrollment, decreases in fundraising activities, or inability to secure debt. A low ratio indicates that during an economic downturn, an institution could encounter difficulty meeting its obligations.[5] The ratio also indicates the length of time an institution could continue operations without additional revenue or support. In other words, the Primary Reserve ratio provides a snapshot of the financial strength and flexibility of an institution.[5] A ratio of 1.0 generally indicates an institution could continue to meet obligations for a year without additional revenue, increased state appropriation support, or short-term borrowing.[5] The accepted benchmark for this particular ratio is 0.40.[5]

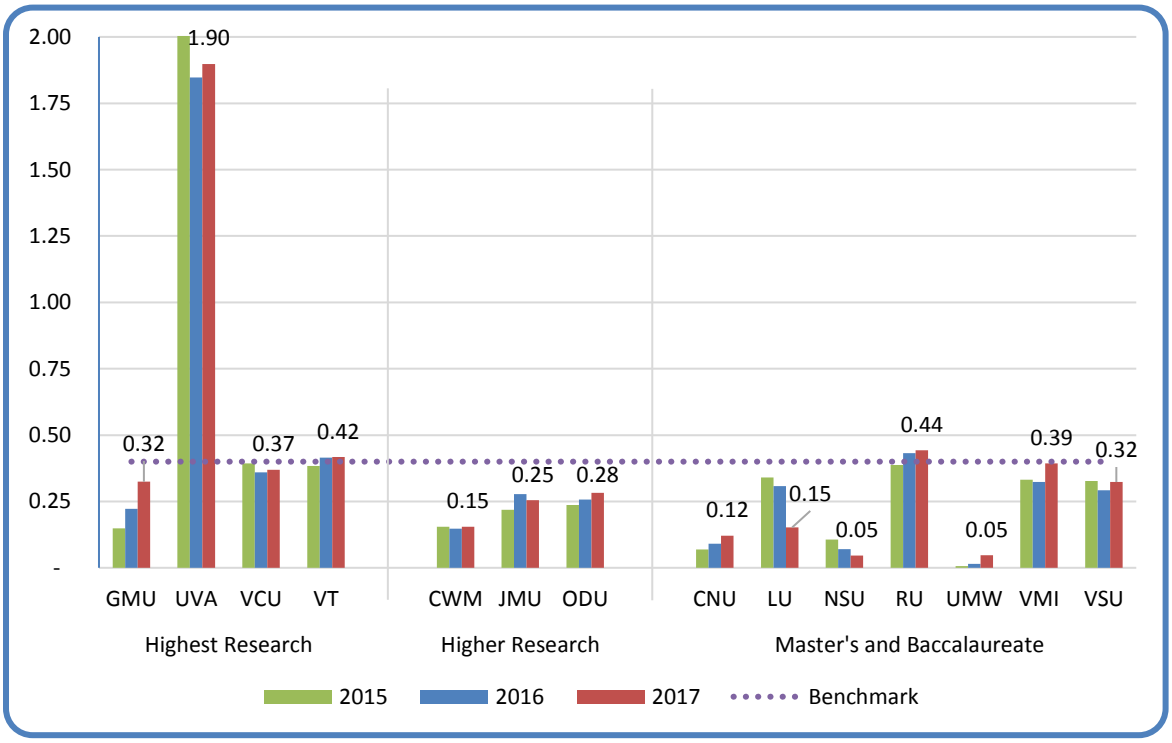
Primary Reserve ratio provides a snapshot of the financial strength and flexibility of an institution.[5]

As seen in Figure 1, UVA's high Primary Reserve ratio of 1.90 in fiscal year 2017 is largely due to its significant investment and restricted, but expendable, funds. Investments comprise 62.7 percent of UVA's total assets and UVA's investments are reported as those held by the institution itself, whereas many other institutions consolidate giving and investment activities with their non-profit foundations. In contrast to UVA, where investments comprise a majority of the total assets, capital assets comprise the majority of total assets for both NSU and UMW. NSU and UMW's capital assets comprise 87.2 percent and 91.8 percent of total assets, respectively. When capital assets represent a large percentage of total assets, it limits the amount of expendable and unrestricted assets available to satisfy obligations. Additionally, capital expansion can temporarily cause the Primary Reserve ratio to decline. As such, it is important to view this ratio and others over time to account for periods of expansion.

Capital expansion can temporarily cause the Primary Reserve ratio to decline.

Both RU and VMI at 0.44 and 0.39, respectively, have significant Primary Reserve ratios relative to their peers, which result from lower debt levels and more liquid assets than other institutions. For example, RU's cash, cash equivalents, and investments represent 22.6 percent of its total assets compared to an 8.7 percent average for the remaining institutions in the master's and baccalaureate institution classification. In contrast, VMI's total liabilities of $67.4 million represent just 17.1 percent of its total assets compared with an average of 44.6 percent for the remaining institutions in the classification. Although the institutions have chosen different strategies for their institutions, the result for both institutions is the accumulation of significant reserves of expendable resources. However, as noted previously, the Primary Reserve ratio for institutions directing endowment and investment activities toward not-for-profit foundations rather than to the institution directly is lower than when including those expendable resources held by the foundation for the direct benefit of the institution.

Figure 1. Primary Reserve Ratio



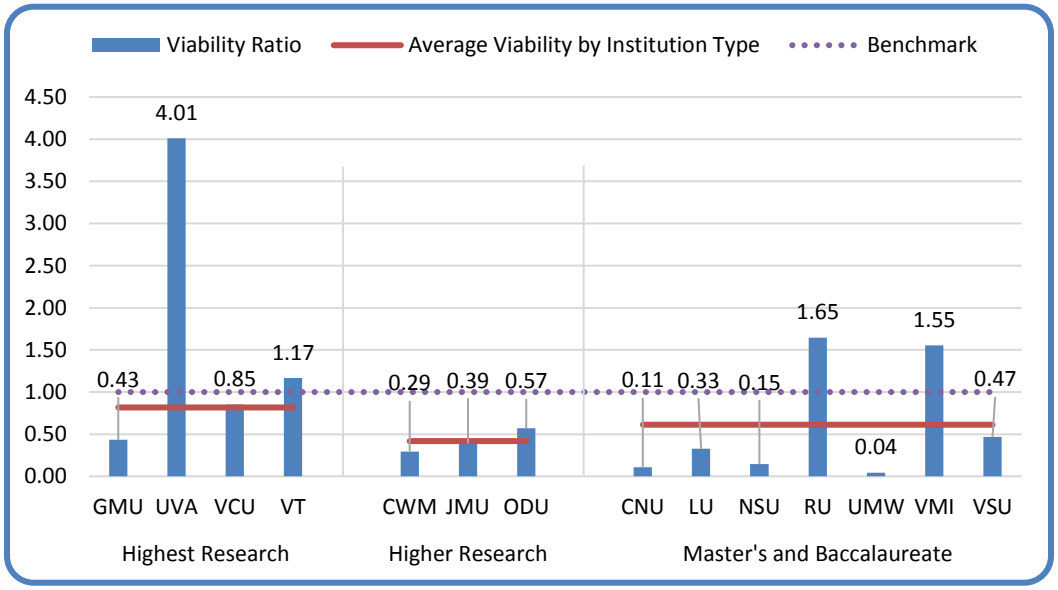
Viability Ratio

The Viability ratio measures one of the most basic determinants of clear financial health: the availability of expendable net position to cover long-term debt should the institution need to settle its obligations as of the statement of net position date.[5] What this indicator tells the institution is that they either can or cannot settle long-term debt obligations as of the statement of net position date with expendable net position available. This ratio also indicates whether an institution can assume new debt. Although the institution will receive more funds as it continues to operate past the balance sheet date, this ratio is a good indicator of whether the existing debt assumed exceeds a level the institution can

afford to pay. A benchmark ratio of 1.0 or greater indicates sufficient expendable resources to cover outstanding debt obligations.[5]

Figure 2 shows each institution's Viability ratio compared with average Viability ratio by institution type. For comparison purposes, we excluded UVA's Viability ratio from the average Viability ratio calculation of the highest research institutions, as it is a clear outlier when compared with all other institutions due to the size of its expendable endowment and investment resources. To varying degrees, some institutions have directed giving activities toward not-for-profit foundations, which can deflate the expendable resources shown on the Statement of Net Position and deflate the Viability ratio. In addition, the extent to which an institution has arrangements with a not-for-profit affiliated foundation to provide resources to service long-term debt, these types of arrangements improve the viability of the institution, but the Viability ratio is unable to capture the impact. The chart below shows the Viability ratio of each institution when excluding the impact of pension accounting standards.

Figure 2. Viability Ratio

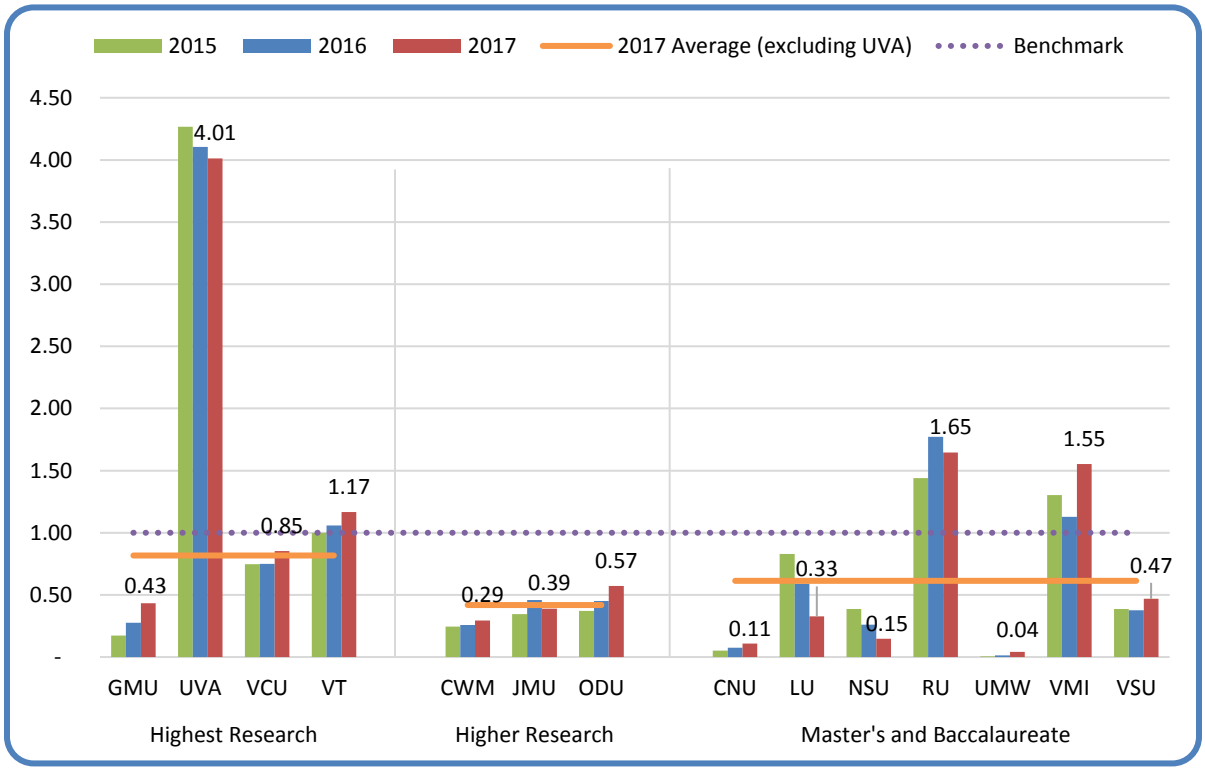


The institutions with the highest ratios over a baseline ratio of 1.0 are UVA (4.01), RU (1.65), VMI (1.55) and VT (1.17). The institutions with the lowest ratios include CNU (0.11), NSU (0.15), and UMW (0.04). UVA's much larger Viability ratio is primarily due to a large amount of cash equivalents and investments at its disposal as expendable resources. As already noted above, UVA's endowment and other investments make up a significant portion of its total assets. GMU has a lower Viability ratio than others classified as highest research institutions due to its significant investment in capital assets and corresponding long-term debt obligations incurred to finance those assets. GMU's capital assets comprise approximately 75.1 percent of total assets and, as noted above, the Viability ratio does not consider capital assets to be expendable resources available to settle obligations. The Age of Facilities ratio shown later in this report corroborates this assessment, as GMU's facilities are younger in age than the other institutions in the highest research category. Institutions in the higher research category remain somewhat consistent in viability as they maintain similar proportions of expendable assets to

liabilities. VMI's Viability ratio is larger than most other institutions in the master's and baccalaureate category as it has a lower debt load relative to total assets. Similarly, as noted in the Primary Reserve ratio discussion, RU's sizeable cash and cash equivalent balances have a similar impact in increasing its Viability ratio. UMW has a lower Viability ratio than others in the master's and baccalaureate category primarily due to fewer expendable resources available to pay long-term debt obligations. UMW's capital assets represent approximately 92 percent of total assets, leaving limited assets in expendable resources prior to considering liabilities. Additionally, UMW's total liabilities represent 54.7 percent of total assets, which is roughly ten percent higher than other institutions in the master's and baccalaureate classification.

A year-to-year comparison of Viability ratio is helpful to show trends at the individual institution level and across the various classifications of institutions. In some cases, the Viability ratio may experience a temporary decrease because of institution growth initiatives. For example, construction of a new building may result in an increase in debt, which may further constrain existing expendable resources. While these types of activities may temporarily decrease the Viability ratio for a particular institution, the ratio should trend upwards over the long term. Figure 3 shows a side-by-side analysis of fiscal year 2015 through 2017 Viability ratios for each institution. As noted, some institutions experienced small declines, while VMI notably experiences a large increase from 1.13 as of fiscal year 2016 to 1.55 as of fiscal year 2017, primarily due to an increase in assets and a corresponding decrease in liabilities, resulting in a year over year increase in expendable net position.

Figure 3. Viability Ratio Trends

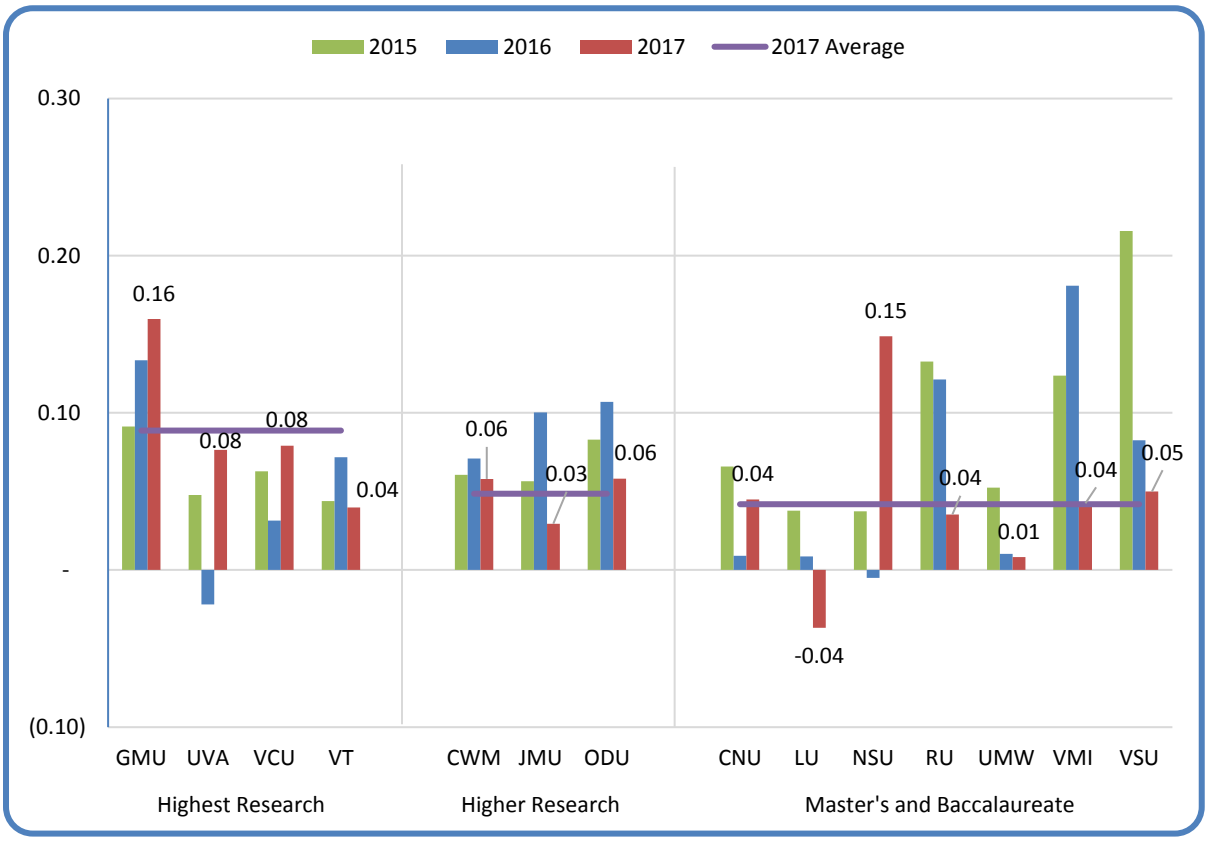


Return on Net Position Ratio

Another measurement of an institution's operating performance is the Return on Net Position ratio, which measures total economic return. This ratio considers all forms of revenue and expense for a given fiscal year compared to the institution's net position by dividing the change in net position by the total beginning net position. In general, a higher return on net position indicates a stronger year of financial performance. An institution with less long-term debt generally has a higher return on net position. Several different factors can impact this ratio, including periods of capital expansion or periods of high investment returns. There is generally not a fixed benchmark to apply or achieve for this ratio; however, institutions often look to make this ratio positive and improve over time.

The Return on Net Position ratio answers whether the university is achieving a positive economic return on its investment of resources.

Figure 4. Return on Net Position Ratio



As seen in Figure 4, GMU and NSU have the highest Return on Net Position ratios at 0.16 and 0.15, respectively, while LU has the lowest ratio at -0.04 for fiscal year 2017. GMU's higher ratio is due to a smaller operating loss during fiscal year 2017 relative to peer institutions and significant capital appropriations and capital grants and contributions, which resulted in a larger increase in net position relative to total net position at the beginning of the year. Capital contributions increase the volatility in this ratio from year to year, as institutions record revenue in a given year when the Commonwealth

provides capital funding for selected projects; however, an institution may not receive funding every year. NSU's Return on Net Position ratio also increased significantly from fiscal year 2016 to fiscal year 2017. The primary reason for the increase appears to be a decrease in the institution's operating loss from fiscal year 2016 to 2017 and an increase in funding from state general fund appropriations and capital appropriations. The three-year downward trend in the ratios for RU and VSU further illustrates the impact of capital activity on these ratios, as both institutions experienced decreased capital appropriation support during fiscal year 2017 relative to previous fiscal years. LU experienced an overall decrease in operating revenues from fiscal year 2016 to 2017 and an increase in operating expenses resulting in a year over year increase in net operating loss. Additionally, as revenues from state appropriations and capital appropriations were not sufficient to offset the increase in operating loss, the institution experienced a decline in overall net position for fiscal year 2017. Like many institutions, the decrease in operating revenue is partially the result of declines in enrollment following the increases in enrollment during the recent nationwide recession. However, the increase in operating expenses is primarily due to the Vice Presidential debate, which LU hosted prior to the 2016 Presidential election.

Age of Facilities Ratio

The Age of Facilities ratio is a comparison of the current year's depreciation expense for buildings, infrastructure, and improvements compared to the total accumulated depreciation for those asset categories. This ratio provides an approximate average age of facilities in years by dividing the accumulated depreciation by the current year's expense. This is an important ratio to take into consideration because this ratio can be an indicator of future building, infrastructure and maintenance needs. In general, a higher Age of Facilities ratio represents a greater immediate need for facility improvements. In Figure 5 below, we see a comparison of the Age of Facilities ratio across institutions, grouped according to institution classification.

The Age of Facilities ratio roughly calculates the average age of facilities and improvements in years.

Figure 5. Age of Facilities Ratio (in years)

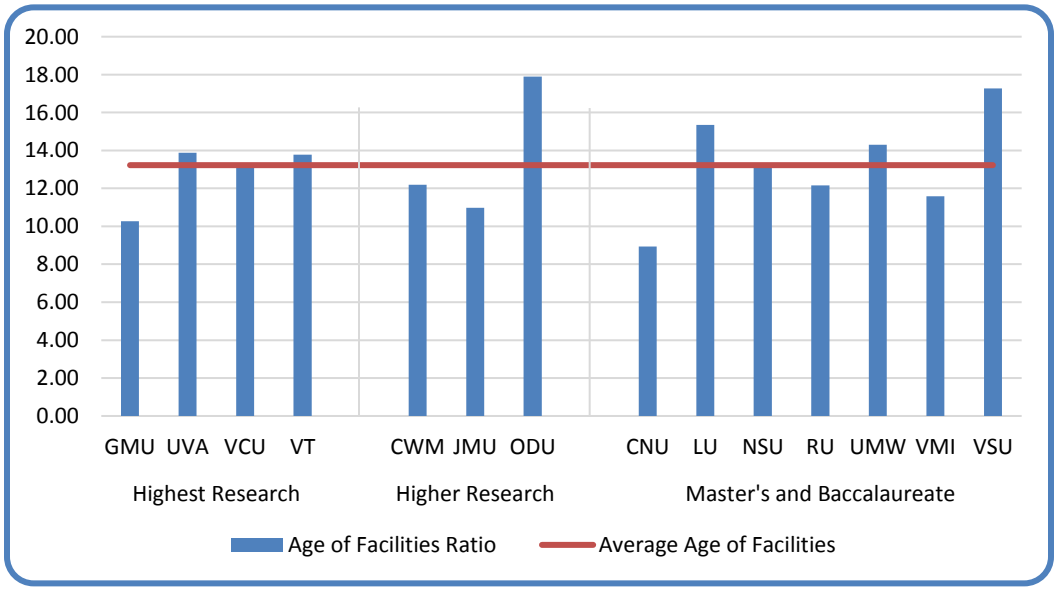


Figure 5, shows the highest and lowest Age of Facilities ratios are ODU (17.89) and CNU (8.94). Many different factors affect this ratio—the most prevalent of which is investment in capital assets. Based on review of CNU's capital asset activity, the institution added $28.2 million in building and infrastructure capital assets in fiscal year 2017 and had approximately $24 million in ongoing capital projects at fiscal year end. CNU is the youngest comprehensive institution in the Commonwealth as they were part of CWM until 1977 and gained university status in 1992. Therefore, CNU's expansion and investment in capital assets is consistent with a younger, growing institution. GMU's long-term liabilities, excluding pension liabilities, are the highest relative to total assets of the institutions included in the highest research institution classification at 38.0 percent. This indicates GMU's relative debt load compared with the other institutions is higher and helps to explain the lower Age of Facilities ratio as it has been building a higher proportion of new buildings than the other institutions over the last several years.

The extent to which the institution relies upon its foundation to finance capital projects may also impact this ratio. In many cases, an institution enters into operating leases with a related foundation or other entity to rent space. For example, as of the end of fiscal year 2017, ODU had future minimum rental payments of $33.9 million under leases for equipment and space, while CWM only reports $7.3 million in future rental payments as of this date. As operating leases may result in the use of new space, but not the recording of a newer asset on the Statement of Net Position, the use of operating leases can result in a higher Age of Facilities ratio relative to other institutions. Additionally, the geography or geographical location of an institution's main campus may also impact its ability to construct new assets, particularly if land is limited based on the location of the campus in a major city.

Activity-Based Ratios

Below is an analysis of how activities of the institution relate to each other and are comparisons of activities in the institutions' respective statements of changes in revenues, expenses and changes in net position. These ratios provide information on how the institutions allocate and prioritize resources in achieving their missions.

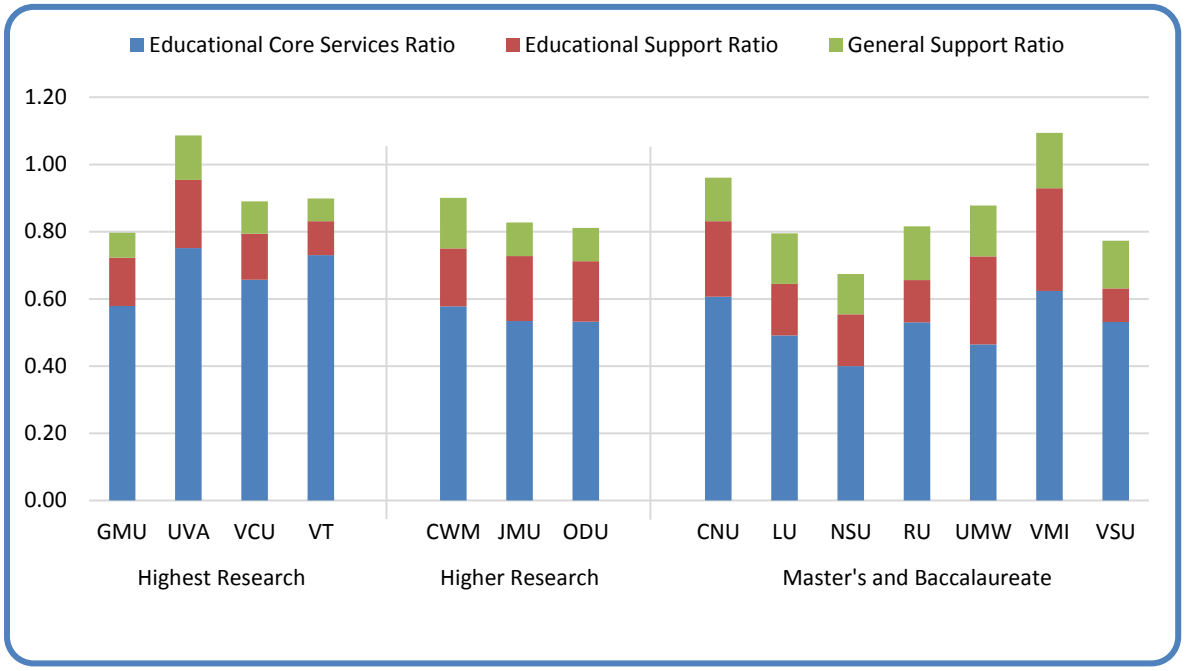
Functional Classification Ratios

Functional Classification ratios show expenses of certain functions as a percentage of E&G revenue.

We consider Educational Core Services, Educational Support, and General Support ratios to be Functional Classification ratios. Institution financial statements typically group expenses by the various functions of the institution. These ratios show expenses of certain functions as a percentage of an institution's educational and general (E&G) revenue. For the purposes of this analysis, education and general revenue includes operating revenue, excluding patient services and auxiliary revenue, and including Pell grant and state appropriation revenue. The Educational Core Services ratio includes expenses related to instruction, research, and public service functions. The Educational Support ratio includes academic support and student services functions and the General Support ratio consists of expenses for institutional support

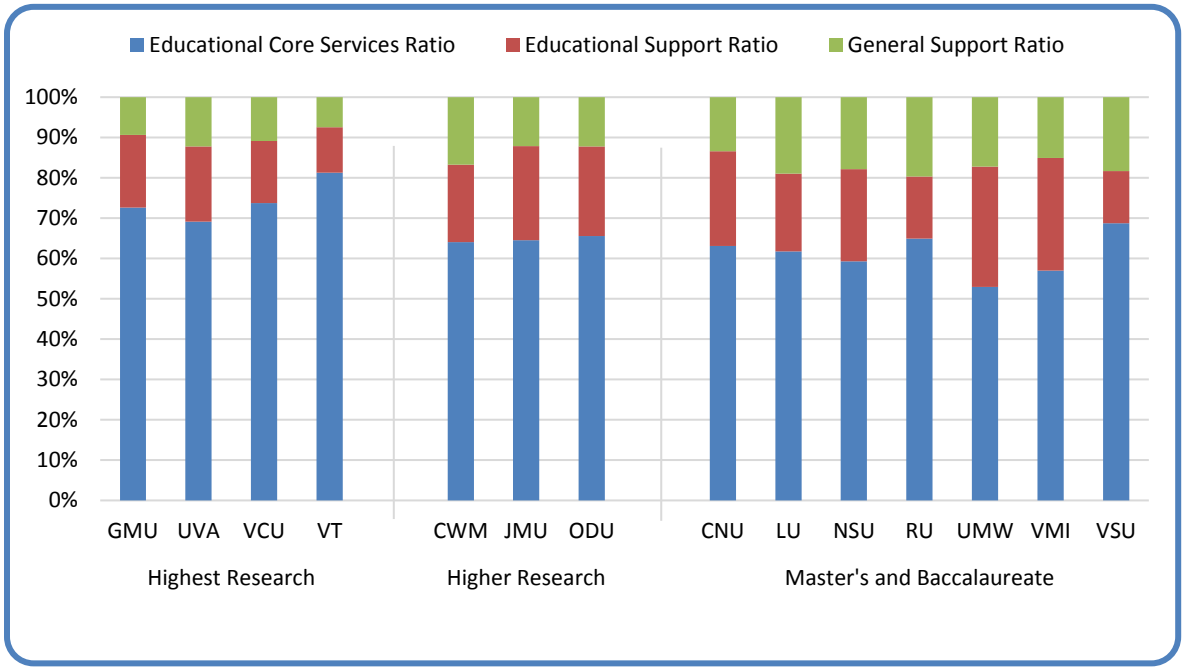
functions. The operating expense classifications included in the institutions' financial statements, but not included in these ratios are operation of plant, student aid, auxiliary services, depreciation, patient services, and other. Figure 6 below shows a compilation of each institutions' Functional Classification ratios, taken from the individual institutions' financial statements.

Figure 6. Combined Functional Classification Ratios



All institutions spend more on educational core services, educational support, and general support than they receive through operating revenue. As a result, institutions use non-operating revenue, specifically state appropriations, gifts, and non-operating grants and contracts, such as Pell grant revenue, to cover these expenses. The Functional Classification ratios presented account for the use of Pell grant revenue and state appropriations to support operating expenses, but do not include the impact of gifts or investment revenues on spending. Both UVA and VMI have combined ratios that exceed 1.0, indicating that educational core services, educational support, and general support spending exceeds the resources provided from state and federal entities and tuition and fees generated from student enrollment. Both institutions have significant endowments and revenues received from gifts, which provide funds to support institution operations. As a result, the institutions can use those resources to supplement state and federal resources and increase spending when compared to other institutions.

Figure 7. Functional Classification Ratios Spending Distribution



Educational core services (instruction, research, and public service) are directly correlated to the mission of the institution. Figure 7 above shows the breakdown of institutional spending as a percentage of operating and nonoperating revenues excluding gifts and investment income. VT spends just over 80 percent of these revenue sources on educational core services and correspondingly smaller percentages on educational support and general support. UVA spends approximately 70 percent of these revenues on educational support services, but in absolute terms UVA spends more on educational core services and has a higher Educational Core Services ratio than any other institution (0.75). Analyzing this ratio by institutional classification is most appropriate as each grouping of institutions varies in how it accomplishes its institutional mission; for example, highest research activity institutions spend much more on research activities than master's and baccalaureate institutions. Highest research activity institutions will generally have higher educational core service expenses and ratios due to the emphasis on research activity. Research expenses total approximately 17.4 percent of all operating expenses, when excluding hospital operations, for these institutions compared to 5.1 percent for institutions with higher research activity and 1.93 percent for master's and baccalaureate institutions. ODU spends 2.7 percent of total operating expenses on research; however, this amount appears artificially low because ODU's research activity runs primarily through the ODU Research Foundation. As the ODU Research Foundation spent $46.4 million on research during fiscal year 2017, including these expenses would result in a larger percentage of total expenses allocated to research increasing the institution's Educational Core Services ratio. Additionally, public service expenses are comparable as a percentage of total expenses across all institutions, with small outliers in public service expenses at VT and VSU due to their agricultural extension offices. Instruction expenses for all institutions exceed 24 percent of operating expenses, excluding hospital operations at UVA and VCU. All institutions in the highest research and higher research classifications spend more on instruction than any other category as a percentage of total operating expenses. In the master's and baccalaureate classification, institutions generally spend the most on instruction; however, CNU, LU, and VMI spent more on auxiliary

enterprises, such as housing and dining, as a percentage of total operating expenses than any other expense category.

Educational support expenses are supplemental, but necessary, expenses that relate to the mission of the institution. These include expenses such as libraries, academic administration, admissions and registrar's offices, and financial aid. UVA's educational support ratio exceeds the average for the highest research activity institutions due to higher spending on academic support and student services. UVA spent 10.35 percent of total expenses excluding hospital expenses on academic support and 2.99 percent on student services. VT has a ratio that is below the mean for highest research activity institutions due to lower academic support expenses as a percentage of total expenses (6.41 percent) relative to peer institutions. Institutions in the higher research activity are comparable in relative spending on academic support and student services as a percentage of total operating expenses. The master's and baccalaureate institutions vary the most with VMI having the highest ratio and VSU having the lowest. VMI has a higher Educational Support ratio due to higher overall spending relative to state and federal resources received as noted in Figure 6 above. VSU has a lower ratio as it allocates less to academic support and receives more federal grants and contracts than the other institutions in the category, resulting in higher research spending. This additional spending on research activities deflates percentages in other functional classifications as a percentage of total operating expenses.

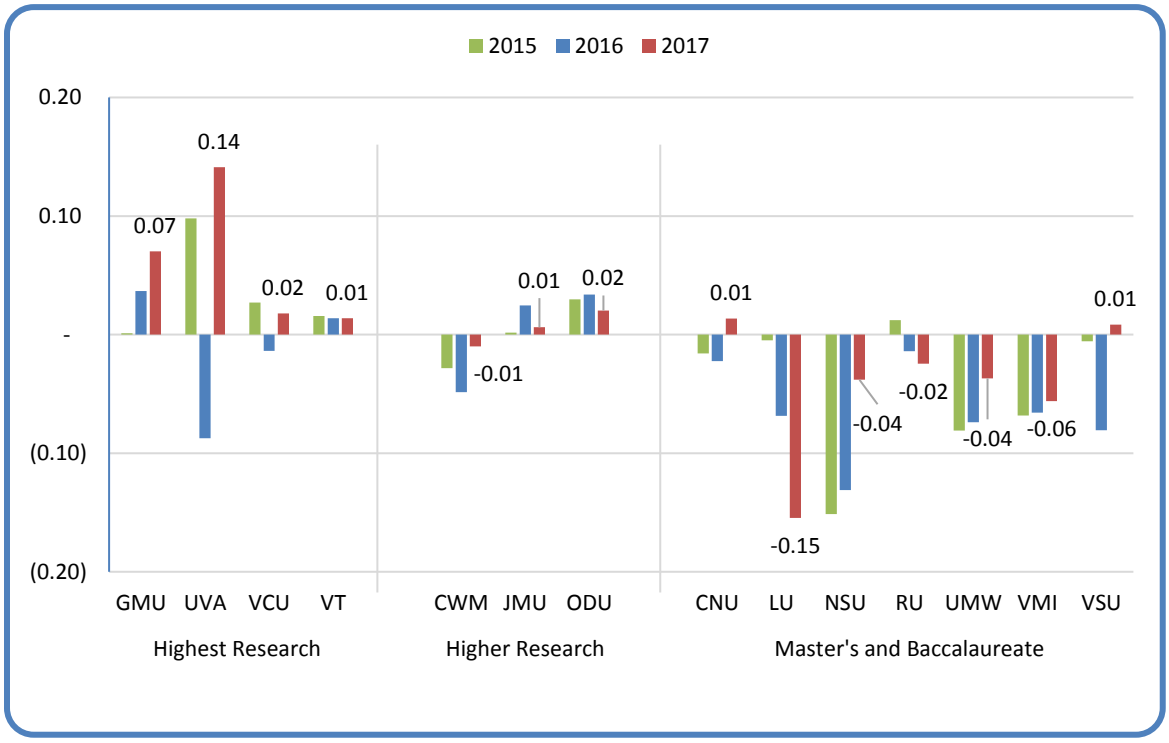
General support expenses indirectly relate to the mission of the institution, and are directly related to the day-to-day operations or business management of the institution. Examples of these expenses include fiscal operations, security, fundraising, and legal services. VT and GMU have lower ratios than other institutions due to lower spending on institutional support, ranging from five to six percent of total expenses. RU's ratio is slightly higher than peer institutions in its classification due to higher overall spending on institutional support (11.09 percent) relative to the average of its peer institutions (9.00 percent). VMI's spending is lower than the average of its peer institutions at 7.24 percent of total expenses; however, VMI generates a much larger percentage of total revenues from gifts at 17.88 percent compared with an average of 2.05 percent of total revenues from gifts for all other institutions, resulting in a slightly higher ratio. As these ratios are a function of spending compared to revenue sources like state appropriations, tuition and fees, and Pell grant revenue, VMI's ratios will appear larger than other institutions as state and federal revenue sources are a relatively smaller portion of its total revenues and spending is higher due to the significant percentage of gifts received by the institution.

Net Operating Revenues Ratio

The Net Operating Revenues ratio measures the operating performance of institutions and indicates whether an institution is living within its available resources. This ratio compares net income excluding capital revenues to the sum of total noncapital revenues. Operating revenues include student tuition, grants and contract revenue, sales and services of educational departments, auxiliary services, and other operating revenues. Nonoperating revenues include state appropriations, Pell grants, investment income, and gift revenue. Within Figure 8 below, we see a comparison of each institution's Net Operating Revenues ratio over the last three fiscal years compared to those of their peers within the respective classifications.

The Net Operating Revenues ratio indicates whether an organization is living within its available resources.

Figure 8. Net Operating Revenues Ratio



The highest and lowest Net Operating Revenues ratios are those of UVA (0.14) and LU (-0.15). The large change from year to year at UVA is primarily due to performance of its sizeable endowment and investment portfolio, which sustained losses during fiscal year 2016, but recovered for significant gains during fiscal year 2017. The nature of investing activities can result in significant volatility in this ratio and contributes to the need to analyze the results of this ratio over several fiscal years. Additionally, capital related revenues excluded from the ratio include maintenance reserve funds provided by the Commonwealth. The exclusion of these revenues artificially lowers the Net Operating Revenues ratio as the net income used in the numerator includes the related maintenance reserve expenses. As noted in the Return on Net Position ratio, LU experienced a decline in enrollment and operating revenues and an increase in operating expense during fiscal year 2017. As the ratio is a measure of total surplus/deficit

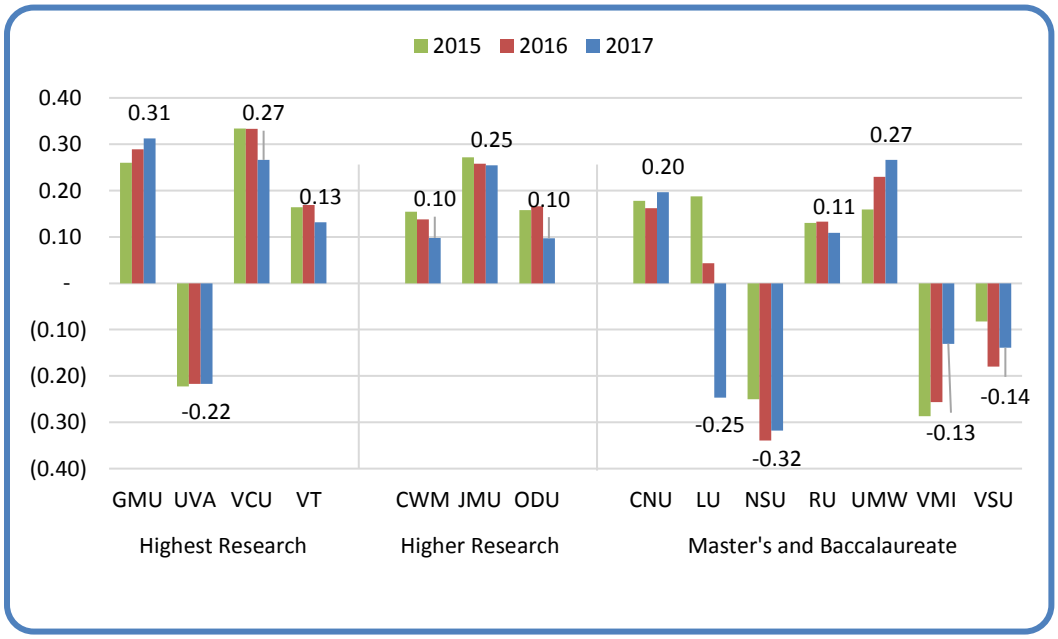
to total noncapital revenues, any decrease in revenue and increase in deficit will result in a noticeable decrease in the ratio. Several other institutions show negative ratios for all three fiscal years; however, in most cases, these ratios improved from fiscal year 2015 through 2017. NSU's ratio notably improved due to a narrowing of its operating loss and increased support from nonoperating revenue sources. Additionally, except for LU, net position increased for all institutions after the inclusion of capital-related revenues, like capital appropriations and capital gifts and grants. The primary explanation for the decline in LU's ratio is additional one-time expenses from hosting the 2016 Vice Presidential debate.

Auxiliary Income Ratio

The Auxiliary Income ratio shows the extent to which auxiliary services are self-sustaining.

The Auxiliary Income ratio intends to show whether the revenues in support of auxiliary enterprises exceed the expenses for those services. Auxiliary services are all those not related to an institution's core educational objectives and include housing, food services, bookstore operations, parking, and others. These enterprises do not receive state general fund support and should be self-sustaining in that the revenues they earn should equal or exceed the expenses. It is important to note that donors often restrict gifts given to institutions to be used for athletics and other auxiliary activities. As institutions receive donations restricted to auxiliary activities and earn auxiliary income, cash reserves can affect activities in the current period under analysis. Institutions with larger auxiliary cash reserves have more flexibility to set and adjust fees for auxiliary services than institutions relying on current period auxiliary income, such as student fees. Figure 9 below shows the Auxiliary Income ratio over a three-year period across institutions by classification. This measure compares auxiliary income to the amount of net auxiliary revenue.

Figure 9. Auxiliary Income Ratio

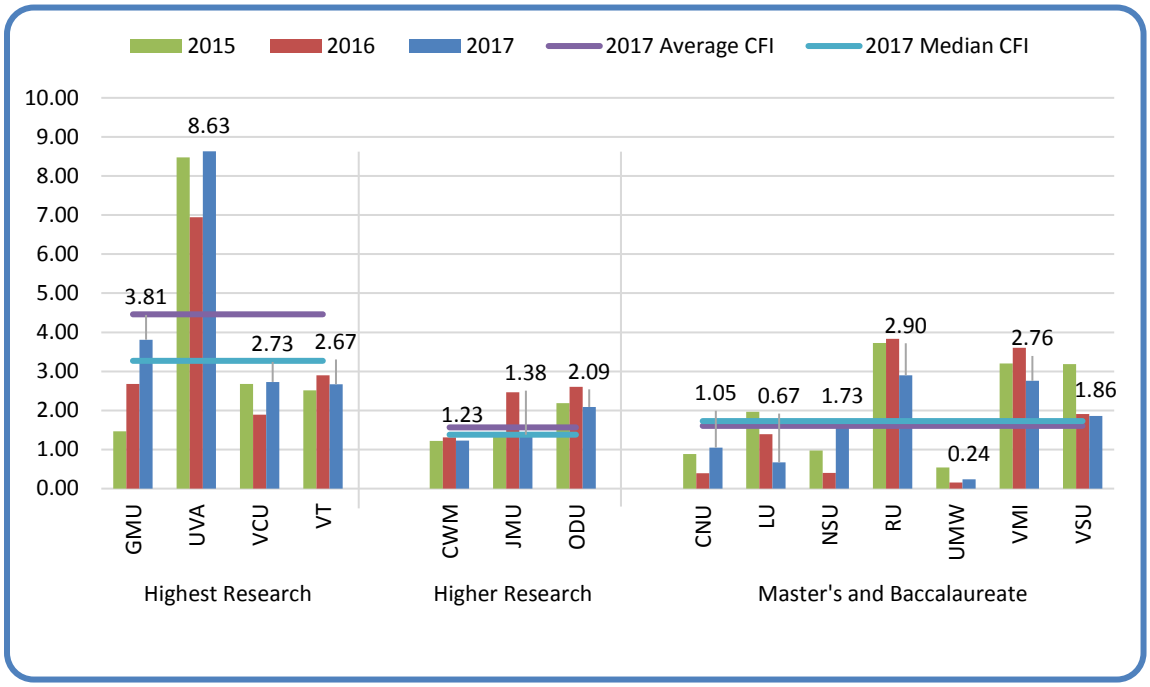


The highest and lowest Auxiliary Income ratios are GMU and NSU, which are 0.31 and -0.32, respectively. Although some institutions have negative auxiliary ratios and negative income in the area of auxiliaries services, this can indicate when an institution elects to use its auxiliary reserve funds or significant resources from endowments, gifts, or other investments to support auxiliary services as opposed to increasing fees for these types of services. Declines in enrollment can also result in significant swings in the Auxiliary Income ratio, particularly if expenses do not decline at the same rate as reduced auxiliary revenues from student fees. For example, NSU experienced significant declines in full-time equivalent enrollment from fiscal year 2013 through fiscal year 2016, with a slight increase in enrollment in fiscal year 2017, and relied on auxiliary reserves over the last several fiscal years to close budget gaps created by declining student enrollment.[7] UVA and VMI rely heavily on contributions from individuals and affiliated foundations to aid in funding their athletic budget. As accounting standards require these items to be recorded in the Statement of Revenues, Expenses, and Changes in Net Position as nonoperating revenues, rather than auxiliary revenues, the ratio of auxiliary income to auxiliary revenue is artificially deflated and will likely continue to appear negative as a result of this accounting treatment and institutions' operating philosophy. Of the institutions with negative ratios, only LU's ratio moved from positive to negative during fiscal year 2017. A review of the institution's revenues and expenses show a slight decrease in revenues consistent with the institution's decline in enrollment noted previously and a large increase in auxiliary expenses. The large increase in expenses relates primarily to hosting the 2016 Vice Presidential debate and increased residential services expenses due to the opening of two new dorms during the fiscal year.

Composite Financial Index (CFI)

The Composite Financial Index or CFI combines four core ratios by assigning various weights to generate an aggregate score for financial strength and stability. These ratios: Primary Reserve ratio, Viability ratio, Net Operating Revenues ratio, and Return on Net Position ratio provide for an understanding of the institutions' available resources and results of current operations, which when applied to certain benchmark factors generates a score from one to ten indicating strength of the institution. A score close to one indicates that the institution may be very light on expendable resources and have difficulty meeting operating demands in the current environment. On the contrary, a score of ten indicates that an institution has significant financial flexibility and is operating well within its means. A benchmark score of three generally indicates that an institution is financially healthy.[5] In the event that a specific ratio is negative for an institution, the calculation uses a strength score of zero for that particular ratio, rather than using a negative number to avoid calculating a negative CFI score.

Figure 10. Composite Financial Index (CFI)



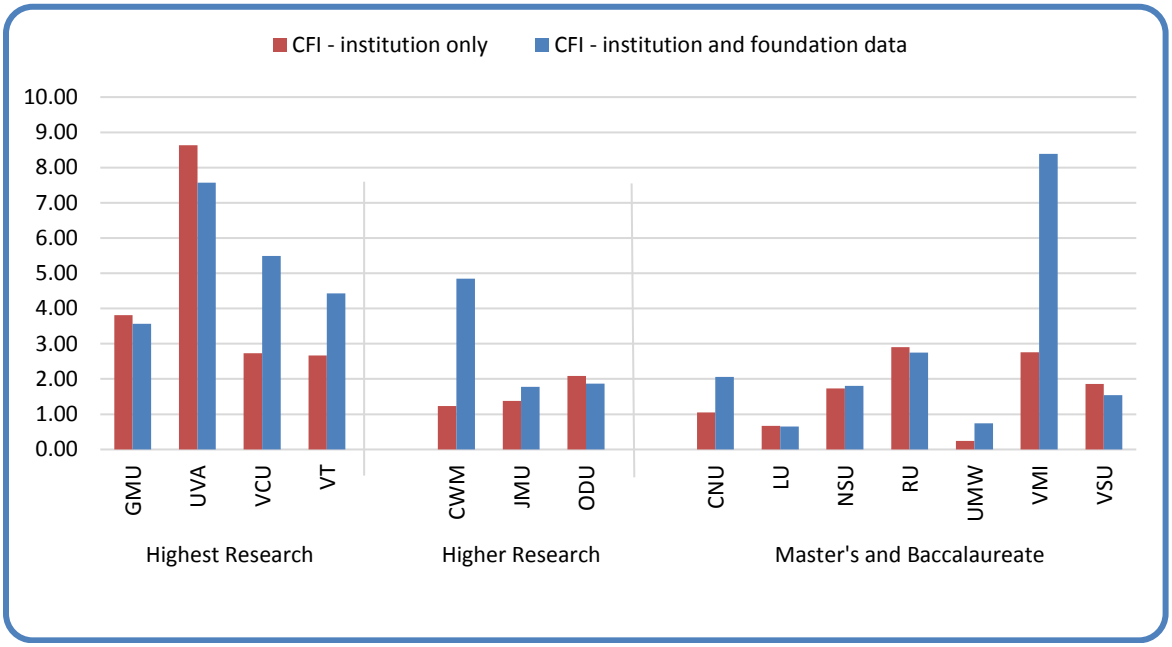
As with other ratios, it is important to recognize that absolute comparisons between institutions are not usually appropriate. Each institution has different needs, both capital and operational, that may result in short-term increases or decreases in the CFI to fulfill programmatic requirements and the institution's strategic plan. Reviewing trends in the CFI over time helps to adjust for the impact of significant one-time events that may disproportionately impact a ratio in a given fiscal year. Similar to the ratios that comprise the CFI, UVA shows its relative financial strength and flexibility with a calculated CFI of 8.63 compared with an average and median CFI of 4.46 and 3.27, respectively, for the institutions with the highest level of research activity. However, it should be noted that the CFI's for the other institutions in this classification are either slightly above or below the benchmark ratio of 3.0, indicating relatively strong overall financial health. Institutions in the higher research classification are similar with an average and median CFI that approximate each other. ODU's CFI of 2.09 is the highest in the group, with JMU and CWM consistently above 1.0. In the master's and baccalaureate classification, the CFI scores range from 0.24 for UMW to 2.90 for RU. Four institutions exceeded the average CFI for the classification during fiscal year 2017 with VMI and RU exceeding the benchmark ratio of 3.0 in two of the last three fiscal years, while falling slightly below for the third year. UMW's CFI ranged from a high of 0.54 in fiscal year 2015 to a low of 0.15 in fiscal year 2016 before rebounding slightly to 0.24 during fiscal year 2017. Despite the low ratio, UMW has seen an increase in its Primary Reserve ratio and Viability ratio over the last three fiscal years, which indicates the institution's financial flexibility may be improving. LU's dip in the CFI during fiscal year 2017 appears primarily the result of one-time outflows supporting the 2016 Vice Presidential debate, which resulted in a net decrease in net position from fiscal year 2016 to fiscal year 2017.

The CFI provides a snapshot of an institution's total financial health by weighting four core ratios to develop a composite score.

It is important to note that the degree to which institutions use foundations for fundraising and endowment support can have a tremendous impact on the CFI. Although the various ratios in this report do not reflect the financial information of the not-for-profit foundations of the Commonwealth's four-year institutions of higher education, the Commonwealth's Comprehensive Annual Financial Report (CAFR) prepared by the Department of Accounts each year does allow for a general calculation of CFI for the combined University/Foundation entity. Although the CAFR is not as detailed as each institution's individually published financial statements, there is sufficient information to perform a quick calculation of CFI using the same framework as noted above for each individual institution.

Figure 11 below reflects CFI for the combined University/Foundation enterprise. Formulas for ratios used in the combined CFI calculation are generally consistent with the CFI calculation shown for the institution as a standalone entity in Figure 10; however, the Viability ratio calculated for the combined entity uses total long-term liabilities rather than long-term debt in the denominator. This relative difficulty in obtaining detailed comparable data for long-term debt of the consolidated higher education entity from the CAFR is the reason for this variation. As a result, the CFI scores shown below are likely lower than they otherwise would be when excluding long-term liabilities other than long-term debt. Regardless, the ratios provide a relative understanding of the impact of foundations and affiliated organizations on the financial health of the combined enterprise.

Figure 11. Composite Financial Index (CFI) including Foundations



Certain entities experience a significant increase in CFI when adding the financial activity of their respective foundations into the calculation. VMI's CFI increases from 2.76 to 8.39, representing the largest increase in CFI under the combined calculation. This increase is primarily the result of the large endowment held with the VMI Foundation, which is one of the largest for public institutions in the United States when considering endowment funds per full-time equivalent student. CWM also experiences a significant increase in CFI due to the size of the endowment held by its affiliated foundations, primarily the College of William and Mary Foundation. Lastly, VCU's CFI increases due to improvement in all ratios

supporting the CFI calculation due to the addition of its foundations, but also the activity of the VCU Health System Authority. Several institutions experience slight decreases in the CFI score after adding in foundation information; however, there are no decreases that are large enough to warrant significant additional attention for the purposes of this report.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 30, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

Please find enclosed a comparative financial report for Virginia's four-year public institutions of higher education. This report primarily uses ratio analysis as a means to analyze financial activity at each institution and shows changes in financial performance over time. We have compiled this report by analyzing financial statements audited by our office at each institution for the fiscal years ended June 30 2015, through June 30, 2017. Should you have any questions, please contact Eric Sandridge, Higher Education Programs Audit Director, or me.

Sincerely,

Martha S. Mavredes
Auditor of Public Accounts

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Highest Research Activity Category

George Mason University

George Mason University (GMU) began holding its first classes in 1949. Originally known as the Northern Virginia University Center, the intention for this institution was to provide two-year degrees and transfer students to four-year institutions, upon completion. In the 1950's, GMU became a branch of the University of Virginia through an act of the Virginia General Assembly. Named after founding father, George Mason, who authored the Virginia Declaration of Rights, GMU began offering four-year degrees in 1966 and became an independent institution in 1972. GMU experienced rapid growth and, throughout the latter 20th century, was known as the most rapidly expanding state institution in Virginia. GMU is the largest public research institution in the Commonwealth based on unduplicated headcount.[8]

The University of Virginia

Thomas Jefferson founded The University of Virginia (UVA) in 1817 before the first Board of Visitors officially chartered the institution in 1819. Today, UVA has three major divisions, including the Academic Division, the Medical Center, and the College at Wise. There are 11 UVA colleges in the Charlottesville area including public policy, arts and sciences, education, business, commerce, architecture, continuing and professional studies, engineering and applied science, law, medicine, and nursing. UVA considers its College at Wise a liberal arts institution, offering 30 different majors. The UVA Medical Center is part of the UVA Health System and is a functioning hospital, which provides medical care to patients.[9]

Virginia Commonwealth University

What is known today as the Virginia Commonwealth University (VCU) Health System was founded in 1838 in Richmond, Virginia as the medical department of Hampden-Sydney College. This medical institution received its independent charter from the Virginia General Assembly in 1854 and officially became the Medical College of Virginia (MCV). In 1925, MCV established its institution of social work and public health as the Richmond Division of the College of William and Mary. This became Richmond Professional Institute (RPI) in 1939 and after adding several liberal arts, business, and other non-medical degrees; RPI dropped its affiliation with the College of William and Mary and combined with MCV to become VCU in 1968. The VCU Health System is a functioning hospital, providing health care to patients and medical education to students. VCU's mission is to advance knowledge and student success through its commitments to an engaged, learner-centered environment; research; interdisciplinary collaborations; health care; diversity; and sustainable, university-community partnerships.[10]

Virginia Polytechnic Institute and State University

Virginia Polytechnic Institute and State University (VT) originally began in 1872 as a land-grant institution called Virginia Agricultural and Mechanical College. A land grant is a gift of federal land to an institution or organization, usually given to an institution so that they can focus on the teaching of practical agriculture, and other types of subjects outside the realm of liberal arts. After a couple of name changes, in 1970, the state legislature sanctioned university status for VT and gave it the legal name of Virginia Polytechnic Institute and State University, which it still holds today. VT is a science, technology, and engineering institution, with some degrees offered in the liberal arts and other fields of study. VT's mission states that they are a "public land-grant university serving the Commonwealth of Virginia, the nation, and the world community. The discovery and dissemination of new knowledge are central to its mission. Through its focus on teaching and learning, research and discovery, and outreach and engagement, the university creates, conveys, and applies knowledge to expand personal growth and opportunity, advance social and community development, foster economic competitiveness, and improve the quality of life."[11]

Higher Research Activity Category

The College of William and Mary

Chartered in 1693, The College of William and Mary (CWM) is the oldest higher education institution in the Commonwealth of Virginia and is the second oldest functioning college in the nation. In the 17th century, King William III and Queen Mary II of England signed the charter for a "perpetual College of Divinity, Philosophy, Languages, and other good Arts and Sciences" to be founded in the Virginia Colony. CWM was also the first co-ed state college in the Commonwealth. CWM has had affiliations with and helped start Virginia Commonwealth University, Christopher Newport University, Old Dominion University, and today has affiliations with junior college, Richard Bland College and the Virginia Institute of Marine Science, which focuses on marine biology. CWM's mission is a detailed approach to achieving their vision of "building on more than 300 years of innovation and excellence, breaking the boundaries between research and teaching, student and teacher, living and learning."[14]

James Madison University

Established in 1908, James Madison University (JMU) began as the State Normal and Industrial University for Women. The institution officially changed its name to Madison College in 1938 in honor of President James Madison and went onto become James Madison University in 1977. It was not until 1966 that the institution became a co-ed institution by an action of the Virginia General Assembly. Today, JMU offers more than 120 degree programs, predominately in the area of the liberal arts. JMU's mission states that the University is "a community committed to preparing students to be educated and enlightened citizens who lead productive and meaningful lives."[12]

Old Dominion University

Old Dominion University (ODU) was originally founded in 1930 as the Norfolk Division of the College of William and Mary. It became an independent institution in 1962 and was granted university status in 1969. ODU's focuses on science, engineering, and technology, as these fields are important to the Hampton Roads region. The Institution's mission states "ODU, located in the City of Norfolk in the metropolitan Hampton Roads region of coastal Virginia, is a dynamic public research institution that serves its students and enriches the Commonwealth of Virginia, the nation, and the world through rigorous academic programs, strategic partnerships, and active civic engagement."[13]

Master's and Baccalaureate Category

Christopher Newport University

Christopher Newport University (CNU) started in 1960 as a full-time extension of the College of William and Mary. CNU was named after Captain Christopher Newport, who was an English sailor who brought settlers to Jamestown and the Virginia Colony and helped found Britain's first permanent settlement in Bermuda. Christopher Newport College became independent in 1977, offering liberal arts degrees with the intention of becoming a university, which it did in 1992. CNU is the youngest comprehensive institution in the Commonwealth. The institution offers a range of different degrees, but is generally considered a liberal arts institution. CNU's mission is to "provide educational and cultural opportunities that benefit CNU students, the residents of the Commonwealth of Virginia, and the nation."[15]

Longwood University

Originally called the Farmville Female Seminary Association, Longwood University (LU) was founded in 1839 with the intention of providing seminary education to women. It became Longwood College in 1949 and achieved university status in 2002. It became a co-ed institution in 1976. Today, LU is a liberal arts institution, offering over 100 different majors and minors. Longwood's mission states that the institution is "dedicated to the development of citizen leaders who are prepared to make positive contributions to the common good of society. Building upon its strong foundation in the liberal arts and sciences, the University provides an environment in which exceptional teaching fosters student learning, scholarship, and achievement. As the only four-year public institution in south central Virginia, Longwood University serves as a catalyst for regional prosperity and advancement."[16]

Norfolk State University

Norfolk State University (NSU) was founded in 1935 with the intention of helping students become successful through higher education in the midst of the great depression. The Norfolk Unit of Virginia Union University, as it was known at its founding, went on to become the independent Norfolk Polytechnic College in 1942. Through an act of the General Assembly, NSU then became a public institution as a part of Virginia State College (now Virginia State University). NSU began offering its first baccalaureate degree in 1956 and separated from Virginia State, becoming fully independent in 1969.

NSU achieved university status in 1979 and then began granting graduate degrees. NSU's mission states it "is committed to transforming students' lives through exemplary teaching, research and service. Offering a supportive academic and culturally diverse environment for all, the University empowers its students to turn their aspirations into reality and achieve their full potential as well rounded resourceful citizens and leaders for the 21st century."[17]

Radford University

The Commonwealth of Virginia established the State Normal and Industrial University for Women in 1910. The intent of this institution was to prepare female teachers for Virginia's expanding public university system. In an effort to provide students with a broad professional and technical education, State Teachers College, as Radford was then known, merged with Virginia Polytechnic Institute in 1943. The institution was then the Women's Division of VPI (now Virginia Tech). In 1964, Radford College split with Virginia Tech and, in 1972, Radford began admitting men into its undergraduate programs. In 1979, Radford College achieved university status and became Radford University, as it is known today.[18]

University of Mary Washington

In 1908, the Commonwealth established the State Normal and Industrial School for Women to focus on providing women with preparatory training to become teachers. The institution was renamed Mary Washington College in 1938 after Mary Ball Washington, George Washington's mother. In 1944, the Commonwealth affiliated the institution with the University of Virginia and operated as the women's college for UVA. After becoming co-ed in 1970, Mary Washington College went on to become its own separate entity in 1972. Mary Washington College became the University of Mary Washington after achieving university status in 2004. UMW's mission states that it is "one of Virginia's outstanding public liberal arts universities, providing a superior education that inspires and enables our students to make positive changes in the world."[19]

Virginia Military Institute

In the early 19th century, the town of Lexington, Virginia was partially occupied by one of three arsenals in the Commonwealth. An arsenal guard of about 20 soldiers protected this facility. In 1834, the town of Lexington, Virginia proposed to transform this arsenal into a military college for the arsenal guard cadets, which led to the establishment of the Virginia Military Institute (VMI) in 1839. VMI ceased classes for the better part of the civil war. They were able to rebuild and re-open at the conclusion of the war in 1865. Today, VMI is the oldest state-supported military college in the United States. VMI became a co-educational institution in 1997. VMI continues to incorporate military-style training into its mission of providing of higher education. Students live in barracks, sleep on cots, give up television and other amenities, as well as undergo extensive military-style exercises and drills. VMI offers baccalaureate degrees in both engineering, liberal arts, and other fields. It is the mission of VMI "to produce educated, honorable men and women, prepared for the varied work of civil life, imbued with love of learning, confident in the functions and attitudes of leadership, possessing a high sense of public service, advocates of the American democracy and free enterprise system, and ready as citizen-soldiers to defend their country in time of national peril."[20]

Virginia State University

The Virginia Normal and Collegiate Institute, now known as Virginia State University (VSU), was established by an act of the General Assembly in 1882. The institution became known as Virginia State College in 1946 and split from Norfolk State College in 1969. After achieving university status, the institution was renamed Virginia State University in 1979. VSU offers several different degrees, focusing more on agricultural and natural sciences, as well as engineering and technology. VSU's mission states that it is a public comprehensive 1890 land grant institution and historically black college/institution and "is committed to the preparation of a diverse population of men and women through the advancement of academic programs and services that integrate instruction, research, extension, and outreach. The University endeavors to meet the educational needs of students, graduating lifelong learners who are well equipped to serve their communities as informed citizens, globally competitive leaders, and highly effective, ethical professionals."[21]

CONDENSED STATEMENT OF NET POSITION

(in thousands)

	HIGHEST RESEARCH				HIGHER RESEARCH			MASTER'S AND BACCALAUREATE						
	UVA	VCU	VT	GMU	CWM	ODU	JMU	CNU	NSU	LU	VMI	RU	UMW	VSU
ASSETS														
Current Assets:														
Cash, cash equivalents, & investments	$ 97,819	$ 313,280	$ 101,468	$ 329,135	$ 50,089	$ 111,509	$ 190,619	$ 34,064	$ 14,445	$ 20,851	$ 24,510	$ 107,758	$ 15,238	$ 25,507
Other current assets	411,309	94,856	119,112	65,477	22,082	35,292	27,190	6,237	11,285	6,813	10,589	14,068	5,209	8,193
Noncurrent Assets:														
Cash, cash equivalents, & investments	6,952,935	194,468	574,933	9,223	144,672	49,780	30,279	7,809	10,327	19,322	20,604	-	5,855	43,932
Capital assets, net	3,513,428	1,106,415	1,680,513	1,224,502	856,806	621,912	1,080,586	517,476	278,209	242,239	337,660	352,875	311,870	302,547
Other noncurrent assets	94,642	146,896	52,444	3,192	2,238	3,734	2,092	71	4,882	6,347	1,197	1,524	1,717	2,532
Total Assets	11,070,133	1,855,914	2,528,470	1,631,529	1,075,887	822,228	1,330,765	565,657	319,148	295,572	394,560	476,225	339,889	382,711
DEFERRED OUTFLOWS	133,411	77,364	84,584	51,854	32,263	36,354	45,407	13,660	8,731	9,530	4,576	15,508	6,827	12,192
LIABILITIES														
Current Liabilities:														
Accounts payable & accrued expenses	310,267	91,591	140,306	59,881	43,768	36,276	47,136	20,771	17,498	11,561	9,905	20,434	11,889	8,301
Unearned revenue	105,726	36,826	43,236	45,955	15,049	11,894	19,055	1,440	2,929	1,946	1,016	3,715	1,766	1,893
Long-term liabilities - current portion	95,746	55,962	55,841	46,864	26,010	22,565	25,343	15,286	3,831	5,949	2,064	3,821	5,969	8,178
Other current liabilities	90,754	46,769	22,275	13,956	5,628	2,550	7,826	2,363	2,347	580	686	722	2,362	1,685
Noncurrent Liabilities:														
Net pension liability	551,786	346,093	438,576	220,270	129,482	140,950	166,981	46,826	58,965	42,112	27,501	74,629	40,483	61,525
Long-term liabilities	1,724,839	446,096	497,507	572,290	233,388	219,933	334,898	157,059	44,921	61,184	25,041	53,563	122,830	95,768
Other noncurrent liabilities	31,620	7,677	-	-	-	204	-	-	1,527	1,384	1,268	3,482	539	1,522
Total Liabilities	2,910,738	1,031,015	1,197,741	959,216	453,325	434,373	601,239	243,746	132,017	124,717	67,482	160,367	185,839	178,871
DEFERRED INFLOWS	87,389	17,217	12,981	11,774	4,552	3,846	4,596	2,698	6,642	1,117	1,478	1,991	4,179	5,186
NET POSITION														
Net investment in capital assets	1,921,181	736,646	1,201,333	640,430	629,439	399,393	773,661	353,289	239,199	194,412	318,119	300,575	188,367	214,244
Restricted: Nonexpendable	676,312	50,871	355	7,165	56,362	5,292	-	-	-	-	1,256	-	-	8,923
Restricted: Expendable	2,987,365	41,569	224,156	6,540	38,066	25,226	6,800	-	-	5,538	11,425	5,792	618	28,080
Unrestricted	2,620,559	55,960	(23,512)	58,259	(73,595)	(9,548)	(10,123)	(20,415)	(49,979)	(20,682)	(624)	23,009	(32,287)	(40,401)
Total Net Position	$ 8,205,417	$ 885,046	$ 1,402,332	$ 712,394	$ 650,273	$ 420,363	$ 770,338	$ 332,874	$ 189,219	$ 179,268	$ 330,176	$ 329,375	$ 156,698	$ 210,846

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(in thousands)

	HIGHEST RESEARCH				HIGHER RESEARCH			MASTER'S AND BACCALAUREATE						
	UVA	VCU	VT	GMU	CWM	ODU	JMU	CNU	NSU	LU	VMI	RU	UMW	VSU
OPERATING REVENUES:														
Student tuition and fees, net of scholarship allowances	$ 545,168	$ 336,427	$ 461,750	$ 341,059	$ 183,723	$ 144,278	$ 207,014	$ 38,512	$ 26,088	$ 30,992	$ 24,629	$ 61,205	$ 29,116	$ 25,211
Hospital and Patient services, net of charity care	1,545,404	24,841	-	-	-	-	-	-	-	-	-	-	-	-
Federal grants, contracts, and appropriations	256,145	162,313	213,294	77,543	35,883	7,444	12,819	1,412	17,994	1,766	91	4,039	863	16,519
State and local grants and contracts	7,072	6,264	26,241	30,941	3,811	975	8,515	235	357	1,342	1	1,225	34	3,138
Nongovernmental grants and contracts	58,689	26,512	51,238	-	6,541	2,410	4,909	78	1,050	3,655	-	262	853	-
Sales and services of educational departments	43,134	54,182	17,979	-	-	-	2,052	-	-	-	346	-	-	-
Auxiliary enterprises, net of scholarship allowances	137,057	131,685	251,854	194,634	93,752	122,356	182,512	70,253	23,473	45,519	23,095	54,977	39,667	27,760
Unique military activities, net of scholarships allowances	-	-	-	-	-	-	-	-	-	-	3,297	-	-	-
Other operating revenues	60,423	18,342	9,154	19,746	6,086	3,522	1,848	4,115	689	384	1,354	1,877	1,602	1,378
Total operating revenues	2,653,092	760,566	1,031,510	663,923	329,796	280,984	419,668	114,606	69,653	83,658	52,814	123,585	72,135	74,005
OPERATING EXPENSES:														
Instruction	431,214	360,175	357,871	284,234	125,405	166,846	162,056	35,500	37,509	34,763	22,780	70,208	29,404	39,811
Research	331,068	186,645	311,297	67,713	54,704	12,286	3,624	1,728	8,592	62	188	491	301	7,688
Public service	57,332	8,575	97,761	19,292	32	566	15,633	-	541	1,704	1,416	3,322	586	8,370
Academic support	171,604	99,490	87,416	62,582	35,845	42,407	46,945	9,133	12,712	6,957	7,854	10,904	9,030	5,847
Student services	49,515	16,334	18,627	29,392	17,976	18,309	18,609	7,334	5,255	4,437	4,114	6,678	8,069	4,653
Institutional support	144,948	81,918	70,276	47,809	47,133	33,495	34,010	9,870	14,029	11,237	6,454	22,429	9,861	14,902
Operation and maintenance of plant	126,559	81,186	84,917	43,695	26,411	32,739	44,345	9,103	10,376	9,077	8,443	12,828	7,609	9,793
Student aid	74,450	35,294	16,488	27,814	32,662	20,163	9,480	1,679	10,589	3,366	891	6,888	726	2,411
Auxiliary enterprises	166,822	96,633	218,712	133,788	84,583	110,507	136,066	56,438	30,942	56,744	26,111	48,999	29,111	31,619
Unique military activities	-	-	-	-	-	-	-	-	-	-	10,911	-	-	-
Depreciation and amortization	127,780	63,742	101,310	62,372	32,254	23,959	41,921	16,969	14,564	9,882	-	19,412	9,612	10,516
Hospital and Patient services	1,448,163	22,893	-	-	-	-	-	-	-	-	-	-	-	-
Other	(23,968)	16	55	-	429	-	-	-	-	18	-	-	2,598	-
Total operating expenses	3,105,487	1,052,901	1,364,730	778,692	457,435	461,278	512,688	147,755	145,108	138,247	89,161	202,159	106,908	135,610
Operating income (loss)	(452,395)	(292,336)	(333,220)	(114,770)	(127,640)	(180,293)	(93,020)	(33,149)	(75,456)	(54,590)	(36,347)	(78,575)	(34,773)	(61,605)
NON-OPERATING REVENUES/(EXPENSES):														
State appropriations	168,664	230,834	261,717	161,356	76,480	150,135	91,681	33,191	57,166	32,320	14,741	60,760	30,846	47,001
Gifts	163,356	44,155	61,640	1,705	39,432	12,846	7	1,986	807	-	15,301	-	-	658
Investment income, net	728,658	20,824	18,491	2,362	10,030	1,959	1,595	291	72	384	1,777	856	105	3,816
Pell grant revenue	12,485	29,314	17,620	30,167	5,558	32,375	12,490	3,038	14,014	4,322	930	12,243	3,532	13,323
Interest on capital asset related debt	(69,062)	(17,858)	(14,851)	(21,375)	(5,914)	(7,446)	(7,963)	(4,526)	(1,518)	(1,497)	(676)	(1,099)	(4,674)	(3,458)
Other non-operating revenues/(expenses)	(24,374)	4,563	8,108	1,032	(2,529)	244	(1,520)	1,277	(487)	256	(420)	950	980	1,464
Total nonoperating revenue (expenses)	979,727	311,831	352,725	175,247	123,058	190,114	96,289	35,258	70,054	35,785	31,654	73,710	30,789	62,804
Income/(loss) before other revenues, gains, or losses	527,332	19,496	19,505	60,478	(4,582)	9,820	3,269	2,109	(5,401)	(18,805)	(4,694)	(4,864)	(3,983)	1,199
Capital Appropriations, Grants, and Contributions	46,294	64,855	44,507	64,462	42,813	16,967	18,650	12,629	39,628	10,188	19,503	16,515	6,304	12,215
Additions to Permanent Endowments	46,963	7	-	1	-	-	-	-	-	-	-	-	-	667
Other	-	-	-	-	-	(20)	-	-	-	105	33	-	-	-
Change in net position	620,589	84,358	64,012	124,940	38,231	26,768	21,919	14,738	34,227	(8,511)	14,842	11,651	2,321	14,081
Total net position - beginning	7,584,828	800,688	1,338,320	587,453	612,042	393,596	748,418	318,136	154,992	187,779	315,334	317,724	154,377	196,765
Total net position - ending	$ 8,205,417	$ 885,046	$ 1,402,332	$ 712,394	$ 650,273	$ 420,363	$ 770,338	$ 332,874	$ 189,219	$ 179,268	$ 330,176	$ 329,375	$ 156,698	$ 210,846

Asset Allocation & Performance

Quarterly Report for As of September 30, 2018

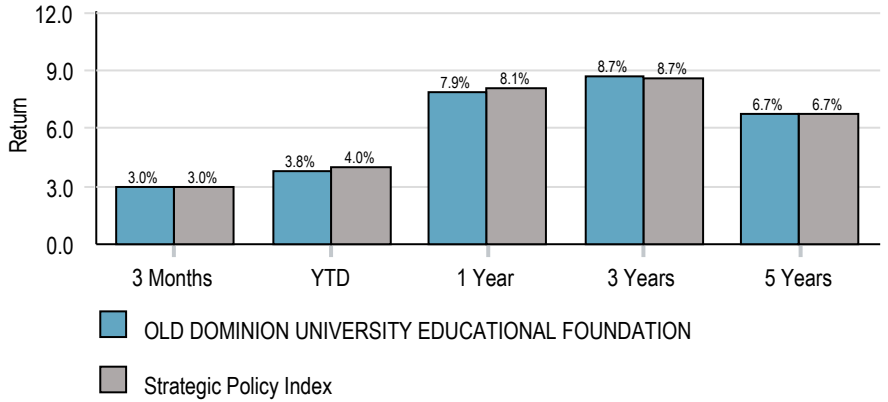
Asset Allocation on September 30, 2018

	Actual $	Actual (%)	Target (%)
US Equity	$63,538,170	25.2	25.5
Non-US Equity	$60,351,287	24.0	23.5
US Fixed Income	$18,641,196	7.4	7.0
Non-US Fixed Income	$11,644,771	4.6	5.0
Hedge Funds	$37,002,910	14.7	15.0
Real Assets	$24,440,043	9.7	10.0
Cash	$1,014,274	0.4	1.0
Private Equity	$35,299,332	14.0	13.0
Total	**$251,931,984**	**100.0**	**100.0**

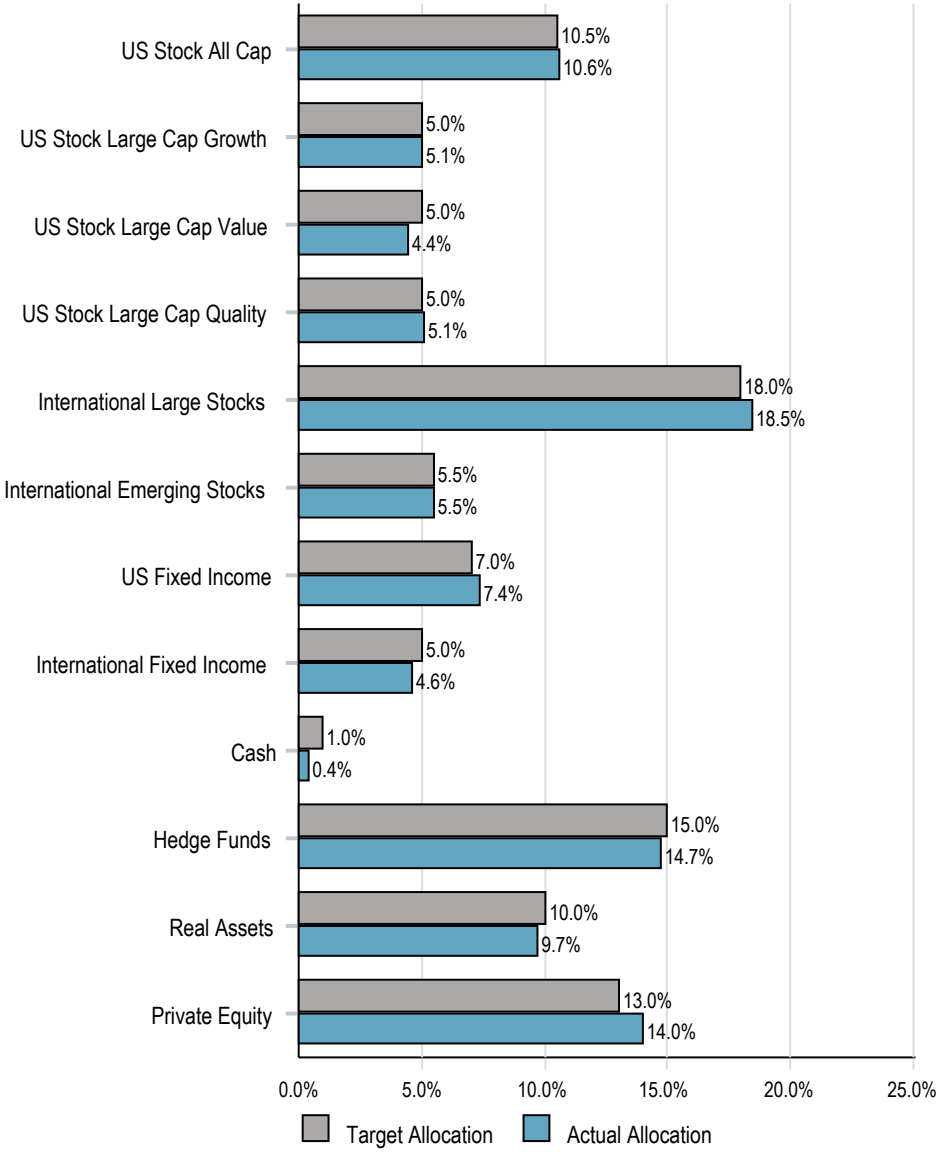
Summary of Cash Flows

	Last Three Months	One Year
Beginning Market Value	**$249,814,067**	**$234,967,202**
Net Cash Flow	-$5,543,636	-$2,222,703
Net Investment Change	$7,661,553	$19,187,485
Ending Market Value	**$251,931,984**	**$251,931,984**

Return Summary

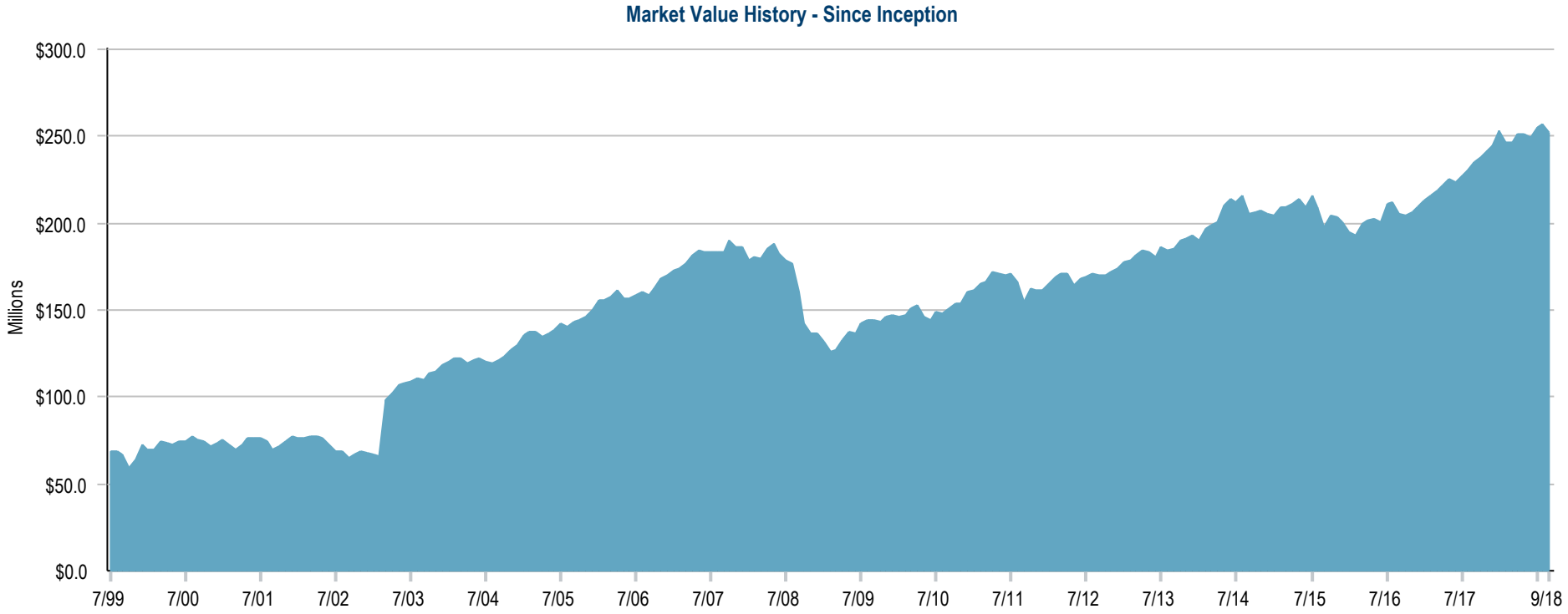


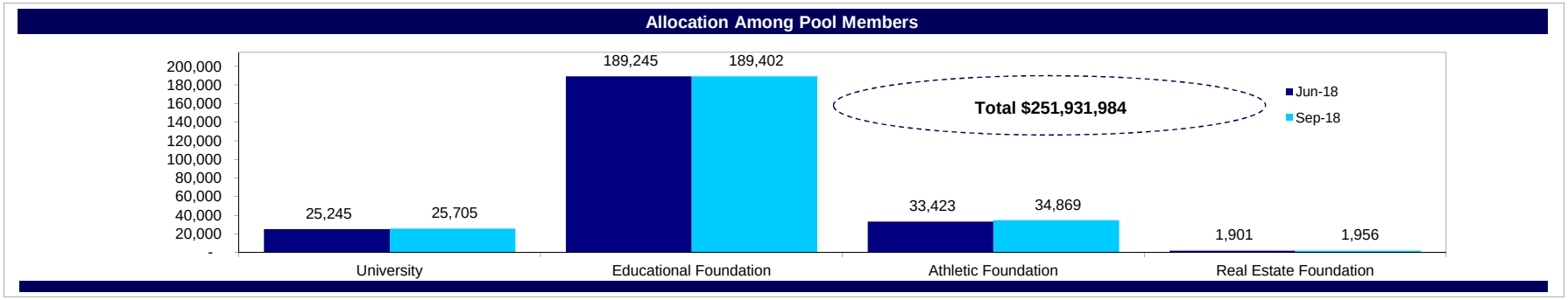
Target Allocation vs. Actual Allocation (%)



Market Value History

uarterly Report for As of September 30, 2018





Asset Allocation & Performance

Quarterly Report for As of September 30, 2018

	Allocation		Performance(%)							
	Market Value ($)	% of Fund	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
OLD DOMINION UNIVERSITY EDUCATIONAL FOUNDATION	**251,931,984**	**100.0**	**3.0**	**3.8**	**7.9**	**8.7**	**6.7**	**6.3**	**5.5**	**Aug-99**
Strategic Policy Index			*3.0*	*4.0*	*8.1*	*8.7*	*6.7*	*6.2*	-	
Over/Under			0.0	-0.2	-0.2	0.0	0.0	0.1	-	
TOTAL EQUITY	**123,889,458**	**49.2**	**4.1**	**3.5**	**9.5**	**13.1**	**8.4**	**8.5**	**8.8**	**Jun-03**
MSCI AC World Index (Net)			*4.3*	*3.8*	*9.8*	*13.4*	*8.7*	*8.2*	*8.4*	
Over/Under			-0.2	-0.3	-0.3	-0.3	-0.3	0.3	0.4	
TOTAL US EQUITY	**63,538,170**	**25.2**	**7.3**	**10.2**	**17.7**	**16.7**	**13.0**	**11.3**	**9.9**	**Jun-03**
Dow Jones U.S. Total Stock Market Index			*7.1*	*10.6*	*17.6*	*17.0*	*13.4*	*12.0*	*10.1*	
Over/Under			0.2	-0.4	0.1	-0.3	-0.4	-0.7	-0.2	
TOTAL INTERNATIONAL EQUITY	**60,351,287**	**24.0**	**0.4**	**-3.4**	**1.5**	**9.8**	**4.6**	**6.2**	**8.3**	**Jun-03**
MSCI AC World ex USA (Net)			*0.7*	*-3.1*	*1.8*	*10.0*	*4.1*	*5.2*	*7.8*	
Over/Under			-0.3	-0.3	-0.3	-0.2	0.5	1.0	0.5	
TOTAL FIXED INCOME	**30,285,967**	**12.0**	**0.2**	**-1.4**	**-1.7**	**2.3**	**1.8**	**4.3**	**4.4**	**Jun-03**
Blmbg. Barc. U.S. Aggregate			*0.0*	*-1.6*	*-1.2*	*1.3*	*2.2*	*3.8*	*3.7*	
Over/Under			0.2	0.2	-0.5	1.0	-0.4	0.5	0.7	
TOTAL CASH	**1,014,274**	**0.4**	**0.3**	**0.7**	**0.9**	**0.2**	**0.2**	**0.6**	**1.5**	**Jun-03**
90 Day U.S. Treasury Bill			*0.5*	*1.3*	*1.6*	*0.8*	*0.5*	*0.3*	*1.3*	
Over/Under			-0.2	-0.6	-0.7	-0.6	-0.3	0.3	0.2	
TOTAL ILLIQUID REAL ASSETS	**25,190,732**	**10.0**	**2.3**	**2.6**	**7.0**	**5.5**	**6.2**	**1.5**	**3.2**	**Oct-05**
NCREIF Townsend Blended Index			*2.5*	*7.7*	*10.2*	*11.0*	*12.2*	*3.7*	*7.4*	
Over/Under			-0.2	-5.1	-3.2	-5.5	-6.0	-2.2	-4.2	
TOTAL HEDGE FUNDS	**37,002,910**	**14.7**	**0.1**	**3.4**	**5.6**	**5.1**	**5.4**	**4.3**	**5.2**	**Jun-03**
HFRI Fund of Funds Composite Index			*0.3*	*1.0*	*3.1*	*3.3*	*3.2*	*2.6*	*3.4*	
Over/Under			-0.2	2.4	2.5	1.8	2.2	1.7	1.8	
TOTAL PRIVATE EQUITY	**34,548,643**	**13.7**	**5.9**	**12.0**	**16.0**	**8.1**	**10.5**	**8.1**	**7.3**	**Jun-03**
Burgiss Global Private Equity Index			*3.3*	*13.5*	*18.7*	*12.6*	*14.0*	*9.2*	*13.3*	
Over/Under			2.6	-1.5	-2.7	-4.5	-3.5	-1.1	-6.0	

MERCER

PROGRESS REPORT ON CAPITAL OUTLAY PROJECTS
(As of December 6, 2018)

PROJECTS UNDER DESIGN

HUGO OWENS HOUSE RESIDENCE HALL

General Project Information: The Master Plan approved by the University's Board of Visitors establishes the need for additional student housing. As the campus becomes more residential, it becomes necessary to add and renovate or replace older housing stock in order to keep a marketable mix of residential alternatives. Using 9C bond proceeds and Housing Fund Balance, this project will construct two new residences halls currently authorized by the Commonwealth. The first of these will be a residence hall of up to 165,000 gross square feet and up to 500 beds named the Hugo A. Owen's House in honor of the University's first African-American rector.

Project Design:	VMDO Architects	
***Funding Source*:**	VCBA 9C Bonds and Housing Fund Balance	
Project Budget:	a) Construction:	$49,500,000
	b) Architect/Engineer Fee:	$4,125,000
	c) Project Inspection:	$475,000
	d) Equipment:	$2,250,000
	e) Construction Contingency:	$1,500,000
	f) Other:	$4,650,000
Total Project Budget:		**$62,500,000**

Status: The University selected VMDO Architects as the project design firm and work began in mid-January, 2017. BCOM approved preliminary (35%) design drawings in June and we submitted an early site and foundation package to BCOM in early October. We will submit the full working drawings (95%) in mid-December.

The University selected the WM Jordan Company as Construction Manager-at-Risk (CMaR) and executed a contract for pre-construction services. The BCOM-approved preliminary design (35%) cost estimates have been reconciled and the CMaR is pricing the early site and foundation package. The project is within budget and on schedule. We anticipate negotiating a Guaranteed Maximum Price with the CMaR in January, 2019. The test pile program will be complete before the end of this year and we expect to begin early site and foundation work in January, 2019.

The University expects to deliver the project in May, 2020.

LABORATORY SCIENCES BUILDING, PHASE I (NEW CHEMISTY BUILDING)

General Project Information: The Laboratory Sciences Building, Phase I (appropriated as the New Chemistry Building) will be a $75,557,000, 110,500 gsf sciences facility. The building will house a number of laboratories, faculty offices, and departmental administrative and technical support areas of the College of Sciences. These include undergraduate teaching laboratories, both undergraduate and graduate research laboratories, dedicated research laboratories, and shared research laboratory support facilities for the Chemistry Department. The building will also house a planetarium that will replace the existing Pretlow Planetarium

Project Design:	Moseley Architects and SmithGroupJJR	
***Funding Source*:**	Chapter 759 VCBA Pooled Projects Bonds	
Project Budget:	a) Construction:	$58,903,000
	b) Architect/Engineer Fee:	$6,655,999
	c) Project Inspection:	$500,000
	d) Equipment:	$5,714,000
	e) Construction Contingency:	$1,178,000
	f) Other:	$2,606,001
Total Project Budget:		**$75,557,000**

Status: The University released an RFP for design services in early November, 2016 and selected Moseley Architects and SmithGroupJJR as the design team in early 2017. BCOM approved preliminary (35%) design drawings and associated cost estimates in May, 2018, and based on its cost reviews, the Commonwealth increased the project budget to $75.5M. We submitted an early site and foundation package to BCOM in late November and full working drawings (95% design) in early December.

After engaging the A/E, the University released an RFP for a Construction Manager-at-Risk (CMaR) and selected WM Jordan Company as the project CMaR, issuing a contract for pre-construction services in late September, 2017. The contractor has reconciled preliminary design estimates and is now reconciling costs for the early site and foundation package and full working drawings. We anticipate mobilizing for site and foundation work in February, 2019.

The building is scheduled for delivery in the fall of 2020.

RECONSTRUCT THE STADIUM AT FOREMAN FIELD

General Project Information: This $65M, 312,418 gsf, 9D bond and institutionally funded project will demolish the existing 1930's era clamshell stadium (S.B. Ballard Stadium) at Foreman Field, while retaining the south end zone Gameday Building and parking garage completed in 2009, and the north end zone bleacher stands renovated at the same time. In place of the clamshell seating, the university proposes to erect new seating grandstands on the east and west sides of the stadium. As envisioned, these seating structures will have elevated concourses and the stadium will have new concession stands and code compliant toilet facilities. Press facilities and coaches' booths will be located on the top of the west seating bowl. The University anticipates demolition of the existing clamshells to begin in November 2018 at the end of the regular football playing season. The new facilities are to be ready for the beginning of regular conference play in the fall of 2019.

Project Design:	Moseley Architects with Populous	
***Funding Source*:**	VCBA 9D Revenue Bonds and Institutional Funds	
Project Budget:	a) Construction:	$53,653,240
	b) Architect/Engineer Fee:	$4,736,680
	c) Project Inspection:	$449,269
	d) Equipment:	$1,451,336
	e) Construction Contingency:	$1,818,947
	f) Other:	$2,890,528
Total Project Budget:		**$65,000,000**

Status: The University selected the team of Mosely Architects and Populous as the designers, completing a contract in September, 2017. Design work began immediately. Concurrently, the University solicited proposals for a project CMaR and awarded a contract for pre-construction services to the SB Ballard Construction Company in late October, 2017. BCOM approved the preliminary (35%) design submittal last spring and we negotiated and executed a Guaranteed Maximum Price (GMP) proposal with S.B.B. Construction Company, awarding a construction contract in late June, 2018. The University submitted an early demolition, site and foundation package earlier this fall and we have received a permit to begin that work. We submitted working drawings (95% design) to BCOM in August and, after several rounds of comments and responses, we expect final approval and a full building permit from BCOM by the end of 2018.

The CMaR completed significant underground utility and its test pile program over the summer while it installed new stadium lights in October in preparation for mobilization in November. Demolition of the existing 1930's-era stadium structure began immediately after the VMI game in November and we expect to deliver the new stadium prior to beginning the 2019 season.

RENOVATE CAFÉ 1201 IN WEBB CENTER

General Project Information: This is the third sub-project undertaken under the Construct Capital Dining Improvements capital project. The $5M, 13,200 gsf non-general fund project will completely renovate the existing Café 1201 in Webb University Center, including the associated catering kitchen which has equipment approaching 30 years of age. The renovated Café 1201 will included a full-sized Chick-fil-A restaurant, Steak 'n Shake and Moe's Southwestern Grill franchises and a re-styled Residential Meal Plan venue. The University anticipates opening the renovated Café 1201 for the Spring Semester commencing in January, 2020.

Project Design:	Waller, Todd, Sadler Architects	
***Funding Source*:**	Institutional Funds	
Project Budget:	a) Construction:	$4,122,028
	b) Architect/Engineer Fee:	$495,500
	c) Project Inspection:	$63,474
	d) Equipment:	$50,000
	e) Construction Contingency:	$130,000
	f) Other:	$138,998
Total Project Budget:		**$5,000,000**

Status: The University released an RFP for design services in early February, 2018 and awarded Waller, Todd, Sadler (WTS) a design contract in late May. Project design kicked off the first week of June. The University submitted preliminary drawings (35% design) to BCOM in early November and expects to complete the design and receive BCOM approval to bid the work in March, 2019. The University will immediately release an Invitation to Bid (IFB) for the project with award expected in early spring. The successful contractor should mobilize immediately after commencement 2019 and achieve substantial completion by the end of November, 2019.

The University anticipates opening the renovated Café 1201 for the Spring Semester, 2020.

CONSTRUCT HEALTH SCIENCES BUILDING – DETAILED PLANNING

General Project Information: In 2017 the Commonwealth approved the proposed New Health Sciences Building for detailed planning (35% design) to establish project program and budget. Once complete, the Commonwealth with review and evaluate the budget and design for final approval and appropriation of all project costs from the General Fund. The University has provided up to $3M of institutional monies to complete detailed planning. The Commonwealth will reimburse this amount upon final authorization and funding of the project. BCOM provided the figures shown below as estimated costs for a design-to-budget for the detailed planning effort.

The proposed Health Sciences facility is a 126,000 gsf, multi-story building of standard 40 year construction, built on a pile supported slab. We anticipate that, subject to initial project design review, the new building will be constructed on the northwest corner of 41st Street and Hampton Boulevard. The annunciated vision for the facility is to improve healthcare through Inter-professional collaboration. To that end, the project envisions a student centered "home base" for students with informal interactive learning areas and state of the art teaching/learning environments. It is anticipated, pending program development, that the building will house Medical Diagnostics and Translational Sciences (MDTS) and Environmental Health Research Laboratories and support space, clinical teaching labs, and other teaching labs including, but not limited to, gross anatomy, Cytology, hematology, microbiology, instrumentation, clinical chemistry, molecular diagnostic, nuclear medicine and dental materials. Simulation spaces for inter-professional education (IPE), dental hygiene, and PT/AT/OT. The building will include a clinical services center for various disciplines including dental hygiene and Public/Global health. Associated faculty offices, and departmental administrative and student success support areas of the College of Health Sciences.

Project Design:	TBD	
***Funding Source*:**	Currently Institutional Funds	
Project Budget:	a) Construction:	$60,685,000
	b) A/E Fees:	$7,113,000
	c) Project Inspection:	$637,000
	d) F,F&E:	$7,615,000
	e) Construction Contingency:	$1,214,000
	f) Other Costs:	$5,329,000
Total Project Budget (Planning Only):		$82,593,000

Status: The University released an RFP for architectural services for the project in late August of this year and received proposals from nine respondents. Seven firms were interviewed and ranked by the evaluation committee in October. Negotiations are now underway with the highest ranked offeror and we expect to award a contract for design prior to winter break. The detailed planning deliverable, preliminary (35%) design drawings, is due for submission to BCOM in late July, 2019.

Renovate Practice Basketball Gymnasium as a Competition Women's Volleyball Facility

General Project Information: This $3,420,000, 20,000 gsf, institutionally funded project will renovate the existing basketball practice gymnasium in the Jim Jarrett Athletic Administration Building as a competition volleyball facility. This facility is needed to support establishment of a Women's Volleyball team at Old Dominion University as part of the University's ongoing Title IX compliance efforts. Completion of the Mitchum Basketball Practice Facility in 2017 allowed both the Men's and Women's Basketball programs to relocate from the Jim Jarrett Building to Mitchum, freeing up the locker rooms, coaches offices, support space and practice gym to be used primarily for the new Volleyball program. While the project will refresh existing locker rooms, offices and support spaces, the bulk of the work is needed to make the existing practice gym a competition venue. In addition to outfitting the existing gym to support volleyball practice and competition, installing seating and toilet facilities to support over 500 spectators, the project will also include significant alterations to the building to provide code compliant paths of egress. The University's Title IX Compliance Plan anticipates hiring a coach in early 2019 and initiating competition play in the fall of 2020. Funding for this renovation will come from a Title IX Compliance Reserve Fund which the University has been building up over time in anticipation of initiating new women's sports programs.

Project Design:	TBD	
***Funding Source*:**	Institutional Funds	
Project Budget:	a) Construction:	$2,546,830
	b) A/E Fees:	$268,704
	c) Project Inspection:	$33,305
	d) F,F&E:	$76,406
	e) Construction Contingency:	$102,572
	f) Other Costs:	$392,193
Total Project Budget:		$3,420,000

Status: The University completed interviews with the three respondents to the design RFP and executed a design contract with DJG Architects in October and immediately began work. We anticipate submitting preliminary (35%) design drawings in late January, 2019 and completing design by early spring. The University intends to bid the project in time to begin construction work in the summer of 2019. The renovation is scheduled for completing in time for the fall, 2020 competition season.