Old Dominion University
Financial Statements

June 30, 2018

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MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)

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 Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, 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.

Effective for fiscal year 2018, GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. The University participates in post-employment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System (VRS). These programs include the Group Life Insurance Program, Retiree Health Insurance Credit Program, Virginia Sickness and Disability Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the Commonwealth and administered by the Department of Human Resources Management (DHRM). As a result of the change in reporting, the University has recorded its proportionate share in the financial statements of the OPEB liability, asset, expense, deferred outflows, and deferred inflows. Prior to the implementation of GASB Statement No. 75, VRS and DHRM did not measure assets and OPEB benefit obligations separately for individual state institutions. Therefore, for the purpose of MD&A, fiscal year 2017 comparative numbers have not been restated.

Condensed Summary of Net Position
(amounts in thousands)

	Year Ended June 30, 2018	2017	Increase / (Decrease)	Percent Change
Assets and deferred outflows:				
Current	$ 163,618	$ 146,801	$ 16,817	11.5%
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	874,409	858,582	15,827	1.8%
Liabilities and deferred inflows:				
Current	82,298	73,286	9,012	12.3%
Noncurrent	394,478	361,087	33,391	9.2%
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	33,246	30,518	2,728	8.9%
Unrestricted	(70,308)	(9,549)	(60,759)	-636.3%
Total net position	$ 377,427	$ 420,363	$ (42,936)	-10.2%

Total University assets and deferred outflows of resources increased by $15.8 million or 1.8% bringing the total to $874.4 million at fiscal year end 2018. The increase in current assets of $16.8 million or 11.5% 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 $10.9 million decrease due to debt refunding and pension-related transactions offset by $5.1 million increase due to 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 $9.0 million or 12.3% 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 $33.4 million or 9.2% 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 $15.8 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 $42.9 million or 10.2%. The University's net position remains strong even after recording the net pension and OPEB liabilities 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

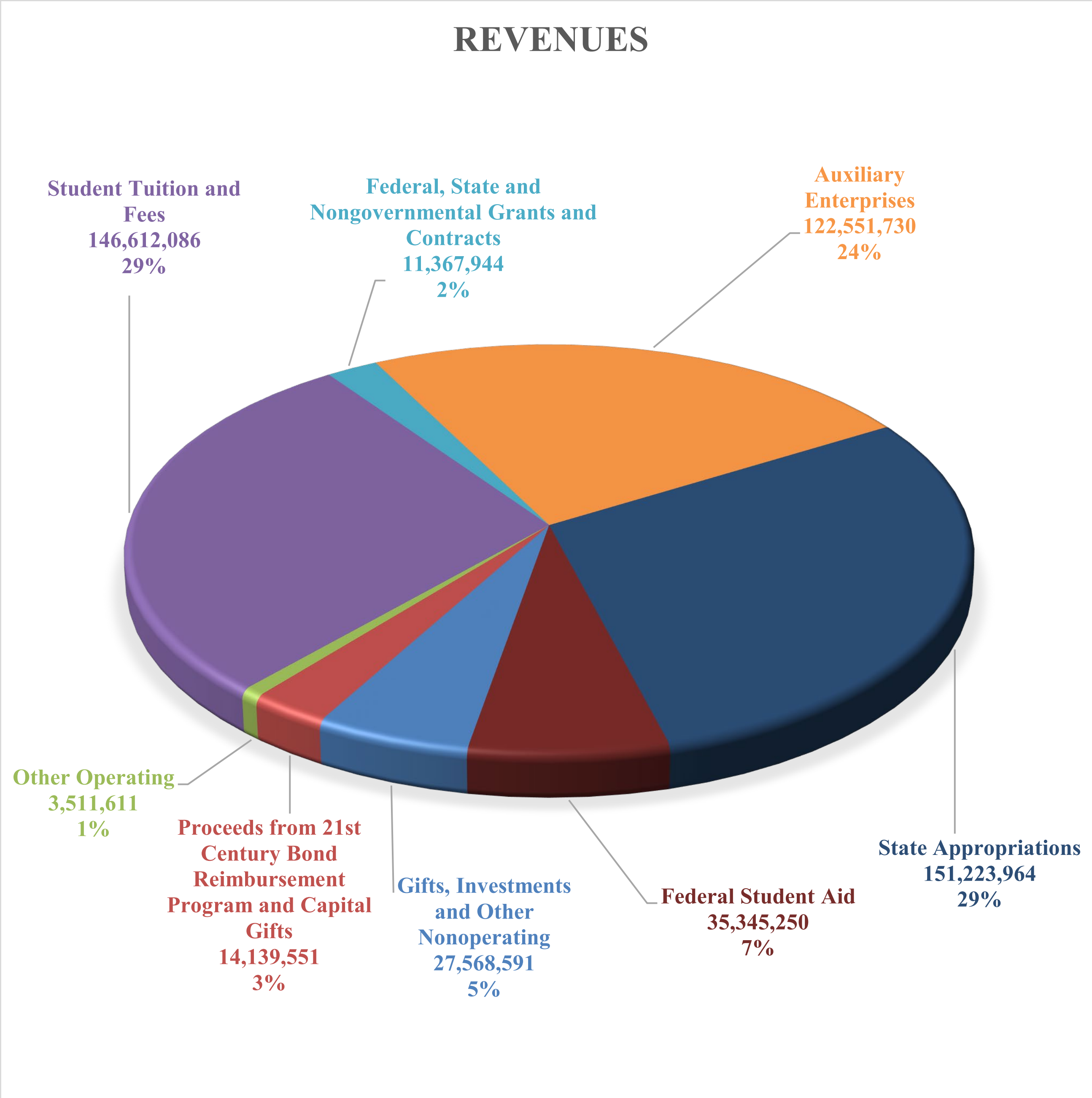
Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and 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.

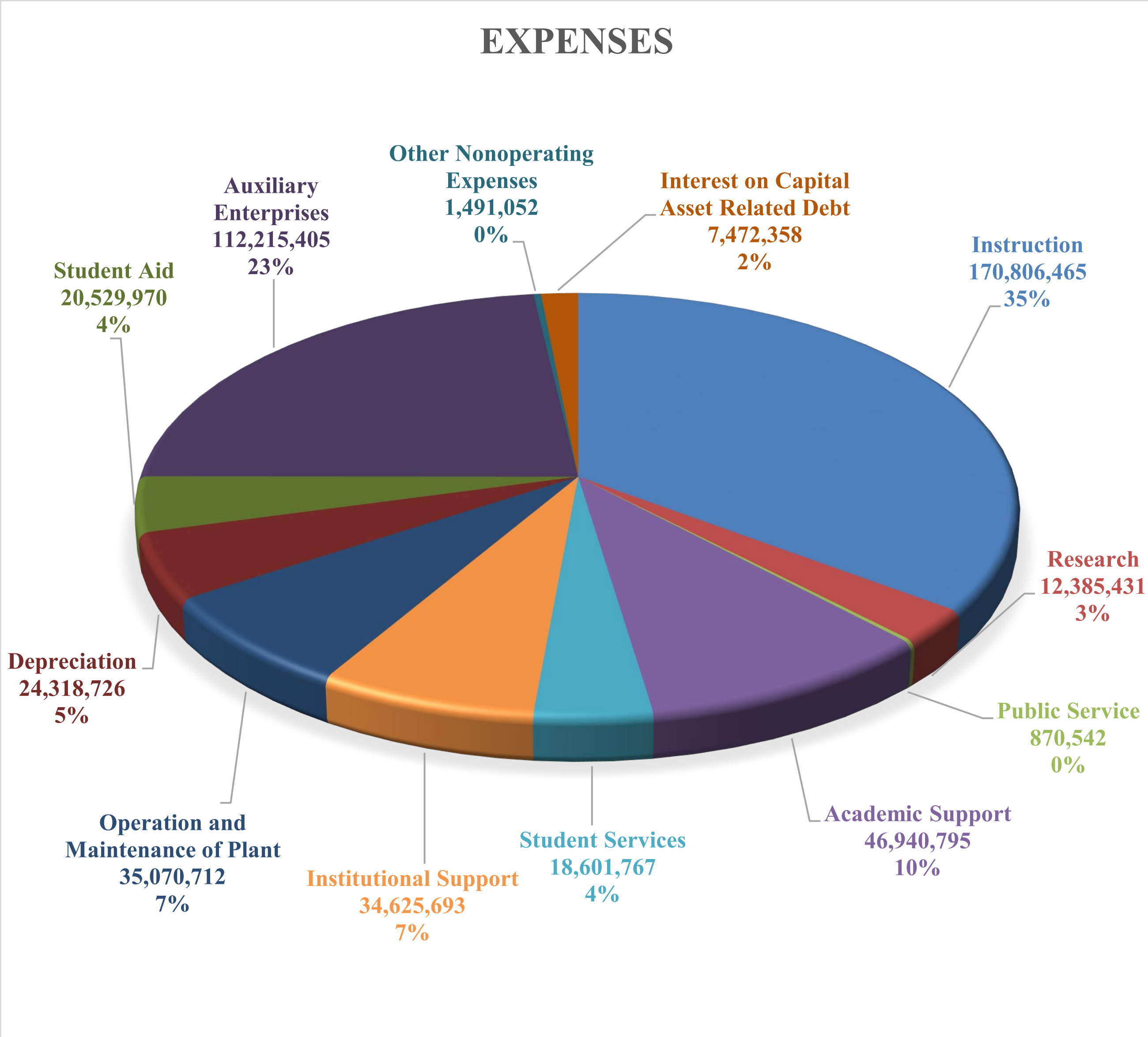
Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

Condensed Summary of Revenues, Expenses and Changes in Net Position
(amounts in thousands)

	Year Ended June 30, 2018	Year Ended June 30, 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	35,071	32,739	2,332	7.1%
Depreciation	24,319	23,959	360	1.5%
Scholarships and fellowships	20,530	20,163	367	1.8%
Auxiliary activities	112,215	110,507	1,708	1.5%
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	205,725	192,885	12,840	6.7%
Income before other revenues/ (expenses)/gains/(losses)	13,403	12,591	812	6.4%
Net other revenues and expenses	13,589	14,176	(587)	-4.1%
Increase in net position	26,992	26,767	225	0.8%
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	$ 377,427	$ 420,363	$ (42,936)	-10.2 %



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 $12.6 million or 6.2% as a result of increases in State Appropriations, Pell grant revenue, gifts, investment income and Equipment Trust Fund revenue. Finally, other revenues decreased $2.8 million or 16.7% 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 ($119.1 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 ($27.1 million).

The fourth section deals with cash flows from investing activities and reflects the cash flows generated from investments which includes interest ($0.6 million), proceeds ($9.4 million), and purchases ($9.6 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	Year ended June 30, 2017	Increase / (Decrease)	Percent Change
Cash flows from operating activities	$ (167,132)	$ (161,458)	$ (5,674)	-3.5 %
Cash flows from non-capital financing activities	202,665	195,065	7,600	3.9 %
Cash flows from capital financing activities	(36,266)	(36,025)	(241)	-0.7 %
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 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	$ 36,499,221
Less: deposits held for affiliate	-	(20,567,296)
Cash and cash equivalent, net	124,858,456	15,931,925
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	9,239,824	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	163,618,156	36,303,690
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	18,366,627	7,051,302
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
OPEB asset (Note 17)	3,707,000	-
Other assets	2,100,000	-
Total noncurrent assets	680,221,771	364,000,688
Total assets	843,839,927	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	$ 874,408,545	$ 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)	22,332,686	3,912,210
Total current liabilities	82,298,214	49,264,629
Noncurrent liabilities (Notes 8 and 12)	394,477,789	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 POSITION		
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	6,824,141	-
Research	2,266,335	-
Loans	3,028,595	-
Capital projects	540,734	-
Temporarily restricted	-	92,810,680
Departmental uses	14,699,769	-
Unrestricted	(70,308,425)	19,985,072
Total net position	$ 377,426,699	$ 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	35,070,712	64,472
Depreciation	24,318,726	174,409
Student aid	20,529,970	4,418,778
Auxiliary activities	112,215,405	-
Total operating expenses	476,365,506	73,348,503
Operating income (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)	(4,812,286)	23,065,384
Other nonoperating revenues	18,644,944	-
Other nonoperating expenses	(60,816)	-
Interest on capital asset-related debt	(7,472,358)	-
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)	205,725,094	23,065,384
Income before other revenues, (expenses), gains, and (losses)	13,402,959	40,291,493
Proceeds from VCBA 21st Century and Equipment Trust Fund bond reimbursement programs	13,709,263	-
Capital gifts and grants	430,288	-
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)	13,588,852	5,031,762
Increase in net position	26,991,811	45,323,255
Net position - beginning of year (as restated) (Note 2)	350,434,888	235,141,132
Net position - end of year	$ 377,426,699	$ 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	(111,720,740)
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	(167,132,091)
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	(9,010,628)
Net cash used by capital financing activities	(36,266,722)
Cash flows from investing activities:	
Interest on investments	560,972
Proceeds from sale of investments	9,405,693
Purchase of investments	(9,582,283)
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	(381,822)
Inventory	35,958
OPEB asset	(3,707,000)
Deferred outflows of resources related to pensions	9,769,598
Deferred outflows of resources related to OPEB	(5,125,568)
Accounts payable and accrued expenses	2,581,976
Deposits	196,688
Unearned revenue	388,944
Net pension liability	(15,196,000)
OPEB liability	(1,056,220)
Deferred inflows of resources related to pensions	5,453,000
Deferred inflows of resources related to OPEB	10,906,843
Net cash used by operating activities	$ (167,132,091)

Non-cash investing, capital and financing activities:	
Security lending	$ 5,568,897
Change in fair value of investments	$ (3,227,478)
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) *Codification of Governmental Accounting and Financial Reporting Standards* Section 2100, 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 item, "Proceeds from VCBA 21st Century and Equipment Trust Fund bond reimbursement programs", includes 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	-
OPEB liability **	77,075,529	-	8,203,369 *	68,872,160	862,771
Federal loan program contributions	203,623	-	203,623	-	-
Total long-term liabilities	$460,727,717	$ 7,542,194	$ 51,459,436	$416,810,475	$ 22,332,686

* *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 with a historical cost of $81,083,701 and accumulated depreciation of $20,738,154. 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	17,986,166	-	2,918,259	-	35,070,712
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	62,688,587	10,554,308	6,748,339	-	112,215,405
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	$ 4,640,729	$ 29,832,910	$ 36,499,221
Less - deposits held for affiliate	-	-	-	(20,567,296)	(20,567,296)
Cash and cash equivalents, net	962,172	1,063,410	4,640,729	9,265,614	15,931,925
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	8,886,218	21,195,730	36,303,690
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	7,051,302	-	7,051,302
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	84,969,778	10,868,197	364,000,688
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	16,122,520	-	92,810,680
Unrestricted	17,682,407	7,378,807	(21,362,479)	16,286,337	19,985,072
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 on disposal of plant assets	12,044	-	66,692	-	78,736
Contributions to permanent endowments	621,258	4,331,768	-	-	4,953,026
Increase/(decrease) 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 21% 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.

In December 2018, the Real Estate Foundation purchased 4510 Killam Avenue for $ 570,861. This purchase was funded with a draw from the line of credit.

In December 2018, the Real Estate Foundation entered into a 10 year lease agreement with the University to rent the property located at 4510 Killam Avenue starting January 1, 2019.

In March 2019, the Real Estate Foundation purchased 1069 W. 41st Street property for $799,429. This purchase was funded with a draw from the line of credit. The property is a partially leased residential apartment building, which will be demolished after the expiration or termination of all existing leases.

In February 2019, the Real Estate Foundation took out a loan for $1,100,000 maturing in 2029 to finance construction on the build-out on the ODU Center for Innovation and Entrepreneurship located on 112 Bank Street in downtown Norfolk.

On February 15, 2019, the Real Estate Foundation entered into a construction contract with Clancy and Theys for $1,013,231 for the build-out on the ODU Center for Innovation and Entrepreneurship located at 112 Bank Street in downtown Norfolk

NOTE 13: COMMITMENTS

At June 30, 2018, the University was a party to construction contracts totaling approximately $66,515,567 of which $13,445,661 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** **<u>Defined Benefit Component:</u>** 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. **<u>Defined Contribution Component:</u>** 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** **<u>Defined Benefit Component:</u>** 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. **<u>Defined Contribution Component:</u>** 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** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** 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** **<u>Defined Benefit Component:</u>** **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. **<u>Defined Contribution Component:</u>** 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** **<u>Defined Benefit Component:</u>** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** 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** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable.
<u>Eligibility:</u> 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.	**<u>Eligibility:</u>** Same as Plan 1.	**<u>Eligibility:</u>** Same as Plan 1 and Plan 2.
<u>Exceptions to COLA Effective Dates:</u> 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).	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1.	**<u>Exceptions to COLA Effective Dates:</u>** 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** <ins>**Defined Benefit Component:**</ins> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. <ins>**Defined Contribution Component:**</ins> Not applicable.

<ins>Contributions</ins>

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 $11,344,717 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 $463,175 and $445,084 for the years ended June 30, 2018 and June 30, 2017, respectively.

<ins>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</ins>

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	11,344,717	-
Total	$ 15,948,717	$ 8,884,000

$11,344,717 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	463,175	-
Total	$ 952,175	$ 415,000

$463,175 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 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	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 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	Increased 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, 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	Updated 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	Decreased rate from 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 requirements 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)

The University participates in post-employment benefit (OPEB) programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System (VRS, or the System) or the Department of Human Resources Management (DHRM). These programs include Group Life Insurance (GLI), Health Insurance Credit (HIC), Virginia Sickness and Disability Program (VSDP), Line of Duty Act (LODA), and Pre-Medicare Retiree Healthcare (PMRH).

Plan Descriptions

Group Life Insurance (GLI) - 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.

Health Insurance Credit (HIC) - 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.

Virginia Sickness and Disability Program (VSDP) - 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 OPEB plans, for public employer groups in the Commonwealth of Virginia.

Line of Duty Act (LODA) - 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.

Pre-Medicare Retiree Healthcare (PMRH) - 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.

Plan Provisions

Group Life Insurance (GLI):

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, and 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: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and 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.

Health Insurance Credit (HIC):

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.

Virginia Sickness and Disability Program (VSDP):

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 to 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 employees 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%.

Line of Duty Act (LODA):

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:
  - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  - \$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.
  - 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.
  - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
  - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resources 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.

Pre-Medicare Retiree Healthcare (PMRH):

Eligible Employees

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.

Contributions

Group Life Insurance (GLI):

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. Contributions to the Group Life Insurance Program from the University were $866,480 and $839,124 for the years ended June 30, 2018 and June 30, 2017, respectively.

Health Insurance Credit (HIC):

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 were $1,942,763 and $1,887,545 for the years ended June 30, 2018 and June 30, 2017, respectively.

Virginia Sickness and Disability Program (VSDP):

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 were $472,933 and $447,457 for the years ended June 30, 2018 and June 30, 2017, respectively.

Line of Duty Act (LODA):
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 were $26,099 and $25,532 for the years ended June 30, 2018 and June 30, 2017, respectively.

Pre-Medicare Retiree Healthcare (PMRH):
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.

Liabilities (Assets), Expenses, and Deferred Outflows/Inflows of Resources

At June 30, 2018, the University reported the following liabilities (assets) for its proportional share of these programs:

GLI	$ 13,105,000
HIC	$ 22,611,000
VSDP	$ (3,707,000)
LODA	$ 622,000
PMRH	$ 32,534,160

These liabilities (assets) were measured as of June 30, 2017 and the total OPEB liability used to calculate each net liability (asset) was determined by an actuarial valuation as of that date. For GLI, HIC, VSDP, and LODA programs, the University's proportion of each liability (asset) was based on the University's actuarially determined employer contributions to each plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. The University's proportion of the PMRH liability was based on its healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers.

At June 30, 2017 and June 30, 2016, the University's proportionate share was:

	June 30, 2017	June 30, 2016
GLI	0.87092%	0.87717%
HIC	2.48327%	2.49714%
VSDP	1.80542%	1.74749%
LODA	0.23673%	0.20739%
PMRH	2.50474%	2.43937%

For the year ended June 30, 2018, the University recognized the following expenses for these programs:

GLI	$	130,000
HIC	$	1,944,000
VSDP	$	296,000
LODA	$	64,000
PMRH	$	2,755,102

Since there was a change in proportionate share between measurement dates, a portion of these expenses were related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows/inflows of resources related to these programs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Group Life Insurance (GLI):		
Differences between expected and actual experience	$ -	$ 290,000
Net difference between projected and actual earnings on investments	-	494,000
Change in assumptions	-	675,000
Changes in proportion	8,000	100,000
University contributions subsequent to the measurement date	866,480	-
Total	$ 874,480	$ 1,559,000
Health Insurance Credit (HIC):		
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on investments	-	56,000
Change in assumptions	-	254,000
Changes in proportion	9,000	116,000
University contributions subsequent to the measurement date	1,942,763	-
Total	$ 1,951,763	$ 426,000
Virginia Sickness and Disability Program (VSDP):		
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on investments	-	291,000
Change in assumptions	-	278,000
Changes in proportion	-	82,000
University contributions subsequent to the measurement date	472,933	-
Total	$ 472,933	$ 651,000
Line of Duty Act (LODA):		
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pre-Medicare Retiree Healthcare (PMRH):		
Differences between expected and actual experience	$ -	$ 1,308,571
Change in assumptions	-	6,897,272
Changes in proportion	864,521	-
Amounts related to transactions subsequent to the measurement date	862,771	-
Total	$ 1,727,292	$ 8,205,843

The following amounts reported as deferred outflows of resources related to each program, resulting from the University's transactions subsequent to the measurement date will be recognized as an adjustment of each program's net liability (asset) in the fiscal year ending June 30, 2019.

GLI	$ 866,480
HIC	$ 1,942,763
VSDP	$ 472,933
LODA	$ 26,099
PMRH	$ 862,771

Other amounts reported as deferred outflows/inflows of resources related to the programs will be recognized in each program's expense in future reporting periods as follows:

Year ended June 30:	GLI	HIC	VSDP	LODA	PMRH
2019	$ (317,000)	$ (83,000)	$ (121,000)	$ 1,000	$ (1,351,993)
2020	$ (317,000)	$ (83,000)	$ (121,000)	$ 1,000	$ (1,351,993)
2021	$ (317,000)	$ (83,000)	$ (121,000)	$ 1,000	$ (1,351,993)
2022	$ (317,000)	$ (83,000)	$ (121,000)	$ 1,000	$ (1,351,993)
2023	$ (193,000)	$ (69,000)	$ (49,000)	$ 1,000	$ (1,351,993)
Thereafter	$ (90,000)	$ (16,000)	$ (118,000)	$ 3,000	$ (581,357)

Actuarial Assumptions (GLI, HIC, VSDP, LODA)

The total liability for these programs 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	2.50%
Salary increases, including inflation	
General state employees (GLI, HIC, VSDP, LODA)	3.50% – 5.35%
Teachers (GLI)	3.50% – 5.95%
SPORS employees (GLI, HIC, VSDP, LODA)	3.50% – 4.75%
VaLORS employees (GLI, HIC, VSDP, LODA)	3.50% – 4.75%
JRS employees (GLI, HIC)	4.50%
Locality – General employees (GLI)	3.50% – 5.35%
Locality – Hazardous duty employees (GLI, LODA)	3.50% – 4.75%
Medical cost trend rate assumptions (LODA only)	
Under age 65	7.75% – 5.00%
Age 65 and older	5.75% – 5.00%

Investment rate of return (GLI, HIC, VSDP)	7.00%, net of OPEB plan investment expense, including inflation*
Investment rate of return (LODA)	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 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 the preparation of the OPEB liabilities. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.65% was used since it approximates the risk-free rate of return.

Mortality rate – General State Employees (GLI, HIC, VSDP, LODA):
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 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)	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 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	Increased rate from 14% to 25%

Mortality rates – Teachers (GLI):
Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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)	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 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

Mortality rates – SPORS Employees (GLI, HIC, VSDP, LODA):
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)	Updated 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
Disability Rates	Adjusted rates to better match experience

Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

<u>Mortality rates – VaLORS Employees (GLI, HIC, VSDP, LODA):</u>
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)	Updated 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	Decreased rate from 50% to 35%

<u>Mortality rates – JRS Employees (GLI, HIC):</u>
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% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

<u>Mortality rates – Largest Ten Locality Employers – General Employees (GLI):</u>
<u>Pre-Retirement:</u>
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

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

<u>Post-Disablement:</u>
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

<u>Mortality rates – Non-Largest Ten Locality Employers – General Employees (GLI):</u>
<u>Pre-Retirement:</u>
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

<u>Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA):</u>
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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change

Line of Duty Disability	Increased rate from 60% to 70%

<u>Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA):</u>
<u>Pre-Retirement:</u>
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.

<u>Post-Retirement:</u>
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.

<u>Post-Disablement:</u>
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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

<u>Changes to LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)</u>
The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Actuarial Assumptions and Methods (PMRH)

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: 4.00% before reflecting Excise tax
Year of Ultimate Trend	2025

Mortality rates: 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 Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 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

OPEB Liability

The net OPEB liability (asset) (NOL/NOA) for GLI, HIC, VSDP, and LODA represents each 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/NOA amounts for each program are as follows:

	GLI	HIC	VSDP	LODA
Total OPEB liability	$ 2,942,426,000	$ 990,028,000	$ 237,013,000	$ 266,252,000
Plan fiduciary net position	1,437,586,000	79,516,000	442,334,000	3,461,000
Employer's OPEB liability (asset)	$ 1,504,840,000	$ 910,512,000	$ (205,321,000)	$ 262,791,000
Plan fiduciary net position as a percentage of the total OPEB liability	48.86%	8.03%	186.63%	1.30%

The total 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 OPEB liability (asset) is disclosed in accordance with the requirements 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 Returns (GLI, HIC, VSDP)

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%.

Long-Term Expected Rate of Return (LODA)

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, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rates (GLI, HIC, VSDP, LODA)

The discount rate used to measure the total OPEB liability was 7.00% for GLI, HIC, and VSDP and 3.56% for LODA. 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 for GLI, and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees for HIC, VSDP, and LODA. Through the fiscal year ending June 30, 2019, the rate contributed by the University for each of these programs 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 OPEB 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 OPEB liability for GLI, HIC, and VSDP programs.

Discount Rate (PMRH)

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%.

Sensitivity of the University's Proportionate Share of the OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the University's proportionate share of the OPEB liability (asset) using the discount rate of 7.00% for GLI, HIC, and VSDP; 3.56% for LODA; 3.58% for PMRH, as well as what the University's proportionate share of the OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

University proportionate share of the OPEB liability (asset):

	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.00%	7.00%	8.00%
GLI	$ 16,951,000	$ 13,105,000	$ 9,988,000
HIC	$ 25,002,000	$ 22,611,000	$ 20,555,000
VSDP	$ (3,528,000)	$ (3,707,000)	$ (4,017,000)
	2.56%	3.56%	4.56%
LODA	$ 706,000	$ 622,000	$ 553,000
	2.58%	3.58%	4.58%
PMRH	$ 34,851,512	$ 32,534,160	$ 30,313,889

Sensitivity of the University's Proportionate Share of the LODA and PMRH OPEB Liabilities to Changes in the Health Care Trend Rate

Because the LODA and PMRH programs contain 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 OPEB liability for these programs using a health care trend rate of 7.75% decreasing to 5.00%, for LODA and 8.62% decreasing to 5.00% for PMRH as well as what the University's proportionate share of the OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

University proportionate share of the OPEB liability:

	1.00% Decrease	Current Health Care Trend Rate	1.00% Increase
	6.75% decreasing to 4.00%	7.75% decreasing to 5.00%	8.75% decreasing to 6.00%
LODA	$ 528,000	$ 622,000	$ 739,000
	7.62% decreasing to 4.00%	8.62% decreasing to 5.00%	9.62% decreasing to 6.00%
PMRH	$ 28,947,152	$ 32,534,160	$ 36,739,220

Fiduciary Net Position (GLI, HIC, VSDP)

Detailed information about Fiduciary Net Position for each of these programs 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 GLI, HIC, and VSDP OPEB Programs

At June 30, 2018, the University reported a payable of the following:

GLI	$	93,142
HIC	$	84,017
VSDP	$	25,328

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.

NOTE 21: SUBSEQUENT EVENT

On December 4, 2018, the Virginia College Building Authority (VCBA) issued bonds from which the University received $40,975,000 from Educational Facilities Revenue Bonds, Series 2018A. The University will use the proceeds from the series to reconstruct Foreman Field Stadium.

Required Supplementary Information

Required Supplementary Information for Pension Plans

Schedules of University's Share of Net Pension Liability

VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 - 2018*

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

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

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.

VaLORS State Employee Retirement Plan
For the Years Ended June 30, 2015 - 2018*

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

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

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.

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	$ 11,344,717	$ 11,344,717	$ -	$ 87,701,482	12.94%
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	$ 463,175	$ 463,175	$ -	$ 2,202,360	21.03%
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%

Notes to Required Supplementary Information for Pension Plans

VRS State Employee Retirement Plan and VaLORS 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)	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 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	Increased 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)	Updated 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	Decreased rate from 50% to 35%

Required Supplementary Information for Other Post-Employment Benefit Plans

Schedules of University's Share of Other Post-Employment Benefits (OPEB) Liabilities (Assets)
For the year ended June 30, 2018

	OPEB	University's proportion of the net OPEB liability (asset)	University's proportionate share of the net OPEB liability (asset)	University's covered payroll	University's proportionate share of the net OPEB liability (asset) as a % of employer's covered payroll	Plan fiduciary Net Position as a % of the total OPEB liability
2018*	GLI	0.87092%	$ 13,105,000	$ 160,599,190	8.16%	48.86%
	HIC	2.48327%	$ 22,611,000	$ 160,524,635	14.09%	8.03%
	VSDP	(1.80542%)	$ (3,707,000)	$ 67,887,520	(5.46%)	186.63%

	OPEB	University's proportion of the OPEB liability	University's proportionate share of the OPEB liability	Covered-employee payroll	University's proportionate share of the OPEB liability as a % of covered-employee payroll	Plan fiduciary Net Position as a % of the total OPEB liability
2018*	LODA	0.23673%	$ 622,000	$ 2,531,599	24.57%	1.30%
	PMRH	2.50474%	$ 32,534,160	$ 151,985,039	21.41%	N/A

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

The schedule above 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.

Schedules of University's Other Post-Employment Benefits (OPEB) Contributions
For the year ended June 30, 2018

	OPEB	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contribution as a % of employer's covered payroll
2018	GLI	$ 866,480	$ 866,480	$ -	$ 165,553,478	0.52%
	HIC	$ 1,942,763	$ 1,942,763	$ -	$ 165,366,625	1.17%
	VSDP	$ 472,933	$ 472,933	$ -	$ 71,820,029	0.66%

	OPEB	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contribution as a % of covered-employee payroll
2018	LODA	$ 26,099	$ 26,099	$ -	$ 2,553,819	1.02% *

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

The schedule above 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 Other Post-Employment Benefit Plans

GLI, HIC, VSDP, and LODA Programs

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 effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees (GLI, HIC, VSDP, LODA):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	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 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	Increased rate from 14% to 25%

Teachers (GLI):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	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 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

SPORS Employees (GLI, HIC, VSDP, LODA):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated 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
Disability Rates	Adjusted rates to better match experience

Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees (GLI, HIC, VSDP, LODA):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated 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	Decreased rate from 50% to 35%

JRS Employees (GLI, HIC):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers – General Employees (GLI):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers – General Employees (GLI):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

PMRH

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%.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 17, 2019

The Honorable Ralph S. Northam
Governor of Virginia

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

Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the **Old Dominion University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1 and Note 12. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the

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amounts included for the component units of the University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of Old Dominion University as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board Statement No. 75, related to accounting and financial reporting for postemployment benefits other than pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 3 through 10; the Schedules of University's Share of Net Pension Liability, the Schedules of University Contributions, and the Notes to the Required Supplementary Information for Pension Plans on pages 74 through 76; the Schedules of University's Share of OPEB Liabilities (Assets), the Schedules of University's OPEB Contributions, and the Notes to the Required Supplementary Information for Other Post Employment Benefit Plans on pages 77 through 82. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2019, on our consideration of Old Dominion University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

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OLD DOMINION UNIVERSITY
Norfolk, Virginia