# RADFORD UNIVERSITY

## Financial Statements

For the Year Ended June 30, 2018 | Radford, Virginia

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# Management's Discussion and Analysis

*(Unaudited)*

## Introduction

The following unaudited Management's Discussion and Analysis (MD&A) provides an overview of the financial position and results of activities of Radford University (University) in an objective, easily readable format. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2018. Since this analysis includes highly summarized data, it should be read in conjunction with the accompanying financial statements, footnotes and other required supplementary information. The University's management is responsible for all financial information presented, including this discussion and analysis.

The University's financial report includes the three required financial statements, *Statement of Net Position; Statement of Revenues, Expenses,* and *Changes in Net Position;* and *Statement of Cash Flows*, and accompanying note disclosures and required supplementary information. These statements are summarized and analyzed in the following paragraphs. The Radford University Foundation, Inc. is included in the accompanying financial statements in a separate column as a component unit. However, the following discussion and analysis do not include Radford University Foundation's financial condition and activities.

## University Overview

Founded in 1910 as a women's college, Radford University became coeducational in 1972 and was granted university status by the Virginia General Assembly in 1979. The University's seventh president, Brian O. Hemphill, Ph.D., completed his second year of service to the University during 2018. President Hemphill is leading the Highlander family with a steadfast commitment to excellence, accountability, transparency and student-centeredness. Through the adoption of the strategic plan, entitled *Embracing the Tradition and Envisioning the Future*, and released in January 2018, the University defined goals for the future and set benchmarks for success. This plan redefined the University's core values (student empowerment and success; excellence; inclusiveness; community; intellectual freedom; innovation; and sustainability) and sets forth a path to achieve the vision of becoming a premier, innovative university in the Commonwealth of Virginia and beyond with a keen focus on teaching, research and service. Today, the University is a flourishing coeducational, comprehensive public university that is student-centered and focused on providing outstanding academic programs to its 9,326 students (fall 2018 preliminary headcount).

The University offers excellent educational opportunities to students from all geographic regions of the Commonwealth. Radford University's student body comprises 93.0 percent Virginia residents; and among undergraduates, 35.9 percent are the first in their family to attend college. Because of its medium size, the University provides its students a winning combination of broad opportunities associated with a large university and highly personalized relationships considered the hallmark of a small institution.

Well-known for its strong faculty/student collaboration, innovative use of technology in the learning environment and vibrant student life on a beautiful residential campus, the University offers many opportunities for success in and out of the classroom. In addition to courses offered at its main campus, Radford University also extends its course offerings to students at the Roanoke Higher Education Center, Southwest Virginia Higher Education Center, New College Institute and Carilion Roanoke Community Hospital. Through its seven colleges, the University offers 70 degree programs in 41 disciplines and five certificates at the undergraduate level; 22 master's programs in 17 disciplines and four doctoral programs at the graduate level; 12 post-baccalaureate certificates and one post-master's certificate. A Division I member of the NCAA and Big South Conference, Radford University competes in 16 men's and women's varsity athletics.

The University employs many "High Impact Practices" that include such offerings as undergraduate research, Citizen-Leader Quality Enhancement Plan experiences, leadership courses and programs, the Honors Academy and internship placements, to name a few. Radford University also participates in a Guaranteed Admissions Agreement for Nursing with the Virginia Community College System (VCCS). The agreement provides an efficient pathway for VCCS's Applied Science in Nursing (A.A.S) graduates to achieve a Bachelor of Science in nursing (B.S.N.) degree from Radford University. The campus community supports a culturally diverse student population and offers more than 300 clubs and organizations for student participation, growth, leadership development and community service. Students also have the opportunity to participate in faculty-led study-abroad programs in 15 different countries.

Individual colleges and programs have reached significant milestones and received accolades for their accomplishments including:

- Radford University's Innovative Mobile Personalized Accelerated Competency Training (IMPACT) program was awarded a historic three-year, $13.9 million grant by the U.S. Department of Education's Supporting Effective Educator Development

(SEED) Grant Program. The grant began on Oct. 1, 2017 and runs through Sept. 30, 2020, and is the largest grant in the history of Radford University. The SEED grant will expand IMPACT to include Appalachian Support for Specialized Education Training (ASSET), which includes the development, implementation and evaluation of online, self-paced, competency-based education (CBE) training designed to increase teacher effectiveness and workforce capacity in underserved rural communities in Appalachia.

- Radford University's College of Humanities and Behavioral Sciences (CHBS) building has been granted LEED (Leadership in Energy and Environmental Design) Gold status. Three Radford University residence halls have also been granted LEED Gold certification, marking additional achievements in the university's sustainability initiatives. Bolling, Draper and Pocahontas halls join the University's Madison, Jefferson and Moffett residence halls in achieving LEED Gold status. In addition to the above named buildings, Kyle Hall and the Student Recreation and Wellness Center have also achieved LEED Gold status.
- The intent for the University to merge with Jefferson College of Health Sciences (JCHS), owned and operated by Carilion Clinic, was announced in January 2018. JCHS has 35 years of history as an accredited health care education institution and has grown from 200 to about 1,150 students on the undergraduate and graduate levels. Jefferson College, with a full-time faculty of 70, is a top regional producer of nursing and allied health professionals that ranks among the top 10 in the Commonwealth of Virginia. The merger process is expected to take 18 to 24 months.
- The University's Radford School of Nursing (SON) programs on the main campus and in Roanoke ranked second and eighth respectively in nursing programs in Virginia. Radford's first-time test takers also exceeded their Virginia colleagues' pass rate of 89.1 percent of the National Council Licensure Examination.

The aforementioned examples are but a few of the many accomplishments that all of the colleges and programs have attained during the course of their instructional mission. The University has also received national recognition in numerous areas including:

- The University was recognized by The Princeton Review as one of the 143 institutions in the "Best in the Southeast" section of the "2019 Best Colleges: Region by Region" list. This is the 12th consecutive year that the University has been featured as one of the "Best in the Southeast."
- The University was ranked 46th in the Regional Universities South in U.S. News & World Report's "2019 Best Regional Universities" report, which includes both public and private higher education institutions. This is the seventh consecutive year that the University has been named a best regional public university by U.S. News & World Report.
- The University was ranked 50th in the "2019 Best Value Schools" for Regional Universities South by U.S. News & World Report.
- Confirming that the University provides one of the best values in the nation, the University was recognized by Washington Monthly magazine as one of the "Best Bang for the Buck Southeast" institutions for the sixth consecutive year.
- Radford University is designated as a National Center of Academic Excellence in Defense Education by both the National Security Agency and the U.S. Department of Homeland Security. Through 2021, Radford will be at the forefront of preparing graduates in cybersecurity and meeting the evolving demands of cybersecurity education. Radford is one of only six four-year institutions in Virginia designated as a CAE-CDE institution. Radford is one of only 127 four-year institutions in the country to earn the prestigious national designation.

Radford Transit, developed as a partnership with the City of Radford and operated by New River Valley Community Services, continues to experience considerable growth. By the end of fiscal year 2018, Radford Transit had transported 328,929 passengers and since inception, Radford Transit has transported a staggering 2.24 million passengers. Radford Transit will continue to serve the needs of students, employees and community residents by giving full campus access and transportation to areas adjacent to the University, including the City of Radford, Fairlawn, Christiansburg and Blacksburg, and connections with the Smart Way Bus and Megabus. These connections provide students and members of the community with multi-state bus routes and transportation to the Roanoke-Blacksburg Regional Airport. The success of Radford Transit reinforces the University's commitment to its students, employees, community residents and sustainable initiatives.

## Statement of Net Position

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the readers of the financial statements. The data presented in the *Statement of Net Position* aids readers in determining the assets available to continue the operations of the University as well as determining how much the University owes to vendors and creditors. Furthermore, the *Statement of Net Position* provides a picture of the net position, or available resources of the University, which serves as one indicator of the current financial condition of the University.

Net position is classified into four major components: net investment in capital assets, restricted expendable, restricted nonexpendable and unrestricted. Change in net position is an assessment of whether the overall financial condition has improved or worsened during the year, while sustained increases or decreases in net position over time are one indicator of the financial stability or instability of an organization.

**Statement of Net Position — Summary Schedule**
***($ shown in thousands)***

The University's Statement of Net Position at June 30, 2018 and 2017 is summarized as follows:

| | | | *Change* | |
|---|---|---|---|---|
| | ***2018*** | ***2017*** | ***Amount*** | ***Percent*** |
| **Assets:** | | | | |
| Current assets | $ 134,611 | $ 121,826 | $ 12,785 | 10.5 |
| Capital assets, net | 347,554 | 352,875 | (5,321) | (1.5) |
| Other noncurrent assets | 3,721 | 1,524 | 2,197 | 144.2 |
| **Total assets** | $ 485,886 | $ 476,225 | $ 9,661 | 2.0 |
| **Deferred outflows of resources** | $ 13,688 | $ 15,508 | $ (1,820) | (11.7) |
| **Liabilities:** | | | | |
| Current liabilities | $ 37,880 | $ 28,693 | $ 9,187 | 32.0 |
| Noncurrent liabilities | 157,681 | 131,674 | 26,007 | 19.8 |
| **Total liabilities** | $ 195,561 | $ 160,367 | $ 35,194 | 21.9 |
| **Deferred inflows of resources** | $ 11,017 | $ 1,991 | $ 9,026 | 453.3 |
| **Net position:** | | | | |
| Net investment in capital assets | $ 295,359 | $ 300,575 | $ (5,216) | (1.7) |
| Restricted - expendable | 4,375 | 5,792 | 1,417 | 24.5 |
| Unrestricted | (6,738) | 23,008 | (29,746) | (129.3) |
| **Total net position** | $ 292,996 | $ 329,375 | $ (36,379) | (11.0) |

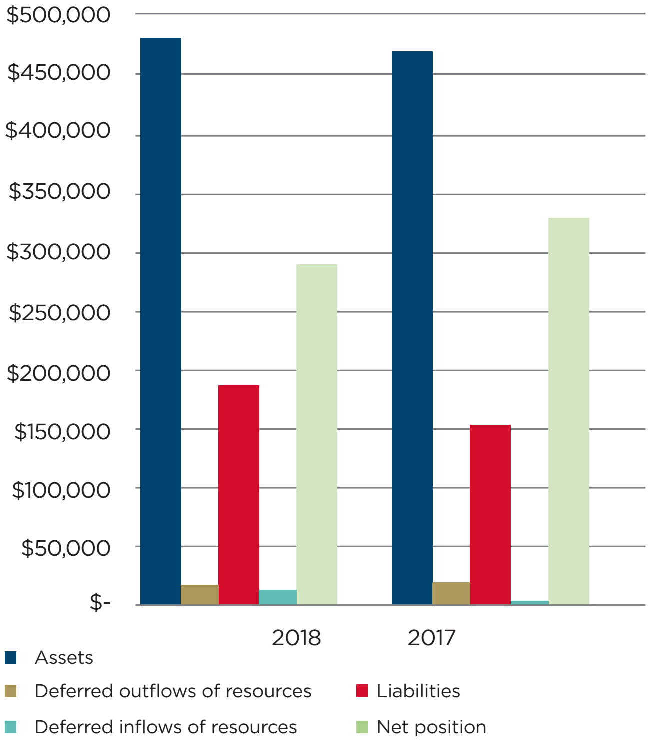
Total University assets increased by $9.7 million or 2.0 percent during fiscal year 2018, resulting in total assets of $485.9 million at year end. The increase in total assets is attributable to a $12.8 million increase in current assets in addition to a $2.2 million increase in other noncurrent assets.

The largest increase in current assets was in cash and cash equivalents of $18.8 million primarily due to investment of $7.1 million in the General Account Investment Portfolio (securities lending), managed by the Department of the Treasury, and an increase of $12.4 million in auxiliary reserve cash with the Department of Treasury. The increase in cash and cash equivalents was offset by a $3.6 million decline in restricted cash and cash equivalents as a result of completion of bond-funded residence hall renovations. The $5.3 million decrease in capital assets primarily reflects the completion of the construction of the College of Humanities and Behavioral Sciences. Capital assets are discussed in more detail in the following section, *Capital Asset and Debt Administration*, and in Note 5 of the *Notes to Financial Statements.*

Total liabilities increased by $35.2 million or 21.9 percent during fiscal year 2018. Current liabilities increased $8.7 million from the previous year as a result of a $7.1 million increase in obligations under securities lending. Noncurrent liabilities increased $26.0 million primarily related to the $35.3 million increase in other postemployment benefits, offset partially by a $6.8 million decrease in pension obligation and $2.4 million decrease in long term debt. Further information regarding long-term debt can be found in Note 7 of the *Notes to Financial Statements.*

**Statement of Net Position — Comparative Chart ($ shown in thousands)**

The chart below is a snapshot of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the fiscal years ended June 30, 2018 and 2017:




GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* was effective for and implemented in fiscal year 2018. The other postemployment benefit programs at Radford University are administered by the Virginia Retirement System (VRS) and the Department of Human Resource Management. Prior to the implementation of Statement 75, VRS did not measure postemployment benefit obligations separately for individual state institutions. Therefore, for the purpose of MD&A, fiscal year 2017 comparative numbers have not been restated. As a result of this change in reporting, the University has recorded its proportionate share of the postemployment benefits in the financial statements presented within. Note 2 of the *Notes to Financial Statements* includes information of the University's implementation of Statement 75. Note 16 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes details on the postemployment benefits provided.

As a result of the accounting for and financial reporting of the University's defined benefit pension planss and other postemployment benefits, the University recognized $13.7 million of deferred outflows of resources and $11.0 million of deferred inflows of resources on the *Statement of Net Position.* The deferred outflows of resources represents, in part, the fiscal year 2018 employer contributions made by the University to the pension plans after the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Deferred outflows of resources decreased from the previous fiscal year $1.8 million due to a decrease in the net difference between projected and actual earnings on pension plan investments, partially offset by the addition of deferred outflows for other postemployment benefits. The deferred inflows of resources increased $9.0 million from June 30, 2017 as a result of the change in the net difference between projected and actual earnings on pension plan investments offset by differences between expected and actual experience, as well as the addition of deferred inflows from other postemployment benefits. Note 14 and Note 16 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes additional information regarding the University's pension obligations and other postemployment benefits, as well as related deferred outflows and inflows of resources.

Overall, the increase in total assets and deferred outflows of resources was less than the corresponding increase in total liabilities and deferred inflows of resources, thus the University's net position decreased by $36.4 million or 11.0 percent.

## Capital Asset and Debt Administration

The development and renewal of the University's capital assets are critical to ensure the necessary infrastructure required for achieving the University's ongoing mission. Accordingly, the University has continued to implement its long-range plans to modernize older facilities and to pursue new construction as needed. These investments in renovation and new construction support and enhance the University's high-quality instructional programs, residential lifestyles and student quality of life.

Note 5 of the *Notes to Financial Statements* describes the University's ongoing investment in capital assets. The value of the University's net capital assets totaled $347.6 million at the end of fiscal year 2018, a decrease of $5.3 million or 1.5 percent over fiscal year 2017. Net additions and reductions to capital assets during fiscal year 2018 totaled $11.1 million (excluding depreciation). The completion of Whitt Hall renovations and Muse Hall renovations, as well as construction progress on Reed and Curie Hall renovations, account for the majority of the current year capital activity. Current year depreciation expense totaled $19.9 million.

Capital projects in progress carried commitments to construction contractors, architects and engineers totaling $22.0 million at June 30, 2018.

These obligations represent the unperformed portion of construction contracts and, as such, have not been accrued as expenses or liabilities on the University's financial statements. Additional information regarding the University's commitments is included in Note 13 of the *Notes to Financial Statements.*

Financial stewardship requires the effective management of resources, including the use of long-term debt to finance capital projects. Long-term debt decreased $2.4 million as the result of no additional bond issuances during the year ending June 30, 2018. Note 7 of the *Notes to Financial Statements* contains additional information about the long-term debt of the University.

## Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the University's operating and nonoperating activities, which changes the University's total net position. The purpose of the statement is to present the University's operating revenues earned, operating expenses incurred and all other revenues, expenses, gains and losses.

Generally, operating revenues are received from providing goods and services to students and various customers and constituencies of the University. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Compensation and fringe benefits for faculty and staff are the largest category of operating expense.

**Statement of Revenues, Expenses, and Changes in Net Position — Summary Schedule**
**($ shown in thousands)**

| | | | *Change* | |
|---|---|---|---|---|
| | ***2018*** | ***2017*** | ***Amount*** | ***Percent*** |
| **Operating revenues** | $ 129,383 | $ 123,584 | $ 5,799 | 4.7 |
| **Less: Operating expenses** | 211,383 | 202,159 | 9,224 | 4.6 |
| **Operating loss** | (82,000) | (78,575) | (3,425) | (4.4) |
| **Nonoperating revenues (expenses)** | 67,105 | 73,710 | (6,605) | (9.0) |
| **Income before other revenues, expenses, gains, or losses** | (14,895) | (4,865) | (10,030) | (206.2) |
| **Other revenues, expenses, gains, or losses** | 14,631 | 16,515 | (1,884) | (11.4) |
| **Increase in net position** | (264) | 11,650 | (11,914) | (102.3) |
| **Net position - beginning of year** | 293,260 | 317,725 | (24,465) | (7.7) |
| **Net position - end of year** | $ 292,996 | $ 329,375 | $ (36,379) | (11.0) |

Nonoperating revenues are revenues received for which goods and services are not directly provided. For example, state appropriations are nonoperating revenues because they are provided by the legislature without the legislature directly receiving commensurate goods and services for those revenues. State appropriations provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, does not cover all operating expenses with operating revenues and expects to report an operating loss.

Operating revenues of the University consist primarily of student tuition and fees and revenues generated by various auxiliary enterprises. Operating revenues in total for fiscal year 2018 increased by $5.8 million as compared to fiscal year 2017. This increase was largely due to a $3.6 million increase in auxiliary enterprises, net of scholarship allowances, and a $2.0 million increase in federal grants and contracts. The increase in auxiliary enterprises is due to an increase in students living in University housing. Auxiliary revenue is broken down by category in Note 9 of the *Notes to Financial Statements*.

Nonoperating revenues and expenses decreased $6.6 million or 9.0 percent from fiscal year 2017 due to a decrease of 7.4 million in nonoperating transfers to the Commonwealth, offset partially by an increase of $1.5 million in federal student financial aid (Pell).

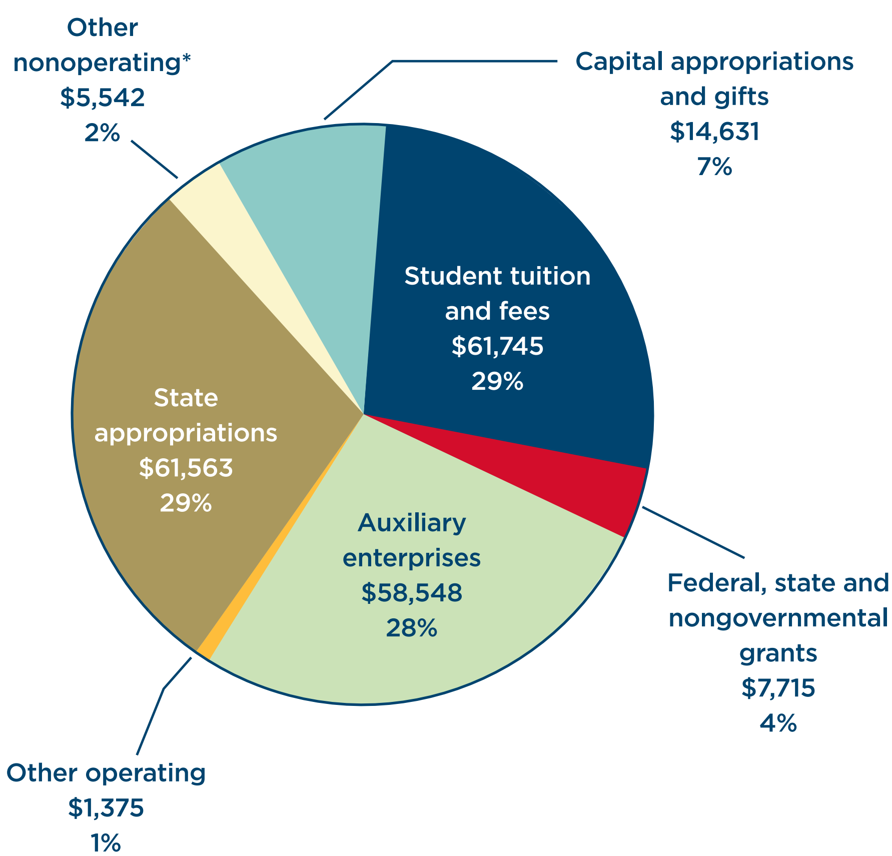
Capital appropriations and gifts declined by $1.9 million as a result of a decline in capital construction funding, predominantly related to the completion of the College of Humanities and Behavioral Sciences building in fiscal year 2017 and Whitt Hall renovations in fiscal year 2018.

## Revenues by Source Comparison
## ($ shown in thousands)

The following chart compares each major revenue source (both operating and nonoperating) for the previous two fiscal years:

| | 2018 | 2017 | Change Amount | Change Percent |
|---|---|---|---|---|
| **Revenues by source:** | | | | |
| Student tuition and fees | $ 61,745 | $ 61,205 | $ 540 | 0.9 |
| Federal, state and nongovernmental grants and contracts | 7,715 | 5,526 | 2,189 | 39.6 |
| Auxiliary enterprises | 58,548 | 54,977 | 3,571 | 6.5 |
| Other operating | 1,375 | 1,876 | (501) | (26.7) |
| State appropriations | 61,563 | 60,760 | 803 | 1.3 |
| Other nonoperating* | 5,542 | 12,950 | (7,408) | (57.2) |
| Capital appropriations and gifts | 14,631 | 16,515 | (1,884) | (11.4) |
| **Total revenues by source** | $ 211,119 | $ 213,809 | $ (2,690) | (1.3) |

**Includes federal student financial aid (Pell), investment income, interest on capital asset-related debt, gain/loss on capital assets and nonoperating transfers to the Commonwealth.*



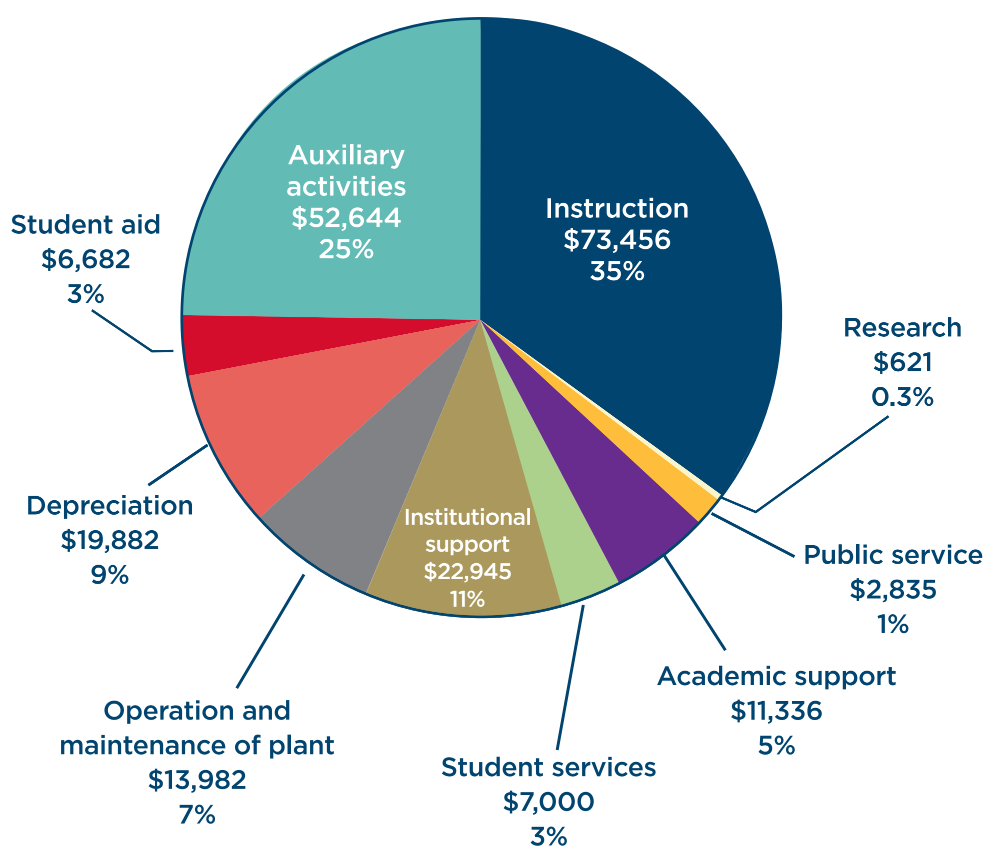

**Revenues by Source**
**($ shown in thousands)**

The following chart illustrates the percentage of the University's total revenue comprised by each major revenue source (both operating and nonoperating) for the year ended June 30, 2018.

| | 2018 | 2017 | Change Amount | Change Percent |
|---|---|---|---|---|
| **Operating expenses:** | | | | |
| Instruction | $ 73,456 | $ 70,208 | $ 3,248 | 4.6 |
| Research | 621 | 491 | 130 | 26.5 |
| Public service | 2,835 | 3,322 | (487) | (14.7) |
| Academic support | 11,336 | 10,904 | 432 | 4.0 |
| Student services | 7,000 | 6,678 | 322 | 4.8 |
| Institutional support | 22,945 | 22,429 | 516 | 2.3 |
| Operation and maintenance of plant | 13,982 | 12,828 | 1,154 | 9.0 |
| Depreciation | 19,882 | 19,412 | 470 | 2.4 |
| Student aid | 6,682 | 6,888 | (206) | (3.0) |
| Auxiliary activities | 52,644 | 48,999 | 3,645 | 7.4 |
| **Total operating expenses** | $ 211,383 | $ 202,159 | $ 9,224 | 4.6 |

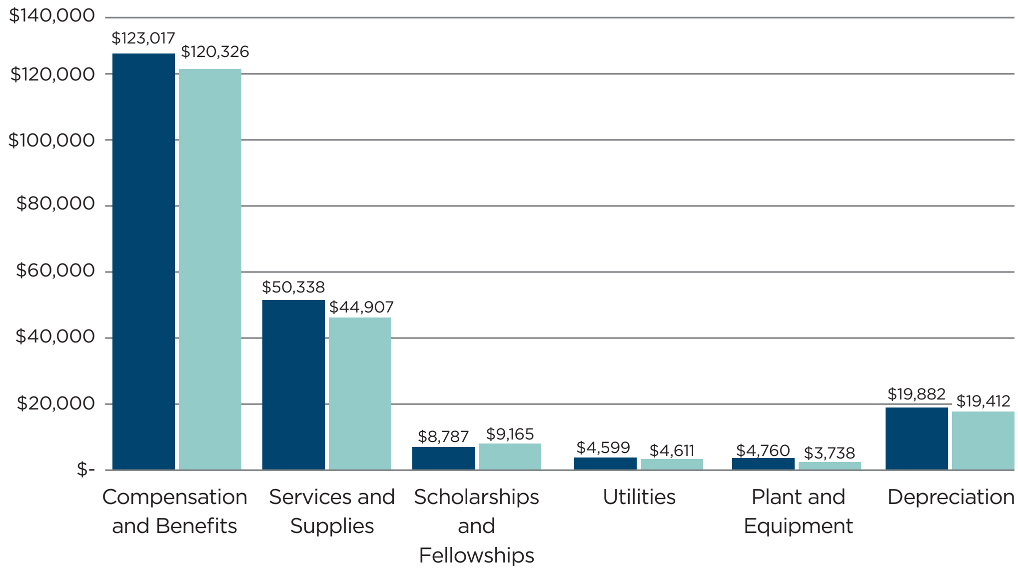
**Expenses by Function Comparison ($ shown in thousands)**

The following chart compares expenses by function for the fiscal years ended June 30, 2018 and 2017.




**Expenses by Function ($ shown in thousands)**

The graphic illustration presents total expenses by function for fiscal year 2017.




**Expenses by Natural Classification Comparison ($ shown in thousands)**

The chart compares expenses by natural classification for the years ended June 30, 2018 and 2017.

Operating expenses for fiscal year 2018 increased $9.2 million or 4.6 percent over fiscal year 2017. From a natural expense standpoint, compensation and benefits comprise 58.2 percent of the University's operating expenses and services and supplies accounts for 23.8 percent. Compensation and benefits; services and supplies; and plant and equipment contributed to the majority of the increase in operating expenses. Services and supplies increased $5.4 million or 12.1 percent primarily due to the implementation of the new instructional projects; an increase in maintenance services and labor; an increase in rental and maintenance of off-campus housing; and an increase in dining operations. Plant and equipment expense increased $1.0 million or 27.3 percent as a result of furniture, equipment and software purchases for University departments. Compensation and benefits increased $2.7 million or 2.2 percent. Generally, changes to expenses in this category are from three sources: increases or reductions in the number of personnel, annual salary increases and the general trends in the costs of fringe benefits. With the inclusion of state appropriations for the University in the nonoperating category, the University will routinely display an operating loss for the year. This operating loss is primarily covered by state appropriations included in the nonoperating category, as well as federal student financial aid (Pell), investment income and capital appropriations.

## Statement of Cash Flows

The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position*. This difference occurs because the *Statement of Revenues, Expenses, and Changes in Net Position* is prepared on the accrual basis of accounting and includes non-cash items, such as depreciation expense, while the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate cash flows necessary to meet obligations and evaluate its potential for additional financing.

The *Statement of Cash Flows* is divided into five sections: cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; cash flows from investing activities; and reconciliation of net operating loss to net cash used by operating activities.

**Statement of Cash Flows - Summary Schedule ($ shown in thousands)**

| | 2018 | 2017 | Change Amount | Change Percent |
|---|---|---|---|---|
| Net cash used by operating activities | $ (57,339) | $ (61,185) | $ 3,846 | (6.3) |
| Net cash provided by noncapital financing activities | 67,245 | 73,975 | (6,730) | (9.1) |
| Net cash used by capital and related financing activities | (2,956) | (6,046) | 3,090 | (51.1) |
| Net cash provided by investing activities | 1,252 | 360 | 892 | 247.8 |
| Net increase in cash | 8,202 | 7,104 | 1,098 | 15.5 |
| Cash and cash equivalents - beginning of year | 107,758 | 100,654 | 7,104 | 7.1 |
| Cash and cash equivalents - end of year | $ 115,960 | $ 107,758 | $ 8,202 | 7.6 |

Overall, the University had a net increase in cash of $8.2 million from fiscal year 2017. The primary sources of cash for the University were state appropriations of $61.6 million, student tuition and fees of $62.3 million, auxiliary enterprise revenues at $57.8 million, capital appropriations and gifts of $16.5 million and receipts for student loans of $60.5 million. The major uses of cash were employee compensation and benefits at $119.5 million, services and supplies of $49.1 million, student loan disbursements at $60.3 million and the purchase of capital assets at $15.4 million. Investing activities provided net cash of $1.3 million from interest received on auxiliary cash balances.

Net cash used by operating activities increased $3.8 million over fiscal year 2017. This increase resulted from increased cash inflows for student tuition and fees ($1.2 million), grants and contracts ($2.2 million), and auxiliary enterprises ($2.8 million), which was offset by a slight decrease in other receipts ($.4 million) and an increase in cash outflows for the various uses of operating cash ($2.0 million).

## Economic Outlook

The University's administration closely monitors the fiscal environment in which the University operates and reviews key assumptions in the annual update of the University's fiscal plan. The University's 2018-19 operating budget was developed in consideration of projected enrollment levels, actions taken by the Governor and General Assembly during the 2018 session, Board-approved tuition and fee rates, the strategic goals of the University and a regionally forecasted economic outlook.

The University's annual fiscal plan builds upon the existing multi-year strategic budget plans developed by each division. This collaborative process provides the framework for all University divisions to review operating priorities for the preceding six-year term. This information is used in the development of the University's Six-Year Plan submission to the State and positions the institution for long-term fiscal success.

The fiscal plan addresses critical academic and student support programmatic needs, considers unavoidable cost increases and introduces funding for the implementation of the goals outlined in the University's recently approved Strategic Plan, Embracing the Tradition and Envisioning the Future. It also considers the goals outlined in the Statewide Strategic Plan (SSP).

The Commonwealth's fiscal situation appears to be improving as it is able to turn the corner on a period of anticipated growth. The unemployment rate is below the national average at 3.0 percent (down 0.7 percentage point from a year ago), new business initiatives are underway across Virginia, yet there remains caution in the face of state revenue expectations. While the overall outlook is positive, the health of the regional economy must continue to be monitored closely. The University will continue to employ a conservative fiscal stance to ensure financial stability into 2019.

Enrollment for in-state undergraduate students has become increasingly more competitive as high school graduation rates have flattened and effects of the recent recession have diminished; however, the University continues to successfully recruit in the current market. Several student populations, including underserved and first generation students, continue to grow. Resources have been directed to this key operational area and demonstrate the University's commitment to attracting, retaining and educating its diverse student population.

Radford University remains committed to providing a quality and affordable educational experience. Among Virginia's four-year public institutions, the University remains a low total cost option for in-state undergraduate students. As a public institution of higher education in Virginia, providing affordable educational opportunities for in-state undergraduate students is a priority, thus Radford University continues to rely heavily on state general fund support for its Educational and General (E&G) program activities.

The 2018 legislative session was largely focused on core economic priorities: making strategic investments in education, workforce development, public safety and state employee salaries. In the second year of the biennium, Higher Education will see an increase in general funds to support a 2 percent pay raise mandated for all state employees, and an additional 2 percent merit raise mandated for classified staff with at least three years of service. There is also funding identified to increase Higher Education degree production in Data Science and Technology, Science and Engineering, Healthcare and Education, of which Radford University will receive $1.03 million in general funds. As a sign of increasing fiscal health and stability, the budget provides restorative contributions to the Revenue Stabilization Fund (i.e. the "Rainy Day Fund"), as well as creation of the Revenue Reserve Fund, bringing total deposits to these funds to nearly $1.0 billion by the end of the biennium. These funds serve to hedge against unexpected declines in revenue and can be used to stabilize the general fund when needed.

For fiscal year 2019, state general fund support for E&G programming will account for $51.8 million of the total projected program revenues. This represents a 5.3 percent increase from the fiscal year 2018 base budget. This increase in state general fund support is primarily reflective of the state's contribution to shared cost initiatives such as state mandated salary and fringe benefit rate increases.

Overall, the 2018-19 operating budget demonstrates a judicious and conservative use of University resources. Key operating efficiencies help to address mandatory and unavoidable cost increases while significant focus is placed on resource enhancement strategies to fund strategic priorities. The University will continue to seek external funding opportunities through federal, state and private grants and contracts and is committed to innovation in content delivery methods and programs in high demand by companies operating in the Commonwealth and beyond.

Radford University continues to enjoy a healthy demand for its academic programs among Virginia residents and first-generation students. Reflective of Radford University's growth and diversity, the Class of 2022 is composed of 1,762 new freshmen from 308 Virginia high schools and 147 out-of-state and international high schools, representing 20 foreign nations. Over one-quarter (26 percent) of Virginia residents in the class are from northern Virginia, and more than 34 percent of the new freshmen are first-generation college students. Over 36 percent of the new freshman class identify themselves as ethnic minorities, with 19.4 percent as African American and 8.6 percent as Hispanic/Latino

In January 2018, Radford University announced its intent to merge with Jefferson College of Health Sciences (a division of Carilion Clinic). Jefferson College brings 35 years of history as an accredited institution and has grown from 200 to about 1,150 students over that time. Jefferson College is one of the top producers of nursing and allied health professionals in the region. It is anticipated that the robust history of collaboration between these two institutions will help form a solid partnership to enhance the quality of health care education and research in the Roanoke area and the Commonwealth. The merger process is anticipated to take 18 to 24 months with a target date of fall term 2019.

In the coming years, Radford University will continue to demonstrate sound judgment in use of its financial resources and explore innovative strategies for continuous improvement. Future planning efforts have positioned the University to respond immediately to changing economic conditions and will allow the institution to emerge even stronger. Admission applications and student interest in the University continues to be strong in producing a reliable source of enrollment while maintaining a continued focus on student quality. The impact of these planning efforts demonstrates the University's focus on the future and its ability to respond to unforeseen challenges by continuing to evaluate programmatic costs, identify efficiencies in operations and prioritize the most critical of needs in establishing and monitoring its operational finances.

# Financial Statements

# RADFORD UNIVERSITY

## Statement of Net Position

*As of June 30, 2018*

| | Radford University | Component Unit Radford University Foundation, Inc. |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (Note 3) | $ 122,911,501 | $ 1,492,377 |
| Restricted cash and cash equivalents (Note 3) | 113,048 | - |
| Short-term investments (Note 20C) | - | 59,966,655 |
| Accounts receivable (net of allowance for doubtful accounts of $395,179) (Note 4) | 1,819,286 | - |
| Contributions receivable (net of allowance for uncollectible contributions and discount of $92,891) (Note 20A) | - | 2,631,684 |
| Due from the Commonwealth (Note 12) | 3,510,928 | - |
| Due from Federal Government | 122,877 | - |
| Inventory | 483,280 | - |
| Notes receivable (net of allowance for doubtful accounts of $411,914 and $ - ) (Notes 4, 20B) | 1,250,533 | 16,727 |
| Prepaid expenses | 4,399,222 | 33,660 |
| Other receivables | - | 264,989 |
| **Total current assets** | 134,610,675 | 64,406,092 |
| **Noncurrent assets** | | |
| Other long-term investments (Note 20C) | - | 1,758,839 |
| Contributions receivable (net of allowance for uncollectible contributions and discount of $972,103) (Note 20A) | - | 4,772,213 |
| Other postemployment benefits (Note 16) | 2,189,000 | |
| Other assets | - | 752,731 |
| Funds held in trust by others | - | 769,412 |
| Notes receivable (net of allowance for doubtful accounts and discount of $457,715 and $74,428) (Notes 4, 20B) | 1,532,219 | 487,702 |
| Depreciable capital assets, net (Notes 5, 20D) | 326,265,509 | 38,885,802 |
| Nondepreciable capital assets (Notes 5, 20D) | 21,288,653 | 6,384,338 |
| **Total noncurrent assets** | 351,275,381 | 53,811,037 |
| **Total assets** | $ 485,886,056 | $ 118,217,129 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources from net pension obligation | $ 10,603,890 | $ - |
| Deferred outflows of resources from other post employment benefits | 2,832,850 | - |
| Deferred loss on long-term debt defeasance (Note 7) | 251,824 | - |
| **Total deferred outflows of resources (Notes 14, 16)** | $ 13,688,564 | $ - |

*The accompanying notes to financial statements are an integral part of this statement.*

# RADFORD UNIVERSITY
## Statement of Net Position
*As of June 30, 2018*

| | Radford University | Component Unit Radford University Foundation, Inc. |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued expenses (Note 6) | $ 20,897,933 | $ 633,017 |
| Unearned revenue | 3,559,811 | 472,447 |
| Obligations under securities lending | 7,064,864 | - |
| Deposits held in custody for others | 736,698 | - |
| Current portion of long-term debt (Notes 7, 20E) | 2,192,566 | 130,748 |
| Current portion of other noncurrent liabilities (Note 8) | 2,927,450 | - |
| Current portion of other postemployment benefits (Note 16) | 500,450 | - |
| Trust and annuity obligations | - | 61,833 |
| **Total current liabilities** | 37,879,772 | 1,298,045 |
| **Noncurrent liabilities** | | |
| Long-term debt (Notes 7, 20E) | 50,201,305 | 33,719,511 |
| Pension obligations (Note 14) | 67,833,000 | - |
| Other postemployment benefits (Note 16) | 35,305,989 | - |
| Trust and annuity obligations | - | 369,299 |
| Other noncurrent liabilities (Note 8) | 4,341,359 | - |
| **Total noncurrent liabilites** | 157,681,653 | 34,088,810 |
| **Total liabilities** | $ 195,561,425 | $ 35,386,855 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources from net pension obligation | 5,004,000 | |
| Deferred inflows of resources from other postemployment benefits | $ 6,012,799 | $ - |
| **Total deferred inflows of resources (Notes 14, 16)** | $ 11,016,799 | $ - |
| **NET POSITION** | | |
| Net investment in capital assets | $ 295,359,044 | $ 11,808,867 |
| Restricted for: | | |
| Expendable: | | |
| Scholarships and fellowships | 158,573 | 14,309,041 |
| Instruction and research | 1,853,401 | 12,240,685 |
| Loans | 174,423 | 2,046,446 |
| Other | 2,189,000 | 2,998,049 |
| Nonexpendable: | | |
| Scholarships and fellowships | - | 28,417,823 |
| Instruction and research | - | 2,332,041 |
| Other | - | 4,343,353 |
| Unrestricted | (6,738,045) | 4,333,969 |
| **Total net position** | $ 292,996,396 | $ 82,830,274 |

*The accompanying notes to financial statements are an integral part of this statement.*

## RADFORD UNIVERSITY

### Statement of Revenues, Expenses, and Changes in Net Position

*As of June 30, 2018*

| | Radford University | Component Unit Radford University Foundation, Inc. |
|---|---|---|
| **OPERATING REVENUES** | | |
| Student tuition and fees (net of scholarship allowance of $14,801,584) | $ 61,744,964 | $ - |
| Gifts and contributions | - | 4,060,250 |
| Federal grants and contracts | 6,065,133 | - |
| State grants and contracts | 1,187,663 | - |
| Nongovernmental grants and contracts | 462,562 | - |
| Auxiliary enterprises (net of scholarship allowance of $11,910,923) (Note 9) | 58,548,327 | - |
| Other operating revenues | 1,374,765 | 1,471,841 |
| **Total operating revenues** | 129,383,414 | 5,532,091 |
| **OPERATING EXPENSES** | | |
| Instruction | 73,455,720 | 60,632 |
| Research | 621,291 | - |
| Public service | 2,835,757 | - |
| Academic support | 11,336,113 | 2,577,070 |
| Student services | 7,000,568 | - |
| Institutional support | 22,944,694 | 1,964,185 |
| Operation and maintenance of plant | 13,982,162 | - |
| Depreciation (Note 4) | 19,881,490 | 548,738 |
| Student aid | 6,681,858 | 1,548,754 |
| Auxiliary activities (Note 9) | 52,643,913 | - |
| **Total operating expenses (Note 10)** | 211,383,566 | 6,699,379 |
| **Operating loss** | (82,000,152) | (1,167,288) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| State appropriations (Note 11) | 61,563,009 | - |
| Federal student financial aid (Pell) | 13,784,657 | - |
| Investment income | 1,252,481 | 3,931,740 |
| Interest on capital asset-related debt | (1,372,501) | (291,768) |
| Gain (Loss) on capital assets | 3,797 | - |
| Nonoperating transfers to the Commonwealth | (7,832,814) | - |
| Other nonoperating revenues (expenses), net | (292,999) | |
| **Net nonoperating revenues** | 67,105,630 | 3,639,972 |
| **INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES** | (14,894,522) | 2,472,684 |
| Capital appropriations and gifts (Note 12) | 14,631,059 | 632,608 |
| Additions to permanent endowments | - | 5,345,403 |
| Additions to term endowments | - | 212,263 |
| **Total other revenues** | 14,631,059 | 6,190,274 |
| **Increase (decrease) in net position** | (263,463) | 8,662,958 |
| **Net position — beginning of year (Note 2)** | 293,259,859 | 74,167,316 |
| **Net position — end of year** | $ 292,996,396 | $ 82,830,274 |

*The accompanying notes to financial statements are an integral part of this statement.*

# RADFORD UNIVERSITY

## Statement of Cash Flows

*For the Year Ended June 30, 2018*

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Student tuition and fees | $ 62,303,440 |
| Grants and contracts | 7,756,756 |
| Auxiliary enterprises | 57,872,626 |
| Other receipts | 1,408,839 |
| Payments for salaries, wages, and fringe benefits | (119,466,914) |
| Payments for services and supplies | (49,053,201) |
| Payments for utilities | (4,599,321) |
| Payments for scholarships and fellowships | (8,787,069) |
| Payments for noncapitalized plant improvements and equipment | (4,760,010) |
| Loans issued to students and employees | (1,114,660) |
| Collections of loans from students and employees | 1,099,706 |
| Net cash used by operating activities | $ (57,339,808) |
| | |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | |
| State appropriations | $ 61,563,009 |
| Nongeneral fund appropriations | (7,832,814) |
| Federal student financial aid (Pell) | 13,738,362 |
| Other nonoperating receipts | 51,732 |
| Other nonoperating expenses | (344,731) |
| Federal Loan Contribution | (174,962) |
| Federal Direct Lending Program - receipts | 60,541,155 |
| Federal Direct Lending Program - disbursements | (60,311,066) |
| Agency and other receipts | 476,587 |
| Agency and other payments | (462,018) |
| Net cash provided by noncapital financing activities | $ 67,245,254 |
| | |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | |
| Capital appropriations | $ 16,635,798 |
| Capital gifts | (187,050) |
| Proceeds from the sale of capital assets | 54,382 |
| Purchase of capital assets | (15,401,864) |
| Principal paid on capital debt, leases and installments | (2,092,308) |
| Interest paid on capital debt, leases and installments | (1,964,946) |
| Net cash used by capital financing activities | $ (2,955,988) |
| | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | |
| Interest on investments | $ 1,252,481 |
| Net cash provided by investing activities | $ 1,252,481 |
| | |
| Net increase in cash | $ 8,201,939 |
| Cash and cash equivalents - beginning of the year | 107,757,746 |
| Cash and cash equivalents - end of the year | $ 115,959,685 |

*The accompanying notes to financial statements are an integral part of this statement.*

# RADFORD UNIVERSITY

## Statement of Cash Flows

*As of June 30, 2018*

**RECONCILIATION OF STATEMENT OF CASH FLOWS, STATEMENT OF NEW POSITION**

| | |
|---|---|
| Statement of Net Position | |
| Cash and cash equivalents | $ 123,024,549 |
| Less: Securities lending-Treasurer of Virginia (CY amount) | (7,064,864) |
| Net cash and cash equivalents | $ 115,959,685 |

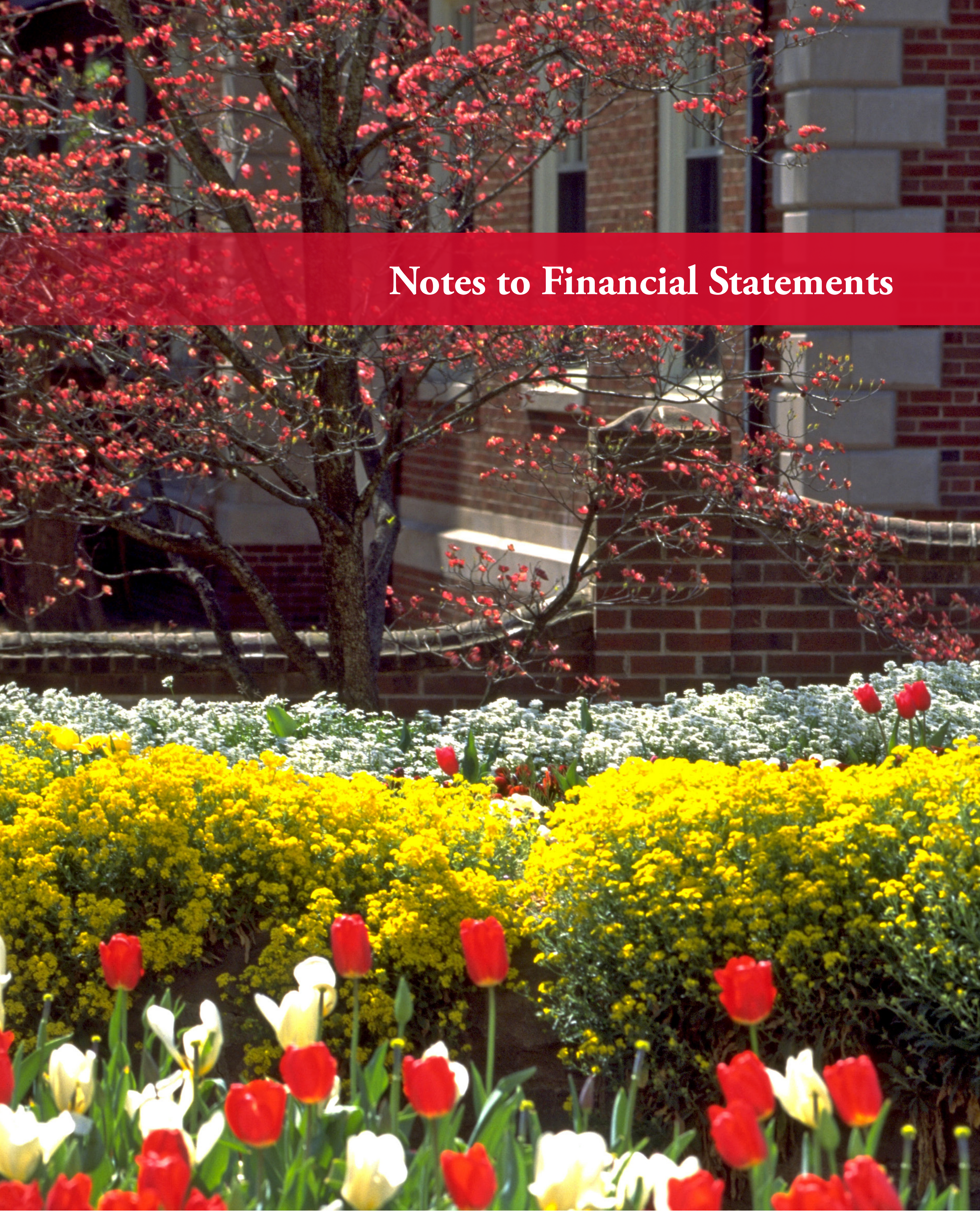
**RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:**

| | |
|---|---|
| Operating loss | $ (82,000,152) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 19,881,490 |
| Changes in assets, liabilities, deferred outflows and deferred inflows: | |
| Receivables, net | 151,036 |
| Prepaid expenses | 209,560 |
| Inventory | (23,098) |
| Notes receivable, net | (52,274) |
| Other postemployment benefits asset | (223,000) |
| Deferred outflows of resources from other postemployment benefits obligation | (2,832,850) |
| Deferred outflows of resources from net pension obligation | 4,629,457 |
| Accounts payable and accrued expenses | 1,730,773 |
| Unearned revenue | (155,469) |
| Accrued compensated absences | 1,389,722 |
| Other postemployment benefits obligaton | (2,274,803) |
| Net pension obligation | (6,796,000) |
| Deferred outflows of resources from other postemployment benefits liability | 6,012,800 |
| Deferred inflows of resources from net pension liability | 3,013,000 |
| | $ (57,339,808) |

**NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS**

| | |
|---|---|
| Gift of capital assets | 187,050 |
| Amortization of bond premium/(discount) and gain/(loss) on debt refunding | (577,782) |
| Loss on disposal of capital assets | (50,585) |
| Capitalization of interest expense | 268,599 |

*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

Radford University (the University) is a comprehensive university that is part of the statewide system of public higher education in the Commonwealth of Virginia (the Commonwealth). The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. The Commonwealth prepares a separate financial report that incorporates 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 and is included in the Commonwealth's general purpose financial statements.

Under Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, the Radford University Foundation, Inc. (the Foundation) meets the criteria to qualify as a component unit of the University. The Foundation is a legally separate tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fundraising and funds management efforts that benefit the University and its programs. The 17-member board of the Foundation is self-perpetuating and consists of alumni, supporters and senior staff of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The component unit information for the Foundation also includes the Radford University Athletic Foundation, Inc. (RUAF), which is incorporated as a nonprofit corporation under the laws of the Commonwealth of Virginia. The purpose of the RUAF is to support intercollegiate athletics at the University. The RUAF is managed by a Board of Directors where most of the Board is independently elected. Additionally, two employees of the University are ex-officio members with full voting rights. The assets of the RUAF are managed by the Foundation and its accounts are included in the consolidated financial statements of the Foundation.

During the year ended June 30, 2018, the Foundation made distributions of $2,581,000 to or on behalf of the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by contacting the Radford University Foundation Administrative Office at P.O. Box 6893, Radford, Virginia 24142.

## Basis of Presentation

The University prepares its financial statements in conformity with U.S. generally accepted accounting principles as prescribed by GASB.

GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general purpose external financial reports: the citizenry; legislative and oversight bodies; and investors and creditors. The University is required under this guidance to include *Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements, and Required Supplementary Information* in its financial statement presentation.

During the year ended June 30, 2018, the following GASB statements became effective: Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions;* Statement 81, *Irrevocable Split-Interest Agreements;* Statement 85, Omnibus 2017; and Statement 86, *Certain Debt Extinguishment Issues*.

**Statement 75,** *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* improves the reporting of other postemployment benefits (OPEB). Note 16 provides details for each type of postemployment benefits for the University.

**Statement 81,** *Irrevocable Split-Interest Agreements,* improves the reporting for irrevocable split-Interest agreements by providing guidance for situations when government agencies are the beneficiary of such an agreement. The implementation of Statement 81 had no impact on the financial statements for the year ended June 30, 2018.

**Statement 85,** *Omnibus 2017*, addresses a variety of topics including blending component units, reporting goodwill, classifying real estate held by insurance entities, fair value measurement, pensions and other postemployment benefits.

**Statement 86,** *Certain Debt Extinguishment Issue,* improves reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. The implementation of Statement 86 had no impact on the financial statements for the year ended June 30, 2018.

The Foundation is a nonprofit organization that prepares its financial statements in conformity with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB), including FASB Statement 117, *Financial Statements of Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. Reclassifications have been made to convert the Foundation's financial information to GASB presentation format.

## Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

## Cash and Cash Equivalents

For purposes of the *Statement of Net Position and Statement of Cash Flows,* the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Restricted cash and cash equivalents are externally restricted for the acquisition or construction of capital assets. Restricted cash and cash equivalents to be used in accordance with restrictions within the next fiscal year are classified as current assets and the remainder is classified as noncurrent assets on the *Statement of Net Position*.

## Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, modified by GASB Statement 59, *Financial Instruments Omnibus*, purchased investments, interest-bearing temporary investments classified with cash and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), are reported as nonoperating revenue or expense in the *Statement of Revenues, Expenses*, and *Changes in Net Position*.

Short-term investments are classified as current assets on the *Statement of Net Position* and include investments with an original maturity over 90 days but less than or equal to one year at the time of purchase.

## Accounts Receivable

Accounts receivable consist of charges for tuition and fees and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. See Note 4 for a detailed list of accounts receivable by major category.

## Inventories

Inventories are valued at average cost, generally determined by the average cost method, and consists primarily of expendable supplies and fuel held for consumption.

## Notes Receivable

Notes receivable consist of amounts due from the Federal Perkins Loan Program, Nursing Student Loan Program and other student loan programs administered by the University. Notes receivable are recorded net of allowance for doubtful accounts. See Note 4 for a detailed list of notes receivable by major category.

## Prepaid Expenses

As of June 30, 2018, the University's prepaid expenses included items such as insurance premiums, membership dues, conference registrations and publication subscriptions for fiscal year 2018 that were paid in advance.

## Capital Assets

Capital assets include land, buildings, infrastructure, building and other improvements, equipment, intangibles and library materials. Capital assets are recorded at actual costs or estimated historical costs, if purchased or constructed. Donated capital assets are recognized at acquisition value at the date of donation.

Equipment with an expected useful life of greater than one year and with a value or cost of $5,000 or more at the date of acquisition are capitalized. Intangibles, principally software, are capitalized when acquisition costs are $10,000 or more and the estimated useful life is three years or greater.

Library materials are valued using actual costs for library acquisitions. Construction and renovation costs are recorded as construction in progress until the project is substantially complete at which the costs are removed from construction in progress and capitalized in the appropriate capital asset account (e.g. buildings, improvements, etc.) Such construction projects are capitalized when expenses total more than $100,000. Routine repairs and maintenance that do not add to the value of an asset or extend the useful life of an asset are not capitalized and are charged to operating expenses.

Interest expense incurred during the construction of capital assets is capitalized net of interest income earned on resources set aside for this purpose. The University incurred and capitalized net interest expense related to the construction of capital assets of $268,600 for the fiscal year ended June 30, 2018.

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** | **40 years** |
| **Building improvements** | **20 years** |
| **Other improvements and infrastructure** | **20 years** |
| **Equipment** | **3-15 years** |
| **Intangibles (software)** | **3-15 years** |
| **Library materials** | **10 years** |

## Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees is recorded as a liability on the *Statement of Net Position*. The amount reflects, as of June 30, 2018, all unused annual, sick, compensatory and recognition leave, as well as the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included. See Note 8 for current and noncurrent amounts.

## Unearned Revenue

Unearned revenue primarily includes amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities related to the period subsequent to June 30, 2018.

## Noncurrent Liabilities

Noncurrent liabilities include the following:

- Principal amounts of notes and bonds payable and installment purchase obligations with maturities greater than one year
- Estimated amounts for accrued compensated absences
- Refundable contributions from the Federal government to fund the operations of the Perkins Loan Program and the Nursing Student Loan Program
- Estimated pension obligation for the University's defined benefit pension plans
- Estimated other postemployment benefits for the University's defined postemployment benefit plans

See Notes 7, 8, 14 and 16 for detailed information and amounts.

## Pension Obligation

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 contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 14 for general information about the pension plans and calculation of the net pension liability.

## Other Postemployment Benefits

For purposes of measuring the other postemployment benefits (OPEB) asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) OPEB plans; and the additions to/deductions from the VRS OPEB Plan'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. See Note 16 for general information about the OPEB plans and calculation of the net pension asset or liability.

### *Group Life Insurance Program (GLI)*

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 of 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 Virginia Retirement System (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 (HIC)*

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 Virginia Retirement System (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 (VSDP)*

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 liability (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 Virginia Retirement System (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 (LODA)*

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) 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 Virginia Retirement System (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 Pre-Medicare Retiree Healthcare plan is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This healthcare plan was established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. Radford 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 University effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

## Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. Deferred outflows of resources have a positive impact on net position similar to assets in comparison to deferred inflows of resources which have a negative effect on net position similar to liabilities.

## Net Position

GASB Statement 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, as amended by GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, requires that the *Statement of Net Position* report the difference between assets, deferred outflows, liabilities and deferred inflows as net position. Net position is classified into four major components: net investment in capital assets, restricted expendable, restricted nonexpendable and unrestricted.

**Net investment in capital assets** — Net investment in capital assets represents the University's total capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Debt incurred, but not yet expended for capital assets, net of accounts and retainage payable to be paid with unspent debt proceeds, is not included as a component of net investment in capital assets.

**Restricted expendable** — The expendable restricted component of net position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.

**Restricted nonexpendable** — Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained in perpetuity and invested for the purpose of producing present or future income to be expended or added to the principal. As of June 30, 2018, the University does not have nonexpendable restricted net position.

**Unrestricted** — The unrestricted component of net position represents resources used for transactions relating to academic departments and general operations of the University. It may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, research and outreach. These resources are derived from student tuition and fees; state appropriations; recoveries of facilities and administrative (indirect) costs; and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty and staff. Some examples of the University's auxiliaries are intercollegiate athletics and student residential and dining programs.

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 before unrestricted resources.

## Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Direct Lending, and Perkins Loan programs. Federal programs are audited in accordance with Title 2, Part 200 of the U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

## 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 of instructional and research equipment and facilities. During fiscal year 2018, funding has been provided to the University from two programs: 21st Century and Equipment Trust Fund (ETF). The Commonwealth 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 bond 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 reimbursements from these programs. The *Statement of Revenues, Expenses, and Changes in Net Position* line item, Capital appropriations and gifts, include the reimbursements from these programs.

## Income Taxes

The University, as an agency of the Commonwealth, is excluded from federal income taxes under Section 115 of the *Internal Revenue Code*. The Foundation is a 501(c)(3) organization and is exempt from federal income tax under the *Internal Revenue Code*. Certain activities of the University and Foundation may be subject to taxation as unrelated business income.

## Revenue Classifications

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, state appropriations, investment income and other revenue sources that are defined as nonoperating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Operating expenses include expenses necessary for the operation of the University, including compensation and benefits; services and supplies; and operation and maintenance of plant, as well as any expense not classified as nonoperating.

Nonoperating expenses are expenses incurred for interest on debt related to the purchase or construction of capital assets and losses on disposal of capital assets.

## Scholarship Discounts and Allowances

Student tuition and fees and certain auxiliary enterprise revenues from students are reported net of scholarship discounts and allowances in the *Statement of Revenues, Expenses, and Changes in Net Position*. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties on the students' behalf. Scholarship discounts and allowances are reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO), which calculates scholarship discounts and allowances on a university-wide basis rather than on an individual basis.

Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

## NOTE 2: Restatement of Net Position

Net position originally reported In the University's financial statements as of June 30, 2017, has been restated to reflect the implementation of GASB statement 75 effective for the year ending June 30, 2018.

| | |
|---|---|
| Net position, June 30, 2017, as previously reported | $ 329,375,101 |
| Change in reporting for the implementation of GASB Statement 75, Accounting and *Financial Reporting for Postemployment Benefits Other than Pensions* | |
| Beginning OPEB liability | (38,081,242) |
| Beginning OPEB restricted other asset | 1,966,000 |
| Total prior period restatement | (36,115,242) |
| Net position, July 1, 2017, as restated | $ 293,259,859 |

## NOTE 3: Cash and Cash Equivalents and Investments

The following information is provided with respect to the University's cash, cash equivalents, and investments and related risk disclosures as of June 30, 2018, in accordance with GASB Statement 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 a failure of a depository financial institution, the University 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, the University will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The University had no category 3 deposits or investments as of June 30, 2018.

**Credit Risk**—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University is required to disclose the credit quality ratings of all investments subject to credit risk. The University's investment policy does not limit the ratings type of investment choices. The University does not have any investments subject to credit risk.

**Concentration of Credit Risk**—The risk of loss attributed to the magnitude of an investment in a single issuer. Disclosure of investments with any one issuer that represents 5 percent or more of total investments is required. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the requirement. The University does not have investments subject to risks due to concentration of credit.

**Interest Rate Risk**—The risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have an interest rate risk policy and does not have investments or deposits that are sensitive to changes in interest rates as of June 30, 2018.

**Foreign Currency Risk**—The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments or deposits during fiscal year 2018.

## 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*.

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, cash and cash equivalents represents cash with the treasurer, cash on hand, temporary investments with original maturities of three months or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP offers a professionally managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP is in compliance with all of the standards of GASB Statement 79 and elects to reports its investments for financial reporting at amortized cost. Participants in SNAP should also report their investments in SNAP at amortized cost. SNAP is rated 'AAAm' by Standard & Poor's rating service. The financial institution that holds the University's local cash provides an interest-bearing checking account that allows the University to earn a competitive rate of interest on 100 percent of its collected balances.

## Investments

Management of the University's investments is governed by the University's investment policy as approved by the Board of Visitors. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., *Code of Virginia*. Investments are categorized as short-term or 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.

## Capital Appropriations

Capital appropriations consist of funding provided by the Commonwealth to the University from the 21st Century program and the Equipment Trust Fund, both managed by the Virginia College Building Authority (VCBA). Renovations to Reed Curie Halls and Whitt Hall were the source of $10.8m of fiscal year 2018 balance. See Note 12 for capital appropriation summary.

## Securities Lending Transactions

GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions,* establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer their securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial*

*Report.* 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.

**Cash and cash equivalents at June 30, 2018**

| | |
|---|---|
| Cash on hand and deposited with financial institutions | $6,574,665 |
| Cash with the Treasurer of Virginia | 109,271,972 |
| Collateral held for Securities Lending | 7,064,864 |
| Cash equivalents (State Non-Arbitrage Program) | 113,048 |
| Total cash and cash equivalents | $123,024,549 |

**Restricted cash and cash equivalents at June 30, 2018**

| | |
|---|---|
| **Current:** | |
| Cash and cash equivalents (State Non-Arbitrage Program) | $113,048 |
| **Noncurrent:** | |
| Cash and cash equivalents (State Non-Arbitrage Program) | - |
| Total restricted cash and cash equivalents | $113,048 |

## NOTE 4: Accounts and Notes Receivable

**Accounts Receivable at June 30, 2018**

| | |
|---|---|
| Student tuition and fees | $329,860 |
| Auxiliary enterprises | 1,415,505 |
| Federal, state and nongovernmental grants and contracts | 328,160 |
| Other activities | 140,940 |
| | 2,214,465 |
| Less allowance for doubtful accounts | (395,179) |
| Net accounts receivable | $1,819,286 |

**Notes receivable at June 30, 2018:**

| | |
|---|---|
| **Current:** | |
| Federal student loans | $1,480,692 |
| Institutional student loans | 181,755 |
| | 1,662,447 |
| Less allowance for doubtful accounts | (411,914) |
| Net current notes receivable | $1,250,533 |
| **Noncurrent:** | |
| Federal student loans | $1,885,523 |
| Institutional student loans | 104,411 |
| | 1,989,934 |
| Less allowance for doubtful accounts | (457,715) |
| Net noncurrent notes receivable | $1,532,219 |

## NOTE 5: 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 | Deletions | Ending Balance |
|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | |
| Land | 11,967,656 | - | | 11,967,656 |
| Construction in progress | 17,502,536 | 11,009,036 | 19,190,575 | 9,320,997 |
| **Total nondepreciable capital assets** | 29,470,192 | 11,009,036 | 19,190,575 | 21,288,653 |
| **Depreciable capital assets:** | | | | |
| Buildings | 432,420,700 | 19,097,907 | - | 451,518,607 |
| Infrastructure | 22,796,130 | - | - | 22,796,130 |
| Intangibles | 8,122,750 | - | - | 8,122,750 |
| Equipment | 38,730,873 | 1,862,513 | 1,723,519 | 38,869,867 |
| Other improvements | 14,125,602 | 576,696 | - | 14,702,298 |
| Library materials | 25,701,305 | 1,255,324 | 1,731,320 | 25,225,309 |
| **Total depreciable capital assets** | 541,897,360 | 22,792,440 | 3,454,839 | 561,234,961 |
| **Less accumulated depreciation:** | | | | |
| Buildings | 142,394,473 | 14,040,310 | - | 156,434,783 |
| Infrastructure | 21,107,747 | 221,825 | - | 21,329,572 |
| Intangibles | 5,146,446 | 492,525 | - | 5,638,971 |
| Equipment | 26,277,125 | 2,919,058 | 1,672,934 | 27,523,249 |
| Other improvements | 7,446,917 | 489,614 | - | 7,936,531 |
| Library materials | 16,119,508 | 1,718,158 | 1,731,320 | 16,106,346 |
| **Total accumulated depreciation** | 218,492,216 | 19,881,490 | 3,404,254 | 234,969,452 |
| **Depreciable capital assets, net** | 323,405,144 | 2,910,950 | 50,585 | 326,265,509 |
| **Total capital assets, net** | 352,875,336 | 13,919,986 | 19,241,160 | 347,554,162 |

## NOTE 6: 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 | $13,580,118 |
| Vendors and suppliers accounts payable | 5,025,913 |
| Capital projects accounts and retainage payable | 1,943,237 |
| Accrued interest payable | 348,665 |
| Total accounts payable and accrued expenses | $20,897,933 |

## NOTE 7: Long-Term Debt

**Notes Payable—Pooled Bonds**

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (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 secures these notes.

The composition of notes payable at June 30, 2018, is summarized as follows:

| Notes Payable - Pooled Bonds: | Interest Rates at Issuance | Maturity at Issuance |
|---|---|---|
| Student Fitness Center | | |
| Series 2009B, $3.720 million par amount | 2.00% - 5.00% | September 1, 2029 |
| Series 2016A, $2.285 million par amount - partial refunding of Series 2009B | 3.00% - 5.00% | September 1, 2029 |
| Series 2011A, $4.235 million par amount | 3.00% - 5.00% | September 1, 2031 |
| Series 2012B, $11.155 million par amount | 3.00% - 5.00% | September 1, 2032 |
| Series 2013A, $4.865 million par amount | 2.00% - 5.00% | September 1, 2033 |

**Bonds Payable—9c**

The University has issued bonds pursuant to section 9(c) 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. They are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth of Virginia.

The composition of bonds payable at June 30, 2018, is summarized as follows:

| Bonds Payable - 9c: | Interest Rates at Issuance | Maturity at Issuance |
|---|---|---|
| Renovation of Washington Hall (residence hall) | | |
| Series 2013A, $5.040 million par amount | 2.00% - 5.00% | June 1, 2033 |
| Renovation of Pocahontas, Bolling, Draper (residence halls) | | |
| Series 2014A, $11.080 million par amount | 2.00% - 5.00% | June 1, 2034 |
| Series 2015A, $8.820 million par amount | 2.00% - 5.00% | June 1, 2035 |
| Series 2016A, $7.160 million par amount | 3.00% - 5.00% | June 1, 2036 |

**Installment Purchase Obligations**

The University has future obligations under an installment purchase agreement initiated in January 2009. The capitalized value of the asset purchased under this installment purchase agreement is $114,460, and the repayment term is 10 years at an interest rate of 2.087 percent.

A summary of changes in long-term debt for the year ending June 30, 2018, is presented as follows:

| | **Beginning Balance** | **Additions** | **Reductions** | **Ending Balance** | **Current Portion** | **Noncurrent Portion** |
|---|---|---|---|---|---|---|
| Long-term debt: | | | | | | |
| Notes payable - pooled bonds | $22,241,962 | $ - | $1,096,274 | $21,145,688 | $980,000 | $20,165,688 |
| Bonds payable – 9c | 32,545,300 | - | 1,309,683 | 31,235,617 | 1,200,000 | 30,035,617 |
| Installment purchase obligations | 24,875 | - | 12,309 | 12,566 | 12,566 | - |
| **Total long-term debt** | $54,812,137 | $0 | $2,418,266 | $52,393,871 | $2,192,566 | $50,201,305 |

Future principal payments on long-term debt are as follows:

| Fiscal Year Ending | Notes Payable Pooled Bonds | Bonds Payable - 9c | Installment Purchase |
|---|---|---|---|
| June 30, 2019 | 980,000 | 1,200,000 | 12,566 |
| June 30, 2020 | 1,030,000 | 1,260,000 | - |
| June 30, 2021 | 1,085,000 | 1,320,000 | - |
| June 30, 2022 | 1,135,000 | 1,395,000 | - |
| June 30, 2023 | 1,190,000 | 1,465,000 | - |
| 2024-2028 | 6,720,000 | 8,350,000 | - |
| 2029-2033 | 6,860,000 | 10,015,000 | - |
| 2034-2036 | 340,000 | 3,485,000 | - |
| Unamortized Premium | 1,805,688 | 2,745,617 | - |
| **Total** | $21,145,688 | $31,235,617 | $12,566 |

Future interest payments on long-term debt are as follows:

| Fiscal Year Ending | Notes Payable Pooled Bonds | Bonds Payable - 9c | Installment Purchase |
|---|---|---|---|
| June 30, 2019 | 743,306 | 1,119,500 | 197 |
| June 30, 2020 | 698,006 | 1,059,500 | - |
| June 30, 2021 | 650,181 | 996,500 | - |
| June 30, 2022 | 596,731 | 930,500 | - |
| June 30, 2023 | 539,681 | 860,750 | - |
| 2024-2028 | 1,931,641 | 3,258,688 | - |
| 2029-2033 | 628,325 | 1,580,525 | - |
| 2034-2036 | 6,800 | 176,200 | - |
| **Total** | $5,794,671 | $9,982,163 | $197 |

**Long-Term Debt Defeasance**

During fiscal year 2017, the Commonwealth of Virginia, on behalf of the University, issued pooled bonds Series 2016A for $2,285,000 with interest rates of 3.0 to 5.0 percent to advance refund $2,305,000 of Series 2009B pooled bonds. The bonds, issued at a premium of $470,852, are used to provide funds for debt service savings for the Commonwealth. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds.

The advanced refunding resulted in a deferred accounting loss of $296,927 for the University, which is being amortized to interest expense over the life of the new debt. At June 30, 2018, $251,824 of the unamortized deferred loss is reported on the *Statement of Net Position* as a deferred outflow of resources. The defeasance will reduce the University's total debt service obligation by $184,341 over 13 years. The debt service savings, discounted at a rate of 1.849 percent, results in an economic gain of $167,810.

For financial reporting purposes, these notes payables are considered an in-substance defeasance and have therefore been removed from the long-term debt payable line item of the *Statement of Net Position*. The assets in escrow have similarly been excluded. At June 30, 2018, $2,305,000 from Series 2009B 9(d) VCBA pooled bonds was considered defeased and outstanding.

## NOTE 8: Other Noncurrent Liabilities

The University's other noncurrent liabilities consist of accruals for compensated absences and federal loan program contributions refundable to the federal government. A summary of changes in other noncurrent liabilities for the year ending June 30, 2108, is presented as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion | Noncurrent Portion |
|---|---|---|---|---|---|---|
| Other liabilities: | | | | | | |
| Accrued compensated absences | $2,572,543 | $1,932,364 | $542,642 | $3,962,265 | $2,927,450 | $1,034,815 |
| Federal loan program contributions refundable | 3,481,506 | - | 174,962 | 3,306,544 | - | 3,306,544 |
| Total other liabilities | $6,054,049 | $1,932,364 | $717,604 | $7,268,809 | $2,927,450 | $4,341,359 |

## NOTE 9: Auxiliary Activities

Auxiliary operating revenues and expenses consisted of the following at June 30, 2018:

| **Revenues** | |
|---|---|
| Room contracts<br>(net of scholarship allowances of $3,350,850) | $13,396,088 |
| Dining service contracts<br>(net of scholarship allowances of $2,833,582) | 11,373,551 |
| Comprehensive fee<br>(net of scholarship allowances of $5,726,491) | 23,929,167 |
| Other student fees and sales and services | 9,849,521 |
| **Auxiliary enterprises revenue** | $58,548,327 |
| | |
| **Expenses** | |
| Residential facilities | $11,173,200 |
| Dining operations | 16,131,127 |
| Athletics | 10,259,840 |
| Other auxiliary activities | 15,079,746 |
| Auxiliary activities expense | $52,643,913 |

## NOTE 10: Expenses by Natural Classification

| | Compensation and Benefits | Depreciation | Plant and Equipment | Scholarships and Fellowships | Services and Supplies | Utilities | Total |
|---|---|---|---|---|---|---|---|
| Instruction | 65,372,490 | - | 2,238,665 | 465,097 | 5,379,468 | - | 73,455,720 |
| Research | 370,342 | - | 8,875 | 9,422 | 232,652 | - | 621,291 |
| Public service | 1,891,758 | - | 33,482 | 46,732 | 863,785 | - | 2,835,757 |
| Academic support | 9,782,891 | - | 254,043 | 5,787 | 1,293,392 | - | 11,336,113 |
| Student services | 4,695,283 | - | 83,670 | - | 2,221,615 | - | 7,000,568 |
| Institutional support | 18,055,058 | - | 593,932 | - | 4,295,704 | - | 22,944,694 |
| Operation and maintenance of plant | 6,103,181 | - | 520,779 | - | 4,701,403 | 2,656,799 | 13,982,162 |
| Depreciation | - | 19,881,490 | - | - | - | - | 19,881,490 |
| Student aid | - | - | - | 6,681,858 | - | - | 6,681,858 |
| Auxiliary activities | 16,746,336 | - | 1,026,564 | 1,578,173 | 31,350,318 | 1,942,522 | 52,643,913 |
| Total | 123,017,339 | 19,881,490 | 4,760,010 | 8,787,069 | 50,338,337 | 4,599,321 | 211,383,566 |

## NOTE 11: State Appropriations

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that unexpended General Fund appropriations that remain on the last day of the current year, ending June 30, 2018, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2018, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations. The following is a summary of state appropriations received by the University during the year ended June 30, 2018, including all supplemental appropriations and reversions:

| | |
|---|---|
| **Original Legislative Appropriation:** | |
| Educational and General (E&G) | $49,169,928 |
| Student Financial Assistance (SFA) | 10,120,451 |
| **Supplemental Adjustments:** | |
| Two Year College Transfer Grant Program | 139,060 |
| Virginia Military Survivors and Dependents Education Program | 76,950 |
| Virtual Library of Virginia (VIVA) allocation | 14,271 |
| SFA Mandated Balance Carryforward | 940 |
| E&G Central Appropriation Adjustment | 321 |
| Financial assistance for E&G programs | 43,274 |
| **Central Appropriation Transfers:** | |
| Health Insurance | 1,350,336 |
| State Salary Increase | 1,245,478 |
| Other Post-Employment Benefits | 89,858 |
| High Turnover Salary Increase | 15,305 |
| PIMS Funding | 14,520 |
| Line of Duty Premium | 351 |
| Cardinal Adjustment | (408) |
| VITA Bill Changes | (4,617) |
| Workers Compensation Premiums | (4,918) |
| Retirement | (148,640) |
| **Reversion to the General Fund of the Commonwealth:** | |
| E&G FY19 Carryforward – Planned | (559,451) |
| **Adjusted appropriation** | $61,563,009 |

## NOTE 12: Capital Appropriations

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 was provided to the University from General Fund capital project appropriations and two programs, 21st Century program and the Equipment Trust Fund, managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities.

The following is a summary of capital appropriations and gifts recognized by the University for the year ended June 30, 2018.

| | |
|---|---|
| VCBA 21st Century program | 12,749,716 |
| VCBA Equipment Trust Fund program | 1,694,294 |
| Capital donations | 187,049 |
| Capital appropriations and gifts | $14,631,059 |

A portion of the funding for these programs is reported as a receivable, due from the Commonwealth, at June 30, 2018, which consisted of the following:

| | |
|---|---|
| VCBA 21st Century program | $1,818,136 |
| VCBA Equipment Trust Fund program | 1,692,792 |
| Due from the Commonwealth | $3,510,928 |

## NOTE 13: Commitments

At June 30, 2018, the University was a party to construction contracts totaling approximately $42 million of which $20 million has been incurred. Remaining commitments totaling $22 million represent the unperformed portion of the construction contracts and, as such, have not been accrued as expenses or liabilities on the University's financial statements.

The University is committed under various operating leases for land and buildings. In most cases, the University has renewal options on the leased assets for another similar term and expects, in the normal course of business, that these leases will be replaced by similar leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the financial statements. Some of the University's operating leases are lease agreements with the Radford University Foundation, Inc. (the Foundation), a component unit of the University. Rental expense was approximately $2,551,000 for the year ended June 30, 2018 of which $548,000 was paid to the Foundation.

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

| Fiscal Year Ending | Future Minimum Lease Payments |
|---|---|
| June 30, 2019 | 2,239,112 |
| June 30, 2020 | 626,711 |
| June 30, 2021 | 336,521 |
| June 30, 2022 | 55,000 |
| June 30, 2023 | 55,000 |
| | $3,312,344 |

## NOTE 14: Defined Benefit Plans and Related Pension Obligation

### General Information about the Pension Plan

*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 below:

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1**<br><br>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**<br><br>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**<br><br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• 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.<br>• 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. |

**RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE**

<table>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>

**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.

**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 one 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.

</td>
<td>

**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.

**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 one 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.

</td>
<td>

**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.

***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.

</td>
</tr>
</table>

**RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE**

| | | |
|---|---|---|
| **Retirement Contributions** | **Retirement Contributions** | **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. | State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. | 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** | **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. | Same as Plan 1. | **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.<br><br>**Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan. |

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE | | |
|---|---|---|
| **Vesting** | **Vesting** | **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.<br><br>Members are always 100% vested in the contributions that they make. | Same as Plan 1. | **Defined Benefit Component:**<br>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.<br><br>**Defined Contributions Component:**<br>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.<br><br>Members are always 100% vested in the contributions that they make.<br><br>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.<br><br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70½. |

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE | | |
|---|---|---|
| **Calculating the Benefit** | **Calculating the Benefit** | **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.<br>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. | See definition under Plan 1. | **Defined Benefit Component:** See definition under Plan 1<br>**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** | **Average Final Compensation** | **Average Final Compensation** |
| A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier** | **Service Retirement Multiplier** | **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%.<br>**VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%. | **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.<br>**VaLORS**: The retirement multiplier for VaLORS employees is 2.00%. | **Defined Benefit Component:** **VRS**: The retirement multiplier for the defined benefit component is 1.00%.<br>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.<br>**VaLORS:** Not applicable.<br>**Defined Contribution Component:** Not applicable. |
| **Normal Retirement Age** | **Normal Retirement Age** | **Normal Retirement Age** |
| **VRS**: Age 65.<br>**VaLORS**: Age 60. | **VRS**: Normal Social Security retirement age.<br>**VaLORS**: Same as Plan 1. | **Defined Benefit Component:** **VRS**: Same as Plan 2.<br>**VaLORS**: Not applicable.<br>**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE | | |
|---|---|---|
| **Earliest Unreduced Retirement Eligibility** | **Earliest Unreduced Retirement Eligibility** | **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.<br>**VaLORS**: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service. | **VRS**: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.<br>**VaLORS**: Same as Plan 1. | **Defined Benefit Component:**<br>**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.<br>**VaLORS**: Not applicable.<br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Reduced Retirement Eligibility** | **Earliest Reduced Retirement Eligibility** | **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.<br>**VaLORS**: 50 with at least five years of creditable service. | **VRS**: Age 60 with at least five years (60 months) of creditable service.<br>**VaLORS**: Same as Plan 1. | **Defined Benefit Component:**<br>**VRS**: Age 60 with at least five years (60 months) of creditable service.<br>**VaLORS**: Not applicable.<br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE**

| Cost-of-Living Adjustment (COLA) in Retirement | Cost-of-Living Adjustment (COLA) in Retirement | 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%. | 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%. | **Defined Benefit Component:**<br>Same as Plan 2.<br><br>**Defined Contribution Component:**<br>Not applicable. |
| **Eligibility:**<br>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 one after one full calendar year from the retirement date.<br><br>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 one after one calendar year following the unreduced retirement eligibility date. | **Eligibility:**<br>Same as Plan 1 | **Eligibility:**<br>Same as Plan 1 and Plan 2. |
| **Exceptions to COLA Effective Dates:**<br>The COLA is effective July one following one full calendar year (January one to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• 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.<br>• 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 one following one full calendar year (January one to December 31) from the date the monthly benefit begins. | **Exceptions to COLA Effective Dates:**<br>Same as Plan 1 | **Exceptions to COLA Effective Dates:**<br>Same as Plan 1 and Plan 2. |

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE | | |
|---|---|---|
| **Disability Coverage**<br><br>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.<br><br>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | **Disability Coverage**<br><br>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.<br><br>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | **Disability Coverage**<br><br>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.<br><br>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. |
| **Purchase of Prior Service**<br><br>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**<br><br>Same as Plan 1. | **Purchase of Prior Service**<br><br>**Defined Benefit Component:**<br>Same as Plan 1, with the following exception:<br><br>Hybrid Retirement Plan members are ineligible for ported service.<br><br>**Defined Contribution Component:**<br>Not applicable. |

## Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation toward their retirement. Prior to July 1, 2012, the 5.00 percent member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00 percent 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 employer contribution rate for the year ended June 30, 2018 was 13.49 percent 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 percent of covered employee compensation. These rates were based on an actuarially determined rate(s) 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 state agency to the VRS State Employee Retirement Plan were $6,266,600 and $6,118,618 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the state agency to the VaLORS Retirement Plan were $204,290 and $220,729 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the state agency reported a liability of $65,837,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,996,000 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 state agency's proportion of the Net Pension Liability was based on the state agency'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 state agency's proportion of the VRS State Employee Retirement Plan was 1.130 percent as compared to 1.098 percent at June 30, 2016. At June 30, 2017, the state agency's proportion of the VaLORS Retirement Plan was 0.304 percent as compared to 0.290 percent at June 30, 2016.

For the year ended June 30, 2018, the state agency recognized pension expense of $7,000,000 for the VRS State Employee Retirement Plan and $251,000 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 state agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Deferred Inflows of Resources | VRS State Employee Retirement Plan | VaLORS Retirement Plan |
|---|---|---|
| Differences between expected and actual experience | $ 1,994,000 | $ 5,000 |
| Net difference between projected and actual earnings on pension plan investments | 2,812,000 | 55,000 |
| Change in assumptions | - | 130,000 |
| Changes in proportionate share | - | 8,000 |
| Employer contributions subsequent to the measurement date | - | - |
| **Total** | $ 4,806,000 | $ 198,000 |

| Deferred Outflows of Resources | VRS State Employee Retirement Plan | | VaLORS Retirement Plan | |
|---|---|---|---|---|
| Differences between expected and actual experience | $ | 140,000 | $ | 6,000 |
| Net difference between projected and actual earnings on pension plan investments | | - | | - |
| Change in assumptions | | 639,000 | | - |
| Changes in proportionate share | | 3,248,000 | | 100,000 |
| Employer contributions subsequent to the measurement date | | 6,266,600 | | 204,290 |
| **Total** | $ | 10,293,600 | $ | 310,290 |

The state agency's contributions subsequent to the measurement date totaling $6,470,890 ($6,266,600 for VRS State Employee and $204,290 for VaLORS), and reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | VRS State Employee Retirement Plan | | VaLORS Retirement Plan | |
|---|---|---|---|---|
| FY 2019 | $ | (684,000) | $ | (39,000) |
| FY 2020 | $ | 1,355,000 | $ | (14,000) |
| FY 2021 | $ | 442,000 | $ | (2,000) |
| FY 2022 | $ | (1,892,000) | $ | (37,000) |
| FY 2023 | | - | | - |

## Actuarial Assumptions

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 percent |
| Salary increases, including Inflation | 3.5 percent – 5.35 percent |
| Investment rate of return | 7.0 percent, net of pension plan investment expenses, 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 one year, 85% of rates; females set back one year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males set forward one year; females set back one 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) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 25% |

The 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 percent |
| Salary increases, including Inflation | 3.5 percent – 4.75 percent |
| Investment rate of return | 7.0 percent, net of pension plan investment expenses, 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 one year.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two years; unisex using 100% male.

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

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

| | State Employee Retirement Plan | VaLORS Retirement Plan |
|---|---|---|
| Total Pension Liability | $ 23,617,412 | $ 2,002,184 |
| Plan Fiduciary Net Position | 17,789,888 | 1,345,887 |
| Employers' Net Pension Liability (Asset) | $ 5,827,524 | $ 656,297 |
| 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 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 state agency 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 State Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the state agency'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 state agency'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%) |
|---|---|---|---|
| Employer's proportionate share of the VRS State Employee Retirement Plan | | | |
| Net OPEB Liability | $ 97,251,000 | $ 65,837,000 | $ 39,457,000 |

The following presents the state agency's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the state agency'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%) |
|---|---|---|---|
| Employer's proportionate share of the VaLORS Employee Retirement Plan | | | |
| Net OPEB Liability | $ 2,784,000 | $ 1,996,000 | $ 1,344,000 |

## 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 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 Pension Plan

At June 30, 2018, the University had accrued retirement contributions payable to the pension plan of $284,495 including $270,199 payable to the VRS State Employee Retirement Plan and $14,296 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2018, but not yet paid to the plan.

### NOTE 15: Defined Contribution Plans

## Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in optional retirement plans as authorized by the *Code of Virginia* rather than VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association — College

Retirement Equities Fund (TIAA-CREF) and Fidelity Investments Tax-Exempt Services Company. These plans are fixed contribution programs where the retirement benefits received are based upon employer and employee contributions, plus net investment gains or losses. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4 percent. Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5 percent and an employee required contribution rate of 5 percent. Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions.

Total employer pension costs under optional retirement plans were approximately $2.8 million for the year ended June 30, 2018 of which $361,535 is reflected as a current liability on the *Statement of Net Position* at June 30, 2018. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $28.3 million for fiscal year 2018.

## Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. State employees may participate in the Commonwealth's deferred compensation plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount of the match may change depending on the funding available in the Commonwealth's budget. The deferred compensation plan is a qualified defined contribution plan under Section 401(a) of the *Internal Revenue Code*. Employer contributions under the deferred compensation plan were approximately $293,000 for fiscal year 2018.

**NOTE 16: Postemployment Benefits**

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management. Details on each plan are listed below:

## Group Life Insurance

### General Information about the Group Life Insurance Program

***Plan Description***

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

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

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

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>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:<br>☐ City of Richmond<br>☐ City of Portsmouth<br>☐ City of Roanoke<br>☐ City of Norfolk<br>☐ Roanoke City Schools Board<br>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**<br>The benefits payable under the Group Life Insurance Program have several components.<br>☐ Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>☐ Accidental Death Benefit – The accidental death benefit is double the natural death benefit.<br>☐ Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<br>• Accidental dismemberment benefit<br>• Safety belt benefit<br>• Repatriation benefit<br>• Felonious assault benefit<br>• Accelerated death benefit option |
| **Reduction in benefit Amounts**<br>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 one following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January one until it reaches 25% of its original value. |
| **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**<br>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 two cost-of-living adjustment and is currently $8,111. |

### *Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Total contributions to the Group Life Insurance Program from the entity were $411,571 and $381,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Amounts include both the General State Employees and VaLORS Employees.

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

At June 30, 2018, the entity reported a liability of $6,109,000 for its proportionate share of the Net GLI OPEB Liability. This amount includes General State Employees and VaLORS Employees totals. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's total proportion was 0.406% as compared to 0.402% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized a GLI OPEB expense of $80,000 for General State Employees and VaLORS Employees combined. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| **Group Life Insurance Program Deferred Inflows of Resources** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| Differences between expected and actual experience | $ 133,000 | $ 2,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | 227,000 | 3,000 |
| Change in assumptions | 310,000 | 5,000 |
| Changes in proportion | - | - |
| Employer contributions subsequent to the measurement date | - | - |
| Total | $ 670,000 | $ 10,000 |

| **Group Life Insurance Program Deferred Outflows of Resources** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | - |
| Change in assumptions | - | - |
| Changes in proportion | 62,000 | 3,000 |
| Employer contributions subsequent to the measurement date | 406,504 | 5,067 |
| Total | $ 468,504 | $ 8,067 |

The total of $411,571 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Group Life Insurance Program (GLI) Year ended June 30 | | General State Employees | | VaLORS Employees |
|---|---|---|---|---|
| FY 2019 | $ | (127,000) | $ | (1,000) |
| FY 2020 | $ | (127,000) | $ | (1,000) |
| FY 2021 | $ | (127,000) | $ | (1,000) |
| FY 2022 | $ | (127,000) | $ | (2,000) |
| FY 2023 | $ | (70,000) | $ | (1,000) |
| Thereafter | $ | (30,000) | $ | (1,000) |

*Actuarial Assumptions*

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

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation – | |
| General state employees | 3.5 percent – 5.35 percent |
| Teachers | 3.5 percent – 5.95 percent |
| SPORS employees | 3.5 percent – 4.75 percent |
| VaLORS employees | 3.5 percent – 4.75 percent |
| JRS employees | 4.5 percent |
| Locality – General employees | 3.5 percent – 5.35 percent |
| Locality – Hazardous Duty employees | 3.5 percent – 4.75 percent |

Investment rate of return 7.0 percent, net of investment expenses, including inflation*

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

### Mortality rates – General State Employees

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

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year; females set back one 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 nine 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

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 Healthy 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 three 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 four-year 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 nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

### Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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% |

### Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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 nine 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% |

### Mortality rates – JRS Employees

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 one year, 85% of rates; females set back one year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year; females set back one 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 four-year 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 |

### Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three 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 two 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% |

### Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three 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 two 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% |

### Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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% |

### Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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% |

### *Net GLI OPEB Liability*

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

| | Group Life Insurance OPEB Program |
|---|---|
| Total GLI OPEB Liability | $ 2,942,426 |
| Plan Fiduciary Net Position | 1,437,586 |
| Employers' Net GLI OPEB Liability (Asset) | $ 1,504,840 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 48.86% |

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

### *Long-Term Expected Rate of Return*

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

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

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

### *Discount Rate*

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

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

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

**Employer's proportionate share of the Group Life Insurance Program**

| **Net OPEB Liability** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| 1.00% Decrease (6.00%) | $ 7,787,000 | $ 113,000 |
| Current Discount Rate (7.00%) | $ 6,021,000 | $ 88,000 |
| 1.00% Increase (8.00%) | $ 4,589,000 | $ 67,000 |

### *Group Life Insurance Program Fiduciary Net Position*

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

### *Payables to the VRS Group Life Insurance OPEB Plan*

At June 30, 2018, the University had accrued group life insurance contributions payable to the plan of $15,148. The payable is based on contributions earned by University employees through June 30, 2018, but not yet paid to the plan. The total includes amounts for both the General State Employees and VaLORS Employees.

## VRS Disability Insurance Program

### General Information about the VRS Disability Insurance Program

### *Plan Description*

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

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

## DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

**Eligible Employees**

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

Eligible employees are enrolled automatically upon employment. They include:

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

**Benefit Amounts**

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

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

**Disability Insurance Program (VSDP) Plan Notes:**

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

**Cost-of-Living Adjustment (COLA)**

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

### *Contributions*

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2018 was 0.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the entity were $285,583 and $257,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Amounts include both General State Employees and VaLORS Employees.

### *Disability Insurance Program (VSDP) OPEB Liabilities (Assets); VSDP OPEB Expense; and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB*

At June 30, 2018, the entity reported a liability (asset) of $(2,189,000) for its proportionate share of the Net VSDP OPEB Liability (Asset). This amount includes General State Employees and VaLORS Employees totals. The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2017 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of that date. The state agency's proportion of the Net VSDP OPEB Liability (Asset) was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the state agency's total proportion was 1.066% as compared to 1.023% at June 30, 2016.

For the year ended June 30, 2018, the state agency recognized VSDP OPEB expense of $174,000 for State Employee Retirement Plan and VaLORS Retirement Plan combined. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

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

| **Virginia Sickness and Disability Program Deferred Inflows of Resources** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| Differences between expected and actual Experience | $ - | $ - |
| Net difference between projected and actual earnings on VSDP OPEB plan investments | 168,000 | 4,000 |
| Change in assumptions | 160,000 | 4,000 |
| Changes in proportion | 61,000 | - |
| Employer contributions subsequent to the measurement date | - | - |
| Total | $ 389,000 | $ 8,000 |

| **Virginia Sickness and Disability Program Deferred Outflows of Resources** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| Differences between expected and actual Experience | $ - | $ - |
| Net difference between projected and actual earnings on VSDP OPEB plan investments | - | - |
| Change in assumptions | - | - |
| Changes in proportion | - | - |
| Employer contributions subsequent to the measurement date | 279,588 | 5,995 |
| Total | $ 279,588 | $ 5,995 |

The total of $285,583 reported as total deferred outflows of resources related to the VSDP OPEB resulting from the state agency's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

| **Virginia Sickness and Disability Program Year ended June 30** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| FY 2019 | $ (72,000) | $ (2,000) |
| FY 2020 | $ (72,000) | $ (2,000) |
| FY 2021 | $ (72,000) | $ (2,000) |
| FY 2022 | $ (72,000) | $ (2,000) |
| FY 2023 | $ (30,000) | $ - |
| Thereafter | $ (71,000) | $ - |

### *Actuarial Assumptions*

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

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases, including | |
| Inflation – General state employees | 3.5 percent – 5.35 percent |
| SPORS employees | 3.5 percent – 4.75 percent |
| VaLORS employees | 3.5 percent – 4.75 percent |
| Investment rate of return | 7.0 percent, net of OPEB plan investment expenses, including inflation* |

### Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year; females set back one 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 nine 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 – SPORS Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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% |

### Mortality rates – VaLORS Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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 nine 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 VSDP OPEB Liability (Asset)*

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOA amounts for the Disability Insurance Program (VSDP) is as follows (amounts expressed in thousands):

| | Disability Insurance Program |
|---|---|
| Total VSDP OPEB Liability | $ 237,013 |
| Plan Fiduciary Net Position | 442,334 |
| Employers' Net OPEB Liability (Asset) | ($ 205,321) |
| Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability | 186.63% |

The total VSDP 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 asset is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

### *Long-Term Expected Rate of Return*

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

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

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

*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 OPEB liabilities.

### *Discount Rate*

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

### *Sensitivity of the State Agency's Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate*

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

| **Employer's proportionate share of the total VSDP Net OPEB Liability (Asset)** | | **General State Employees** | | **VaLORS Employees** |
|---|---|---|---|---|
| 1.00% Decrease (6.00%) | $ | (2,032,000) | $ | (51,000) |
| Current Discount Rate (7.00%) | $ | (2,135,000) | $ | (54,000) |
| 1.00% Increase (8.00%) | $ | (2,313,000) | $ | (58,000) |

### *VSDP OPEB Fiduciary Net Position*

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

### *Payables to the Disability Insurance Program (VSDP) OPEB Plan*

At June 30, 2018, the University had accrued group life insurance contributions payable to the pension plan of $11,939. The payable is based on contributions earned by University employees through June 30, 2018, but not yet paid to the plan. The total includes amounts for both the General State Employees and VaLORS Employees.

## State Employee Health Insurance Credit Program

### General Information about the State Employee Health Insurance Credit Program

### *Plan Description*

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

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

| STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>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.<br>Eligible employees are enrolled automatically upon employment. They include:<br>☐ Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS. |
| **Benefit Amounts**<br>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:<br>☐ 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.<br>☐ 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.<br>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.<br>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:**<br>☐ The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.<br>☐ Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. |

### *Contributions*

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2018 was 1.18% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the state agency to the VRS State Employee Health Insurance Credit Program were $926,207 and $867,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Amounts include both General State Employees and VaLORS Employees.

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

At June 30, 2018, the state agency reported a liability of $10,522,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The amounts include both General State Employees and VaLORS Employees. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The state agency's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the state agency's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the state agency's proportion of the VRS State Employee Health Insurance Credit Program was 1.156% as compared to 1.145% at June 30, 2016 combined amounts for General State Employees and VaLORS Employees.

For the year ended June 30, 2018, the state agency recognized a total VRS State Employee Health Insurance Credit Program OPEB expense of $932,000 combined for General State Employees and VaLORS Employees. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2018, the state agency reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

| **Health Insurance Credit Program Deferred Inflows of Resources** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual earnings on State HIC OPEB plan investments | 25,000 | - |
| Change in assumptions | 117,000 | 2,000 |
| Changes in proportionate share | - | - |
| Employer contributions subsequent to the measurement date | - | - |
| Total | $ 142,000 | $ 2,000 |

| **Health Insurance Credit Program Deferred Outflows of Resources** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual earnings on State HIC OPEB plan investments | - | - |
| Change in assumptions | - | - |
| Changes in proportionate share | 82,000 | - |
| Employer contributions subsequent to the measurement date | 914,797 | 11,410 |
| Total | $ 996,797 | $ 11,410 |

The total of $926,207 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the state agency's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

| **Health Insurance Credit Program Year ended June 30** | **General State Employees** | **VaLORS Employees** |
|---|---|---|
| FY 2019 | $ (13,000) | $ (2,000) |
| FY 2020 | $ (13,000) | $ - |
| FY 2021 | $ (13,000) | $ - |
| FY 2022 | $ (13,000) | $ - |
| FY 2023 | $ (6,000) | $ - |
| Thereafter | $ (2,000) | $ - |

### *Actuarial Assumptions*

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

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation – | |
| General state employees | 3.5 percent – 5.35 percent |
| SPORS employees | 3.5 percent – 4.75 percent |
| VaLORS employees | 3.5 percent – 4.75 percent |
| JRS employees | 4.5 percent |
| Investment rate of return | 7.0 percent, net of plan investment expenses, including inflation* |

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

### Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year; females set back one 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 nine 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 – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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% |

### Mortality rates – VaLORS Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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 nine 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% |

### Mortality rates – JRS Employees

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 one year, 85% of rates; females set back one year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year; females set back one 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 four-year 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 |

### *Net State Employee HIC OPEB Liability*

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

| | State Employee HIC OPEB Plan |
|---|---|
| Total State Employee HIC OPEB Liability | $ 990,028 |
| Plan Fiduciary Net Position | 79,516 |
| State Employee net HIC OPEB Liability (Asset) | $ 910,512 |
| Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability | 8.03% |

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

### *Long-Term Expected Rate of Return*

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

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

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

### *Discount Rate*

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

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

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

**Employer's proportionate share of the VRS State Employee HIC OPEB Plan**

| **Net HIC OPEB Liability** | | **General State Employees** | | **VaLORS Employees** |
|---|---|---|---|---|
| 1.00% Decrease (6.00%) | $ | 11,471,000 | $ | 163,000 |
| Current Discount Rate (7.00%) | $ | 10,374,000 | $ | 148,000 |
| 1.00% Increase (8.00%) | $ | 9,431,000 | $ | 134,000 |

### *State Employee HIC OPEB Fiduciary Net Position*

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

### *Payables to the State Employee Health Insurance Credit Program OPEB Plan*

At June 30, 2018, the University had accrued group life insurance contributions payable to the pension plan of $33,969. The payable is based on contributions earned by University employees through June 30, 2018, but not yet paid to the plan. The total includes amounts for both the General State Employees and VaLORS Employees.

## Line of Duty Act Program

### General Information about the Line of Duty Act Program

### *Plan Description*

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

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

| LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS |
| --- |
| **Eligible Employees**<br>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**<br>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:<br>**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:<br>$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.<br>$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.<br>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.<br>**Health Insurance** – The Line of Duty Act program provides health insurance benefits.<br>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.<br>Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits continue to meet eligibility requirements as defined by the Line of Duty Act. |

### *Contributions*

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were $13,050 and $13,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of $304,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was 0.116% as compared to 0.112% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of $28,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

| **Line of Duty Act Program VaLORS Employees** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual earnings on LODA OPEB plan investments | - | 1,000 |
| Change in assumptions | - | 31,000 |
| Change in proportion | 10,000 | - |
| Employer contributions subsequent to the measurement date | 13,050 | - |
| Total | $ 23,050 | $ 32,000 |

The total of $13,050 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in LODA OPEB expense in future reporting periods as follows:

| **Line of Duty Act Program Year ended June 30** | **VaLORS Employees** |
|---|---|
| FY 2019 | $ (3,000) |
| FY 2020 | $ (3,000) |
| FY 2021 | $ (3,000) |
| FY 2022 | $ (3,000) |
| FY 2023 | $ (3,000) |
| Thereafter | $ (7,000) |

### *Actuarial Assumptions*

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

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary increases, including Inflation – | |
| General state employees | 3.50 percent – 5.35 percent |
| SPORS employees | 3.50 percent – 4.75 percent |
| VaLORS employees | 3.50 percent – 4.75 percent |
| Locality employees | 3.50 percent – 4.75 percent |
| Medical cost trend rates assumption – Under age 65 | 7.75 percent – 5.00 percent |
| Ages 65 and older | 5.75 percent – 5.00 percent |
| Investment rate of return | 3.56 percent, net of OPEB plan Investment expenses, including inflation* |

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

### Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year; females set back one 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 nine 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 – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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% |

### Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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 nine 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% |

### Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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 year age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

### Mortality rates – Non- Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two 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 rates to better fit experience at each year age and service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60 to 45% |

### Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

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.

### Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

| | Line of Duty Act Program |
|---|---|
| Total LODA OPEB Liability | $ 266,252 |
| Plan Fiduciary Net Position | 3,461 |
| Employers' Net OPEB Liability (Asset) | $ 262,791 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | 1.30% |

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

### *Long-Term Expected Rate of Return*

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, 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 Rate*

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

### *Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate*

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

| Covered employer's proportionate share of the total LODA<br>Net OPEB Liability | VaLORS Employees |
|---|---|
| 1.00% Decrease (2.56%) | $ 345,000 |
| Current Discount Rate (3.56%) | $ 304,000 |
| 1.00% Increase (4.56%) | $ 270,000 |

### *Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate*

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

| Covered employer's proportionate share of the total LODA<br>Net OPEB Liability | VaLORS Employees |
|---|---|
| 1.00% Decrease (6.75% decreasing to 4.00%) decreasing to 4.00%) | $ 258,000 |
| Health Care Trend Rates (7.75% decreasing to 5.00%) | $ 304,000 |
| 1.00% Increase (8.75% decreasing to 6.00%) | $ 361,000 |

### *LODA OPEB Plan Fiduciary Net Position*

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

## Virginia State Health Plans Program for Pre-Medicare Retirees

### 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. For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS or a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

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

The employer 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 employer's portion of the premiums for active employees.

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

### Actuarial Assumptions and Methods

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 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent 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 | 4.0% |
| Medical Trend Under 65 | Medical & Rx: 8.62% to 5.00% Dental: 4.00% Before reflecting Excise tax |
| Year of Ultimate Trend | 2025 |
| Mortality | 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 one year, 85% of rates; females set back one year |
| Post-Retirement: | RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year; females set back one year with 1.5% increase compounded from ages 70 to 85 |
| Post-Disablement: | RP-2014 Disabled 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 rates - adjusted rates to better fit experience at each year age and service through nine 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 January 1, 2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

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

At June 30, 2018, the employer reported a total liability of $18,871,439 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $1.3 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 1.453 percent as compared to 1.412 percent at June 30, 2016. For the year ended June 30, 2018, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of $1,605,007.

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

| **Pre-Medicare Retiree Healthcare** | **Deferred Outflows** | **Deferred Inflows** |
|---|---|---|
| (1) Difference between actual and expected experience | $ - | $ 759,036 |
| (2) Changes in assumptions | - | 4,000,763 |
| (3) Changes in proportion | 538,989 | - |
| (4) Sub Total | 538,989 | 4,759,799 |
| (5) Amounts associated with transactions subsequent to the measurement date | 500,450 | N/A |
| (6) Total | $ 1,039,439 | $ 4,759,799 |

The $500,450 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre- Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

### Pre-Medicare Retiree Healthcare

| Year End June 30: | |
|---|---|
| 2019 | $ (777,313) |
| 2020 | $ (777,313) |
| 2021 | $ (777,313) |
| 2022 | $ (777,313) |
| 2023 | $ (777,313) |
| Thereafter | $ (334,245) |

### *Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate*

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

| | 1% Decrease (2.58%) | Current Rate (3.58%) | 1% Increase (4.58%) |
|---|---|---|---|
| OPEB Liability | $20,215,619 | $18,871,439 | $17,583,571 |

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

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

| Pre-Medicare Retiree Healthcare | 1% Decrease (7.62% decreasing to 4.00%) | Trend Rate (8.62% decreasing to 5.00%) | 1% Increase (9.62% decreasing to 6.00%) |
|---|---|---|---|
| OPEB Liability | $16,790,795 | $18,871,439 | $21,310,584 |

## NOTE 17: Grants and Contracts Contingencies

The University 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 allowance 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.

## NOTE 18: Federal Direct Lending Program

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding tuition and fee charges or refunded directly to the student. These loan proceeds are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position*. The activity is included in the noncapital financing section of the *Statement of Cash Flows*. For the fiscal year ended June 30, 2018, cash provided by the program totaled $60.5 million and cash used by the program totaled $60.3 million.

## NOTE 19: Risk Management and Employee Health Care Plans

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth. 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. Further information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

## NOTE 20: Component Unit Financial Information

### (A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2018:

| | |
|---|---|
| Current: | |
| Receivables due in less than one year | $2,724,575 |
| Less allowance for uncollectible contributions | (92,891) |
| Net current contributions receivable | $2,631,684 |
| Noncurrent: | |
| Receivables due in one to five years | $4,305,566 |
| Receivables due in more than five years | 1,438,750 |
| Less discount to net present value | (857,217) |
| Less allowance for uncollectible contributions | (114,886) |
| Net noncurrent contributions receivable | $4,772,213 |
| Total contributions receivable | $7,403,897 |

The discount rate used in 2018 was 5.66 percent. As of June 30, 2018, there were no conditional promises to give.

### (B) Notes Receivable

The following is a summary of the notes receivable at June 30, 2018:

| | |
|---|---|
| Note receivable due in monthly payments of $542 through May 2022 with interest receivable at 5.50 percent and secured by land and building. | $23,110 |
| Note receivable that is a non-interest bearing with deferred payments for the first five years and $25,000 annual payment for years six through seventeen. The Foundation has elected to record this receivable at fair value. Accordingly, the unearned discount on this receivable was $74,428 on June 30, 2018. For June 30, 2017 and 2018, $11,500 and $11,750 of the note was forgiven in exchange for guaranteed daycare slots for employees of Radford University. The applicable discount rate at June 30, 2017 and 2018 is 4 percent. | $192,322 |
| Note receivable with interest bearing at a rate equal to LIBOR index plus 2 percent with a floor of 3.5 percent (3.81 percent at June 30, 2018) with amortization of twenty years and a balloon payment due five years after the date of the note, interest is subject to adjustment on December 1, 2017 and on that day every 12th month thereafter through maturity. | 288,997 |
| Total notes receivable | $504,429 |

| | |
|---|---|
| Notes receivable, current | $16,727 |
| Notes receivable, noncurrent | 487,702 |
| Total notes receivable | $504,429 |

### (C) Investments

Investments are comprised of the following as of June 30, 2018:

| | |
|---|---|
| Short-term: | |
| Cash and cash equivalents | $238,385 |
| Equities | 1,831,741 |
| Investment company | 57,896,529 |
| Total short-term | $59,966,655 |

Long-term:

| | |
|---|---|
| Cash and cash equivalents | $21,163 |
| Mutual and money market funds | 610,605 |
| Investment company | 1,127,071 |
| Total long-term | $1,758,839 |
| Total investments | $61,725,494 |

Investments in securities are carried at fair value. The fair value of interests in limited partnerships are determined in good faith by external investment managers or other independent sources and reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and therefore, value realized upon disposition may vary significantly from currently reported values.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Investment securities are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

The Foundation manages an investment pool. Pooled investments and allocation of pooled investment income are accounted for using the unit market value method. The pool consists of endowment funds as well as other funds functioning as endowments, permanently restricted, temporarily restricted, and unrestricted funds.

### (D) Capital Assets

A summary of land, buildings and equipment at cost, less accumulated depreciation, for the year ending June 30, 2018 is presented as follows:

| | |
|---|---|
| Depreciable capital assets: | |
| Buildings | $40,537,845 |
| Furniture and equipment | 332,923 |
| Land improvements | 558,295 |
| Total depreciable capital assets, at cost | $41,429,063 |
| Less accumulated depreciation | (2,543,261) |
| Total depreciable capital assets, net of accumulated depreciation | $38,885,802 |
| Nondepreciable capital assets | |
| Land | $4,134,736 |
| Construction in progress | 144,070 |
| Collections of art | 2,105,532 |
| Total nondepreciable capital assets | $6,384,338 |
| Total capital assets, net of accumulated depreciation | $45,270,140 |

### (E) Long-Term Debt

The following is a summary of the outstanding notes payable at June 30, 2018:

| | |
|---|---|
| Note payable in monthly installments calculated on a ten year amortization with a balloon payment of remaining amount in May 2020, interest payable at LIBOR plus 1.48 percent (3.58 and 2.53 percent at June 30, 2018 and 2017, respectively). Outstanding principal due upon maturity in May 2020. Unsecured. | $383,124 |
| Note payable in monthly installments of $17,532 through July 2018 with interest payable at 2.01 percent. Unsecured. | 18,346 |

| | |
|---|---|
| Note payable in monthly installments of $2,601 through November 2020, interest payable at 1.54 percent. Secured by deposit accounts maintained by and investment property held with the institution. | 73,789 |
| Notes payable in monthly installments calculated on a twenty-five year amortization with a balloon payment of remaining amount In May 2021, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally secured by an assignment of leases and rents. | 410,000 |
| Notes payable in monthly installments calculated on a twenty year amortization with a balloon payment of remaining amount In May 2023, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally secured by an assignment of leases and rents. | 465,000 |
| Notes payable in monthly installments calculated on a twenty-five year amortization with a balloon payment of remaining amount In May 2021, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally secured by an assignment of leases and rents. | 22,500,000 |
| Notes payable in monthly installments calculated on a twenty- five year amortization with a balloon payment of remaining amount In May 2021, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally secured by an assignment of leases and rents. | 10,000,000 |
| Total long-term debt | $33,850,259 |

Future principal payments on notes payable for years ending June 30 are as follows:

| | |
|---|---|
| 2019 | $130,748 |
| 2020 | 553,178 |
| 2021 | 1,386,798 |
| 2022 | 1,026,514 |
| 2023 and thereafter | 30,753,021 |
| Total long-term debt | 33,850,259 |

Notes payables are subject to certain affirmative and negative covenants. Management believes the Foundation has complied with all covenants as of June 30, 2018.

## NOTE 21: Subsequent Events

Radford University continues to merge Jefferson College of Health Sciences with Radford University. As announced in January 2018, the merger process is expected to take 18 to 24 months and is expected to be merged for fall 2019. Jefferson College of Health Sciences is currently owned and operated by Carilion Clinic, a tax-exempt health care organization.

In October 2018, Radford University received a landmark $8 million gift from Sandra C. Davis and William C. Davis. This gift will endow scholarships which will be provided to students in the College of Visual and Performing Arts and in the College of Business and Economics.

# Required Supplementary Information

# VRS State Employee and VaLORS Retirement Plans

## RADFORD UNIVERSITY

### Schedule of Employer's Share of Net Pension Liability
### VRS State Employee Retirement Plan

*For the Years Ended June 30, 2015 through 2018**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Employer's proportion of the net pension liability | 1.130% | 1.098% | 1.061% | 1.005% |
| Employer's proportionate share of the net pension liability | $ 65,837,000 | $ 72,383,000 | $ 64,986,000 | $ 56,267,000 |
| Employer's covered payroll | $ 45,264,292 | $ 43,206,118 | $ 40,612,813 | $ 38,332,872 |
| Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll | 145.45% | 167.53% | 160.01% | 146.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.33% | 71.29% | 72.81% | 74.28% |

*Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

## RADFORD UNIVERSITY

### Schedule of Employer's Share of Net Pension Liability
### VaLORS Retirement Plan

*For the Years Ended June 30, 2015 through 2018**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Employer's proportion of the net pension liability | 0.304% | 0.290% | 0.293% | 0.261% |
| Employer's proportionate share of the net pension liability | $ 1,996,000 | $ 2,246,000 | $ 2,082,000 | $ 1,761,000 |
| Employer's covered payroll | $ 1,047,748 | $ 1,002,575 | $ 982,575 | $ 918,334 |
| Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll | 190.50% | 224.02% | 211.89% | 191.76% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.22% | 61.01% | 62.64% | 63.05% |

*Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

## RADFORD UNIVERSITY
### Schedule of Employer 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) | Employer's covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|---|---|
| 2018 | $ 6,238,291 | $ 6,238,291 | $ - | $ 46,243,818 | 13.49% |
| 2017 | $ 6,106,153 | $ 6,106,153 | $ - | $ 45,264,292 | 13.49% |
| 2016 | $ 6,078,232 | $ 6,078,232 | $ - | $ 43,206,118 | 14.07% |
| 2015 | $ 5,043,111 | $ 5,043,111 | $ - | $ 40,901,142 | 12.33% |
| 2014 | $ 3,399,941 | $ 3,399,941 | $ - | $ 38,812,116 | 8.76% |
| 2013 | $ 3,169,199 | $ 3,169,199 | $ - | $ 36,178,066 | 8.76% |
| 2012 | $ 1,107,142 | $ 1,107,142 | $ - | $ 34,014,776 | 3.25% |
| 2011 | $ 697,904 | $ 697,904 | $ - | $ 32,765,436 | 2.13% |
| 2010 | $ 1,635,446 | $ 1,635,446 | $ - | $ 32,895,794 | 4.97% |
| 2009 | $ 2,128,466 | $ 2,128,466 | $ - | $ 34,164,779 | 6.23% |

## RADFORD UNIVERSITY
### Schedule of Employer Contributions
### VaLORS 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) | Employer's covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|---|---|
| 2018 | $ 201,397 | $ 201,397 | $ - | $ 956,754 | 21.05% |
| 2017 | $ 220,551 | $ 220,551 | $ - | $ 1,047,748 | 21.05% |
| 2016 | $ 188,891 | $ 188,891 | $ - | $ 1,002,575 | 18.84% |
| 2015 | $ 175,205 | $ 175,205 | $ - | $ 991,540 | 17.67% |
| 2014 | $ 136,302 | $ 136,302 | $ - | $ 920,958 | 14.80% |
| 2013 | $ 129,797 | $ 129,797 | $ - | $ 877,007 | 14.80% |
| 2012 | $ 58,214 | $ 58,214 | $ - | $ 812,193 | 7.17% |
| 2011 | $ 41,347 | $ 41,347 | $ - | $ 807,556 | 5.12% |
| 2010 | $ 85,638 | $ 85,638 | $ - | $ 769,302 | 11.13% |
| 2009 | $ 100,057 | $ 100,057 | $ - | $ 703,139 | 14.23% |

## Notes to Required Supplementary Information

## VRS State Employee and VaLORS Retirement Plans

*For the Year Ended June 30, 2018*

### 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 are not material.

### Changes of assumptions

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

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

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

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

# Group Life Insurance Program (GLI)

**Radford University**
**Schedule of Employer's Share of Net OPEB Liability**
**Group Life Insurance Program**
**For the Year Ended June 30, 2018***

| | General State Employees | VaLORS Employees |
|---|---|---|
| Employer's proportion of the net GLI OPEB liability | 0.400% | 0.006% |
| Employer's proportionate share of the net GLI OPEB liability | $ 6,021,000 | $ 88,000 |
| Employer's covered payroll | $ 73,367,990 | $ 1,054,103 |
| Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll | 8.21% | 8.35% |
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | 48.86% | 48.86% |

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

**Radford University**
**Schedule of Employer Contributions**
**Group Life Insurance Program (GLI)**
**For the Year Ended June 30, 2018**

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| **General State Employees** | | | | | |
| 2018 | $ 387,540 | $ 387,540 | - | $ 74,526,973 | 0.52% |
| **VaLORS Employees** | | | | | |
| 2018 | $ 5,066 | $ 5,066 | - | $ 974,166 | 0.52% |

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

# Notes to Required Supplementary Information
# Group Life Insurance Program (GLI)
*For the Year Ended June 30, 2018*

## 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

| | |
|---|---|
| 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 nine 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

| | |
|---|---|
| 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 nine years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

### SPORS Employees

| | |
|---|---|
| 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

| | |
|---|---|
| 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 nine 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

| | |
|---|---|
| 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

| | |
|---|---|
| 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

| | |
|---|---|
| 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

| | |
|---|---|
| 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

| | |
|---|---|
| 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% |

# Virginia Disability Insurance Program (VSDP)

### Radford University
### Schedule of Employer's Share of Net OPEB Liability (Asset)
### Disability Insurance Program (VSDP)
### For the Year Ended June 30, 2018*

| | General State Employees | VaLORS Employees |
|---|---|---|
| Employer's proportion of the net VSDP OPEB liability (asset) | 1.040% | 0.026% |
| Employer's proportionate share of the net VSDP OPEB liability (asset) | $ (2,135,000) | $ (54,000) |
| Employer's covered payroll | $ 39,046,319 | $ 996,909 |
| Employer's proportionate share of the net VSDP OPEB liability (asset) as a percentage of its covered payroll | -5.47% | -5.42% |
| Plan fiduciary net position as a percentage of the total VSDP OPEB liability | 186.63% | 186.63% |

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

### Radford University Schedule of Employer Contributions
### Disability Insurance Program (VSDP) For the Year Ended June 30, 2018

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| **General State Employees** | | | | | |
| 2018 | $ 266,647 | $ 266,647 | - | $ 40,401,015 | 0.66% |
| **VaLORS Employees** | | | | | |
| 2018 | $ 6,089 | $ 6,089 | - | $ 922,553 | 0.66% |

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

# Notes to Required Supplementary Information
# Disability Insurance Program (VSDP)
*For the Year Ended June 30, 2018*

## 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:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through nine 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% |

### SPORS Employees:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |

### VaLORS Employees:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through nine 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% |

# Health Insurance Credit Program (HIC)

**Radford University**
**Schedule of Employer's Share of Net OPEB Liability**
**Health Insurance Credit Program (HIC)**
**For the Year Ended June 30, 2018***

| | General State Employees | VaLORS Employees |
|---|---|---|
| Employer's proportion of the net HIC OPEB liability | 1.139% | 0.016% |
| Employer's proportionate share of the net HIC OPEB liability | $ 10,374,000 | $ 148,000 |
| Employer's covered payroll | $ 73,346,575 | $ 1,054,103 |
| Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll | 14.14% | 14.04% |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 8.03% | 8.03% |

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available. *The amounts presented have a measurement date of the previous fiscal year end.*

**Radford University**
**Schedule of Employer Contributions**
**Health Insurance Credit Program (HIC)**
**For the Year Ended June 30, 2018**

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| **General State Employees** | | | | | |
| 2018 | $ 879,417 | $ 879,417 | - | $ 74,526,903 | 1.18% |
| **VaLORS Employees** | | | | | |
| 2018 | $ 11,495 | $ 11,495 | - | $ 974,166 | 1.18% |

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

## Notes to Required Supplementary Information
## Health Insurance Credit Program (HIC)
*For the Year Ended June 30, 2018*

### 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:**

| | |
|---|---|
| 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 nine 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% |

### SPORS Employees:

| | |
|---|---|
| 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:

| | |
|---|---|
| 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 nine 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:

| | |
|---|---|
| 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 |

# Line of Duty Act (LODA)

**Radford University**
**Schedule of Employer's Share of Net OPEB Liability**
**Line of Duty Act Program (LODA)**
**For the Year Ended June 30, 2018***

| | | VaLORS Employees |
|---|---|---|
| Employer's proportion of the net LODA OPEB liability | | 0.116% |
| Employer's proportionate share of the net LODA OPEB liability | $ | 304,000 |
| Covered-Employee Payroll | $ | 969,949 ** |
| Employer's proportionate share of the net LODA OPEB liability as a percentage of its covered-employee payroll | | 31.34% ** |
| Plan fiduciary net position as a percentage of the total LODA OPEB liability | | 1.30% |

*Schedule is intended to show information for 10 years. Since 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.*
**The amounts presented have a measurement date of the previous fiscal year end.*
***The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution.*

**Radford University**
**Schedule of Employer Contributions**
**Line of Duty Act Program (LODA)**
**For the Year Ended June 30, 2018**

**VaLORS Employees**

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a % of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2018 | $ 13,020 | $ 13,020 | - | $ 923,422 | 1.41% |

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

## Notes to Required Supplementary Information
## Line of Duty Act Program (LODA)
*For the Year Ended June 30, 2018*

### 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:**

| | |
|---|---|
| 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 nine 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% |

**SPORS Employees:**

| | |
|---|---|
| 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:**

| | |
|---|---|
| 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 nine 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% |

### Employees In The Largest Ten Locality Employers With Public Safety Employees

| | |
|---|---|
| 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 year age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

### Employees In The Non- Largest Ten Locality Employers With Public Safety Employees

| | |
|---|---|
| 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 rates to better fit experience at each year age and service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60 to 45% |

# Pre-Medicare Retiree Healthcare

**Radford University**
**Schedule of Employer's Share of Total OPEB Liability**
**Commonwealth of Virginia State Health Plans Program**
**for Pre-Medicare Retirees**
**For the Year Ended June 30, 2018***

| | **2018** |
|---|---|
| Employer's proportion of the collective total OPEB liability | 1.453% |
| Employer's proportionate share of the collective total OPEB liability | $ 18,871,439 |
| Employer's covered-employee payroll | $ 80,950,899 |
| Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll | 23.31% |

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

## Notes to Required Supplementary Information
## Pre-Medicare Retiree Healthcare
*For the Fiscal Year Ended June 30, 2018*

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 rates – adjusted rates to better fit experience at each year age and service through nine years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index, and 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 January 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

April 22, 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
Radford 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 unit of Radford 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 unit of the University, which are discussed in Notes 1 and 20. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it

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relates to the amounts included for the component unit 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 unit 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 unit of Radford 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 Notes 1 and 2 of the accompanying financial statements, the University implemented Govermental 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 14; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 101 through 104; the Schedule of Employer's Share of Net OPEB Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Group Life Insurance, Disability Insurance, Health Insurance Credit, and Line of Duty programs on pages 104 through 114; and the Schedule of Employer's Share of Total OPEB Liability and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on pages 114 through 115. 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 April 22, 2019 on our consideration of Radford 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

ZLB/vks

# RADFORD UNIVERSITY

**Radford, Virginia**

As of June 30, 2018



**UNIVERSITY OFFICERS**

Brian O. Hemphill, Ph.D.
*President*

Chad A. Reed
*Vice President for Finance and Administration*