LONGWOOD UNIVERSITY

FINANCIAL STATEMENTS

For Year Ended June 30, 2018

AUDITED

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2017 – 2018

Table of Contents

LONGWOOD UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

INSTITUTIONAL PROFILE

Founded in 1839 as the Farmville Female Seminary Association, Longwood's history has been one of constant growth and evolution. The institution had a series of names over its early history, becoming Longwood College in 1949, turning fully co-ed in 1976, and in 2002, becoming Longwood University. As one of the hundred-oldest colleges and universities in our country, Longwood has its roots in educating teachers, but now offers a comprehensive liberal arts education paired with experiential learning opportunities. As a proud public institution, Longwood University is committed to providing a quality and affordable education to Virginians.

Longwood University has a deep history that is closely interwoven with major historical moments of our nation. The Civil War wound down at one end of campus, with one of the last skirmishes of the war occurring at High Bridge, a few miles outside town. On April 7, 1865, General Lee held one of his final war meetings in Farmville, a few blocks from campus. Two days later, when Lee surrendered a few miles west at Appomattox, the war came to an end. Nearly a century later, the modern civil rights movement arguably began also just a few steps from campus, with a student-led strike at Moton High School over conditions at their segregated school. Those students eventually became one of five groups of plaintiffs in the Brown vs. Board of Education lawsuit, and were the only group of protesters led by schoolchildren, rather than parents. Today, Moton is a National Historic Landmark and award--winning museum. Through coursework and service learning opportunities, hundreds of Longwood students visit Moton each year.

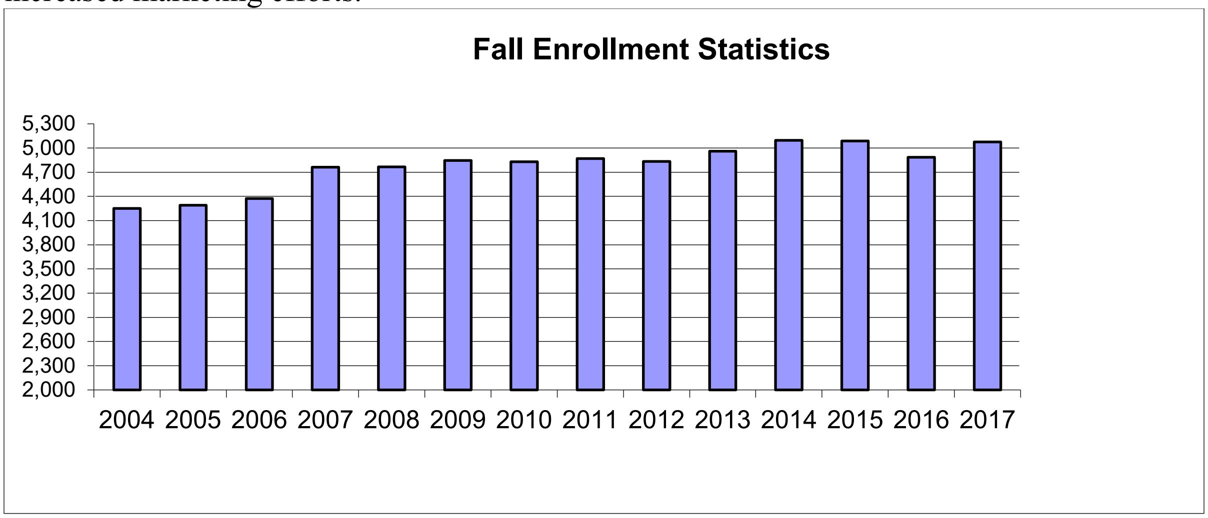
In 2016 Longwood and the Farmville community made history again when Longwood hosted the nation's 2016 Vice Presidential Debate. The debate garnered estimated 37 million viewers and created the equivalent of over $83 million in exposure for the University.

Today, Longwood students enjoy dozens of majors across three undergraduate academic colleges and a graduate college, supported by an honors college. Faculty are known for their commitment to personalized teaching, and their ranks include winners of state and national teaching awards. Many complement classroom instruction with hands-on research, and there is a university-wide commitment over the coming years to expose every student to an undergraduate research experience with a faculty mentor. In late 2016 Longwood University unveiled a distinctive new core curriculum to serve as its general education program. The overarching mission of the new core is to provide more integrated learning experiences, and to make sure students are able to connect general education courses to their major courses and future career path.

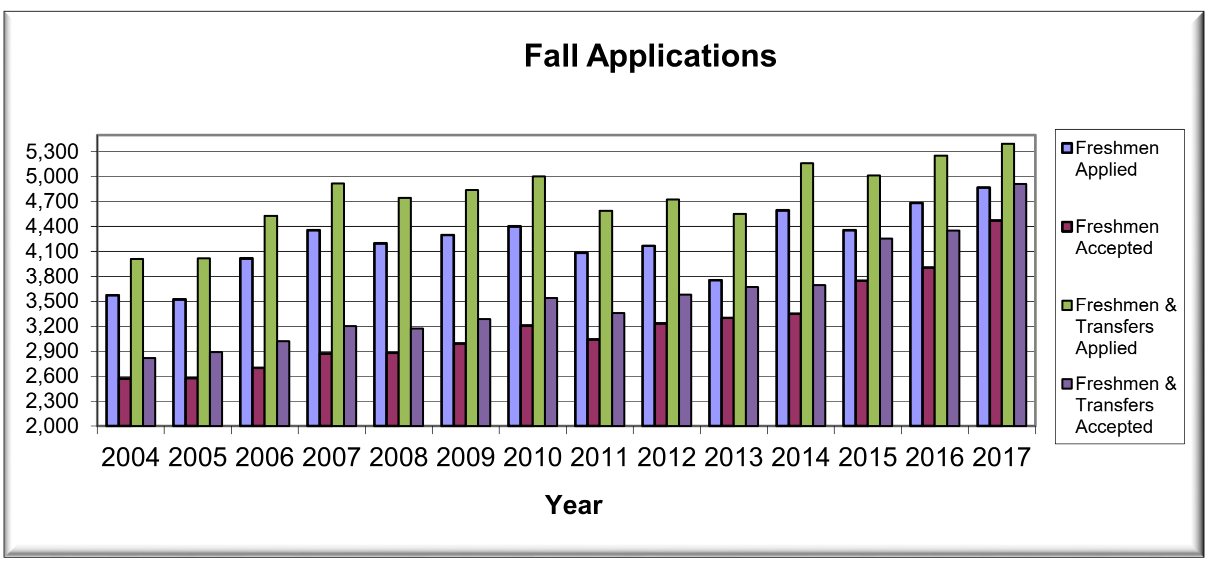
Longwood is an agency of the Commonwealth of Virginia and is, therefore, included as a component unit in the State's Comprehensive Annual Financial Report (CAFR). The thirteen members of Longwood's Board of Visitors govern University operations. Members of the Board are appointed by the Governor of Virginia.

ENROLLMENT AND ADMISSIONS

A significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Headcount enrollment has increased from 4,252 in fall 2004 to 5,074 in fall 2017. Longwood did experience a decrease from 5,087 in fall 2015 to 4,885 in fall 2016, but headcount increased by 189 between fall 2016 and fall 2017 as a result of increased marketing efforts.



The fall 2017 entering freshmen class remained academically competitive with a grade-point average of 3.34, an average SAT score of 980 - 1130, and an average ACT score of 18 - 23. Total freshman applications increased from 4,683 in fall 2016 to 4,869 in fall 2017.



FINANCIAL OVERVIEW

Management's Discussion and Analysis (MD&A) is a supplement to the University's financial statement designed to assist readers in understanding the financial information presented. This MD&A provides an analysis of the institution's financial position and performance during the fiscal year ended June 30, 2018, with comparative information presented for the fiscal year ended June 30, 2017, where applicable. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research and public service. Net position accumulates only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs.

This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the accompanying financial statements and notes that follow. The financial statements, notes and this discussion are the responsibility of management. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB). GASB principles establish standards for external reporting for public colleges and universities. The University's financial report is comprised of three basic financial statements and related notes. Those statements include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

The University's affiliated foundations are also included in these statements consistent with GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement 14, and GASB Statement 61 *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statements 14 and 39. The University has two foundations whose financial information is presented in the statements under the columns titled "Component Unit". While affiliated foundations are not under the direct control of the University's Board of Visitors, this presentation provides a more holistic view of resources available to support the University and its mission. The foundations are not part of this MD&A; however, additional detail regarding their financial activities can be found in the **Notes to Financial Statements**. Transactions between the University and these component units have not been eliminated in the financial statements.

Summary of the Change in Net Position

	Year Ended June 30,		Increase/(Decrease)	
	2018	2017	Amount	Percent
Total operating revenues	$85,608,860	$83,657,597	$1,951,263	2.33%
Total operating expenses	132,522,123	138,247,134	(5,725,011)	(4.14%)
Operating (loss)	(46,913,263)	(54,589,537)	7,676,274	14.06%
Net nonoperating revenues & expenses	28,545,007	35,784,718	(7,239,711)	(20.23%)
Other revenue	11,336,132	10,293,808	1,042,324	10.13%
Tota increase / (decrease)	($7,032,124)	($8,511,011)	$1,478,887	17.38%

On a summary basis, operating revenues increased by $2.0 million or 2.3% from fiscal year 2017 to fiscal year 2018. Operating expenses decreased $5.7 million or approximately 4.1% from fiscal year 2017 to fiscal year 2018.

The operating loss was offset by $28.5 million in net non-operating revenues and expenses and $11.3 million in other revenues. Net non-operating revenues and expenses consisted of $32.9 million state appropriations, $5.1 million in Pell revenue, $0.5 million in insurance revenue, and $0.3 million in investment revenue offset by interest on capital asset related debt of $1.4 million, losses on disposal of capital assets of $3.2 million and $5.7 million of other expenses. The other expense amount of $5.7 million includes the return of capital appropriations in the amount of $5.4 million. This was due to the Commonwealth of Virginia switching the capital project funding from general funds initially allocated in fiscal year 2017 to bond funding in fiscal year 2018.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the institution. The difference between total assets and total liabilities is net position, which is an indicator of the current financial condition of the University. The purpose of this statement is to present to the financial statement readers a fiscal snapshot as of June 30, 2018. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net position is divided into three major categories. The first category, "Net investment in capital assets," depicts the University's equity in property, plant, and equipment, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The second "Restricted" category is divided into two sub-categories, expendable and nonexpendable. Expendable restricted resources are available for expenditure by the University, but must be spent for purposes as determined by donors and/or other entities that have placed restrictions on the use of the assets. The corpus of nonexpendable restricted resources is available only for investment purposes. The third, "Unrestricted" category represents resources available to the University for any lawful purpose of the institution.

Summary of the Statement of Net Position

	Year Ended June 30,		Increase/(Decrease)	
	2018	2017	Amount	Percent
Assets				
Current assets	$20,065,226	$27,663,806	($7,598,580)	(27.47%)
Noncurrent assets:				
Restricted cash and cash equivalents	1,823,641	19,322,100	(17,498,459)	(90.56%)
Restricted Appropriations Available	-	5,449,095	(5,449,095)	(100.00%)
Capital assets, net	262,714,773	242,239,219	20,475,554	8.45%
Other	1,868,890	897,928	970,962	108.13%
Total noncurrent assets	266,407,304	267,908,342	(1,501,038)	(0.56%)
Total assets	286,472,530	295,572,148	(9,099,618)	(3.08%)
Deferred Outflows of Resources				
Deferral on Debt Defeasance - loss	2,442,728	2,826,192	(383,464)	(13.57%)
Deferred outflows of resources	5,749,053	6,703,784	(954,731)	(14.24%)
Total Deferred Outflows of Resources	8,191,781	9,529,976	(1,338,195)	(14.04%)
Liabilities				
Current liabilities	22,334,959	20,037,187	2,297,772	11.47%
Noncurrent liabilities	115,263,204	104,679,754	10,583,450	10.11%
Total liabilities	137,598,163	124,716,941	12,881,222	10.33%
Deferred Inflow of Resources				
Deferred inflows of resources	6,255,815	1,117,000	5,138,815	460.06%
Total Deferred Inflows of Resources	6,255,815	1,117,000	5,138,815	460.06%
Net position				
Net investment in capital assets	201,382,244	194,412,207	6,970,037	3.59%
Restricted expendable	2,123,854	5,537,670	(3,413,816)	(61.65%)
Unrestricted	(52,695,765)	(20,681,694)	(32,014,071)	(154.79%)
Total net position	$150,810,333	$179,268,183	$ (28,457,850)	(15.87%)

Evaluation of Statement of Net Position for Fiscal Years 2017 and 2018

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 Longwood 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 18 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 plans, and other postemployment benefits, the University recognized $5.7 million of deferred outflows of resources and $6.2 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. Note 8 and Note 12 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes additional information regarding the University's pension obligations and other postemployment benefits, and related deferred outflows and inflows of resources.

The University's total assets decreased by $9.1 million between fiscal years 2017 and 2018. The University's total liabilities increased by $12.9 million between fiscal years 2017 and 2018 with recording of the other postemployment benefit liability in the amount of $21.1 million being responsible for this increase when combined with other liability decreases. Current assets "Cash and cash equivalents" decreased by $6.4 million between fiscal years 2017 and 2018 with the majority of this decrease the result of the construction of the Upchurch University Center which was funded by a combination of auxiliary cash reserves, bond funding and private donations.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) presents the operating results as well as the non-operating revenues and expenses of the University. State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

In general, operating revenues are received for providing goods and services to students and other constituencies of the University. Operating expenses are incurred in the acquisition or production of those goods and services. Non-operating revenues are comprised of items such as investment earnings and state appropriations. They do not require the production of goods or services. For example, the University's state appropriations are non-operating because they are provided by the General Assembly without the Commonwealth directly receiving commensurate goods and services for those revenues.

Summary of the Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		Increase/(Decrease)	
	2018	2017	Amount	Percent
Operating revenues	$ 85,608,860	$ 83,657,597	$ 1,951,263	2.33%
Operating expenses	132,522,123	138,247,134	(5,725,011)	(4.14%)
Operating (loss)	(46,913,263)	(54,589,537)	7,676,274	14.06%
Nonoperating revenues/(expenses)				
State appropriations	32,868,845	32,319,800	549,045	1.70%
Pell grant revenue	5,113,830	4,322,213	791,617	18.32%
Other nonoperating revenues and expenses	(9,437,668)	(857,295)	(8,580,373)	(1,000.87%)
Net nonoperating revenues and expenses	28,545,007	35,784,718	(7,239,711)	(20.23%)
Income/(loss) before other revenues and reductions	(18,368,256)	(18,804,819)	436,563	2.32%
Capital appropriations	10,704,250	10,188,360	515,890	5.06%
Other gifts	631,882	105,448	526,434	499.24%
Total other revenues	11,336,132	10,293,808	1,042,324	10.13%
Total decrease in net position	(7,032,124)	(8,511,011)	1,478,887	17.38%
Net position, beginning of year	157,842,457	187,779,194	(29,936,737)	(15.94%)
Net position, end of year	$150,810,333	$179,268,183	($28,457,850)	(15.87%)

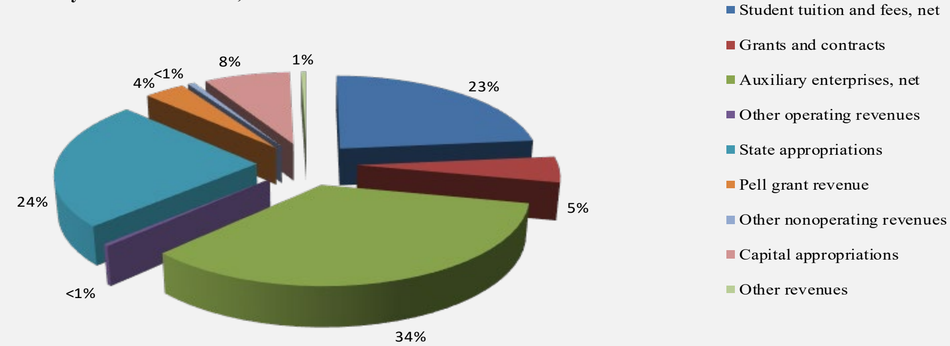
Evaluation of Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Years 2017 and 2018

Summary of Revenues

Operating revenues primarily include tuition and fees and auxiliary enterprises. There was an increase of 2.3% totaling $2.0 million from fiscal year 2017 to fiscal year 2018 due to an increase in the tuition and fees charged to students.

Summary of Revenues

For the year ended June 30, 2018



Summary of Revenues
For the years ended June 30, 2018 and 2017

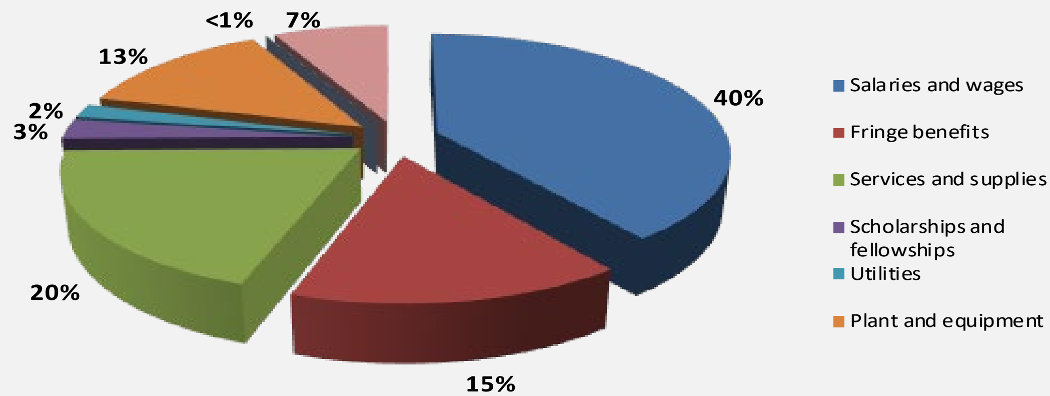
			Increase/(Decrease)	
	2018	**2017**	**Amount**	**Percent**
Operating revenues:				
Student tuition and fees, net	$31,762,949	$30,991,761	$ 771,188	2.49%
Grants and contracts	6,565,069	6,762,505	(197,436)	(2.92%)
Auxiliary enterprises, net	46,707,028	45,519,124	1,187,904	2.61%
Other operating revenues	573,814	384,207	189,607	49.35%
Total operating revenues	85,608,860	83,657,597	1,951,263	2.33%
Nonoperating revenues:				
State appropriations	32,868,845	32,319,800	549,045	1.70%
Pell grant revenue	5,113,830	4,322,213	791,617	18.32%
Other nonoperating revenues	856,802	1,416,762	(559,960)	(39.52%)
Total nonoperating revenues	38,839,477	38,058,775	780,702	2.05%
Other revenues				
Capital appropriations	10,704,250	10,188,360	515,890	5.06%
Other revenues	631,882	105,448	526,434	499.24%
Total other revenues	11,336,132	10,293,808	1,042,324	10.13%
Total revenues	$135,784,469	$132,010,180	$ 3,774,289	2.86%

Summary of Expenses

A summary of the University's operating expenses for the years ended June 30, 2018 and 2017 is shown below. Overall, total operating expenses decreased approximately $5.7 million in fiscal year 2018 compared to the previous fiscal year. This represents a 4.1% decrease.

Summary of Operating Expenses by Natural Classification

For the year ended June 30, 2018

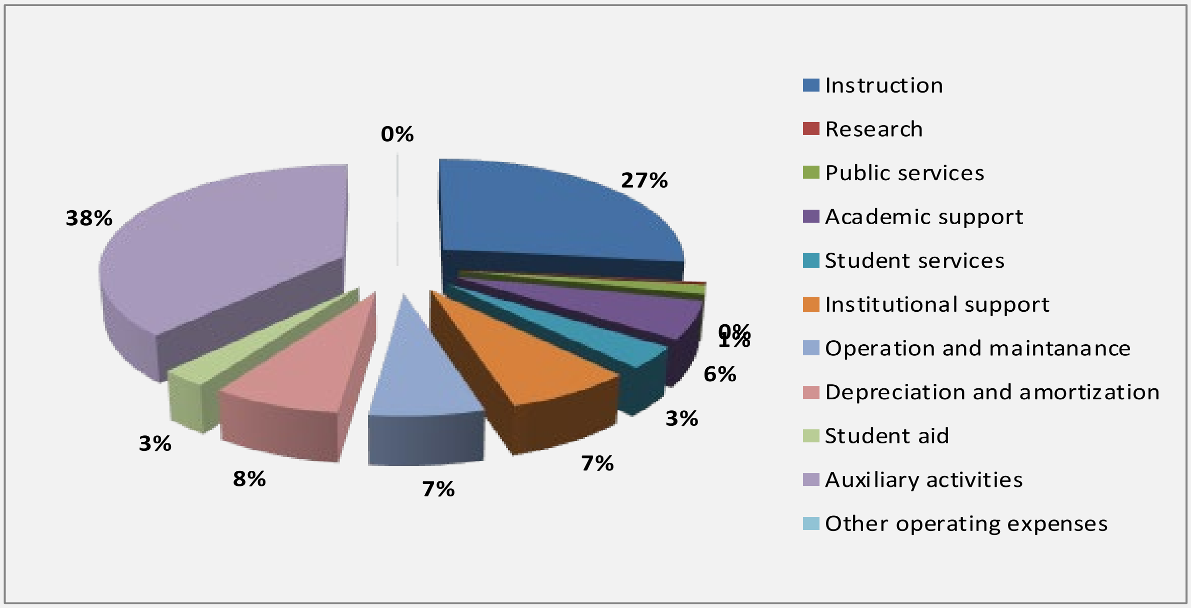


Operating Expenses by Natural Classification
For the years ended June 30, 2018 and 2017

			Increase/(Decrease)	
	2018	**2017**	**Amount**	**Percent**
Salaries and wages	$ 52,714,617	$ 49,975,476	$ 2,739,141	5.5%
Fringe benefits	20,422,459	19,363,331	1,059,128	5.5%
Services and supplies	25,906,269	31,940,625	(6,034,356)	(18.9%)
Scholarships and fellowships	3,615,761	3,365,969	249,792	7.4%
Utilities	2,441,403	2,405,124	36,279	1.5%
Plant and equipment	17,432,709	21,296,521	(3,863,812)	(18.1%)
Other	34,593	17,759	16,834	94.8%
Depreciation/amortization	9,954,312	9,882,329	71,983	-(0.7%)
Total operating expenses	$ 132,522,123	$ 138,247,134	$ (5,725,011)	(4.1%)

Summary of Operating Expenses by Function

For the year ended June 30, 2018



Operating Expenses by Function
For the years ended June 30, 2018 and 2017

			Increase/(Decrease)	
	2018	**2017**	**Amount**	**Percent**
Operating expenses:				
Instruction	$35,595,985	$34,762,751	$ 833,234	2.4%
Research	297,606	62,288	235,318	377.8%
Public services	1,884,425	1,704,393	180,032	10.6%
Academic support	7,811,325	6,956,741	854,584	12.3%
Student services	4,586,735	4,437,160	149,575	3.4%
Institutional support	9,884,812	11,236,690	(1,351,878)	(12.0%)
Operation and maintanance	8,922,814	9,076,642	(153,828)	(1.7%)
Depreciation and amortization	9,954,312	9,882,329	71,983	-(0.7%)
Student aid	3,615,761	3,365,969	249,792	7.4%
Auxiliary activities	49,933,755	56,744,412	(6,810,657)	(12.0%)
Other operating expenses	34,593	17,759	16,834	94.8%
Total operating expenses	$ 132,522,123	$ 138,247,134	$ (5,725,011)	(4.1%)

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the University's cash activity during the year. The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis and includes non-cash items such as depreciation expense, while the Statement of Cash Flows strictly represents cash inflows and outflows. The Statement of Cash Flows enables readers to assess the ability of the institution to generate future cash flows necessary to meet obligations and to evaluate the need for additional financing.

The Statement of Cash Flows is divided into five sections. The first section, cash flows from operating activities, details the net cash used by operating activities. The second section reflects the cash flows from non-capital financing activities, and includes state appropriations and Pell grant revenues for the University's educational and general programs and financial aid. The third section, cash flows from capital financing activities, details the cash used for the acquisition and construction of capital and related items. The fourth section is cash flows from investing activities which includes interest earned on investments. The last section reconciles the net operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position to the cash used by operating activities.

	2018	2017	(Decrease)
Cash Provided (used) by:			
Operating activities	$ (38,375,750)	$ (44,138,355)	$5,762,605
Noncapital financing activities	37,774,376	37,247,853	526,523
Capital financing activities	(29,770,833)	(18,091,501)	(11,679,332)
Investing activities	282,884	383,762	(100,878)
Net increase/(decrease) in cash	(30,089,323)	(24,598,241)	(5,491,082)
Cash - Beginning of year	45,621,723	70,219,964	(24,598,241)
Cash - End of year	$15,532,400	$45,621,723	($30,089,323)

Evaluation of Statement of Cash Flows for Fiscal Years 2017 and 2018

For fiscal year 2018, significant sources of operating cash include student tuition and fees of $31.6 million, auxiliary enterprise receipts of $46.9 million, and grants and contracts of $6.8 million. Major operating uses of cash include payments for salaries, wages, and fringe benefits of $74.4 million and payments to suppliers and utilities of $28.7 million. Longwood received state appropriations for the University's educational and general programs and financial aid of $32.9 million.

Capital and Debt Activities

Renewal and replacement of facilities on campus remains an integral part of the University's Strategic Plan. The University continues to implement strategies to support its commitment to creating state-of-the-art learning environments that contribute to the overall development of students. Additional investments are planned to improve student residential lifestyles and the quality of student life.

Note 7 of the **Notes to Financial Statements** describes the University's significant investment in capital assets. From fiscal year 2017 to fiscal year 2018, Construction in Progress increased overall by $29.5 million due primarily to the ongoing construction activities related to the Student Success Center and Upchurch University Center.

Note 10 of the Notes to Financial Statements notes that Long-term debt decreased from $65,459,588 in 2017, to $60,379,395 in 2018. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 6.4 percent at the end of fiscal year 2017 and 4.7 percent at the end of fiscal year 2018. Per Board-approved policy, the University will maintain a debt burden ratio of 9 percent or less.

ECONOMIC OUTLOOK

At a time of transition and uncertainty across higher education, Longwood University is thriving on the strength of its long history as one of the nation's hundred-oldest institutions of higher learning, robust support from the Commonwealth of Virginia, solid college-going demographics and political stability in our home state, and rapidly accelerating philanthropy.

One important source of strength for Longwood lies in the combined resources of the university and its two main supporting foundations: The Longwood University Foundation and the Longwood University Real Estate Foundation. The three entities work seamlessly together and contribute to the financial strength of the whole. On the strength of a record-breaking $10- plus million year of fundraising last year, the University Foundation's total assets now stand at $95.0 million. Including $14.2 million of cash or cash-equivalents, along with approximately $3.7 million cash at the Real Estate Foundation and auxiliary reserves for the university of around $10.7 million, the combined liquidity position of these entities stands at close to $28.5 million.

In decades past, Longwood's reserves had drifted steadily upward and stood at $47 million in 2012-2013. This was in part a planned increase in anticipation of the construction of the Upchurch University Center, which will open in the fall of 2018, but it was also due to the shortchanging of maintenance and new buildings to drive enrollment.

In 2013 President Reveley undertook, with the consultation of the Board of Visitors, a concerted effort to focus on growing the more flexible endowment, while investing reserves more directly into the university - though still maintaining ample cash for emergencies. Since 2013, Longwood has replenished auxiliary reserves with $14 million while spending about
$44.1 million, including $20.7 on capital projects, $6.3 million on expenses related to hosting the 2016 Vice Presidential Debate, and $12.1 million on maintenance reserve projects. We anticipate making future contributions to auxiliary reserves, which naturally vacillate around construction and other projects.

As one of Virginia's public higher education institutions, Longwood is dependent upon ongoing financial and political support from the Commonwealth. The University's economic outlook is tied to various factors, including our ability to recruit and retain students, our State funding (in the form of both operating and capital construction appropriations), and our ability to raise revenue through tuition and fees, grants and contracts, and private funds. A review of the economic factors significant to the State of Virginia may be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

The need to recruit and retain quality students during this period of rising costs and difficult economic conditions is a concern. While the Commonwealth affords Boards of Visitors the authority to establish tuition and fee rates, significant emphasis has been placed on slowing the rate of tuition increases for Virginia undergraduate students. Longwood continues to be sensitive to the issue of affordability and accessibility. The University has placed significant focus on both increasing enrollment and student retention. Longwood's enrollment has been steady, and non-general fund revenues have increased as a result of tuition and fee rate increases, as well as our enrollment and retention efforts. Additionally, gifts and commitments made to the Longwood University Foundation continue to be strong, affording increases in student scholarship awards and support for various academic programming.

Longwood University is committed to delivering its students exceptional educational opportunities, and will continue to employ business process improvements and efficiencies in an effort to contain costs, to enhance or develop alternative revenue streams, to examine opportunities to reallocate funding, and to invest in strategic initiatives. Long-term planning is critical to ensuring that the University not only protects its core academic programs, but also invests strategically in the future.

Management believes that Longwood has and will maintain a solid financial foundation, thanks to steady enrollment and prudent use of financial resources, as well a growing national reputation and the increased innovation and operational flexibility it has implemented in recent years. Against the backdrop of a challenging and rapidly evolving higher education environment, Longwood will continue to monitor its resources to ensure its ability to react to internal and external factors that may have an impact on the university's financial position.

FINANCIAL STATEMENTS

Longwood University
STATEMENT OF NET POSITION
As of June 30, 2018

Assets	Longwood University	Component Unit Longwood University Foundation, Inc.	Component Unit Longwood University Real Estate Foundation
Current assets:			
Cash and cash equivalents (Note 3)	$ 14,409,533	$ 2,377,983	$ 3,701,503
Short-term investments	-	2,362,878	-
Accounts receivable, net of allowance for doubtful accounts of $192,450 (Note 4)	1,548,163	442,403	1,671,596
Notes receivable, (Note 4)	159,098	-	3,779
Contributions receivable, net (Note 22)	-	4,480,812	-
Due from Foundation/Trust (Note 5)	123,134		37,500
Due from the Commonwealth (Note 6)	868,222	-	453,188
Inventory	501,206	-	-
Prepaid expenses	2,455,870	24,153	77,755
Total current assets	$ 20,065,226	$ 9,688,229	$ 5,945,321
Noncurrent assets:			
Restricted cash and cash equivalents (Note 3)	1,823,641	11,841,763	27,053
Restricted Investments	-	66,313,061	98,381,396
Other non-current assets (Note 18)	856,000	158,489	-
Notes receivable, net of allowance for doubtful accounts of $114,551 (Note 4)	1,012,890	-	299,167
Non-depreciable capital assets, net (Note 7)	62,123,842	6,989,397	19,507,336
Depreciable capital assets, net (Note 7)	200,590,931	134,220	95,354,102
Total noncurrent assets	266,407,304	85,436,930	213,569,054
Total assets	$ 286,472,530	$ 95,125,159	$ 219,514,375
Deferred Outflow of Resources			
Deferral on Debt Defeasance - loss (Note 8)	2,442,728	-	-
Deferred outflows of resources - OPEB and Pension (Notes 8, 17 & 18)	5,749,053	-	-
Total Deferred Outflows of Resources	8,191,781	-	-
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (Note 9)	12,198,954	282,594	4,681,881
Line of Credit	-	-	583,608
Unearned revenue (Note 2)	2,250,197	-	-
Obligations under securities lending	700,774	-	-
Deposits held in custody for others	605,911	-	12,229
Long-term liabilities - current portion (Note 10)	6,579,123	-	4,977,974
Total current liabilities	22,334,959	282,594	10,255,692
Noncurrent liabilities (Note 10)	115,263,204	1,487,467	225,113,036
Total liabilities	$ 137,598,163	$ 1,770,061	$ 235,368,728
Deferred Inflow of Resources			
Deferred inflows of resources -OPEB and Pension (Notes 12, 17 & 18)	$ 6,255,815		
Total Deferred Inflows of Resources	$ 6,255,815	-	-
Net Position			
Net Investment in capital assets	201,382,244	7,123,617	(15,681,785)
Restricted:			
Nonexpendable:			
Permanently restricted	-	52,455,617	-
Expendable:			
Loans	101,451	-	-
Temporarily restricted	-	25,439,832	-
Other	2,022,403	-	-
Unrestricted	(52,695,765)	8,336,032	(172,568)
Total net position	$ 150,810,333	$ 93,355,098	$ (15,854,353)

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

Longwood University
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

	Longwood University	Longwood University Foundation	Longwood University Real Estate Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $8,486,448	$ 31,762,949	$ -	$ -
Federal grants and contracts	1,437,837	-	-
State grants and contracts	720,551	-	-
Nongovernmental grants and contracts	4,406,681	-	-
Auxiliary enterprises, net of scholarship allowances of $8,075,262	46,707,028	-	-
Other operating revenues	573,814	-	13,033,182
Total operating revenues	85,608,860	-	13,033,182
Operating expenses (Note 16)			
Instruction	35,595,985	-	-
Research	297,606	-	-
Public service	1,884,425	-	-
Academic support	7,811,325	-	-
Student services	4,586,735	-	-
Institutional support	9,884,812	3,050,531	1,589,061
Operation and maintenance - Plant	8,922,814	-	3,064,971
Depreciation	9,819,288	-	4,503,109
Amortization	135,024	-	-
Student aid	3,615,761	2,383,708	-
Auxiliary activities	49,933,755	-	-
Administrative and fundraising	-	1,355,534	-
Other expenditures	34,593	284,828	174,847
Total operating expenses	132,522,123	7,074,601	9,331,988
Operating gain (loss)	(46,913,263)	(7,074,601)	3,701,194
Nonoperating revenues (expenses):			
State appropriations (Note 15)	32,868,845	-	-
Pell Grant Revenue	5,113,830	-	-
Insurance Revenue	573,918	-	-
Investment revenue (loss)	282,884	5,654,933	26,409
Interest on Capital Asset-Related Debt	(1,386,258)	-	(4,135,913)
Other Revenue	-	2,456,709	-
Unrealized gain on swap	-	-	4,813,648
Inkind	-	625,798	-
Loss on defeasement of debt	-	-	(176,553)
Other non-operating revenues (expenses)	(5,682,980)	-	-
Loss on disposal/sale of plant assets	(3,225,232)	681,452	20,947
Net nonoperating revenues	28,545,007	9,418,892	548,538
Income before other revenues, expenses, gains or losses	(18,368,256)	2,344,291	4,249,732
Contributions to permanent endowments	-	8,773,035	-
Contributions to term endowments	-	1,344,387	-
Capital appropriations (Note 6)	10,704,250	-	-
Other Gifts	631,882	385,036	-
Net other revenues	11,336,132	10,502,458	-
Increase (decrease) in net position	(7,032,124)	12,846,749	4,249,732
Net position - Beginning of year (Note 2) as restated	157,842,457	80,508,349	(20,104,085)
Net position - End of year	$ 150,810,333	$ 93,355,098	$ (15,854,353)

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

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Student tuition and fees	$ 31,638,824
Grants and contracts	6,755,324
Auxiliary enterprises	46,874,678
Payments to employees	(74,426,971)
Payments to suppliers and utilities	(28,706,531)
Payments for operation and maintenance of facilities	(17,454,859)
Payments for scholarships and fellowships	(3,615,761)
Loans issued to students	(186,128)
Collection of loans to students	205,873
Other operating receipts	574,394
Payments for other expenses	(34,593)
Net cash provided (used) by operating activities	(38,375,750)
Cash flows from noncapital financing activities:	
State appropriations	32,868,845
Agency receipts	25,586
PLUS/Direct loan - receipts	33,726,178
PLUS/Direct loan - disbursements	(33,726,178)
Other non-operating revenues	5,113,830
Other non-operating expenses	(233,885)
Net cash provided (used) by noncapital financing activities	37,774,376
Cash flows from capital and related financing activities:	
Capital appropriations	4,327,971
Capital grants and contributions	563,077
Insurance payments	573,918
Acquisition and construction of capital assets	(29,100,783)
Principal paid on capital debt, leases, and installments	(5,080,193)
Interest paid on capital debt, leases, and installments	(1,054,823)
Net cash provided (used) by capital financing activities	(29,770,833)
Cash flows from investing activities:	
Investment/interest revenue	282,884
Net cash provided (used) by investing activities	282,884
Net decrease in cash	(30,089,323)
Cash and cash equivalents - Beginning of the year	45,621,723
Cash and cash equivalents - End of the year	$ 15,532,400

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

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

Operating (loss)	$ (46,913,263)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	9,954,312
Changes in assets, liabilities, deferred outflows and deferred inflows:	
Receivables, net	31,641
Inventory	(35,009)
Prepaid expenses	99,062
Notes receivable, net	19,745
Accounts payable and accrued expenses	(129,095)
Unearned revenue	304,021
Federal Loan (Perkins) Contributions	(101,302)
Deferred outflows of resources from net pension obligation & OPEB	780,730
Deferred inflows of resources from net pension obligation & OPEB	5,138,815
Net pension liability	(4,726,000)
OPEB liability	(2,852,193)
Accrued compensated absences	52,786
Net cash provided (used) by operating activities	$ (38,375,750)

NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:

Amortization of bond discount	$ (383,464)
Capitalization of interest revenue and expenses, net	$ (770,615)
Loss on disposal of capital assets	$ (3,225,232)

Page Left Intentionally Blank

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY

Longwood University is a state-assisted, coeducational, and comprehensive University offering programs leading to bachelor's and master's degrees. Longwood offers courses both on the main campus and at educational sites in other locations as well as online courses. The University is oriented to liberal arts and to professional and pre-professional programs.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

The University has two component units as defined by the Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. These organizations are described in Note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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 a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That Use Proprietary Fund Accounting*, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity date of three months or less.

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as modified by GASB Statement 59, and GASB Statement 72, *Fair Value Measurement and Application*, 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), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Prepaid Expenses

Prepaid expenses of the University include such items as insurance premiums, membership dues, and registrations for next fiscal year that were paid in advance, as well as publications, subscriptions, and contracts which include initial and renewal annual subscriptions that continue into the next fiscal year.

Inventories

Inventories are reported using the consumption method, and valued using the first-in, first out (FIFO) method. Inventories consist mainly of expendable supplies for operations of auxiliary enterprises and fuel for the physical plant.

Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at acquisition value at date of donation. Library materials are valued at actual cost and average cost at time of purchase or donation. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing $5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing $25,000 or more and other intangibles costing $100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than $100,000. Normal repairs and maintenance are expensed in the year in which the expense is incurred.

Construction period interest cost in excess of earnings associated with related debt proceeds is capitalized as a component of the final asset. The University incurred and capitalized net interest expense related to the construction of capital assets totaling $770,615 for the fiscal year.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is 5 to 50 years for buildings and fixtures and 3 to 20 years for equipment. The estimated useful life of Library materials is 10 years. The general range of estimated useful lives for infrastructure is 5 to 30 years. The estimated useful life of software is 5 years; all other intangibles vary based on type and expected useful life.

Non-current Cash and Investments

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

Deferred Outflows and Inflows

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

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

Pensions

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

Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for 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*, and basic financial statements, including notes, in its financial statement presentation.

Recently Adopted and Future Accounting Pronouncements

The following GASB statements are effective for fiscal year 2018 and thereafter:

- GASB 75 – *Accounting for Financial Reporting for Postemployment Benefits Other Than Pensions*,
- GASB 81 – *Irrevocable Split-Interest Agreements*,
- GASB 85 – *Omnibus 2017*, and
- GASB 86 – *Certain Debt Extinguishment Issues*.

The effect of GASB 75 on the University's financial statements was a decrease to beginning net position of approximately $22.0 million from fiscal year 2017 to fiscal year 2018.

Other current year implementations GASB statements 81, 85 and 86 had no significant effect on the University's financial statements for the current year.

Unearned Revenue

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

	2018
Student tuition and related fees	$ 2,050,600
Auxiliary enterprise fees	199,597
Total	$ 2,250,197

Accrued Compensated Absences

The amount of leave earned but not taken by classified salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, all unused vacation leave, overtime leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's leave pay-out policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Perkins Loans, and Direct Lending. 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*.

Under the Federal Direct Lending Program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loans and disburses these funds to eligible students. The Direct Lending programs 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 grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position.*

Net Position

The University's net position is classified as follows:

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

- **Restricted net position, expendable** – Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The University's restricted net position is expendable.
- **Restricted net position, nonexpendable** – Nonexpendable restricted net position is comprised of endowment and similar types where donors or other external sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.
- **Unrestricted net position** – Unrestricted net position represents resources derived primarily from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

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

Income Taxes

The University, as a political subdivision of the Commonwealth of Virginia, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating 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, such as state appropriations and investment and interest income.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenue, Expenses, and Changes in Net

Position. Scholarship and allowances are the difference between the actual charge for goods and services provided by the University and the amount that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating 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.

Long-Term Liabilities

Bond premiums are deferred and amortized over the life of the bond. Bonds payable are reported including unamortized bond premiums. The amortization of bond premiums are reported as debt service expenditures. The debt as shown in the Statement of Net Position is divided between current and non-current liabilities (see Note 10). The Statement of Revenues, Expenses, and Changes in Net Position reflects the interest expense which is recognized as a non-operating expense when paid.

Beginning Balance Adjustment

The University's beginning net position as of July 1, 2017 has been adjusted. The adjustment is due to a correction to prior year historical cost to land, buildings construction in progress, equipment, depreciation accounts, and the adoption of GASB 75. Prior year balances were not restated for the corrections, only the beginning balances for fiscal year 2018 were adjusted. The adjustment is as follows:

Net Position, July 1, 2017	$179,268,183
Land correction	27,649
Building correction	469,711
Accumulated Depreciation - Building correction	33,602
Construction in progress correction	13,130
Equipment correction	(135,729)
Accumulated Depreciation - Equipment correction	187,454
Optional Post Employment Benefits - GASB 75 adoption	(22,021,543)
Adjusted net position, July 1, 2017	$157,842,457

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 (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 18 for general information about the OPEB plans and calculation of the net pension asset or liability.

Pre-Medicare Retiree Healthcare Plan – Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resources Management. After retirement, Longwood University no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

Group Life Insurance - The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the 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.

VRS Disability Insurance Program - The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB 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 - 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.

State Employee Health Insurance Credit Program - The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the 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.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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. Certain deposits held by the

University are maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia, or covered by depository insurance. Under this Act, banks holding public deposits in excess of amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits. Cash and cash equivalents represent cash with the Treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program® (SNAP®). This program offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP® complies with all standards of GASB Statement 79. SNAP® investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows or Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

At June 30, 2018, the carrying amount of cash with the Treasurer of Virginia was $13,149,107. The carrying amount of cash not held by the Treasurer of Virginia is $2,604,508. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2018, in the amount of $1,984,523 adjusted for reconciling items such as: outstanding checks and deposits in transit. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Summary of the University's Cash and Cash Equivalents

Cash and cash equivalents	13,708,759
Unrestricted cash Equivalents	700,774
Restricted cash and cash equivalents	1,823,641
Total Cash and Cash Equivalents	**16,233,174**

Treasurer of Virginia	13,149,107
Held in custody of others	2,604,508
SNAP program	479,559
Total Cash and Cash Equivalents	**16,233,174**

Investments

The majority of University funds is held by the Treasurer of Virginia and, therefore, is not invested by the University. Local funds held by the University are available for investment, per the Board of Visitors approved investment policy. In fiscal year 2018, local funds were not invested. Rather, they were held in a governmental checking account.

Concentration of Credit Risk

Concentration of credit risk requires the disclosures by amount and issuer of any investments in any one issuer that represent 5 percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2018, the University did not have any investments other than money market funds held by the Treasurer of Virginia; therefore, the University does not have a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. Due to the lack of investments outside of those held by the Treasurer of Virginia, this risk does not apply to the University.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not invest in funds outside of investing bond proceeds in the State Non-Arbitrage Program (SNAP). These proceeds held by the Treasurer of Virginia are invested in money market funds and do not need to be categorized as to risk. At June 30, 2018, the carrying amount of the cash equivalents held in the SNAP program was $479,559 and with the Treasurer of Virginia was $0.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Longwood University does not have investments in foreign currency.

Securities Lending Transactions

Securities lending transactions represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the Statement of Net Position, are non-categorized as to credit risk. Details of the General Account securities lending program are included in the Commonwealth's 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 and losses are realized, the actual gains and losses are recorded by the affected agencies.

Securities Lending Balances as of June 30, 2018:

Unrestricted cash equivalents	$700,774
Short term investment	-
Total Securities Lending	$700,774

4. ACCOUNTS AND NOTES RECEIVABLE

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

Student tuition and fees	$ 1,185,047
Auxiliary enterprises	526,357
Federal, state, and nongovernmental grants and contracts	29,209
Total	$ 1,740,613
Less: Allowance for doubtful accounts	(192,450)
Net accounts receivable	$ 1,548,163

Notes receivable consisted of the following at June 30, 2018:

Current portion:	159,098
Federal student loans	159,098
Non-current portion:	
Federal student loans	1,127,441
Less allowance for doubtful accounts	(114,551)
Net non-current notes receivable	$ 1,012,890

5. DUE FROM FOUNDATION/TRUST

Due from foundation consisted of the following at June 30, 2018:

Longwood University Foundation	$ 23,134
Longwood University Trust	100,000
Total Due from Foundations	$123,134

6. CAPITAL APPROPRIATIONS, COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2018, funding has been provided to the University from two programs: 21st Century bond program and Equipment Trust Fund program (ETF). Both the 21st Century bond and Equipment Trust Fund programs are managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2018, in the "Capital Appropriations" line item for equipment and facilities obtained with funding under these two programs.

Capital Appropriations

VCBA 21st Century Program	$9,956,815
VCBA ETF Program	747,435
	$10,704,250

The line item, "Due from the Commonwealth," on the *Statement of Net Position* for the year ended June 30, 2018, represents pending reimbursements from the follow program:

21st Century Bonds	$868,222
Total Due from Commonwealth of Virginia	$868,222

7. CAPITAL ASSETS

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

	Beginning Balance 6/30/2017	Additions	Reductions	Ending Balance 6/30/2018
Non-Depreciable Capital Assets				
Land (1)	$5,058,769	-	($46,950)	$5,011,819
CIP	27,576,694	32,767,792	(3,232,463)	57,112,023
Total Non-Depreciable Capital Assets	32,635,463	32,767,792	(3,279,413)	62,123,842
Depreciable Capital Assets				
Buildings (2)	271,901,473	-	(14,780,409)	257,121,064
Equipment (3)	20,061,318	1,026,422	(336,308)	20,751,432
Infrastructure	50,111,990	2,052,751	(21,379)	52,143,362
Library Materials	12,201,554	302,177	(85,055)	12,418,676
Software Projects	6,765,319	142,602	(99,450)	6,808,471
Total Depreciable Capital Assets, Cost	361,041,654	3,523,952	(15,322,601)	349,243,005
Accumulated Depreciation				
Buildings (4)	88,754,970	6,869,440	(11,636,440)	83,987,970
Equipment (5)	15,029,915	1,372,631	(312,247)	16,090,299
Infrastructure	31,061,963	1,103,617	(11,124)	32,154,456
Library Materials	9,488,616	473,600	(85,055)	9,877,161
Software Projects	6,506,616	135,024	(99,450)	6,542,190
Total Accumulated Depreciation	150,842,080	9,954,312	(12,144,316)	148,652,076
Depreciable Capital Assets, Net	210,199,574	(6,430,360)	(3,178,285)	200,590,931
All Capital Assets, Net	$242,835,037	$26,337,432	($6,457,698)	$262,714,773

Note (1): Beginning balances have been restated by $27,649 as discussd in Note 2.

Note (2): Beginning balances have been restated by $469,711 as discussed in Note 2.

Note (3): Beginning balances have been restated by ($135,729) as discussed in Note 2.

Note (4): Beginning balances have been restated by $33,602 as discussed in Note 2.

Note (5): Beginning balances have been restated by $187,454 as noted in Note 2.

8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources as June 30, 2018, is summarized as follows:

Deferred loss - 9 (c) General Obligation Bonds Refundings	$1,040,028
Deferred loss - VCBA Pooled Notes Payable Refundings	1,402,700
Deferral on Debt Defeasance	2,442,728
Deferred Pension Liability	4,340,000
Deferred Other Post Employment Benefits	1,409,053
Total deferred outflows of resources:	$5,749,053

9. 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	$4,790,117
Vendors and suppliers accounts payable	4,873,117
Longwood University Real Estate Foundation	16,004
Retainage payable	1,842,354
Interest payable	677,362
Total accounts payable and accrued expenses	$12,198,954

10. NONCURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 11), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2018, is presented as follows:

Category	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:					
9 (c) General Obligation Bonds	$ 12,584,162	$ -	$ 1,424,030	$ 11,160,132	$ 1,485,572
Unamortized Premium	1,760,149	-	262,514	1,497,635	242,313
	14,344,311	-	1,686,544	12,657,767	1,727,885
VCBA Pooled Notes	47,225,000	-	2,905,000	44,320,000	3,025,000
Unamortized Premium	3,806,016	-	457,051	3,348,965	441,980
	51,031,016	-	3,362,051	47,668,965	3,466,980
Installment Purchases	84,261	-	31,598	52,663	31,598
Total Long Term Debt	65,459,588	-	5,080,193	60,379,395	5,226,463
Accrued Compensated Absences	1,673,642	855,625	802,839	1,726,428	1,059,126
Federal Loan Program Contribution	1,383,944	-	101,302	1,282,642	-
Net Pension Liability	42,112,000	-	4,726,000	37,386,000	-
OPEB	23,920,055		2,852,193	21,067,862	293,534
Total Long Term Liabilities	$134,549,229	$ 855,625	$ 13,562,527	$121,842,327	$ 6,579,123

11. LONG-TERM INDEBTEDNESS

9(c) General Obligation Bonds Payable

Longwood University bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. The following bonds of the University are Section 9(c) bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. The interest rates listed below are the rates at issuance.

General Obligation Bonds payable at June 30, 2018, consist of the following:

Residence Hall:	Interest Rates	Maturity	Amount
2009 D 1 - Housing Fac. Renovations, 2005 Refunded Portion	4.00 - 5.00%	2022	940,000
2009 D 2 - Renovate Housing Fac. 2006 B Refunded Portion	4.00 - 5.00%	2022	1,355,000
2012 A 2 - Housing Facilities Ren. - 2005 Ref Portion	4.00 - 5.00%	2024	544,804
2013 B 1 - Housing Facilities Ren - 2005A Ref Portion	3.00 - 5.00%	2025	285,300
2013 B 2 - Housing Facilities Ren - 2006B Ref Portion	4.00 - 5.00%	2026	1,577,865
2013 B 3 - Ren Cox Hall - 2007B Ref Portion	4.00 - 5.00%	2025	2,460,584
2014 B 1 - 99 Ref of Residence Hall Improvements, 2004-B Ref	2.00 - 5.00%	2019	203,380
2015 B 1 Renovate Cox Hall - 2007B Ref Portion	4.00 - 5.00%	2027	790,900
2015 B 2 Renovate Cox Hall - 2008B Ref Portion	4.00 - 5.00%	2028	2,784,730
Dining hall:			
2014 B 2 99 Ref of Dining Hall - 2004B Ref Portion	2.00 - 5.00%	2019	217,569
	Total bonds payable		11,160,132

A summary of future principal and interest requirements of long-term debt for General Obligation bonds payable as of June 30, 2018 follows:

Year ending June 30	Principal	Interest
2019	1,485,572	518,518
2020	1,114,263	446,489
2021	1,159,218	393,101
2022	1,220,347	335,140
2023	1,271,204	277,920
2024-2028	4,909,528	563,677
Total	$ 11,160,132	$ 2,534,845
Add: Unamortized Premium	1,497,635	
Total	$ 12,657,767	

VCBA Pooled Notes Payable

The University participates 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 interest rates listed below are the rates at issuance.

The following schedule describes each of the notes outstanding:

	Interest Rates	Maturity	Amounts
2007 B - Fitness center and Parking Garage	4.00 – 4.50%	9/2019	665,000
2009 A - Athletic offices, Heating Plant Phase III, Student Union	3.00 – 5.00%	9/2020	515,000
2010 B - Fitness center and Parking Garage	5.00%	9/2022	2,005,000
2012 A - Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating plant II	3.00 – 5.00%	9/2024	8,435,000
2014 B - Fitness center, Lacrosse/field hockey complex, Soccer fields, Lancer gym, Baseball/softball, Blackwell and Phase II and III Heating Plant	4.00 – 5.00%	9/2025	6,420,000
2015 A - University Center	3.00 – 5.00%	9/2045	22,565,000
2015 B - Heating Plant III, Student Union 2009 A	3.00 – 5.00%	9/2028	1,225,000
2016 A – Refunding of 2006 A and 2007 A - Lacrosse/Field Hockey Complex, Baseball/Softball, Heating Plant Phase II & III, Fitness Center, Blackwell Hall & Bookstore	3.00 – 5.00%	9/2027	2,490,000
Total notes payable			44,320,000

A summary of future principal and interest requirements of VCBA Pooled Notes Payable as of June 30, 2018, follows:

Year ending June 30	Principal	Interest
2019	3,025,000	1,815,869
2020	2,880,000	1,672,063
2021	3,030,000	1,526,381
2022	3,145,000	1,372,069
2023	3,315,000	1,210,569
2024-2028	11,645,000	4,169,568
2029-2033	3,900,000	2,815,781
2034-2038	4,400,000	2,150,075
2039-2043	5,275,000	1,272,703
2044-2047	3,705,000	226,300
Total	44,320,000	$18,231,378
Add: Unamortized Premium	3,348,965	
Total	$47,668,965	

12. DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources at June 30, 2018 are as follows:

Deferred Inflows - Pension	2,759,000
Deferred Inflows - Other Postemployment Benefits	3,496,815
Total Deferred Inflows	6,255,815

13. COMMITMENTS

Construction Contracts

As of June 30, 2018, outstanding commitments for capital outlay projects totaled approximately $19,461,253.

Operating Leases

The University is committed under various operating lease agreements primarily for buildings and equipment. Rental expense for the fiscal year ended June 30, 2018, was $1,092,705. The University has, as of June 30, 2018, the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2019	$1,055,834
2020	625,314
2021	276,186
2022	90,377
2023	82,641
2024 - 2028	407,848
2029 - 2033	364,153
2034 - 2038	364,153
2039 - 2043	364,153
2044 - 2045	145,661
Total	$3,776,320

Installment Purchase Agreements

The University has entered into an installment purchase contract to finance the acquisition of software and equipment. The remaining length of the purchase agreement is two years. Payment on this commitment is as follows:

Fiscal Year	Installment Purchase
2019	31,598
2020	21,065
Total	$ 52,663

Other Contractual Agreements

The University was committed to pay Longwood University Real Estate Foundation $12,687,289 pursuant to a support agreement related to student housing (Sharp & Register, Lancer Park, Longwood Landings, and Longwood Village). The University was also contractually committed to payments totaling $124,486 relative to an energy performance contract. The University has, as of June 30, 2018, the following total future payments due under the above agreements:

Fiscal Year	Contractual Agreements
2019	$ 12,035,366
2020	680,251
2021	14,827
2022	15,287
2023	15,761
2024	16,251
2025	16,756
2026 - 2028	17,276
Total	$ 12,811,775

14. LONG-TERM DEBT DEFEASANCE

Certain Higher Education Bonds were defeased by the University in prior years. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. Therefore, the related assets in trust as well as the defeased bonds are excluded from the Statement of Net Position. As of June 30, 2018, $1,245,000 of the defeased bonds are outstanding.

15. STATE APPROPRIATIONS

During the year ended June 30, 2018, the following changes were made to the University's original operating appropriation, including supplemental appropriations received in accordance with the Virginia Acts of Assembly, Chapter 665.

Original Appropriation:	
Educational and General Programs	$26,890,848
Student Financial Assistance	4,669,021
Supplemental Adjustments:	
Central Fund Adjustments	1,238,281
VIVA	7,260
SVRTC	108,905
Military Survivors	29,925
2-Year Transfer Grant	65,500
Cyber Security Grant	20,000
HEETF Payment	(54,746)
Capital Out-of-State Fee	(106,149)
Adjusted Appropriations	$ 32,868,845

16. EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries and Wages	Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Other	Depreciation/ Amortization	Total
Instruction	$ 24,492,426	$ 8,409,055	$ 1,872,298	$ -	$ 120	$ 822,086	$ -	$ -	$ 35,595,985
Research	98,249	13,977	185,341	-	-	39	-	-	297,606
Public service	850,702	280,613	710,120	-	656	42,334	-	-	1,884,425
Academic support	4,040,835	1,354,293	1,091,838	-	2,191	1,322,168	-	-	7,811,325
Student services	2,608,554	1,094,903	772,826	-	-	110,452	-	-	4,586,735
Student aid	-	-	-	3,615,761	-	-	-	-	3,615,761
Institutional Support	5,652,095	3,250,050	463,950	-	11,104	507,613	-	-	9,884,812
Operation & Maintenance of Plant	2,979,023	1,963,055	2,302,133	-	979,720	698,883	-	-	8,922,814
Depreciation	-	-	-	-	-	-	-	9,819,288	9,819,288
Amortization	-	-	-	-	-	-	-	135,024	135,024
Auxiliary activities	11,992,733	4,056,513	18,507,763	-	1,447,612	13,929,134	-	-	49,933,755
Other Expenses	-	-	-	-	-	-	34,593	-	34,593
Total	$ 52,714,617	$ 20,422,459	$ 25,906,269	$ 3,615,761	$ 2,441,403	$ 17,432,709	$ 34,593	$ 9,954,312	$ 132,522,123

17. 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 unless they are eligible faculty and choose to enroll in the optional retirement program described in the “OTHER POST RETIREMENT BENEFITS” section of this footnote. 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 are 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are discussed below.

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

		balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
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 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**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 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2, were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**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 Officer's 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.
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	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component

contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contribution that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be

		eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS**: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 of Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age **VRS:** Age 65 **VaLORS:** Age 60	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **<u>Define Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age 60 with at least five years (60 months) of creditable service.

VaLORS: 50 with at least five years of creditable service.	**VaLORS:** Same as Plan 1.	**VaLORS:** Not Applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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 increases (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1, after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>** Same as Plan 1 **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

purchase prior service. Members also may be eligible to purchase periods of leave without pay.		

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2018 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of $162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of $16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Longwood University to the VRS State Employee Retirement Plan were $3,482,000 and $3,315,644 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from Longwood University to the VaLORS Retirement Plan were $139,000 and $125,141 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, Longwood University reported a liability of $36,064,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,322,000 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. Longwood University's proportion of the Net Pension Liability was based on Longwood University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, Longwood University's proportion of the VRS State Employee Retirement Plan was .62% as compared to .62% at June 30, 2016. At June 30, 2017, Longwood University's proportion of the VaLORS Retirement Plan was .20% as compared to .18% at June 30, 2016.

For the year ended June 30, 2018, Longwood University recognized pension expense of $2,745,000 for the VRS State Employee Retirement Plan and $176,000 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, Longwood University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERP			VaLORS	
	Deferred Outflows	Deferred Inflows		Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	77,000	1,092,000		4,000	3,000
Net difference between projected and actual earnings on pension plan investments		1,541,000			37,000
Change in assumptions	350,000				86,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	161,000			127,000	
Employer contributions subsequent to the measurement date	3,482,000			139,000	
Total	$4,070,000	$2,633,000		$270,000	$126,000
SERP – State Employment Retirement Plan					

A total of $3,621,000 ($3,482,000 for SERP and $139,000 for VaLORS) reported as deferred outflows of resources related to pensions resulting from Longwood University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30	**SERP**	**VaLORS**	**Total**
2019	(1,273,000)	9,000	(1,264,000)
2020	230,000	19,000	249,000
2021	35,000	1,000	36,000
2022	(1,037,000)	(24,000)	(1,061,000)
2023	-	-	-

SERP 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 expense, including inflation*

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

Mortality rates:

Pre-Retirement

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

Post-Retirement

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

Post-Disablement

RP-2014 Disability Life Mortality Table Projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

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

VaLORS Actuarial Assumptions

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 expense, including inflation*

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

Mortality rates:

Pre-Retirement

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

Post-Retirement

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

Post-Disablement

RP-2014 Disability Life Mortality Table Projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

	SERP	VaLORS
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 Longwood University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents Longwood's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what Longwood'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%)
Longwood's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	53,271,000	36,064,000	21,613,000

The following presents Longwood's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what Longwood'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%)
Longwood's proportionate share of the VaLORS Retirement Plan Net Pension Liability	1,845,000	1,322,000	890,000

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 $171,460 including $159,946 payable to the VRS State Employee Retirement Plan and $11,514 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.

OTHER POST RETIREMENT BENEFITS

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in two optional retirement plans, which include: Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) and Fidelity. These are defined contribution plans where retirement benefits received are based upon employer and employee contributions plus interest and dividends. Total contributions to employees who became members prior to July 1, 2010, were 10.4 percent (employer paid). Total contributions to employees who became members on or after July 1, 2010, were 13.5 percent (8.5 percent employer paid and 5 percent employee paid).

Individual contracts issued under the plan provide for full and immediate vesting of both the University and the participant's contributions. Total pension costs under these plans were approximately $1,816,851 for the year ended June 30, 2018. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $19,534,756.

Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. 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 match can 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 $189,150 for the fiscal year ended June 30, 2018.

18. POST EMPLOYMENT BENEFITS

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 OBEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $244,324 and $300,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entities reported a liability of $3,598,000 for its proportionate share of the Net GLI OPEB Liability. 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 proportion was 0.24% as compared to 0.24% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of 36,000. 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		80,000
Net difference between projected and actual earnings on GLI OPEB program investments		135,000
Change in assumptions		185,000
Changes in proportion	3,000	34,000
Employer contributions subsequent to the measurement date	244,324	-
Total	$ 247,324	$ 434,000

$244,324 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:

Year ended June 30	
FY 2019	($90,000)
FY 2020	($87,000)
FY 2021	($87,000)
FY 2022	($87,000)
FY 2023	($54,000)
Thereafter	($26,000)

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 OPEB 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 1 year, 85% of rates; females set back 1 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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

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

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

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

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 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 9 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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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 1 year, 85% of rates; females set back 1 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 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 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 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 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 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

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

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

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

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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	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:

	1.00% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1.00% Increase (8.00%)**
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$4,652,000	$3,598,000	$2,741,000

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 $12,296. 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 General State Employees and VaLORS Employees.

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 OBEB plans, for public employer groups in the Commonwealth of Virginia.

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
Eligible Employees The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
Benefit Amounts The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees: • **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability

and the length of service of the employee. Short-term disability benefits are paid by the employer.

- **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

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

Cost-of-Living Adjustment (COLA)

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

recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement

- 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2018 was 0.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the entity were $112,000 and $173,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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 an asset of $(856,000) for its proportionate share of the Net VSDP OPEB Liability (Asset). 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 proportion was 0.42% as compared to 0.41% at June 30, 2016.

For the year ended June 30, 2018, the state agency recognized VSDP OPEB expense of $69,000. 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual earnings on VSDP OPEB plan investments		67,000
Change in assumptions		64,000
Changes in proportion		11,000
Employer contributions subsequent to the measurement date	112,000	
Total	$ 112,000	$ 142,000

$112,000 reported as 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:

Year ended June 30	
FY 2019	($27,000)
FY 2020	($27,000)
FY 2021	($27,000)
FY 2022	($27,000)
FY 2023	($10,000)
Thereafter	($24,000)

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 investment	7.0 Percent, net of OPEB plan 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 OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – 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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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%.

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:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency's proportionate share of the total VSDP Net OPEB Liability (Asset)	($815,000)	($856,000)	($928,000)

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 disability insurance program contributions payable to the pension plan of $5,675. 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 General State Employees and VaLORS Employees.

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
Eligible Employees The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit Amounts
The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:
• **<u>Death</u>** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
  o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
  o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
• **<u>Health Insurance</u>** – The Line of Duty Act program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insuramce 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 must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were $10,000 and $8,000 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 $193,000 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 0.07% as compared to 0.07% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of $18,000. 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:

	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		
Change in assumptions		20,000
Changes in proportion	12,000	
Employer contributions subsequent to the measurement date	10,000	
Total	$ 22,000	$ 20,000

$10,000 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 LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2019	($2,000)
FY 2020	($2,000)
FY 2021	($2,000)
FY 2022	($2,000)
FY 2023	-

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 1 year, 85% of rates; females set back 1 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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

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

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

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

Mortality rates – 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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each 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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	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 a 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 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%, 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%) or one percentage point higher (4.56%) than the current rate:

	1.00% Decrease (2.56%)	**Current Discount Rate (3.56%)**	**1.00% Increase (4.56%)**
Covered employer's proportionate share of the total LODA Net OPEB Liability	$219,000	$193,000	$171,000

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 provisions 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% decreasing to 5.00%, 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% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1.00% Decrease (6.75% decreasing to 4.00%)	**Health Care Trend Rates (7.75% decreasing to 5.00%)**	**1.00% Increase (8.75% decreasing to 6.00%)**
Covered employer's proportionate share of the total LODA Net OPEB Liability	$164,000	$193,000	$229,000

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.

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:

<table>
<tr><th>STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:
Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.</td></tr>
<tr><td>Benefit Amounts
The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:
<u>At Retirement</u> – For State employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
<u>Disability Retirement</u> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.

For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.</td></tr>
</table>

For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2018 was 1.18% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the state agency to the VRS State Employee Health Insurance Credit Program were $549,000 and $518,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the state agency reported a liability of $6,208,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. 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 0.68% as compared to 0.68% at June 30, 2016.

For the year ended June 30, 2018, the state agency recognized VRS State Employee Health Insurance Credit Program OPEB expense of $535,000. 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:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience		
Net difference between projected and actual earnings on State HIC OPEB plan investments		15,000
Change in assumptions		70,000
Changes in proportionate share	6,000	24,000
Employer contributions subsequent to the measurement date	549,000	-
Total	$ 555,000	$ 109,000

$549,000 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:

Year ended June 30	
FY 2019	($21,000)
FY 2020	($21,000)
FY 2021	($21,000)
FY 2022	($21,000)
FY 2023	($16,000)
Thereafter	($3,000)

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 1 year, 85% of rates; females set back 1 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 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020

Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – 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 1 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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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 1 year, 85% of rates; females set back 1 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 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 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:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	6,865,000	6,208,000	5,643,000

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 health insurance credit program contributions payable to the pension plan of $21,190. 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 General State Employees and VaLORS Employees.

Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees

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 rates	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 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 1 year; females setback 1 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 9 years of service

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

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

At June 30, 2018, the employer reported a liability of $11,068,862 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 0.85% as compared to 0.84% at June 30, 2016. For the year ended June 30, 2018, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of $902,615.

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

	Deferred Outflows	Deferred Inflows
(1) Difference between actual and expeted experience	-	445,206
(2) Changes in assumptions	-	2,346,609
(3) Changes in proportion	105,519	-
(4) Sub Total	105,519	2,791,815
(5) Amounts asociated with transactions subsequent to the measurement date	293,534	
(6) Total	399,053	2,791,815

$293,534 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre- Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year End June 30:	
2019	(494,713)
2020	(494,713)
2021	(494,713)
2022	(494,713)
2023	(494,713)
Total Thereafter	(212,731)

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	$11,857,277	$11,068,862	$10,313,474

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:

	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	$9,848,479	$11,068,862	$12,499,518

19. CONTINGENCIES

Longwood University receives assistance from non-State grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of Longwood University. As of June 30, 2018, Longwood University estimates that no material liabilities will result from such audits.

20. RISK MANAGEMENT

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

21. PENDING LITIGATION

The University is a party to various legal actions and other claims in the normal course of business. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

22. COMPONENT UNITS

The Financial reporting entity is defined by Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The reporting entity consists of the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion could cause the financial statements to be misleading or incomplete. These statements address the conditions under which institutions should include associated fund-raising foundations as component units in their basic financial statements and how such component units should be displayed in the basic financial statements.

The University has two component units as defined by GASB Statement 39. These organizations are separately incorporated tax-exempt entities and have been formed to promote the achievements and further the aims and purposes of the University. The component units, Longwood University Foundation, Inc. and Longwood Real Estate Foundation are included in the body of the financial statements as discrete component. Both the Longwood University Foundation, Inc., and Longwood Real Estate Foundation follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the Governmental Accounting Standards Board (GASB) presentation format for inclusion in Longwood University's financial statements.

The Longwood University Foundation assists the University in raising, investing, and distributing funds to support various University operating and endowment programs. The thirty-two member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources, or income from the resources, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefits of the University, the Foundation is considered a component unit and is discretely presented in the University's financial statements.

The Longwood University Foundation's financial statements include the accounts of the Foundation and its supporting organizations, the Duvahl Ridgeway Hull and

Andrew W. Hull Charitable Foundation and the Hull Springs Farm Foundation. The Foundation receives 85% of the Hull Foundation's net income. The Hull Foundation includes two charitable remainder trusts and other investments. The Foundation's financial statements are audited by Cherry Bekaert, LLP. Complete financial statements can be obtained from the Longwood University Foundation at 201 High Street, Farmville, Virginia 23909.

The Longwood Real Estate Foundation is operated to receive, maintain, and administer assets in perpetuity exclusively for charitable and educational purposes and assists the University in real property acquisition, management, and maintenance. The Foundation's Board of Directors consists of nine members; six directors appointed by the Longwood University Board of Visitors and three ex-officio directors consisting of the University Vice President for Administration and Finance, the University's Real Property Manager, and the Vice President for Facilities Management. The University does not control the day-to-day activities of the Real Estate Foundation; however, the majority of Real Estate Foundation activity is for the benefit of the University.

The Longwood University Real Estate Foundation's financial statements include the accounts of the Real Estate Foundation and its wholly owned subsidiaries, Longwood Housing Foundation, LLC, Longwood Woodland Pond Housing Foundation, LLC, Longwood Woodland Pond Development Foundation, LLC, and Longwood North Campus Housing Foundation, LLC (collectively, the "Foundation"). The Real Estate Foundation's financial statements are audited by Cherry Bekaert, LLP. Complete financial statements can be obtained from the Longwood University Real Estate Foundation at 315 West Third Street, Farmville, VA 23901.

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments of the Longwood Foundation

Investments and the beneficial interest in the perpetual trust portfolio are comprised of the following at June 30, 2018:

	2018	
	Cost	Market Value
Cash and cash equivalents	$ 14,219,746	$ 14,219,746
Investments:		
Government bonds, corporate obligations, and fixed income securities	162,269	163,237
Corporate stocks and mutual funds	770,710	1,234,061
Limited partnership	45,492,596	64,031,251
Total investments	46,425,575	65,428,549
Beneficial interest in perpetual trust:	1,986,751	2,247,390
Total	$ 62,632,072	$ 81,895,685

Cash and cash equivalents includes operating cash of $14,114,448 as of June 30, 2018.

Investment fees netted against the related investment income or net realized and unrealized gain (loss) on investments for the year ended June 30, 2018 was $748,375.

In April 2010, the Longwood University Foundation became a partner in the Richmond Fund, LP, a Virginia limited partnership (the "Fund") managed by Spider Management Company, LLC, a Virginia limited liability company and wholly-owned subsidiary of the University of Richmond. The Fund is only available to tax-exempt organizations described in section 501(c) of the Internal Revenue Code to which contributions may be made that are deductible under Code section 170 and are "accredited investors" within the meaning set forth in Rule 501 (a) of Regulation D under the Securities Act of 1933, as amended.

The Fund's investment objective is to provide steady gains during market upswings through a diverse array of public/private and domestic/international investments, while preserving capital during market downturns. The Fund is invested as if it is part of the endowment of the University of Richmond, and the time weighted returns for the Fund and the University of Richmond are blended on a quarterly basis. The assets of the Fund, when combined with the University of Richmond's endowment assets on a pro forma basis, will be invested in accordance with the University of Richmond's Investment Policy Statement.

At June 30, 2018, the Fund consisted of 32 partners and the Foundation's interest in the Fund represents 3.0% of the total partnership capital. The Fund is audited on a semi-annual basis on June 30 and December 31.

During the year ended June 30, 2017, the Foundation invested in the Hotel Weyanoke LLC ("Hotel Weyanoke") through a wholly-owned subsidiary, LUF Weyanoke, Inc. The Foundation's investment of $1,000,000 represents a 7.68% membership interest in Hotel Weyanoke which has been accounted for under the cost method. The Foundation is not the managing member and is required to maintain its investment in the Hotel Weyanoke for a period of seven years after which it may exercise its put option to sell its membership at a fair value determined by a qualified and licensed individual selected by the Foundation and the managing member. There is no requirement for additional capital or equity investment beyond the $1,000,000 contribution.

Longwood University Foundation Beneficial Interest in Perpetual Trust

The Longwood University Foundation is the beneficiary of the annual income earned from the Nellie Ward Nance Trust (the "Nance Trust") held by Wells Fargo Bank, N.A. The assets of the Nance Trust are neither in the possession nor under the control of the Foundation.

At June 30, 2018, the fair market value of the Nance Trust was $2,247,390, which is recorded in the Longwood University Foundation's consolidated statement of financial position. Income and unrealized gains on the Nance Trust for the year ended June 30, 2018, were $106,000 and $15,013, respectively.

Longwood University Real Estate Foundation Restricted Deposits and Funded Reserves

In accordance with bond agreements, the Longwood University Real Estate Foundation has the following restricted deposits and funded reserves which are held by a Trustee:

	2017
Debt service reserve fund	$11,344,778
Repair and replacement account	485,275
Principal and interest account	12,832,149
Subordinate expense fund	622,462
Project fund	73,111,436
Operating account	12,349
	$98,408,449

As of December 31, 2017 approximately 6% of the Longwood University Real Estate Foundation's restricted deposits and funded reserves are invested in a GIC administered by an independent professional investment corporation in a managed investment pool, with a guaranteed specified rate of interest of 2.51% per annum. Interest payments on the GICs are due to the Longwood University Real Estate Foundation semiannually.

B. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Longwood University Foundation contributions receivable consisted of the following at June 30, 2018:

		2018
Cash pledges expected to be collected in:		
	Less than one year	$ 1,804,516
	One year to five years	1,294,624
	Over five years	4,033,793
		7,132,933
Less:		
	Discount to present value	(2,652,121)
	Net Contributions Receivable	$ 4,480,812

The use of funds from contributions receivable have been restricted by donors for future use as follows:

Temporarily Restricted	$ 965,331
Permanently Restricted	3,515,481
Total	$ 4,480,812

At June 30, 2018, the Foundation had received bequests and other intentions to give of approximately $9,630,432. These intentions to give are conditional and, therefore, are not recognized as assets. If they are received, they will generally be restricted for specific purposes as stipulated by the donors.

The Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

C. CAPITAL ASSETS

Longwood University Foundation

Land	$ 1,286,854
Longwood Center for Visual Arts Collection	4,820,044
Buildings	85,000
Property and Equipment	34,763
Stream and Wetlands Credit	882,499
Vehicles	187,247
Total cost of capital assets	7,296,407
Less: accumulated depreciation	(172,790)
Total capital assets, net	$ 7,123,617

Longwood University Real Estate Foundation

Land	$ 17,025,524
Land Improvements	10,975,362
Buildings	105,484,936
Condominium units	2,317,207
Furniture and Equipment	4,532,748
Construction in progress	2,481,813
Total cost of capital assets	142,817,590
Less: accumulated depreciation	(27,956,152)
Total capital assets, net	$ 114,861,438

D. LONG-TERM INDEBTEDNESS

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2017:

Fixed Rate Educational Facilities Revenue Bonds, Series 2015, total principal payments due each year of increasing amounts through maturity on January 1, 2046.The interest rate is fixed at 5.75%.	109,510,000
Fixed Rate Educational Facilities Revenue Bonds, Series 2017, total principal payments due each year of increasing amounts through maturity on January 1, 2057.The interest rate is fixed at 4.625%.	94,500,000
Deed of trust note payable, 4.10%, due in monthly payments of principal and interest of $22,223, maturing December 1, 2024. Collateralized by the building at 315 West Third Street.	3,066,131
Deed of trust note payable, 4.24%, due in monthly payments of principal and interest of $7,410, maturing August 1, 2018. Collateralized by equipment at 315 West Third Street.	59,245
Deed of trust note payable, 4.75%, due in monthly payments of principal and interest of $2,897, maturing October 5, 2020. Collateralized by the property known as the Funeral Home.	473,793
Deed of trust note payable, 4.75%, due in monthly payments of principal and interest of $2,993, maturing October 5, 2020. Collateralized by the property known as the 100 Madison Street.	489,477
Deed of trust note payable, 3.24 %, due in monthly payments of principal and interest of $4,968, maturing June 1, 2025. Collateralized by the property known as the Old Tobacco Warehouse.	400,439
Uncollateralized promissory note payable, variable interest rate of 0.50% over the Prime Rate with a minimum of 4.00% (4.00% December 31, 2017), due in monthly principal payments of $5,571, with a balloon payment for the remaining principal due at maturity on December 19, 2029.	495,039
Deed of trust promissory note payable, 5.25%, due in monthly payments of principal and interest of $2,166, maturing October 1, 2030. Collateralized by property known as the Moton Museum.	241,604
Deed of trust promissory note payable with the United States Department of Agriculture, 4.25%, due in monthly payments of principal and interest of $1,092, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	232,256
Deed of trust promissory note payable with the United States Department of Agriculture, 4.00%, due in monthly payments of principal and interest of $2,989, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	658,002
Deed of trust note payable, 3.12%, due in monthly payments of interest only through Januaru 10, 2018; thereafter monthly payments of principal and interest through December 10, 2021. Collateralized by property known as the Midtown CRE	8,250,000
Deed of trust note payable, 30-day LIBOR plus 0.25% (.87% December 31, 2017), interest only payments for 24 months, equal payments of principal assuming 20 year hypothetical amortization with a balloon payment due at June 30, 2019. Collateralized by property known as the Riverview, LLC.	5,400,000
Deed of trust note payable, interest payments of 7% from November 30, 2016 through November 29, 2017; 9% from November 30, 2017 through November 29, 2018; 11% from November 30, 2018 through November 29, 2019 with a balloon payment due at October 31, 2019. Collateralized by property known as the Riverview, LLC, but subordinate to the $5,400,000 deed of trust note payable, above.	675,000
Deed of trust note payable, 3.99%, due in monthly payments of principal and interest of $15,456, with a balloon payment due at November 15, 2021. Collateralized by the property known as Woodland Pond Condominiums.	2,417,729
Deed of trust note payable, 4.90%, due in monthly payments of principal and interest through August 15, 2024. Collateralized by the property known as the Early Childhood Development Center.	2,067,820
	228,936,535
Less - loan costs, net	(2,260,629)
Less - current portion	(1,562,870)
	$ 225,113,036

As of December 31, 2017, the Longwood University Real Estate Foundation has $204,010,000 of long-term, fixed rate Educational Facilities Revenue Bonds outstanding under Series 2015 and Series 2017 bonds (collectively "Bonds").

In May 2015, the Longwood University Real Estate Foundation received financing through the issuance of Virginia Educational Facilities Revenue and Refunding Bonds, Series 2015 through the Industrial Development Authority of the Town of Farmville, Virginia. The Series 2015 bonds were issued in the amount of $110,610,000 to finance the acquisition and construction and equipping of the student housing facility known as "ARC Quad," to refund Series 2012A ($45,000,000) and 2012B ($41,855,000) bonds and settle an existing interest rate swap. The loan agreement is collateralized by a deed of trust which grants the credit institution a first priority lien on and a security interest in the property and equipment financed under the 2012 series bonds consisting of student housing and a pedestrian bridge and the newly funded "ARC Quad" project. Additionally the Longwood University Real Estate Foundation pledges a security interest in its gross revenues. Interest is fixed at 5.75%. Principal and interest payments began on January 1, 2016. The Series 2015 bonds mature on January 1, 2046.

The Series 2017 bonds were issued in December 2017 in the amount of $94,500,000. The primary purpose for the issuance was to provide proceeds for the renovation of student housing facilities known as Curry and Frazer Residence Halls. Additional proceeds from the issuance were used to pay in full the outstanding pedestrian bridge loan, partially pre-pay the existing line of credit, and pay costs of issuance. The bonds mature January 1, 2057 and have a fixed interest rate of 4.625%.

The Bonds are not subject to put or mandatory tender provisions prior to the stated final maturity dates. The Longwood University Real Estate Foundation holds a unilateral par call option (optional redemption) for both the Series 2015 and Series 2017 bonds. The first optional redemption date for the Series 2015 bonds is July 1, 2018. The Series 2017 bonds may be called at par beginning January 1, 2023.

The bond agreements require the establishment and maintenance of several reserve accounts for the collecting, holding and disbursement of funds related to the issuance of the bonds, payment of project costs, payment of repairs, and repayment of principal and interest. These accounts are disclosed in Note 4 of the Longwood University Real Estate Foundation, LLC footnotes.

The Bonds are covered by an Amended and Restated Master Trust Indenture (covering all amounts held in required accounts and reserves under the bond agreements), Deed of Trust (providing a fee simple interest in all real and personal property, all rents and profits, leases, and awards related to the property), Support Agreement and Management Agreement.

Under the Master Trust Indenture, the Bonds are collateralized by the gross revenues of the Longwood University Real Estate Foundation, the Deed of Trust, and all moneys and securities held in required reserve accounts.

The Support Agreement requires that the projects be operated as part of the Longwood University housing system and on an equal basis with the University's own student housing facilities. The Agreement requires preferential treatment in that the University must assign all of its students in need of housing to the projects covered under the bonds, until at least 95% of the beds of each project are occupied.

The Management Agreement appoints the University as manager of each housing project. As such, the University is charged with setting and collecting all rents and makes a monthly payment to the Longwood University Real Estate Foundation for use of the projects. The University provides all personnel for resident advisory, public safety, education staffing, maintenance, grounds, housekeeping and janitorial services, and bills the Real Estate Foundation for these costs. The Real Estate Foundation is required to furnish utilities and insurance. All expenses associated with the management of the projects are subordinated and paid to the bond trustee monthly. Amounts are paid to the University by requisitioning such funds from the bond trustee.

Under the bonds, the Real Estate Foundation is required to meet certain debt coverage ratios. As of December 31, 2017, the Real Estate Foundation's management believes the Real Estate Foundation is in compliance with the requirements of the loan agreements.

During 2017, the Real Estate Foundation refinanced an existing note payable and utilized $1,471,835 of defeasance proceeds to receive a new note payable proceeds totaling $2,100,000. In conjunction with the refinance, the Real Estate Foundation incurred a loss on bond defeasance totaling $176,553, which is included on the consolidating statement of activities for the year ended December 31, 2017.

Maturities under long-term debt are as follows:

2018	$1,562,870
2019	15,198,553
2020	2,446,194
2021	4,843,204
2022	2,976,328
Thereafter	201,909,386
Total	$ 228,936,535

In connection with its bond financing, the Longwood University Real Estate Foundation executed several interest rate agreements in order to reduce its exposure to interest rate risk through July 2022. The agreement contains the following general terms:

Total return swap:

There are three total return swaps ("TRS") with notional amounts totaling $205,110,000, which amortize consistent with payments required under the Series 2015 and 2017 bond financings. In 2015, the Foundation entered into a total return swap as part of the 2015 Series bond issuance. This swap has a notional amount of $110,610,000 (TRS#1) and requires the Foundation to pay a floating rate of interest of 70% of three-month LIBOR plus a basis point spread of 0.85% and receive a fixed rate of 5.75%. This agreement also requires a settlement payment at its expiration equal to the difference between the carrying amount of the outstanding bonds and the fair value of the bonds calculated under the terms of the agreement.

In 2017, the Foundation entered into two additional total return swaps as part of the 2017 Series bond issuance. One total return swap has a notional amount of $15,000,000 (TRS#2) and requires the Foundation to pay a floating rate of interest of 70% of three-month LIBOR plus a basis point spread of 0.85% and receive a fixed rate of 4.625%. The other has a notional amount of $79,500,000 (TRS#3) and requires the Foundation to pay a floating rate of interest of 100% of three-month LIBOR plus a basis point spread of 0.85% and receive a fixed rate of 4.625%.

Interest rate swap:

The interest rate swap has a notional amount equal to 35% of the notional amount of the total return swap. The Longwood University Real Estate Foundation pays a fixed rate of interest 4.065% and receives a variable rate of interest of 70% of USD LIBOR.

Interest Rate Collar

There are three interest rate collars. In April 2016, a collar was executed with a notional amount equal to 65% of the notional amount of TRS#1 that caps the variable rate of interest (70% of three-month LIBOR) at 2.115% with a floor of .43% through July, 1, 2018 stepping to .61% until July 1, 2022.

The collar on TRS#2 caps the variable rate of interest (70% of three-month LIBOR) at 1.947% and has a floor of 1.085% from the effective date until January 1, 2020 and 1.435% thereafter. The variable interest rate on TRS#3 (100% USD LIBOR) is capped at 2.782% and has a floor of 1.55% from the effective date until January 1, 2020 and 2.05% thereafter.

The interest rate derivative agreements described above expire on July 1, 2022. The net interest receivable due from the counterparty is reflected in accrued interest receivable on the consolidated statement of financial position and the fair value of the aggregate total of the interest rate derivatives of $3,415,104 at December 31, 2017 is reflected in the consolidated statement of financial position. The changes in the fair value of the interest rate derivatives are included in the consolidated statement of activities as unrealized or realized gains or losses in interest rate derivatives.

Longwood University Real Estate Foundation Line of Credit

The Real Estate Foundation has an uncollateralized revolving line of credit with a bank in the amount of $3,250,000 as of December 31, 2017. This line is used to acquire, develop, improve, and operate real estate assets located in and around the Town of Farmville, including real estate which has been identified by the University as land or land improvements that fall within its Master Plan. Interest is charged at the Wall Street Journal Prime Rate plus 0.50%, with a floor of 4.00% (5.00% at December 31, 2017). Interest only payments are due monthly. As of December 31, 2017 the Real Estate Foundation had $1,298 in accrued interest. The outstanding balance on this line was $583,608 as of December 31, 2017.

E. COMMITMENTS

Longwood University Foundation – Other Commitments

As of June 30, 2018, the Longwood University Foundation has a standby letter of credit agreement with a local bank in the amount of $700,000. This letter of credit, which is set to expire on August 24, 2019, was issued in favor of the Virginia Department of Environmental Quality as required in connection with the Hull Springs Farm wetland mitigation bank program.

Longwood University Real Estate Foundation - Midtown

The Longwood University Real Estate Foundation owns property known as Mid-Town Square. The property combines student housing known as Longwood Landings and commercial space in a series of four buildings together with associated parking and improvements. The ownership of the property is in the form of a commercial condominium. Prior to June 30, 2016, the Real Estate Foundation owned the student housing portion of the property consisting of the top three floors of each building while the developer of the property retained ownership of the first floor commercial space and parking areas. On June 30, 2016, the Real Estate Foundation purchased the first floor commercial space for $8,250,000.

Prior to June 30, 2016 when the commercial space was purchased, the Real Estate Foundation leased commercial space from the developer, paying $174,489 in occupancy expenses for the year ended December 31, 2016. For one month of 2017 and all of 2016 the Real Estate Foundation subleased a portion of this space to the University for use as the University bookstore. Total amounts received in rental income by the Real Estate Foundation from the University under the sublease were $16,667 during 2017.

Longwood University Real Estate Foundation – Leasing Activities

Lessor Activities - The Longwood University Real Estate Foundation owns multiple properties separate from the student housing projects that are leased to the University and others under multiple operating leases. Leases to the University are for office space, storage, non-student housing, and parking lots, with terms of one to ten years. Leases to faculty members for housing are on an annual basis. Commercial leases at Mid-Town Square are leased to non-University parties with terms of three to five years. The following is a schedule by year of future minimum rental payments to be received under the leases for the years ended December 31:

	University Related	Commercial	Total
2018	$648,798	$441,825	$1,090,623
2019	300,691	381,867	682,558
2020	288,675	336,888	625,563
2021	90,285	191,056	281,341
2022	70,828	123,168	193,996
Thereafter	126,829	20,861	147,690
	$1,526,106	$1,495,665	$3,021,771

Longwood University Real Estate Foundation – Lancer Park Athletic Fields

On May 22, 2008, the Longwood University Real Estate Foundation entered a ground lease with Longwood University Foundation, Inc. for land that is adjacent to the Lancer Park housing project for development and use as athletic fields, ancillary facilities, and recreation facilities for the University. The ground lease is for a term of 50 years, with options for five additional five year terms. Rent is $10 per year. All improvements to the property remain the property of the Longwood University Real Estate Foundation until termination of the lease, at which time all improvements shall become the property of Longwood University Foundation, Inc.

Under the lease, the Longwood University Real Estate Foundation agreed to develop the property and make the property available for the University pursuant to the terms of the management agreement that was executed on the same day. The management agreement between the Longwood University Real Estate Foundation and the University appoints the University as manager of the project. The term of the management agreement is 50 years, or termination of the ground lease.

Longwood University Real Estate Foundation – Woodland Pond Condominiums

The Longwood University Real Estate Foundation owns property known as Woodland Pond Condominiums which consists of units that are held as available for sale or lease to the faculty of the Longwood University and 10 acres of undeveloped land. The Longwood University Real Estate Foundation has no intent on holding the properties for sale but utilizes the units as a recruiting mechanism in obtaining new faculty for which the faculty and staff can determine whether to buy or rent the units.

When units are sold to faculty, the sales agreements for these properties are structured as seller financed non-negotiable wrap-around purchase money notes. The notes bear interest at 6%, are amortized over a 30-year period, and are payable in monthly installments with a final balloon payment due at maturity three years after closing.

At December 31, 2017, the Longwood University Real Estate Foundation held two of these notes which mature in 2020 and are classified as a note receivable on the consolidated statements of financial position. The notes are collateralized by a wrap-around purchase money second deed of trust. The seller financing, interest, and second deed of trust are subordinate to the first deed of trust, lien, and security interests under the $2 million promissory note used to finance the Longwood University Real Estate Foundation's purchase of the property.

Under a special warranty deed, the Longwood University Real Estate Foundation has a first right of refusal to repurchase the units under bona fide arm's length terms and conditions. This deed also includes a reserved right to receive 50% of the net proceeds of any bona fide sale of the property to any third party for consideration in excess of the purchase price paid by the faculty member.

As of December 31, 2017 the Real Estate Foundation has entered into a construction related contract related to resident hall renovations. The total commitment under this contract is $62,972,724.

F. RELATED PARTY

Longwood University Real Estate Foundation

Outstanding receivables for rent from the University at December 31, 2017 were $332,355.

The Real Estate Foundation pays the University fees under management agreements related to facilities covered by tax-exempt bond issuances. These fees are based on costs to manage the specific properties. Total management fees paid for 2017 were $663,482. Of the total management fees, there were accrued management fees of $364,699 as of December 31, 2017. In addition the Real Estate Foundation reimburses the University for operational costs paid directly by the University related to the housing projects. At December 31, 2017, the Real Estate Foundation had a total payable to the University of $673,219, including the accrued management fees discussed above, which is included in accounts payable and accrued expenses on the consolidated statements of financial position.

Longwood University Foundation

The Foundation received contribution revenue from Board members in the amount of $216,200 for the year ending June 30, 2018. The amount of contributions receivable due from the Board members totaled $72,377 at June 30, 2018.

In conjunction with its mission to support the activities and operations of Longwood University, the Foundation has entered into various lease arrangements for nominal amounts with the University. Total net book value of assets leased (including property) to the University was $1,352,726 for June 30, 2018 including land in the consolidated statements of financial position.

For the year ended June 30, 2018, the Foundation recognized $625,798 of in-kind contributions and fundraising expenses for services provided from Longwood University personnel that directly benefited the Foundation.

On April 27, 2018, the Foundation issued a note receivable in the amount of $400,000 to the Hotel Weyanoke. The note bears annual interest of 6% and is due in full on April 26, 2019. No principal payments were made by June 30, 2018.

23. SUBSEQUENT EVENTS

On September 21, 2018, the Virginia College Building Authority (VCBA) issued bonds which the University received $3,162,661 from Pooled Financings Series 2018B. The University will use the proceeds from the series to replace the Steam Distribution System in Wheeler Mall.

During December 2018, the Longwood University Real Estate Foundation received $128,425,000 in financing through the Industrial Development Authority of the Town of Farmville, Virginia with the issuance of Virginia Educational Facilities Revenue and Refunding Bonds, Series 2018A and 2018B, The purpose of the financing was to refund Series 2015 bonds, finance any reserves, and pay cost of issuance required under the 2018 financing. The Series 2015 bonds were issued in the amount of $110,610,000 to finance the acquisition, construction, and equipping of the student housing facility known as "ARC Quad" (consisting in large part of Sharp Hall and Register Hall) and to refund Series 2012A ($45,000,000) and 2012B ($41,855,000) bonds, the proceeds of which were used to acquire, construct, improve or equip certain student housing, including Lancer Park, Longwood Landings, Longwood Village, and North Campus (Lancer Park). Interest on the Series 2015 bonds was fixed at 5.75%. At the closing of the Series 2018 bonds, $112,041,162 was placed in escrow and used to redeem the Series 2015 bonds (principal and outstanding interest) on January 1, 2019.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Longwood University's Share of Net Pension Liability
VRS State Employee and VaLORS Retirement Plans
For the Years Ended June 30, 2018, 2017, 2016 and 2015*

		2018	2017	2016	2015
Employer's Proportion of the Net Pension					
Liability (Asset)	State Employees	0.62%	0.62%	0.62%	0.61%
	VaLORS Employees	0.20%	0.18%	0.17%	0.17%
Employer's Proportionate share of the Net Pension					
Liability (Asset)	State Employees	$36,064,000	$40,699,000	$37,768,000	$33,984,000
	VaLORS Employees	1,322,000	1,413,000	1,232,000	1,120,000
	TOTAL	$37,386,000	$42,112,000	$39,000,000	$35,104,000
Employer's Covered Payroll					
	State Employees	$24,578,532	$25,657,086	$24,194,427	$24,148,561
	VaLORS Employees	594,492	547,193	506,879	511,674
	TOTAL	$25,173,024	$26,204,279	$24,701,306	$24,660,235
Employer's Proportionate share of the Net Pension Liability (Asset) as a Percentage of it					
Covered Payroll	State Employees	146.73%	158.63%	156.10%	140.73%
	VaLORS Employees	222.37%	258.23%	243.06%	218.89%
Plan Fiduciary Net Position as a Percentage of					
the Total Pension Liability	State Employees	75.33%	71.29%	72.81%	74.28%
	VaLORS Employees	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.

Schedule of Longwood University's Employer Contributions
For the years ended June 30, 2015 - 2018

State Employees:

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$3,482,000	$3,482,000	-	$26,132,362	13.32%
2017	3,315,644	3,315,644	-	24,578,532	13.49%
2016	3,407,261	3,407,261	-	25,657,085	13.28%
2015	2,937,326	2,937,326	-	23,822,599	12.33%

Year Ended June 30	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll
2018	$159,650	$159,650	-	$758,437	21.05%
2017	125,141	125,141	-	594,492	21.05%
2016	100,355	100,355	-	547,193	18.34%
2015	89,566	89,566	-	506,879	17.67%

The schedules above are intended to show information for 10 years. Since 2015 was the first year for this presentation, only four years are available.

Notes to Required Supplemental Information

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:

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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

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

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 9 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%

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

	2018
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.24%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	3,598,000
Employer's Covered Payroll	43,924,000
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.19%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

Schedule is intended to show information for 10 years. Since 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.

Schedule of Employer Contributions
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 % of Covered Payroll
2018	$244,324	$244,324	-	$45,776,117	0.53%

The schedule above is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year is available.

Notes to Required Supplementary Information
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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

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%

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

	2018
Employer's Proportion of the Net VSDP OPEB Liability (Asset)	(0.42%)
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset)	(856,000)
Employer's Covered Payroll	16,322,000
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	(5.67%)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	186.63%

Schedule is intended to show information for 10 years. Since 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.

Schedule of Employer Contributions
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 % of Covered Payroll
2018	$112,000	$112,000	-	$16,322,948	0.69%

The schedule above is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year is available.

Notes to Required Supplementary Information
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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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

	2018
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.07%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	193,000
Covered-Employee Payroll	668,000
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	28.89%
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.

Schedule of Employer Contributions
For the Years Ended June 30, 2018

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	$10,000	$10,000	-	$731,916	1.37%

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

The schedule above is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year is available.

Notes to Required Supplementary Information
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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

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 9 years of service

Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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%

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

	2018
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.68%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	6,208,000
Employer's Covered Payroll	43,924,000
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	14%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.03%

Schedule is intended to show information for 10 years. Since 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.

Schedule of Employer Contributions
For the Years 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
2018	$549,000	$549,000	-	$45,665,441	1.20%

The schedule above is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year is available.

Notes to Required Supplementary Information
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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

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 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees:

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

Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees For the Fiscal Year Ended June 30, 2018 *

Schedule of Employer's Share of Total OPEB Liability	2018
Employer's proportion of the collective total OPEB liability	0.85%
Employer's proportion share of the collective total OPEB liability	$11,068,862
Employer's covered-employee payroll	$44,628,000
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	24.80%

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 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 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index 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 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

Page Left Intentionally Blank

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 17, 2019

The Honorable Ralph S. Northam
Governor of Virginia

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

Board of Visitors
Longwood University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 22. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

Opinion

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

Emphasis of Matter

Change in Accounting Principle

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

Correction of 2017 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2017 financial statements have been restated to correct misstatements related to capital asset balances. 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 15; the Schedule of Longwood University's Share of Net Pension Liability, the Schedule of Longwood University's Employer Contributions, and the Notes to the Required Supplementary Information on pages 116 through 118; 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, Line of Duty, and Health Insurance Credit, programs on pages 119 through 130; 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 130 through 131. 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 July 17, 2019, on our consideration of Longwood 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

DBC/clj

LONGWOOD UNIVERSITY

Farmville, Virginia

BOARD OF VISITORS

OFFICIALS

Taylor Reveley, IV
President

Larissa S. Fergeson
Provost and Vice President for Academic Affairs

P. Kenneth Copeland, Jr.
Vice President for Administration and Finance

Victoria Kindon
Vice President for Strategic Operations

M. Courtney Hodges
Vice President for Institutional Advancement

Tim J. Pierson
Vice President for Student Affairs