LONGWOOD UNIVERSITY

FINANCIAL STATEMENTS

For Year Ended June 30, 2019

AUDITED

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2018 – 2019

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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 Virginia public institution, Longwood University is committed to providing a quality, affordable education.

Longwood's deep history 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, just steps from Longwood's 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 that works closely with the university. 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.

Longwood's academic profile and reputation has increased substantially in recent years. Between 2013 and 2019, it ascended from No. 12 to No. 6 in the U.S. News and World Report college rankings among regional public universities in the South. Among all universities, public and private, in the Southern regional category, Longwood was ranked No. 13, up from No. 25 a year previously. Longwood was also the only public Virginia institution named in the magazine's Best Value ranking of regional Southern universities.

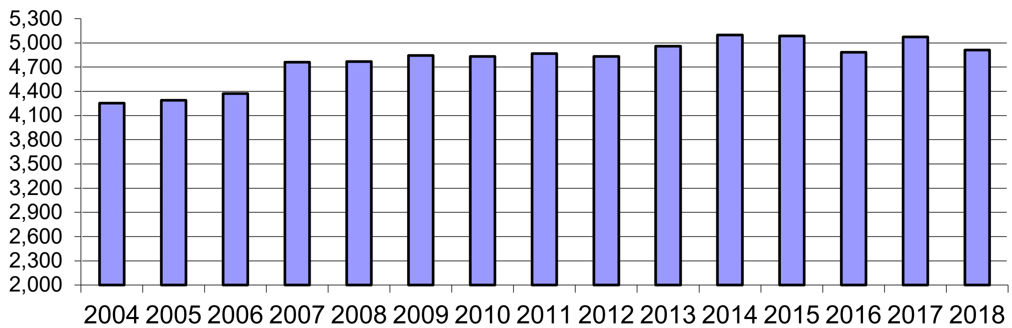
Longwood students enjoy dozens of majors across three undergraduate academic colleges and a graduate college, supported by an honors college. Traditions, extra-curricular activities and Division 1 athletics play a powerful role in the primarily residential college experience. Faculty are known for their commitment to personalized teaching, and their ranks include winners of state and national teaching awards. A distinctive new core curriculum, called Civitae, serves as Longwood's general education program. Featuring small class sizes and shaped around creative, interdisciplinary subjects, Civitae provides integrated learning experiences that connect general education courses to students' majors and explicitly work to prepare them both for their careers and the responsibilities of citizenship.

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

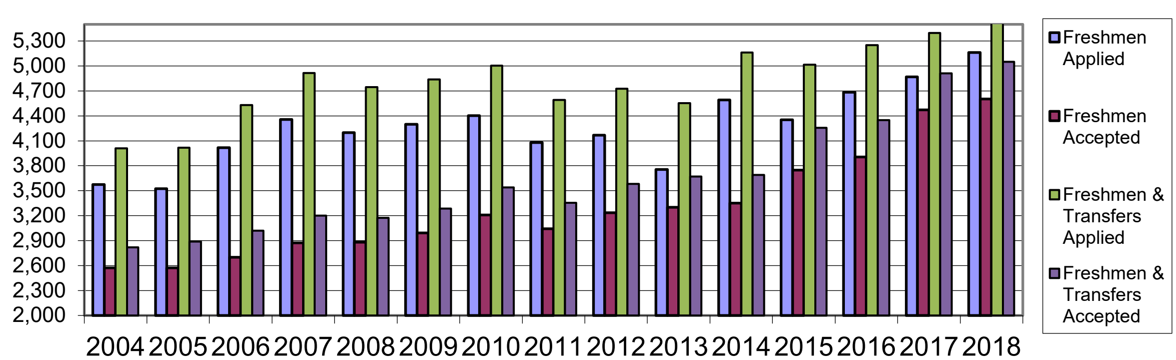
A significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Headcount enrollment has increased from 4,252 in fall 2004 to 4,911 in fall 2018. Longwood did experience a decrease from 5,074 in fall 2017 to 4,911 in fall 2018.

Fall Enrollment Statistics



The fall 2018 entering freshmen class remained academically competitive with a grade-point average of 3.42, an average SAT score of 990 - 1140, and an average ACT score of 18 - 23. Total freshman applications increased from 4,869 in fall 2017 to 5,160 in fall 2018.

Fall Applications



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, 2019, with comparative information presented for the fiscal year ended June 30, 2018, 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)	
	2019	2018		Amount	Percent
Total operating revenues	$90,554,776	$85,608,860		$4,945,916	5.78%
Total operating expenses	135,554,138	132,522,123		3,032,015	2.29%
Operating (loss)	(44,999,362)	(46,913,263)		1,913,901	4.08%
Net nonoperating revenues & expenses	38,006,013	27,293,500	(1)	10,712,513	39.25%
Other revenue	22,162,570	11,336,132		10,826,438	95.50%
Tota increase / (decrease)	$15,169,221	($8,283,631)		$23,452,852	283.12%

Note (1): FY 18 amount was restated to include FY 19 beginning balance adjustments

On a summary basis, operating revenues increased by $4.9 million or 5.8% from fiscal year 2018 to fiscal year 2019. This increase was mainly due to a $2.9 million increase in nongovernmental grants and contracts, $2.7 million increase in auxiliary revenue, offset by a $0.5 million decrease in student tuition and fees. Operating expenses increased $3.0 million or approximately 2.3% from fiscal year 2018 to fiscal year 2019. This increase was mainly due to a $1.7 million increase in institutional support expenses and a $2.0 million increase in auxiliary expenses offset by a $0.7 million decrease in instruction expenses.

The operating loss was offset by $38.0 million in net non-operating revenues and expenses and $22.2 million in other revenues. Net non-operating revenues and expenses consisted of $33.8 million state appropriations, $5.2 million in Pell revenue, and $0.2 million in insurance and investment revenue offset by interest on capital asset related debt of $1.2 million, and losses on disposal of capital assets of $0.1 million. Other revenues consisted of $15.8 million in capital appropriation for various construction projects on campus and $6.3 million in capital grants and contributions from the Longwood University Foundation for the University Center construction that was funded by donor gifts.

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, 2019. 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)	
	2019	2018		Amount	Percent
Assets					
Current assets	$11,409,210	$20,065,226		($8,656,016)	(43.14%)
Noncurrent assets:					
Restricted cash and cash equivalents	6,846,037	1,823,641		5,022,396	275.40%
Restricted Appropriations Available	54,130	-		54,130	100.00%
Capital assets, net	277,013,814	261,463,266	(1)	15,550,548	5.95%
Other	1,641,362	1,868,890		(227,528)	(12.17%)
Total noncurrent assets	285,555,343	265,155,797		20,399,546	7.69%
Total assets	296,964,553	285,221,023		11,743,530	4.12%
Deferred Outflows of Resources					
Deferral on Debt Defeasance - loss	2,059,267	2,442,728		(383,461)	(15.70%)
Deferred outflows of resources	7,090,217	5,749,053		1,341,164	23.33%
Total Deferred Outflows of Resources	9,149,484	8,191,781		957,703	11.69%
Liabilities					
Current liabilities	21,970,697	22,334,959		(364,262)	(1.63%)
Noncurrent liabilities	110,338,883	115,263,204		(4,924,321)	(4.27%)
Total liabilities	132,309,580	137,598,163		(5,288,583)	(3.84%)
Deferred Inflow of Resources					
Deferred inflows of resources	9,076,410	6,255,815		2,820,595	45.09%
Total Deferred Inflows of Resources	9,076,410	6,255,815		2,820,595	45.09%
Net position					
Net investment in capital assets	218,637,620	200,130,737	(1)	18,506,883	9.25%
Restricted expendable	4,449,931	2,123,854		2,326,077	109.52%
Unrestricted	(58,359,504)	(52,695,765)		(5,663,739)	(10.75%)
Total net position	$164,728,047	$149,558,826		$ 15,169,221	10.14%

Note (1): FY 18 amount was restated to include FY 19 beginning balance adjustments

Evaluation of Statement of Net Position for Fiscal Years 2018 and 2019

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 $7.1 million of deferred outflows of resources and $9.1 million of deferred inflows of resources on the *Statement of Net Position*. The deferred outflows of resources represents, in part, the fiscal year 2019 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 increased by $11.7 million between fiscal years 2018 and 2019 mainly due to capital construction. The University's total liabilities decreased by $5.3 million between fiscal years 2018 and 2019 due mainly to the $2.1 million decrease in long-term debt, $1.5 million decrease in the net pension liability, $2.0 million decrease in the other post-employment benefits liability, and $0.6 decrease in the obligations under security lending, offset by a $1.1 million increase in accounts payable.

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)	
	2019	2018		Amount	Percent
Operating revenues	$ 90,554,776	$ 85,608,860		$ 4,945,916	5.78%
Operating expenses	135,554,138	132,522,123		3,032,015	2.29%
Operating (loss)	(44,999,362)	(46,913,263)		1,913,901	4.08%
Nonoperating revenues/(expenses)					
State appropriations	33,847,694	32,868,845		978,849	2.98%
Pell grant revenue	5,184,079	5,113,830		70,249	1.37%
Other nonoperating revenues and expenses	(1,025,760)	(10,689,175)	(1)	9,663,415	90.40%
Net nonoperating revenues and expenses	38,006,013	27,293,500		10,712,513	39.25%
Income/(loss) before other revenues and reductions	(6,993,349)	(19,619,763)		12,626,414	64.36%
Capital appropriations	15,825,484	10,704,250		5,121,234	47.84%
Capital grants and contributions	6,337,086	631,882		5,705,204	902.89%
Total other revenues	22,162,570	11,336,132		10,826,438	95.50%
Total decrease in net position	15,169,221	(8,283,631)		23,452,852	283.12%
Net position, beginning of year as restated	149,558,826	157,842,457		(8,283,631)	(5.25%)
Net position, end of year	$164,728,047	$149,558,826		$15,169,221	10.14%

Note (1): FY 18 amount was restated to include FY 19 beginning balance adjustments

The amounts noted in the above table are broken down further with explanations of the variances between fiscal year 2019 and 2018 in the following tables.

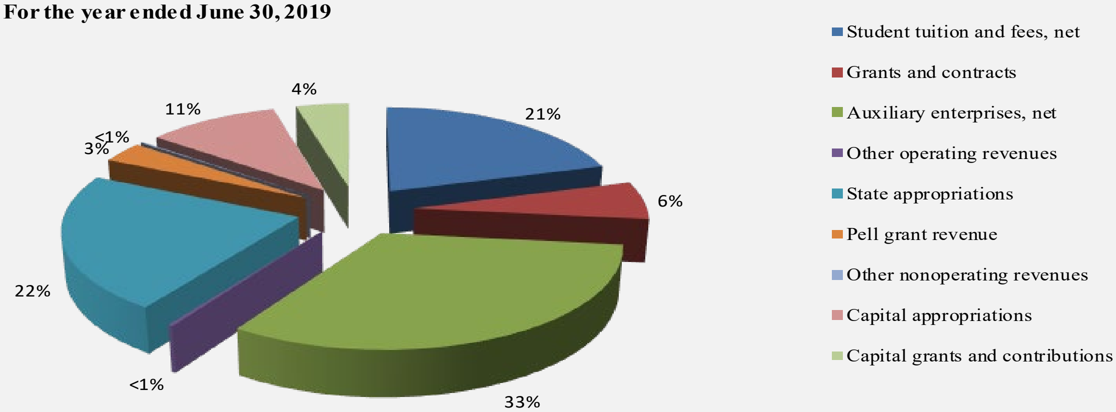
Evaluation of Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Years 2018 and 2019

Summary of Revenues

Operating revenues primarily include tuition and fees and auxiliary enterprises. There was an increase of 5.8% totaling $4.9 million from fiscal year 2018 to fiscal year 2019 in operating revenue due mainly to an increase in grants and contracts as well as an increase in auxiliary enterprises.

Summary of Revenues

For the year ended June 30, 2019



Summary of Revenues
For the years ended June 30, 2019 and 2018

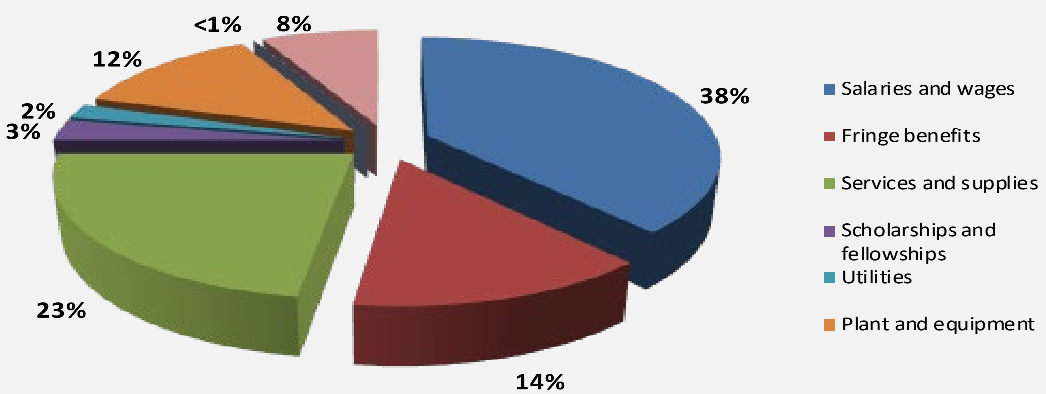
			Increase/(Decrease)	
	2019	**2018**	**Amount**	**Percent**
Operating revenues:				
Student tuition and fees, net	$31,265,784	$31,762,949	$ (497,165)	(1.57%)
Grants and contracts	9,387,551	6,565,069	2,822,482	42.99%
Auxiliary enterprises, net	49,458,967	46,707,028	2,751,939	5.89%
Other operating revenues	442,474	573,814	(131,340)	(22.89%)
Total operating revenues	90,554,776	85,608,860	4,945,916	5.78%
Nonoperating revenues:				
State appropriations	33,847,694	32,868,845	978,849	2.98%
Pell grant revenue	5,184,079	5,113,830	70,249	1.37%
Other nonoperating revenues	241,614	856,802	(615,188)	(71.80%)
Total nonoperating revenues	39,273,387	38,839,477	433,910	1.12%
Other revenues				
Capital appropriations	15,825,484	10,704,250	5,121,234	47.84%
Capital grants and contributions	6,337,086	631,882	5,705,204	902.89%
Total other revenues	22,162,570	11,336,132	10,826,438	95.50%
Total revenues	$151,990,733	$135,784,469	$ 16,206,264	11.94%

Summary of Expenses

A summary of the University's operating expenses for the years ended June 30, 2019 and 2018 is shown below. Overall, total operating expenses increased approximately $3.0 million in fiscal year 2019 compared to the previous fiscal year. This represents a 2.3% increase. The increase was due mainly to increased marketing and publication costs in fiscal year 2019 along with increased student health service costs.

Summary of Operating Expenses by Natural Classification

For the year ended June 30, 2019



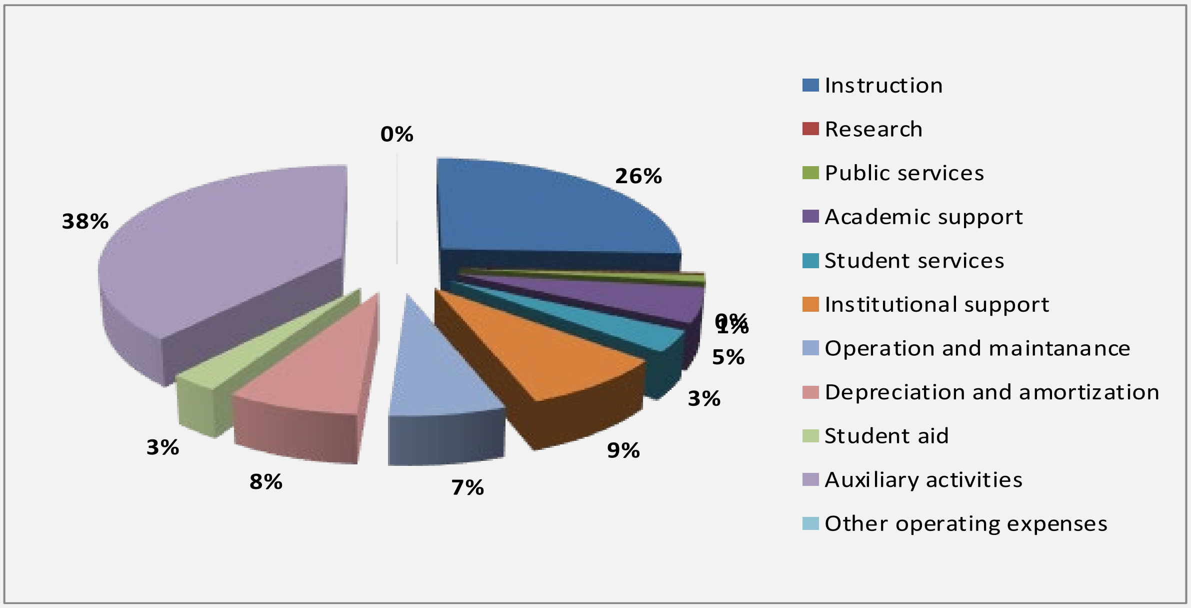
Operating Expenses by Natural Classification
For the years ended June 30, 2019 and 2018

	2019	2018	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Salaries and wages	$ 51,940,684	$ 52,714,617	$ (773,933)	(1.5%)
Fringe benefits	18,864,377	20,422,459	(1,558,082)	(7.6%)
Services and supplies	30,858,822	25,906,269	4,952,553	19.1%
Scholarships and fellowships	3,917,039	3,615,761	301,278	8.33%
Utilities	2,652,183	2,441,403	210,780	8.6%
Plant and equipment	16,878,281	17,432,709	(554,428)	(3.2%)
Other	33,359	34,593	(1,234)	(3.6%)
Depreciation/amortization	10,409,393	9,954,312	455,081	4.57%
Total operating expenses	$ 135,554,138	$ 132,522,123	$ 3,032,015	2.3%

As noted in the below chart which reflects expenses by functional category, increases in Institutional Support expenses and Auxiliary expenses were the main reason for the overall increase in expenses between fiscal year 2018 and 2019.

Summary of Operating Expenses by Function

For the year ended June 30, 2019



Operating Expenses by Function
For the years ended June 30, 2019 and 2018

	2019	2018	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating expenses:				
Instruction	$34,872,141	$35,595,985	$ (723,844)	(2.0%)
Research	230,000	297,606	(67,606)	(22.7%)
Public services	1,443,210	1,884,425	(441,215)	(23.4%)
Academic support	7,316,911	7,811,325	(494,414)	(6.3%)
Student services	4,541,076	4,586,735	(45,659)	(1.0%)
Institutional support	11,644,672	9,884,812	1,759,860	17.8%
Operation and maintanance	9,249,706	8,922,814	326,892	3.7%
Depreciation and amortization	10,409,393	9,954,312	455,081	4.57%
Student aid	3,917,039	3,615,761	301,278	8.33%
Auxiliary activities	51,896,631	49,933,755	1,962,876	3.9%
Other operating expenses	33,359	34,593	(1,234)	(3.6%)
Total operating expenses	$ 135,554,138	$ 132,522,123	$ 3,032,015	2.3%

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.

	2019	2018	(Decrease)
Cash Provided (used) by:			
Operating activities	$ (35,377,927)	$ (38,375,750)	$2,997,823
Noncapital financing activities	38,923,574	37,774,376	1,149,198
Capital financing activities	(7,663,695)	(29,770,833)	22,107,138
Investing activities	180,302	282,884	(102,582)
Net increase/(decrease) in cash	(3,937,746)	(30,089,323)	26,151,577
Cash - Beginning of year	15,532,400	45,621,723	(30,089,323)
Cash - End of year	$11,594,654	$15,532,400	($3,937,746)

Evaluation of Statement of Cash Flows for Fiscal Years 2019 and 2018

For fiscal year 2019, significant sources of operating cash include student tuition and fees of $31.1 million, auxiliary enterprise receipts of $49.3 million, and grants and contracts of $9.3 million. Major operating uses of cash include payments for salaries, wages, and fringe benefits of $72.9 million and payments to suppliers and utilities of $33.0 million. Longwood received state appropriations for the University's educational and general programs and financial aid of $33.8 million.

The above chart reflects a $22.1 million decrease in cash used for capital financing activities between fiscal year 2019 and 2018. During fiscal year 2018, Longwood received $13.0 million in capital appropriations and $6.3 million in capital grants and contributions for the New University Center, Admissions Building and New Academic Building compared to $4.3 million and $0.6 million in fiscal year 2019, respectively. Longwood also received $3.2

million in proceeds from capital debt in fiscal year 2019 for the Wheeler Mall Steam Tunnel project.

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 2018 to fiscal year 2019, Buildings increased overall by $43.0 million and Construction in Progress decreased $27.3 million overall due primarily to the ongoing construction activities related to the Upchurch University Center, Admissions Building and New Academic Building.

Note 10 of the Notes to Financial Statements notes that Long-term debt decreased from $60,379,395 in 2018, to $58,299,835 in 2019. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 4.7 percent at the end of fiscal year 2018 and 4.58 percent at the end of fiscal year 2019. 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 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 while each contributing unique expertise and resources to the whole. The University's total assets currently exceed $296 million, the University Foundation's total assets stand at $87 million, and the Real Estate Foundation's total assets are nearly $351 million.

In April of 2019, the University announced the largest gift in the institution's history, a $15 million contribution from philanthropist Joan Brock '64, which will go toward the construction of a new convocation and events center in the heart of campus. The elegant new facility will host university-wide ceremonies, events, lectures, and Longwood's Division 1 men's and women's basketball programs. The Joan Perry Brock Center will create a central place for the full campus community to gather in person for shared experiences. Overall, giving to Longwood has also increased substantially, with total new funds received or pledged averaging just under $14 million annually from 2017-2019, compared to $6.6 million on average per year between 2010-2016.

As one of Virginia's public higher education institutions, Longwood relies meaningfully on the financial and political support from the Commonwealth. The University's economic outlook is tied to various factors, including enrollment and retention, 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, auxiliary enterprises, 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).

As for virtually all of higher education, Longwood faces demographic and economic pressures that pose challenges for recruiting and retaining quality students. Student revenue is of course a function of a range of factors including enrollment as well as tuition charges and financial aid. While the Commonwealth affords Boards of Visitors the authority to establish tuition and fee rates, Longwood has placed significant emphasis on being a leader among Virginia public universities in slowing the rate of tuition increases for Virginia undergraduate students. Over the past decade, Longwood's cost increases to students have been consistently below the state average and among the very lowest in the Commonwealth. In 2019-20, Longwood accepted additional state funding incentives in return for freezing tuition for undergraduates and graduate students. While these efforts have affected potential revenue, they have been noted and appreciated by the Commonwealth's political leadership and helped boost the university's strong record of receiving operational and capital support. Longwood remains committed to affordability and accessibility, though its strong record on costs leaves it more room to maneuver in future years than many peer institutions if necessary.

The University has placed significant focus on both increasing enrollment and student retention. In 2019 the University established a new banded tuition policy under which students pay a standardized rate each semester for a full course load. This practice, which data show leads to faster tracks to graduation and stronger academic performance, brings Longwood into alignment with almost all of Virginia's other residential institutions.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to over 150 other countries, including the United States, and to the Commonwealth of Virginia (the "Commonwealth"), was declared a pandemic by the World Health Organization on March 11, 2020. The COVID-19 outbreak is altering the behavior of businesses and people in a manner that is having negative effects on global and local economies, while also forcing schools, colleges, and universities throughout the world to transition to online classes and learning programs or to close for the foreseeable future. Since developments with respect to COVID-19 continue to occur at a rapid pace, including on a daily basis as the number of infections throughout the globe continues to increase, it is difficult to ascertain the overall extent and severity of the virus's impact at this time.

On March 13, 2020, President Trump declared a national emergency under the National Emergencies Act, effective March 1, 2020. Further, on March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), the largest economic stimulus bill in the history of the United States with an estimated cost of over two trillion dollars. The CARES Act is designed to help offset the impact of COVID-19 and provide economic support to the health care sector, the business sector, employees, individuals and families via (i) extraordinary public health spending to confront the COVID-19 pandemic, (ii) immediate cash relief for individual citizens, (iii) a broad lending program for small business, and (iv) targeted relief for specific industries that have been impacted disproportionately, including air transportation, health care and education, among others.

On March 12, 2020, in response to the outbreak and continued spread of COVID-19, Governor Northam declared a state of emergency for the Commonwealth, while also taking the additional steps of banning state employee travel outside of the Commonwealth, implementing telework policies for state employees, canceling all specially-scheduled state conferences and large events for a minimum of 30 days, urging localities and non-profits to limit large public events and beginning the process of assessing the long-term economic impacts of COVID-19 on the Commonwealth. In light of the continued threat of the virus to the residents of the Commonwealth, Governor Northam issued an executive order on March 23, 2020 taking further action to address COVID-19, which included among other things, a prohibition on all gatherings of 10 people or more through April 23, 2020, restricting all restaurants and other dining establishments to offering delivery and take-out services, and the cessation of all in-person instruction at K-12 schools, public or private, for the remainder of the 2019-2020 school year.

Recently the Commonwealth has instructed its agencies, including public universities, to take steps to reduce spending in anticipation of public revenue pressures and possible spending reductions in the next biennium, beginning with Fiscal Year 2021. Because of the Commonwealth's strong financial profile at the end of February (general fund revenue ran ahead 6.2% year-to-date), the Commonwealth has indicated it does not expect any budget cuts for the remainder of Fiscal Year 2020, which ends June 30. Earlier this year, the General Assembly of the Commonwealth, which customarily convenes each January for several months, passed a budget for Fiscal Year 2020-21 which contemplates substantial increases for higher education. However, it is now expected that the General Assembly will hold a special session in the fall of this year and may make adjustments to the Fiscal Year 2020-21 budget.

Longwood University's operations have been significantly impacted by the outbreak and continued spread of COVID-19. The University announced on March 13, 2020 that all classes and assignments would be moved to a fully online format effective immediately through Friday, March 27, 2020. Due to the continued threat of COVID-19, the President of Longwood University, W. Taylor Reveley IV, announced on March 19, 2020 that the University would continue its online learning program for the remainder of the Spring 2020 semester and requested that students leave campus and return home, if able to do so safely, in accordance with guidance from the Virginia Department of Health. Subject to further decisions and closures, as classes continue the Writing Center, the Quantitative Reasoning Center, the Office of Disability Resources, the Digital Education Collaborative (DEC) and the Help Desk are all currently available to offer assistance, while the dining facilities continue to provide take-out food for approximately 100 students who have been granted emergency requests to remain on campus.

With respect to the impact of COVID-19 on student housing at the University, in light of President Reveley's March 19th request that students who are able to leave campus and return home safely do so, the University required all students, with the exception of certain students who received emergency exemptions, to move out of on-campus or University-managed housing by Friday, March 27th. Approximately 100 students were granted emergency exemptions to remain in University housing. The University is providing refunds to students for housing, dining, and parking. Each student that lived in University-managed housing will receive a refund of $1,000 ($700 for housing and $300 for meal plan) from the University, payable in two installments (the first installment will be mailed to the respective student's permanent address in approximately the next two weeks (late April), with the second installment expected to be mailed in July). Commuter students with only a meal plan will receive a $300 refund, also split into two installments. Students are also able to rollover to the Fall 2020 semester the unused portion of their meal plan called "Bonus Dollars." Additionally, any student with a spring semester parking pass will be refunded $50 on their student account in July. The financial burden of these refunds is assumed by the University; the estimated total cost of which is $2,585,500 (of which approximately $750,000 will be absorbed by the University's food service provider).

The University has been in close consultation with state government, other public institutions in the Commonwealth and certain professional associations. The University has been informed by the Virginia Congressional delegation that its share of direct institutional aid under the CARES Act will be approximately $3.2 million. Such funds must be split evenly between the University and its students, with half going to direct student grant aid related to COVID-19 disruptions, including eligible expenses related to the cost of attendance (e.g., food, housing, health care, etc.), and the other half going directly to the University as relief funds, which can be applied to cover the costs of instruction related to the disruption caused by COVID-19.

The University's admissions office has responded to COVID-19 with targeted communication to accepted and deposited students, offering (i) reassurance regarding complexities students may be facing in documenting completed high school courses with K-12 schools closed, and (ii) flexibility regarding ways to confirm their place in the incoming class in instances of family financial stress. Some spring admissions events over the coming weeks have been postponed but virtual events are continuing and expanding.

The University intends to resume normal operations for the Fall 2020 semester. On April 16, President Reveley announced the creation of a University task force that will plan for the upcoming fall semester by consulting with officials regarding public health guidance and coordinating with other Virginia universities to contemplate possible adjustments to campus policies and practices that may be necessary to mitigate against COVID-19 and respond if further cases appear. The University is also planning for a range of potential scenarios for the Fall 2020 semester including (i) possible flexibility in the academic calendar, (ii) adjustments to classroom and other settings for in-person learning and (iii) temporary returns to virtual classes, as may be necessary. Based on (a) the University's (i) rural college-town location close to, but not in, major population centers; (ii) affordability as a public institution; (iii) lack of reliance on out-of-state and international students, and (b) the historical trend of college enrollment holding strong in recessions due to a weak job market, the University remains confident it can hit financially manageable enrollment targets.

Longwood University stands committed to delivering its students exceptional educational opportunities, while serving as careful stewards of its public funding and tuition dollars through business process improvements, cost-containment exercises, efforts to enhance or develop new programs and alternative revenue streams, opportunities to reallocate funding, and investments in strategic initiatives.

Management believes that Longwood has and will maintain a solid financial foundation, thanks to steady enrollment within historically normal variations 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, 2019

Assets		Longwood University	Component Unit Longwood University Foundation, Inc.	Component Unit Longwood University Real Estate Foundation
Current assets:				
Cash and cash equivalents (Note 3)	$	4,859,793	$ 1,638,257	$ 4,234,172
Accounts receivable, net of allowance for doubtful accounts of $385,194 (Note 4)		1,649,629	2,037,424	3,533,263
Notes receivable, (Note 4)		283,530	-	3,661
Contributions receivable, net (Note 22)		-	3,408,173	-
Due from Foundation/Trust (Note 5)		122,865		-
Due from the Commonwealth (Note 6)		3,516,084	-	-
Inventory		466,221	-	-
Prepaid expenses		511,088	1,062	75,200
Total current assets	$	11,409,210	$ 7,084,916	$ 7,846,296
Noncurrent assets:				
Restricted cash and cash equivalents (Note 3)		6,846,037	513,374	19,640
Restricted Appropriations Available/Due From Commonwealth		54,130	-	-
Restricted Investments		-	72,238,422	213,802,757
Other non-current assets (Note 18)		974,000	121,222	-
Notes receivable, net of allowance for doubtful accounts of $150,395 (Note 4)		667,362	415,000	293,221
Non-depreciable capital assets, net (Note 7)		25,448,905	6,946,251	37,081,315
Depreciable capital assets, net (Note 7)		251,564,909	149,766	91,850,389
Total noncurrent assets		285,555,343	80,384,035	343,047,322
Total assets	$	296,964,553	$ 87,468,951	$ 350,893,618
Deferred Outflow of Resources				
Deferral on Debt Defeasance - loss (Note 8)		2,059,267	-	-
Deferred outflows of resources - OPEB and Pension (Notes 8, 17 & 18)		7,090,217	-	-
Total Deferred Outflows of Resources		9,149,484	-	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (Note 9)		13,311,541	48,651	9,404,901
Line of Credit		-	-	659,307
Unearned revenue (Note 2)		2,053,611	-	-
Obligations under securities lending		111,176	-	-
Deposits held in custody for others		497,712	65,800	-
Long-term liabilities - current portion (Note 10)		5,996,657	-	123,457,425
Total current liabilities		21,970,697	114,451	133,521,633
Noncurrent liabilities (Note 10)		110,338,883	1,309,281	235,315,097
Total liabilities	$	132,309,580	$ 1,423,732	$ 368,836,730
Deferred Inflow of Resources				
Deferred inflows of resources -OPEB and Pension (Notes 12, 17 & 18)	$	9,076,410		
Total Deferred Inflows of Resources	$	9,076,410	-	-
Net Position				
Net Investment in capital assets		218,637,620	7,096,017	(33,888,341)
Restricted:				
Nonexpendable:				
Permanently restricted		-	53,109,285	-
Expendable:				
Loans		101,451	-	-
Temporarily restricted		-	23,717,035	-
Other		4,348,480	-	-
Unrestricted		(58,359,504)	2,122,882	15,945,229
Total net position	$	164,728,047	$ 86,045,219	$ (17,943,112)

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, 2019

	Longwood University	Longwood University Foundation	Longwood University Real Estate Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $8,547,817	$ 31,265,784	$ -	$ -
Federal grants and contracts	1,398,305	-	-
State grants and contracts	668,729	-	-
Nongovernmental grants and contracts	7,320,517	-	-
Auxiliary enterprises, net of scholarship allowances of $8,157,630	49,458,967	-	-
Other operating revenues	442,474	-	14,206,197
Total operating revenues	90,554,776	-	14,206,197
Operating expenses (Note 16)			
Instruction	34,872,141	-	-
Research	230,000	-	-
Public service	1,443,210	-	-
Academic support	7,316,911	-	-
Student services	4,541,076	-	-
Institutional support	11,644,672	4,352,958	2,714,071
Operation and maintenance - Plant	9,249,706	-	5,363,641
Depreciation	10,169,889	-	4,579,979
Amortization	239,504	-	-
Student aid	3,917,039	2,046,935	-
Auxiliary activities	51,896,631	-	-
Administrative and fundraising	-	1,728,996	-
Other expenditures	33,359	6,570,889	-
Total operating expenses	135,554,138	14,699,778	12,657,691
Operating gain (loss)	(44,999,362)	(14,699,778)	1,548,506
Nonoperating revenues (expenses):			
State appropriations (Note 15)	33,847,694	-	-
Pell Grant Revenue	5,184,079	-	-
Insurance Revenue	61,312	-	-
Investment revenue (loss)	180,302	2,638,287	1,798,538
Interest on Capital Asset-Related Debt	(1,194,589)	-	(3,865,743)
Other Revenue	-	956,152	-
Unrealized gain (loss) on swap	-	-	(1,572,385)
Gain (loss)on disposal/sale of plant assets	(72,785)	262,430	2,325
Net nonoperating revenues	38,006,013	3,856,869	(3,637,265)
Income before other revenues, expenses, gains or losses	(6,993,349)	(10,842,909)	(2,088,759)
Contributions to permanent endowments	-	1,507,574	-
Contributions to term endowments	-	1,780,942	-
Capital appropriations (Note 6)	15,825,484	-	-
Capital Grants and Contributions	6,337,086	-	-
Other Gifts	-	244,514	-
Net other revenues	22,162,570	3,533,030	-
Increase (decrease) in net position	15,169,221	(7,309,879)	(2,088,759)
Net position - Beginning of year (Note 2) as restated	149,558,826	93,355,098	(15,854,353)
Net position - End of year	$ 164,728,047	$ 86,045,219	$ (17,943,112)

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, 2019

Cash flows from operating activities:	
Student tuition and fees	$ 31,199,415
Grants and contracts	9,323,889
Auxiliary enterprises	49,291,215
Payments to employees	(72,894,646)
Payments to suppliers and utilities	(33,035,689)
Payments for operation and maintenance of facilities	(15,975,283)
Payments for scholarships and fellowships	(3,917,039)
Collection of loans to students	221,096
Other operating receipts	442,474
Payments for other expenses	(33,359)
Net cash provided (used) by operating activities	(35,377,927)
Cash flows from noncapital financing activities:	
State appropriations	33,847,694
Agency receipts	792,396
Agency disbursements	(900,595)
PLUS/Direct loan - receipts	32,564,812
PLUS/Direct loan - disbursements	(32,564,812)
Other non-operating revenues	5,184,079
Net cash provided (used) by noncapital financing activities	38,923,574
Cash flows from capital and related financing activities:	
Capital appropriations	13,044,244
Capital grants and contributions	6,274,226
Proceeds from Capital Debt	3,155,787
Insurance payments	61,312
Acquisition and construction of capital assets	(24,162,230)
Principal paid on capital debt, leases, and installments	(5,235,347)
Interest paid on capital debt, leases, and installments	(801,687)
Net cash provided (used) by capital financing activities	(7,663,695)
Cash flows from investing activities:	
Investment/interest revenue	180,302
Net cash provided (used) by investing activities	180,302
Net decrease in cash	(3,937,746)
Cash and cash equivalents - Beginning of the year	15,532,400
Cash and cash equivalents - End of the year	$ 11,594,654

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, 2019

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

Operating (loss)	$ (44,999,362)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	10,409,393
Changes in assets, liabilities, deferred outflows and deferred inflows:	
Receivables, net	(101,197)
Inventory	34,985
Prepaid expenses	1,944,782
Notes receivable, net	221,096
Accounts payable and accrued expenses	(625,242)
Unearned revenue	(196,586)
Deferred outflows of resources from net pension obligation & OPEB	(1,341,164)
Deferred inflows of resources from net pension obligation & OPEB	2,820,595
Net pension liability	(1,501,000)
OPEB liability	(1,940,060)
OPEB asset	(118,000)
Accrued compensated absences	13,833
Net cash provided (used) by operating activities	$ (35,377,927)

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

Gift of capital assets	$	62,860
Amortization of bond discount	$	(383,461)
Capitalization of interest revenue and expenses, net	$	(868,575)
Loss on disposal of capital assets	$	(72,785)

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

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NOTES TO FINANCIAL STATEMENTS

Longwood University
Financial Statement Footnotes
For the Year Ended June 30, 2019

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 $868,575 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 2019 and thereafter:

- GASB 83 – *Certain Asset Retirement Obligations*, and
- GASB 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

The current year implementations of GASB statements 83 and 88 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, 2019.

	2019
Student tuition and related fees	$ 1,933,039
Auxiliary enterprise fees	120,572
Total	$ 2,053,611

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, 2018 has been adjusted. The adjustment is due to a correction to prior year historical cost to buildings, infrastructure and construction in progress. Prior year balances were not restated for the corrections, only the beginning balances for fiscal year 2019 were adjusted. The adjustment is as follows:

Net Position, July 1, 2018	$ 150,810,333
Building correction	6,350,234
Accumulated Depreciation – Building correction	2,159,850
Infrastructure correction	(448,000)
Accumulated Depreciation – Infrastructure correction	106,461
Construction in progress correction	(9,420,052)
Adjusted net position, July 1, 2018	$ 149,558,826

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 of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the 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, 2019, the carrying amount of cash with the Treasurer of Virginia was $4,184,286. The carrying amount of cash not held by the Treasurer of Virginia is $3,979,393. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2019, in the amount of $4,070,499 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

	Value As of June 30, 2019	Credit Rating
Cash and cash equivalents	4,748,617	
Unrestricted cash Equivalents	111,176	
Restricted cash and cash equivalents	6,846,037	
Total Cash and Cash Equivalents	**11,705,830**	
Treasurer of Virginia	4,184,286	
Held in custody of others	3,979,393	
SNAP program	3,542,151	S&P AAAm
Total Cash and Cash Equivalents	**11,705,830**	

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 2019, 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, 2019, 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, 2019, the carrying amount of the cash equivalents held in the SNAP program was $3,542,151 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, 2019:

Unrestricted cash equivalents	$111,176
Total Securities Lending	$111,176

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019:

Student tuition and fees	$ 1,326,599
Auxiliary enterprises	615,084
Federal, state, and nongovernmental grants and contracts	93,140
Total	$ 2,034,823
Less: Allowance for doubtful accounts	(385,194)
Net accounts receivable	$ 1,649,629

Notes receivable consisted of the following at June 30, 2019:

Current portion:	283,530
Federal student loans	283,530
Non-current portion:	
Federal student loans	817,757
Less allowance for doubtful accounts	(150,395)
Net non-current notes receivable	$ 667,362

5. DUE FROM FOUNDATION/TRUST

Due from foundation consisted of the following at June 30, 2019:

Longwood University Foundation	$ 22,865
Longwood University Trust	100,000
Total Due from Foundations	$122,865

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 2019, 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, 2019, in the “Capital Appropriations” line item for equipment and facilities obtained with funding under these two programs.

Capital Appropriations

VCBA 21st Century Program	$15,234,037
VCBA ETF Program	591,447
	$15,825,484

The line item, “Due from the Commonwealth,” on the *Statement of Net Position* for the year ended June 30, 2019, represents pending reimbursements from the follow program:

21st Century Bonds	$3,516,084
Total Due from Commonwealth of Virginia	$3,516,084

7. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2019, is presented as follows:

	Beginning Balance 6/30/2018	Additions	Reductions	Ending Balance 6/30/2019
Non-Depreciable Capital Assets				
Land	$5,011,819	50,000	-	$5,061,819
CIP (2)	47,691,971	25,595,278	(52,900,163)	20,387,086
Total Non-Depreciable Capital Assets	52,703,790	25,645,278	(52,900,163)	25,448,905
Depreciable Capital Assets				
Buildings (3)	263,471,298	50,150,349	(292,527)	313,329,120
Equipment (1)	20,352,251	1,309,149	(1,500,203)	20,161,197
Infrastructure (4)	51,695,362	1,043,046	-	52,738,408
Library Materials	12,418,676	400,790	(181,891)	12,637,575
Software Projects (1)	7,207,654	384,277	(621,546)	6,970,385
Total Depreciable Capital Assets, Cost	355,145,241	53,287,611	(2,596,167)	405,836,685
Accumulated Depreciation				
Buildings (5)	81,828,120	7,186,692	(292,527)	88,722,285
Equipment (1)	15,691,117	1,331,799	(1,427,418)	15,595,498
Infrastructure (6)	32,047,995	1,184,605	-	33,232,600
Library Materials	9,877,161	466,794	(181,891)	10,162,064
Software Projects (1)	6,941,372	239,503	(621,546)	6,559,329
Total Accumulated Depreciation	146,385,765	10,409,393	(2,523,382)	154,271,776
Depreciable Capital Assets, Net	208,759,476	42,878,218	(72,785)	251,564,909
All Capital Assets, Net	$261,463,266	$68,523,496	($52,972,948)	$277,013,814

Note (1): Beginning balances have been restated by $399,181 for item moved from Equipment to Software Projects.
Note (2): Beginning balances have been restated by ($9,420,052) as discussed in Note 2.
Note (3): Beginning balances have been restated by $6,350,234 as discussed in Note 2.
Note (4): Beginning balances have been restated by ($448,000) as discussed in Note 2.
Note (5): Beginning balances have been restated by ($2,159,850) as discussed in Note 2.
Note (6): Beginning balances have been restated by ($106,461) as discussed in Note 2.

8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources as June 30, 2019, is summarized as follows:

Deferred loss - 9 (c) General Obligation Bonds Refundings	$887,154
Deferred loss - VCBA Pooled Notes Payable Refundings	1,172,113
Deferral on Debt Defeasance	2,059,267
Deferred Pension Liability	4,953,000
Deferred Other Post Employment Benefits	2,137,217
Total deferred outflows of resources:	$7,090,217

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2019:

Employee salaries, wages, and fringe benefits payable	$4,766,328
Vendors and suppliers accounts payable	7,029,304
Retainage payable	849,256
Interest payable	666,653
Total accounts payable and accrued expenses	$13,311,541

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, 2019, is presented as follows:

Category	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:					
9 (c) General Obligation Bonds	$ 11,160,132	$ -	$ 1,485,572	$ 9,674,560	$ 1,114,263
Unamortized Premium	1,497,635	-	242,313	1,255,322	201,130
	12,657,767	-	1,727,885	10,929,882	1,315,393
VCBA Pooled Notes	44,320,000	2,855,000	3,025,000	44,150,000	2,880,001
Unamortized Premium	3,348,965	300,787	450,864	3,198,888	451,460
	47,668,965	3,155,787	3,475,864	47,348,888	3,331,461
Installment Purchases	52,663	-	31,598	21,065	21,065
Total Long Term Debt	60,379,395	3,155,787	5,235,347	58,299,835	4,667,919
Accrued Compensated Absences	1,726,428	980,399	966,566	1,740,261	956,490
Federal Loan Program Contribution	1,282,642	-	-	1,282,642	-
Net Pension Liability	37,386,000	-	1,501,000	35,885,000	-
OPEB - HIC	6,208,000	99,000	-	6,307,000	-
OPEB - GLI	3,598,000	128,000		3,726,000	
OPEB - LODA	193,000	91,000		284,000	10,000
OPEB - DHRM	11,068,862		2,258,060	8,810,802	362,248
Total OPEB Liability	21,067,862	318,000	2,258,060	19,127,802	372,248
Total Long Term Liabilities	$121,842,327	$ 4,454,186	$ 9,960,973	$116,335,540	$ 5,996,657

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, 2019, consist of the following:

Residence Hall:	Interest Rates	Maturity	Amount
2009 D 1 - Housing Fac. Renovations, 2005 Refunded Portion	4.00 - 5.00%	2022	720,000
2009 D 2 - Renovate Housing Fac. 2006 B Refunded Portion	4.00 - 5.00%	2022	1,040,000
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	2,155,965
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	2,559,726
	Total bonds payable		9,674,560

A summary of future principal and interest requirements of long-term debt for General Obligation bonds payable as of June 30, 2019 follows:

Year ending June 30	**Principal**	**Interest**
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	1,327,285	221,783
2025-2029	3,582,243	341,893
Total	$ 9,674,560	$ 2,016,326
Add: Unamortized Premium	1,255,322	
Total	$ 10,929,882	

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	340,000
2009 A - Athletic offices, Heating Plant Phase III, Student Union	3.00 – 5.00%	9/2020	120,000
2010 B - Fitness center and Parking Garage	5.00%	9/2022	1,735,000
2012 A - Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating plant II	3.00 – 5.00%	9/2024	7,505,000
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	5,745,000
2015 A - University Center	3.00 – 5.00%	9/2045	22,135,000
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
2018 A – Wheeler Mall Replace Steam Dist. System	4.00 – 5.00%	9/2038	2,855,000
Total notes payable			$ 44,150,000

A summary of future principal and interest requirements of VCBA Pooled Notes Payable as of June 30, 2019, follows:

Year ending June 30	Principal	Interest
2020	2,880,000	1,806,513
2021	3,125,000	1,658,456
2022	3,245,000	1,499,269
2023	3,415,000	1,332,769
2024	3,150,000	1,168,644
2025-2029	10,095,000	4,225,518
2030-2034	4,665,000	3,011,631
2035-2039	5,570,000	2,099,491
2040-2044	5,485,000	1,064,494
2045-2048	2,520,000	101,800
Total	44,150,000	$17,968,585
Add: Unamortized Premium	3,198,888	
Total	$47,348,888	

12. DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources at June 30, 2019 are as follows:

Deferred Inflows - Pension	3,097,000
Deferred Inflows - Other Postemployment Benefits	5,979,410
Total Deferred Inflows	9,076,410

13. COMMITMENTS

Construction Contracts

As of June 30, 2019, outstanding commitments for capital outlay projects totaled approximately $12,307,770.

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, 2019, was $1,508,776. The University has, as of June 30, 2019, the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2020	$1,435,735
2021	777,509
2022	403,116
2023	395,381
2024	395,512
2025 - 2029	208,954
2030 - 2034	30,346
2035 - 2039	30,346
2040 - 2044	30,346
2045	6,069
Total	$3,713,314

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 one year. Payment on this commitment is as follows:

Fiscal Year	Installment Purchase
2020	21,065
Total	$ 21,065

Other Contractual Agreements

The University was committed to pay Longwood University Real Estate Foundation $17,833,877 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 $113,948 relative to an energy performance contract. The University has, as of June 30, 2019, the following total future payments due under the above agreements:

Fiscal Year	Contractual Agreements
2020	$ 17,182,833
2021	681,158
2022	15,761
2023	16,251
2024	16,756
2025	17,276
2026 - 2028	17,790
Total	$ 17,947,825

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, 2019, $0 of the defeased bonds are outstanding.

15. STATE APPROPRIATIONS

During the year ended June 30, 2019, 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 2.

Original Appropriation:	
Educational and General Programs	$28,182,452
Student Financial Assistance	5,045,497
Supplemental Adjustments:	
Central Fund Adjustments	465,746
VIVA	6,972
SVRTC	108,905
Military Survivors	45,140
2-Year Transfer Grant	75,000
Clinical Faculty Program Grant	70,639
HEETF Payment	(54,746)
Capital Out-of-State Fee	(97,911)
Adjusted Appropriations	$ 33,847,694

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	$ 24,523,503	$ 8,042,733	$ 2,033,023	$ -	$ -	$ 272,882	$ -	$ -	$ 34,872,141
Research	34,360	70,356	124,968	-	-	316	-	-	230,000
Public service	810,212	242,322	354,377	-	594	35,705	-	-	1,443,210
Academic support	3,501,051	1,156,804	1,872,244	-	162	786,650	-	-	7,316,911
Student services	2,640,769	1,015,679	810,745	-	-	73,883	-	-	4,541,076
Student aid	-	-	-	3,917,039	-	-	-	-	3,917,039
Institutional Support	5,445,386	3,141,524	2,720,937	-	6,396	330,429	-	-	11,644,672
Operation & Maintenance of Plant	2,952,546	1,694,760	2,732,588	-	1,126,908	742,904	-	-	9,249,706
Depreciation	-	-	-	-	-	-	-	10,169,889	10,169,889
Amortization	-	-	-	-	-	-	-	239,504	239,504
Auxiliary activities	12,032,857	3,500,199	20,209,940	-	1,518,123	14,635,512	-	-	51,896,631
Expenses	-	-	-	-	-	-	33,359	-	33,359
Total	$ 51,940,684	$ 18,864,377	$ 30,858,822	$ 3,917,039	$ 2,652,183	$ 16,878,281	$ 33,359	$ 10,409,393	$ 135,554,138

17. RETIREMENT PLANS

A. Virginia Retirement System (Defined Benefit Retirement Plans)

Plan Description

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

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid; and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table 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.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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	**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** VRS non-hazardous duty covered 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	**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:

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.	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.	• Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health	**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.

insurance credit in retirement, if the employer offers the health insurance credit.		It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** 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 a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

		• After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable

VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Defined Contribution Component:** 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** **Defined Benefit Component:** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Define Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not Applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving

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

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 prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2019 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.61% of covered employee compensation. These rates were based on an actuarially determined rate(s) from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $3,519,000 and $3,482,000 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from the University to the VaLORS Retirement Plan were $170,000 and $139,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the University reported a liability of $34,517,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,368,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion of the VRS State Employee Retirement Plan was 0.64% as compared to 0.62% at June 30, 2017. At June 30, 2018, the University's proportion of the VaLORS Retirement Plan was 0.22% as compared to 0.20% at June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of $1,764,000 for the VRS State Employee Retirement Plan and $184,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018 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, 2019, the 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	-	2,087,000		1,000	38,000
Net difference between projected and actual earnings on pension plan investments	-	901,000		-	23,000
Change in assumptions	231,000	-		-	48,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	895,000	-		137,000	-
Employer contributions subsequent to the measurement date	3,519,000	-		170,000	-
Total	$4,645,000	$2,988,000		$308,000	$109,000
SERP – State Employee Retirement Plan					

A total of $3,689,000 ($3,519,000 for SERP and $170,000 for VaLORS) reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	SERP	VaLORS	Total
FY 2020	(109,000)	40,000	(69,000)
FY 2021	(310,000)	20,000	(290,000)
FY 2022	(1,347,000)	(29,000)	(1,376,000)
FY 2023	(96,000)	(2,000)	(98,000)
FY 2024	-	-	-

Actuarial Assumptions - SERP

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent

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

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

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 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, 2017 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%

Actuarial Assumptions – VaLORS

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 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 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate 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, 2018, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	**VaLORS Retirement Plan**
Total Pension Liability	$23,945,821	$2,047,161
Plan Fiduciary Net Position	18,532,189	1,423,980
Employers' Net Pension Liability (Asset)	$ 5,413,632	$ 623,181
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.39%	69.56%

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, 2018, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	52,261,000	34,517,000	19,581,000

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	1,941,000	1,368,000	893,000

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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-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, 2019, the University had accrued retirement contributions payable to the pension plan of $161,128 including $151,873 payable to the VRS State Employee Retirement Plan and $9,255 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2019, but not yet paid to the plan.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff participate in defined contribution plans as authorized by the Code of Virginia, offered by Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services. These plans are fixed-contribution programs where the retirement benefits received are based upon employer and employee contributions, plus interest and dividends. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4 percent. Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5 percent and an employee required contribution rate of 5 percent.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under these plans were approximately $1,765,511 for the year ended June 30, 2019. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $19,433,715 for fiscal year 2019.

Included in Accounts Payable and Accrued Expenses at June 30, 2019 are payables of $103,585 for the outstanding amount of contributions to the Optional Retirement Plans.

C. 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. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, were approximately $181,839 for the fiscal year ended June 30, 2019.

18. OTHER POSTEMPLOYMENT 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:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were $246,000 and $244,324 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the University reported a liability of $3,726,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 University's proportion of the Net GLI OPEB Liability was based on the University's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion was 0.25% as compared to 0.24% at June 30, 2017.

For the year ended June 30, 2019, the University recognized GLI OPEB expense of $40,000. 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, 2019, the University 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	$ 182,000	$ 67,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	121,000
Change in assumptions	-	156,000
Changes in proportion	88,000	28,000
Employer contributions subsequent to the measurement date	246,000	-
Total	$ 516,000	$ 372,000

$246,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. 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 2020	(44,000)
FY 2021	(44,000)
FY 2022	(45,000)
FY 2023	(10,000)
FY 2024	23,000
Thereafter	18,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 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, 2017 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, 2017 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, 2017 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, 2017 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, 2017valuation 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, 2017 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, 2017 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, 2017 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, 2017 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 the Measurement Date of June 30, 2018, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	$ 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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, 2018, the rate contributed by the University for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1.00% Increase (8.00%)**
University's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 4,870,000	$ 3,726,000	$ 2,797,000

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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-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, 2019, the University had accrued group life insurance contributions payable to the plan of $11,360. The payable is based on contributions earned by University employees through June 30, 2019, 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, 2019 was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were $103,000 and $112,000 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the University reported a liability (asset) of $(974,000) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2018 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 University's proportion of the Net VSDP OPEB Liability (Asset) was based on the University's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion was 0.43% as compared to 0.42% at June 30, 2017.

For the year ended June 30, 2019, the University recognized VSDP OPEB expense of $45,000. 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, 2019, the University 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	-	$ 42,000
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	57,000
Change in assumptions	-	57,000
Changes in proportion	-	32,000
Employer contributions subsequent to the measurement date	$ 103,000	-
Total	$ 103,000	$ 188,000

$103,000 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2020. 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 2020	(40,000)
FY 2021	(40,000)
FY 2022	(40,000)
FY 2023	(23,000)
FY 2024	(22,000)
Thereafter	(23,000)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

* 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, 2017 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, 2017 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, 2017 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 the Measurement Date of June 30, 2018, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Disability Insurance Program
Total VSDP OPEB Liability	$ 237,733
Plan Fiduciary Net Position	462,961
Employers' Net OPEB Liability (Asset)	($ 255,228)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	194.74%

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, 2018, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers are assumed to continue 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 University's Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the University's proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 7.00%, as well as what the University'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%)
University's proportionate share of the total VSDP Net OPEB Liability (Asset)	$ (939,000)	$ (974,000)	$ (1,004,000)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-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, 2019, the University had accrued disability insurance program contributions payable to the plan of $5,218. The payable is based on contributions earned by University employees through June 30, 2019, 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 the Line of Duty Act Program OPEB, including eligibility, coverage and benefits is set out in the table below:

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

Benefit Amounts
The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:
• **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
  o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
  o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
• **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
  o 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.
  o Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits 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, 2019 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were $13,000 and $10,000 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the University reported a liability of $ 284,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the University's proportion was 0.09% as compared to 0.07% at June 30, 2017.

For the year ended June 30, 2019, the University recognized LODA OPEB expense of $30,000. 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, 2019, the University 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	$ 41,000	($ 1,000)
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,000
Change in assumptions	-	33,000
Changes in proportion	54,000	-
Employer contributions subsequent to the measurement date	13,000	-
Total	$ 108,000	$ 33,000

$13,000 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30	
FY 2020	8,000
FY 2021	8,000
FY 2022	8,000
FY 2023	8,000
FY 2024	8,000
Thereafter	22,000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89 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 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement

basis, the assumed annual rate of return of 3.89% 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, 2017 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, 2017 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, 2017 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, 2017 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, 2017 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 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%

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, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited 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 monitored and factored into future actuarial valuations for the LODA Program if and when sufficient experience develops.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for the periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when the System certifies current income exceeds salary at the time of the disability, indexed for inflation.

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 the Measurement Date of June 30, 2018, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	$ 315.395
Plan Fiduciary Net Position	1,889
Employers' Net OPEB Liability (Asset)	$ 313,506
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

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 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% 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 as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. 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, 2018, 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 University's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	1.00% Decrease (2.89%)	**Current Discount Rate (3.89%)**	**1.00% Increase (4.89%)**
University's proportionate share of the total LODA Net OPEB Liability	$ 325,000	$ 284,000	$ 250,000

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

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

	1.00% Decrease (6.75% decreasing to 4.00%)	**Health Care Trend Rates (7.75% decreasing to 5.00%)**	**1.00% Increase (8.75% decreasing to 6.00%)**
University's proportionate share of the total LODA Net OPEB Liability	$ 242,000	$ 284,000	$ 336,000

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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-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:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **<u>At Retirement</u>** – For State employees who retire with at least 15 years of service credit, 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.

  For State police officers 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, 2019 was 1.17% 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, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were $553,000 and $549,000 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the University reported a liability of $6,307,000 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, 2018 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2018, the University's proportion of the VRS State Employee Health Insurance Credit Program was 0.69% as compared to 0.68% at June 30, 2017.

For the year ended June 30, 2019, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of $548,000. Since there was a change in proportionate share between measurement dates, 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, 2019, the University 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	$ 4,000	-
Net difference between projected and actual earnings on HIC OPEB plan investments	-	10,000
Change in assumptions	-	57,000
Changes in proportionate share	78,000	19,000
Employer contributions subsequent to the measurement date	553,000	-
Total	$ 635,000	$ 86,000

$553,000 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2020. 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 2020	(6,000)
FY 2021	(6,000)
FY 2022	(6,000)
FY 2023	(1,000)
FY 2024	11,000
Thereafter	4,000

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, 2017, 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, 2018.

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
JRS employees	4.50 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 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, 2017 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, 2017 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, 2017 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 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% 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, 2017 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, 2018, 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	$ 1,008,184
Plan Fiduciary Net Position	95,908
State Employee net HIC OPEB Liability (Asset)	$ 921,276
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	9.51%

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 lognormal 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, 2018, the rate contributed by the University 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, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

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

The following presents the University's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's Proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 6,974,000	$ 6,307,000	$ 5,732,000

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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-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, 2019, the University had accrued health insurance credit program contributions payable to the plan of $19,512. 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.

Following are eligibility requirements for Virginia Retirement System retirees:

- You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
- You start receiving (do not defer) your retirement benefit immediately upon retirement*, and
- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enroll no later than 31 days from your retirement date.

*For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date

Effective January 1, 2017**, following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

**This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

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 5,200 retirees and 91,800 active employees in the program in fiscal year 2018. 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, 2018. 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 8.21 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, 2018 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.19 years
Discount Rate	3.87%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 8.21% 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 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 and females setback 1 year
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, 2018.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2017 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 50% to 35%
- Retiree Participation - reduced the rate from 70% to 60%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB to 2020. Additionally, the discount rate was increased from 3.58% to 3.87% based on the Bond Buyers GO 20 Municipal Bond Index.

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

At June 30, 2019 the University reported a liability of $8,810,802 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $1.0 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018. The University's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on the University's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2018, the University's proportion was 0.88% as compared to 0.85% at June 30, 2017. For the year ended June 30, 2019, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of $244,877.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	-	$ 1,776,511
Changes in assumptions	-	3,523,899
Changes in proportion	$ 412,969	-
Sub Total	412,969	5,300,410
Amounts associated with transactions subsequent to the measurement date	362,248	-
Total	$ 775,217	$ 5,300,410

$362,248 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows :

Year ended June 30	
FY 2020	(1,016,265)
FY 2021	(1,016,265)
FY 2022	(1,016,265)
FY 2023	(1,016,265)
FY 2024	(726,037)
Thereafter	(96,346)

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

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.87%, as well as what the University'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 (2.87%) or one percentage point higher (4.87%) than the current rate:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
OPEB Liability	$ 9,427,314	$ 8,810,802	$ 8,224,555

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

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.21% decreasing to 5%, as well as what the University'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 (7.21% decreasing to 4.0%) or one percentage point higher (9.21% decreasing to 6.0%) than the current rate:

	1.00% Decrease (7.21% decreasing to 4.00%)	Trend Rate (8.21% decreasing to 5.00%)	1.00% Increase (9.21% decreasing to 6.00%)
OPEB Liability	$ 7,858,670	$ 8,810,802	$ 9,929,978

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, 2019, 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 scholarship programs. The twenty 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 Brown Edwards & Company, LLP Certified Public Accountants. 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, 2019:

	2019	
	Cost	Market Value
Cash and cash equivalents	$ 2,151,631	$ 2,151,631
Investments:		
Government bonds, corporate obligations, and fixed income securities	144,409	158,880
Corporate stocks and mutual funds	788,955	1,320,714
Limited partnership	50,951,635	67,499,165
Total investments	51,884,999	68,978,759
Beneficial interest in perpetual trust:	1,986,751	2,259,663
Total	$ 56,023,381	$ 73,390,053

Cash and cash equivalents includes operating cash of $1,905,253 as of June 30, 2019.

Investment fees netted against the related investment income or net realized and unrealized gain (loss) on investments for the year ended June 30, 2019 was $631,865.

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, 2019, the Fund consisted of 29 partners and the Foundation's interest in the Fund represents 3.12% 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 $1million 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 Nelly 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, 2019, the fair market value of the Nance Trust was $2,259,663, 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, 2019, were $106,000 and $12,273, 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:

	2018
Debt service reserve fund	$13,442,629
Repair and replacement account	1,646,055
Principal and interest account	112,245,494
Subordinate expense fund	402,449
Project fund	61,870,554
Rent stabilization fund	3,000,000
Cost of issuance funds	226,955
Capitalized interest funds	6,712,949
Working capital funds	14,275,312
	$213,822,397

The GICs have collateral requirements under which, upon a rating downgrade below a specified level, the counterparty is required to do one of three actions: (1) post collateral to a level of 103% of the amount on deposit, 2) assign the investment contract to a new counterparty that would meet the specified criteria, or 3) provide a written guarantee of the obligations under the agreement from a different financial institution. The GIC is not rated.

The guaranteed investment contracts have specified interest rates ranging from 2.51% to 2.96%. Interest payments on the GICs are due to the Foundation semiannually. As of December 31, 2018 approximately 36.1% of the Foundation's restricted deposits and funded reserves are investments in GICs.

B. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Longwood University Foundation contributions receivable consisted of the following at June 30, 2019:

		2019
Cash pledges expected to be collected in:		
	Less than one year	$ 1,058,501
	One year to five years	847,748
	Over five years	3,878,425
		5,784,674
Less:		
	Discount to present value	(2,376,501)
	Net Contributions Receivable	$ 3,408,173

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

With donor restrictions-time and purpose restrictions	$ 1,129,030
With donor restrictions-held in perpetuity	2,279,143
Total	$ 3,408,173

At June 30, 2019, the Foundation had received bequests and other intentions to give of approximately $15,921,231. 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	4,847,738
Buildings	63,747
Stream and Wetlands Credit	811,659
Vehicles	192,709
Total cost of capital assets	7,202,707
Less: accumulated depreciation	(106,690)
Total capital assets, net	$ 7,096,017

Longwood University Real Estate Foundation

Land	$	17,171,797
Land Improvements		11,620,870
Buildings		108,179,336
Furniture and Equipment		4,576,824
Construction in progress		19,909,516
Total cost of capital assets		161,458,343
Less: accumulated depreciation		(32,526,639)
Total capital assets, net	$	128,931,704

D. LONG-TERM INDEBTEDNESS

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2018:

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%.	108,910,000
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
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2018A, total principal payments due each year of increasing amounts through maturity on January 1, 2055. The interest rate is fixed at 5%. Premium determined on the date of issue, total unamortized premium of $5,191,847 at December 31, 2018.	120,910,000
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2018B, total principal payments due each year of increasing amounts through maturity on January 1, 2027. The interest rate increases from 4% to 4.625% through maturity. Discount determined on the date of issue, total unamortized discount of $91,465 at December 31, 2018.	7,515,000
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.	2,924,111
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.	459,119
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.	474,317
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.	353,887
Uncollateralized promissory note payable, variable interest rate of 0.50% over the Prime Rate with a minimum of 4.00% (4.00% December 31, 2018), due in monthly principal payments of $5,571, with a balloon payment for the remaining principal due at maturity on December 19, 2029.	454,098
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.	228,537
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.	228,958

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.	648,277
Deed of trust note payable, 3.12%, due in monthly payments of interest only through January 10, 2018; thereafter monthly payments of principal and interest through December 10, 2021. Collateralized by property known as the Midtown CRE	7,975,958
Deed of trust note payable, 30-day LIBOR plus 0.25% (2.75% December 31, 2018), 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.	5,399,789
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.	2,327,080
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.	1,968,660
	355,952,791
(Discount) Premium, net	5,100,382
Less - loan costs, net	(4,551,478)
Less - current portion	(123,457,425)
	$ 233,044,270

During December 2018, the 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 2, 2019.

The Series 2018 bonds are fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof with interest payable semiannually in January and July commencing July 2019. They are subject to mandatory, optional, and extraordinary redemption. The Series 2018A bonds have a fixed interest rate of 5% with staggered maturity dates from January 2027 through January 2055. The

Series 2018B bonds have fixed interest rates in the range of 4.0% to 4.625% with staggered maturities from January 2022 through January 2027.

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 Foundation holds a unilateral par call option (optional redemption) for both the Series 2017 and Series 2018 bonds. The first optional redemption date for the Series 2017 bonds is January 1, 2023. The Series 2018 bonds have a call date of January 1, 2029.

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 5 of the Longwood University Real Estate Foundation footnotes.

The Bonds are covered by a 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. Pursuant to the issuance of the Series 2018 bonds, a Second Amended and Restated Master Trust Indenture, Support Agreement, and Management Agreement were executed to cover both the Series 2018 and Series 2017 bonds.

Under the Master Trust Indenture, the bonds are collateralized by the gross revenues of the 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 Support 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 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 Foundation for these costs. The 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 Foundation is required to meet certain debt coverage ratios. As of December 31, 2018 the Foundation management believes the Foundation is in compliance with the requirements of the loan agreement.

During 2017, the 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 Foundation incurred a loss on bond defeasance totaling $176,553, which is included in the consolidated statements of activities for the year ended December 31, 2017.

Maturities under long-term debt are as follows:

2019	$123,457,425
2020	1,396,194
2021	3,498,204
2022	2,201,329
2023	2,214,815
Thereafter	223,184,824
Total	$ 355,952,791

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:

Series 2015 Bonds - The Foundation entered two interest rate swaps and an interest rate collar in connection with the Series 2015 bonds. The total return swap has a notional amount of $110,610,000 which 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%. The interest rate swap has a notional amount equal to 35% of the notional amount of the total return swap. The Foundation pays a fixed rate of 4.065% and receives a variable rate of 70% of three month LIBOR. In addition, the Foundation executed an interest rate collar with an initial notional amount of $71,896,500 (65% of the notional amount) 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. Each of these interest rate agreements terminated upon issuance of the Series 2018 bonds and redemption of the Series 2015 bonds.

Series 2017 Bonds - 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%. The Foundation also executed two interest rate collars. 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 $2,258,598 at December 31, 2018 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, 2018. 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% (6.00% at December 31, 2018). Interest only payments are due monthly. As of December 31, 2018 the Real Estate Foundation had $1,298 in accrued interest. The outstanding balance on this line was $659,307 as of December 31, 2018.

E. COMMITMENTS

Longwood University Foundation – Other Commitments

As of June 30, 2019, 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 was issued in favor of the Virginia Department of Environmental Quality as required in connection with the Farm wetland mitigation bank program. Effective July 9, 2019 the Virginia Department of Environmental Quality determined that the Foundation had met all provisions of the Hull Springs Farm Stream Mitigation

Banking Instrument to secure the termination of the letter of credit. The letter of credit was terminated as of July 9, 2019.

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.

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. University and commercial rental income for the year ended December 31, 2018 totaled $1,996,973. 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
2019	$837,032	$449,972	$1,287,004
2020	787,320	423,494	1,210,814
2021	495,628	285,975	781,603
2022	337,508	222,638	560,146
2023	337,508	101,372	438,880
Thereafter	322,681	18,487	341,168
	$3,117,677	$1,501,938	$4,619,615

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, 2018, the Longwood University Real Estate Foundation held two of these notes which are classified as a note receivable on the consolidated statements of financial position. During 2018, one note was canceled and the respective condominium was reclaimed by the Longwood University Real Estate Foundation and another note was executed upon the sale of a condo. The two existing notes mature in 2020 and 2021. 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.

F. RELATED PARTY

Longwood University Real Estate Foundation

Outstanding receivables for rent from the University at December 31, 2018 were $344,312.

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 2018 were $780,649. Of the total management fees, there were accrued management fees of $433,234 as of December 31, 2018. In addition the Real Estate Foundation reimburses the University for cost of operation paid directly by the University related to the housing projects. At December 31, 2018, the Real Estate Foundation had a total payable to the University of $870,771, 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 $90,265 for the year ending June 30, 2019. The amount of contributions receivable due from the Board members totaled $670,531 at June 30, 2019.

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 $1,350,601 for June 30, 2019 including land in the consolidated statements of financial position.

For the year ended June 30, 2019, the Foundation recognized $661,900 of in-kind contributions and fundraising expenses for services provided from Longwood University personnel that directly benefited the Foundation.

As of June 30, 2019, the Foundation has a note receivable to the Hotel Weyanoke in the amount of $415,000. The note bears annual interest of 8% and is due in full on April 26, 2024. No principal payments were made by June 30, 2019.

23. SUBSEQUENT EVENTS

During August 2019 the Commonwealth of Virginia Treasury Board issued $93,760,000 in General Obligation Refunding Bonds, Series 2019B. The Bonds were issued to provide debt service savings. The University received $1,785,528 from General Obligations Refunding Bonds, Series 2019B. The University will use the proceeds from the series to refund certain prior General Obligation Bonds.

On January 2, 2019, the remaining $108,900,000 of the Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2015, was paid in its entirety, using cash amounts reported as restricted deposits and funded reserves in the consolidated statement of financial position as of December 31, 2018 for the Longwood University Real Estate Foundation, as a result of the issuance of the Virginia Educational Facilities Revenue and Refunding Bonds, Series 2018A, that occurred in December 2018, as further discussed in Note 22, section D, of the University Notes to Financial Statements.

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, 2019, 2018, 2017, 2016 and 2015*

		2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension						
Liability (Asset)	State Employees	0.64%	0.62%	0.62%	0.62%	0.61%
	VaLORS Employees	0.22%	0.20%	0.18%	0.17%	0.17%
Employer's Proportionate share of the Net Pension						
Liability (Asset)	State Employees	$34,517,000	$36,064,000	$40,699,000	$37,768,000	$33,984,000
	VaLORS Employees	1,368,000	1,322,000	1,413,000	1,232,000	1,120,000
	TOTAL	$35,885,000	$37,386,000	$42,112,000	$39,000,000	$35,104,000
Employer's Covered Payroll						
	State Employees	$26,132,362	$24,578,532	$25,657,086	$23,822,599	$24,148,561
	VaLORS Employees	758,437	594,492	547,193	506,879	511,674
	TOTAL	$26,890,799	$25,173,024	$26,204,279	$24,329,478	$24,660,235
Employer's Proportionate share of the Net Pension Liability (Asset) as a Percentage of it						
Covered Payroll	State Employees	132.09%	146.73%	158.63%	158.54%	140.73%
	VaLORS Employees	180.37%	222.37%	258.23%	243.06%	218.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension						
Liability	State Employees	77.39%	75.33%	71.29%	72.81%	74.28%
	VaLORS Employees	69.56%	67.22%	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, there are only five 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
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2019

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
2019	$ 3,519,000	$ 3,519,000	-	$ 27,075,000	13.00 %
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 %

Schedule of Longwood University's Employer Contributions
VaLORS Retirement Plan
For the Years Ended June 30, 2015 through 2019

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
2019	$ 170,000	$ 170,000	-	$ 785,000	21.66 %
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 five years are available. However, additional years will be included as they become 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.

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:

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 Years Ended June 30, 2019 and 2018 *

	2019	2018
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.25%	0.24%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	3,726,000	3,598,000
Employer's Covered Payroll	45,776,117	43,924,000
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.14%	8.19%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data are 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
Group Life Insurance Program
For the Years Ended June 30, 2018 through 2019

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
2019	$ 246,000	$ 246,000	-	$ 47,237,246	0.52%
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 two years are available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2019 and 2018 *

	2019	2018
Employer's Proportion of the Net VSDP OPEB Liability (Asset)	(0.43%)	(0.42%)
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset)	(974,000)	(856,000)
Employer's Covered Payroll	16,322,948	16,322,000
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	(5.97%)	(5.67%)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	194.74%	186.63%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data are 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
Disability Insurance Program (VSDP)
For the Years Ended June 30, 2018 through 2019

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
2019	$ 103,000	$ 103,000	-	$ 17,351,673	0.59%
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 two years are available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2019 and 2018 *

	2019	2018
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.09%	0.07%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	284,000	193,000
Covered-Employee Payroll**	731,916	668,000
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	38.80%	28.89%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data are available. However additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.
**The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Schedule of Longwood University's Employer Contributions
Line of Duty Act (LODA)
For the Years Ended June 30, 2018 through 2019

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2019	$ 13,000	$ 13,000	-	$ 809,448	1.61%
2018	10,000	10,000	-	731,916	1.37%

The schedule above is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years are available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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 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 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
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2019 and 2018*

	2019	2018
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.69%	0.68%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	6,307,000	6,208,000
Employer's Covered Payroll	45,665,441	43,924,000
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	13.81%	14%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	9.51%	8.03%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data are 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
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2018 through 2019

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
2019	$ 553,000	$ 553,000	-	$ 47,210,029	1.17%
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 two years are available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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

Schedule of Employer's Share of Total OPEB Liability
State Health Plans Program for Pre-Medicare Retirees
For the Year Ended June 30, 2019 and 2018*

	2019	2018
Employer's proportion of the collective total OPEB liability	0.88%	0.85%
Employer's proportion share of the collective total OPEB liability	$8,810,802	$11,068,862
Employer's covered-employee payroll	$44,799,000	$44,628,000
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	19.67%	24.80%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data are 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 Year Ended June 30, 2019

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 actuarial assumptions were updated since the June 30, 2017 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 50% to 35%
- Retiree Participation - reduced the rate from 70% to 60%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB to 2020. Additionally, the discount rate was increased from 3.58% to 3.87% based on the Bond Buyers GO 20 Municipal Bond Index.

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Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 10, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
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, 2019, 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 the University as of June 30, 2019, 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

Correction of 2018 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2018 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 18; 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 123 through 125; the Schedule of Employer's Share of Net OPEB Liability (Asset), the Schedule of Longwood University's Employer Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, Disability Insurance, and Line of Duty Act programs on pages 126 through 137; 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 page 138. 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 10, 2020, 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/vks

LONGWOOD UNIVERSITY

Farmville, Virginia

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