Annual Financial Report

June 30, 2016

Virginia State University

VIRGINIA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT 2016 - 2015

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MANAGEMENT'S RESPONSIBILITY FOR REPORTING AND INTERNAL CONTROLS

The information in this Annual Financial Report, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia State University executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the University. Management believes the information is accurate in all material respects and fairly presents the University's revenues, expenses, and changes in net position, as well as its overall financial position. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 2016.

The administration is responsible for establishing and maintaining the University's system of internal controls. Key elements of the University's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well communicated written policies and procedures; annual self-assessments led by the Controller's Office; and an internal audit function. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the University's system provides reasonable, but not absolute, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Finance, Audit and Facilities Committee of the Virginia State University Board of Visitors reviews the University's accounting practices. The Board meets with external independent auditors annually to review the Annual Financial Report and results of audit examinations. The Committee also meets with internal auditors and University financial officers quarterly. These meetings include a review of the scope, quality, and results of the internal audit program.

The Auditor of Public Accounts (APA), the office of the Commonwealth of Virginia's auditors, has examined these annual financial statements and their report appears on pages 59 through 61. Their examination includes a study and evaluation of the University's system of internal controls, financial systems, policies, and procedures, resulting in the issuance of a management letter describing various issues they consider worthy of management's attention. The University has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

INTRODUCTION

Virginia State University (VSU) is an agency of the Commonwealth of Virginia and is governed by a fifteen member Board of Visitors. The Commonwealth has the authority to exercise oversight over the University. The University has two major divisions, the Academic Colleges and the Cooperative Extension and Agricultural Research Services. The University is a component unit of the Commonwealth and is included in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

John Mercer Langston was born in Louisa County Virginia in 1829, and he was a graduate of Oberlin College in Ohio. Mr. Langston went on to become an American abolitionist, attorney, educator, activist, politician and diplomat. After his diplomatic service, he returned to Virginia in 1885 and was appointed by the state legislature as the first president of the ***Virginia Normal and Collegiate Institute***. Also noteworthy, John Mercer Langston was the great-uncle of the renowned poet James Mercer Langston Hughes (Langston Hughes.) In 1902, the name of the school changed to ***Virginia Normal and Industrial Institute***. Later, in 1920, the Institute was designated a land grant institution, and after nearly sixty years of progress, became ***Virginia State University*** in 1979. Today, the University continues as one of two land grant institutions in the Commonwealth. As a land grant institution, the University engages in natural resource related research projects and agriculture extension services. Its mission is to promote and sustain academic programs that integrate instruction, research, and extension/public service in a design most responsive to the needs and endeavors of individuals and groups within its scope of influence. The University consists of seven colleges, namely: the College of Agriculture, the Reginald F. Lewis College of Business, the College of Engineering and Technology, the College of Education, the College of Graduate Studies, the College of Humanities and Social Sciences, and the College of Natural and Health Sciences. These colleges provide 32 undergraduate degree programs, 15 master's degree programs, two doctoral degree programs, and three certificate programs. Students in the engineering programs conduct research on robotics and unmanned vehicles that will eventually enhance the Commonwealth of Virginia's economy by creating jobs in those areas. In addition, the University has partnerships with Fort Lee, Commonwealth Center for Advanced Manufacturing, and numerous other articulation agreements with industry, institutions of higher education, and other international entities. Virginia State University offers services through its land grant programs to small farmers across the Commonwealth of Virginia.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an overview of the financial position and results of activities of Virginia State University for the fiscal year ended June 30, 2016. Prepared by management, the overview should be read in conjunction with the financial statements and footnotes that follow this section. Comparative information for the fiscal year ended June 30, 2015 has been provided where applicable. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB), which establishes principles and standards for external reporting for colleges and universities.

The University's financial report includes three financial statements and related notes:

1. The Statement of Net Position (SNP)
2. The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)
3. The Statement of Cash Flows (SCF)

These principles require the financial statements be prepared with resources classified for accounting and reporting purposes into the following net position categories: Current Assets, Noncurrent Assets, and Deferred Outflows of Resources; Current Liabilities, Noncurrent Liabilities and Deferred Inflows of Resources. Please note, the University's foundations identified as discrete component units under GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB 61 *The Financial Reporting Entity: Omnibus*, are reported in the component unit column of the financial statements, and this Management Discussion and Analysis excludes reference to the discrete foundations, except where specifically noted. Alternately, the amounts reported by the foundation identified as blended are included with the amounts reported by the University. See Note 1.A. for details regarding the University's foundations.

STATEMENT OF NET POSITION

The Statement of Net Position (SNP) presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the University. Net position is the difference between the total assets and deferred outflows of resources less liabilities and deferred inflows of resources. It is one indicator of the current financial condition of the University, while the changes in net position suggest whether the overall financial condition of the University has improved or worsened during the year. Categories of the SNP are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. For FY2016, the University's total net position increased by $20.9 million or 11.9% over the previous fiscal year.

Total assets and deferred outflows of resources increased by $13.3 million or 3.5% as compared to last year. Currents assets decreased by $1.4 million during FY2016 or 4.2%. Current assets are comprised of cash and cash equivalents, short term investments, accounts, notes and loans receivable, due from the commonwealth and affiliates, prepaid expenses, and securities lending. The largest factor in the decrease was a drop in due from the Commonwealth of $3.0 million. There was also a reduction in cash and cash equivalents related to securities lending of $567 thousand. These decreases were partially offset by increases in prepaid expenses of $826 thousand, and cash and cash equivalents of $1.2 million.

Noncurrent assets increased by $14.2 million during FY2016, or 4.3%. Noncurrent assets are comprised of restricted cash and cash equivalents, state appropriations available, investments, notes receivable, and capital assets net of depreciation. There was a decrease in nondepreciable capital assets of $50.9 million and an increase in depreciable capital assets of $68.3 million, due to the University opening the Multipurpose Center. State appropriations also increased by $339 thousand. There was a drop in restricted cash and cash equivalents of $2.8 million and investments were down by $960 thousand due to market performance.

In addition, the University had an increase of $508 thousand in deferred outflows of resources. This was the result of a rise in costs related to unfunded pension liability of $869 thousand, offset by a decline in loss of refunding of debts of $360 thousand.

During FY2016, total liabilities and deferred inflows of resources decreased by $7.6 million or 3.8%. Total liabilities are comprised of current and noncurrent liabilities. Current liabilities increased by $178 thousand. Current liabilities include accounts payable and other accrued liabilities, due to federal government, unearned revenues, obligations under securities lending, deposits held in custody, the current portion of long-term liabilities, and retainage payable. Then main cause for the change was an increase in due to the federal government of $3.8 million. This was partially offset by declines in retainage payable of $2.0 million, obligations under securities lending of $591 thousand, unearned revenue of $520 thousand, and accounts payable of $283 thousand.

Noncurrent liabilities decreased by $3.2 million or 1.9% during FY2016. Noncurrent liabilities consist of noncurrent portion of long-term liabilities (bonds, notes payable, installment purchase obligations, pension, compensated absences, federal Perkins loans, and software license agreements). The decrease in noncurrent liabilities was mostly the result of making scheduled debt payments of $7.5 million. This was partially offset by an increase in the unfunded pension liability of $4.4 million. The unfunded pension liability also caused a decline in deferred inflows of resources of $4.6 million.

A summary of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and net position at June 30, 2016 and 2015 follows:

Summary of the Statement of Net Position	Year Ended June 30,		Increase/(Decrease)	
	2016	2015	Amount	Percent
Assets:				
Current assets	$ 31,375,656	$ 32,759,262	$ (1,383,606)	-4.2%
Noncurrent assets:				
Restricted cash and cash equivalents	8,297,036	11,052,351	(2,755,315)	-24.9%
State appropriations available	395,760	56,280	339,480	603.2%
Investments	33,110,157	34,045,667	(935,510)	-2.7%
Capital assets, net	303,589,300	286,071,509	17,517,791	6.1%
Other	2,015,621	2,018,118	(2,497)	-0.1%
Total noncurrent assets	347,407,874	333,243,925	14,163,949	4.3%
Total assets	378,783,530	366,003,187	12,780,343	3.5%
Deferred outflows of resources	9,245,744	8,737,348	508,396	5.8%
Total assets & deferred outflows of resources	388,029,274	374,740,535	13,288,739	3.5%
Liabilities:				
Current liabilities	23,517,030	23,339,096	177,934	0.8%
Noncurrent liabilities	162,116,121	165,304,014	(3,187,893)	-1.9%
Total liabilities	185,633,151	188,643,110	(3,009,959)	-1.6%
Deferred inflows of resources	5,630,828	10,227,093	(4,596,265)	-44.9%
Total liabilities & deferred inflows of resources	191,263,979	198,870,203	(7,606,224)	-3.8%
Net position:				
Net investment in capital assets	209,335,911	185,567,320	23,768,591	12.8%
Restricted:				
Nonexpendable	8,784,692	8,686,314	98,378	1.1%
Expendable	29,057,859	23,227,905	5,829,954	25.1%
Unrestricted	(50,413,167)	(41,611,207)	(8,801,960)	-21.2%
Total net position	$ 196,765,295	$ 175,870,332	$ 20,894,963	11.9%

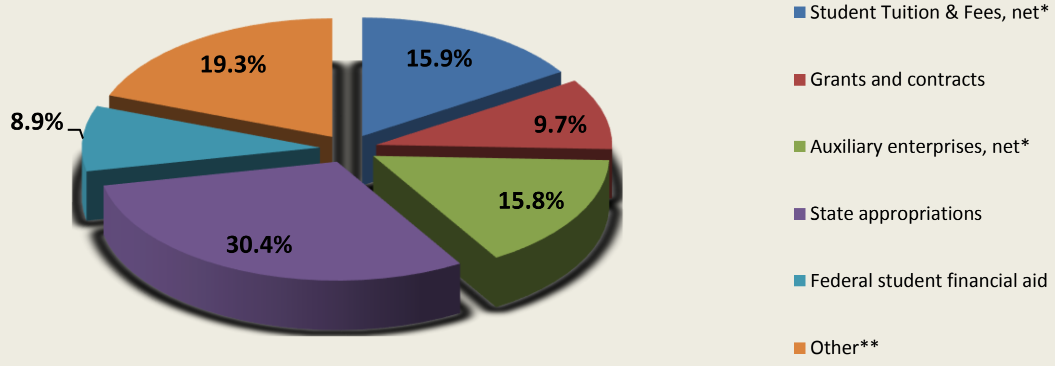
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position present the University's results of activities for the fiscal year. Presented below is a summarized statement of the University's Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016 and 2015.

Summary of the Statement of Revenues, Expenses and Changes in Net Position	Year Ended June 30, 2016	2015	Increase/(Decrease) Amount	Percent
Operating revenues	$ 63,077,697	$ 71,184,012	$ (8,106,315)	-11.4%
Operating expenses	129,643,316	127,471,647	2,171,669	1.7%
Operating income/(loss)	(66,565,619)	(56,287,635)	(10,277,984)	-18.3%
Nonoperating revenues/(expenses):				
State appropriations	45,777,710	41,531,909	4,245,801	10.2%
Federal student aid	13,428,694	14,277,288	(848,594)	-5.9%
Other nonoperating revenues/(expenses)	(2,550,299)	(269,713)	(2,280,586)	-845.6%
Net nonoperating revenues/(expenses)	56,656,105	55,539,484	1,116,621	2.0%
Income/(loss) before other revenues and reductions	(9,909,514)	(748,151)	(9,161,363)	-1224.5%
Other revenues:				
Capital grants and gifts	1,111,920	749,270	362,650	48.4%
State appropriations capital projects	341,766	-	341,766	100.0%
Additions/(reductions) to permanent endowments	564,662	708,024	(143,362)	-20.2%
VCBA 21st Century bond reimbursement program	28,786,129	43,373,593	(14,587,464)	-33.6%
Special item - land conveyed to Trojan, LLC	-	(1,276,645)	1,276,645	100.0%
Total other revenues	30,804,477	43,554,242	(12,749,765)	-29.3%
Total increase/(decrease) in net position	20,894,963	42,806,091	(21,911,128)	-51.2%
Net position, beginning of year, as restated	175,870,332	133,064,241	42,806,091	32.2%
Net position, end of year	$ 196,765,295	$ 175,870,332	$ 20,894,963	11.9%

As shown in the table above, there was an increase in net position of $20.9 million or 11.9% in FY2016 as opposed to an increase of $42.8 million in the previous year's statement. The net operating loss increased by $10.3 million or 18.3%, over FY2015. Net nonoperating revenues and expenses increased by $1.1 million or 2.0% and total other revenues decreased by $12.7 million or 29.3%, in FY2016. Revenues and expenses will be discussed in further detail in the following sections.

A summary of the University's revenues for the years ended June 30, 2016 and 2015 appears below:



Summary of Revenues
For the years ended June 30, 2016 and 2015

			Increase/(Decrease)	
	2016	2015	Amount	Percent
Operating revenues:				
Student tuition and fees, net*	$ 23,908,615	$ 26,111,597	$ (2,202,982)	-8.4%
Grants and contracts	14,595,886	18,736,363	(4,140,477)	-22.1%
Auxiliary enterprises, net*	23,773,811	25,106,918	(1,333,107)	-5.3%
Other operating revenue**	799,385	1,229,134	(429,749)	-35.0%
Total operating revenues	63,077,697	71,184,012	(8,106,315)	-11.4%
Nonoperating revenues/(expenses):				
State appropriations	45,777,710	41,531,909	4,245,801	10.2%
Federal student financial aid	13,428,694	14,277,288	(848,594)	-5.9%
Other revenues/(expenses) net**	(2,550,299)	(269,713)	(2,280,586)	-845.6%
Total nonoperating revenues	56,656,105	55,539,484	1,116,621	2.0%
Other revenues/(expenses):				
Capital grants and gifts**	1,111,920	749,270	362,650	48.4%
State appropriations capital projects**	341,766	-	341,766	100.0%
Additions to permanent endowment**	564,662	708,024	(143,362)	-20.2%
Other capital revenues**	28,786,129	43,373,593	(14,587,464)	-33.6%
Special item-land conveyed	-	(1,276,645)	1,276,645	100.0%
Total other revenues/(expenses)	30,804,477	43,554,242	(12,749,765)	-29.3%
Total revenues	$ 150,538,279	$ 170,277,738	$ (19,739,459)	-11.6%

* Net of scholarship allowance
** Other includes: other operating revenues; other nonoperating revenues, net of nonoperating expenses; capital grants and gifts; state appropriations capital projects; additions to permanent endowment; other capital revenues.

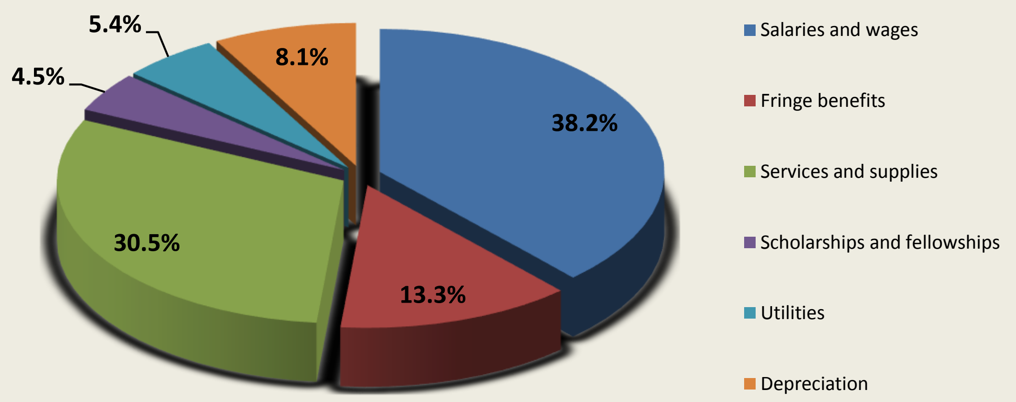
Total operating revenues decreased by $8.1 million in FY2016 to $63.1 million from $71.2 million in the previous year, a decrease of 11.4%. As reflected in the chart above, there were decreases in operating revenues from student tuition and fees of $2.2 million and auxiliary enterprises of $1.3 million, as well as declines in grants and contracts of $4.1 million and other operating revenues of $430 thousand.

For the fiscal year, total nonoperating revenues increased by $1.1 million. This was primarily a result of an additional $4.2 million in state appropriations, offset by decreases in federal student financial aid of $849 thousand and net other nonoperating revenues/expenses of $2.3 million.

Other revenues decreased by $12.7 million. The 21st Century bond program reimbursements decreased by $14.6 million. This was partially offset by land conveyed to the Trojan Development Company, LLC that was recorded in the prior year and resulted in a $1.3 million write down of land on the University's SRECNP.

SUMMARY OF EXPENSES

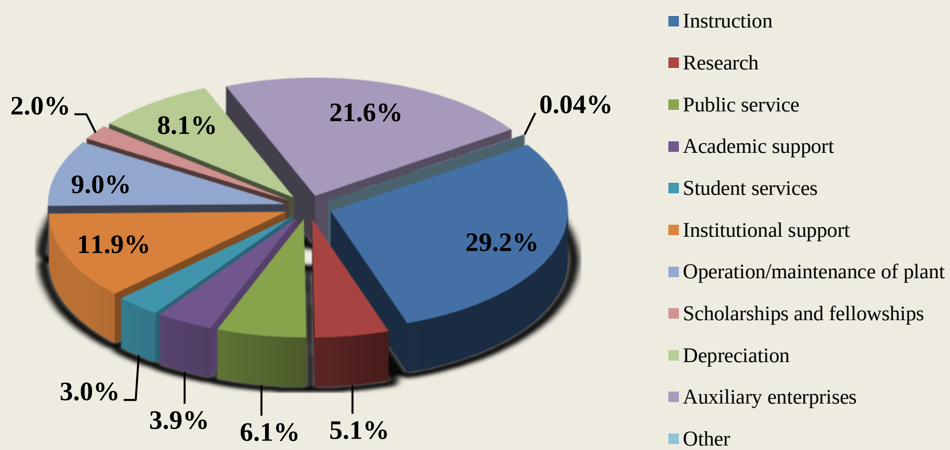
Total operating expenses rose by $2.2 million in FY2016 compared to the previous fiscal year. This represents a 1.7% increase. Comparative summaries of the University's operating expenses by both natural classification and function for the years ended June 30, 2016 and 2015 appear below.



Summary of Operating Expenses by Natural Classification
For the years ended June 30, 2016 and 2015

	2016	2015	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Salaries and wages	$ 49,521,241	$ 51,251,345	$ (1,730,104)	-3.4%
Fringe benefits	17,252,246	17,466,082	(213,836)	-1.2%
Services and supplies	39,484,289	35,776,493	3,707,796	10.4%
Scholarships and fellowships	5,847,924	6,164,057	(316,133)	-5.1%
Utilities	7,031,464	6,968,457	63,007	0.9%
Depreciation	10,506,152	9,845,213	660,939	6.7%
Total operating expenses	$ 129,643,316	$ 127,471,647	$ 2,171,669	1.7%

The total increase in operating expenses was mostly due to a rise in services and supplies of $3.7 million and depreciation of $661 thousand. Additionally, there was a drop in expenses for salaries and wages of $1.7 million.



Summary of Operating Expenses by Function
For the years ended June 30, 2016 and 2015

			Increase/(Decrease)	
	2016	2015	Amount	Percent
Operating expenses:				
Instruction	$37,889,098	$38,008,115	$ (119,017)	-0.3%
Research	6,548,726	6,513,642	35,084	0.5%
Public service	7,908,274	7,421,527	486,747	6.6%
Academic support	5,009,174	5,130,314	(121,140)	-2.4%
Student services	3,929,499	4,159,884	(230,385)	-5.5%
Institutional support	15,460,265	17,451,754	(1,991,489)	-11.4%
Operation/maintenance of plant	11,690,799	8,081,071	3,609,728	44.7%
Scholarships and fellowships	2,595,891	3,653,544	(1,057,653)	-28.9%
Depreciation	10,506,152	9,845,213	660,939	6.7%
Auxiliary enterprises	28,053,956	27,172,736	881,220	3.2%
Other	51,482	33,847	17,635	52.1%
Total operating expenses	$ 129,643,316	$ 127,471,647	$ 2,171,669	1.7%

By function, expenses rose by $3.6 million for operation and maintenance of plant due to an increase in services and supplies of $3.4 million, primarily for skilled services, plant repairs and maintenance, and the Multipurpose center. Utilities also went up $157 thousand. Depreciation expense increased by $661 thousand mostly due to the opening of the Multipurpose center. Auxiliary enterprises went up by $881 thousand as a result of increases in printing services and scholarships and fellowships. A $487 thousand increase in expenses for public service was due to an increase in salaries and wages for grants. There was a decrease in expenses for institutional support of $2.0 million due to a reduction in skilled services, fiscal services, and personal services. There was also a decline in utilities. Finally, there was a $1.1 million drop in expenses for scholarships and fellowships.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows (SCF) is concerned with the flow of cash in and out of the University. The SCF shows changes in the Statement of Net Position (SNP) accounts and the income affect for cash and cash equivalents. GASB principles define four major categories of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. In addition, it captures both the current operating results and the accompanying changes in the SNP. These cash flows are crucial to funding the operation of the University. From FY15 to FY16 the University's SCF shows a $1.5 million decrease in cash and cash equivalents.

Statement of Cash Flows	Year Ended June 30,		Increase/(Decrease)	
	2016	2015	Amount	Percent
Cash flows from:				
Operating activities	$ (55,387,563)	$ (46,106,702)	$ (9,280,861)	-20.1%
Noncapital financing activities	61,160,202	58,024,289	3,135,913	5.4%
Capital and related financing activities	(7,601,647)	(10,622,541)	3,020,894	28.4%
Investing activities	306,556	(11,697)	318,253	2720.8%
Net increase/(decrease) in cash and cash equivalents	(1,522,452)	1,283,349	(2,805,801)	-218.6%
Cash and cash equivalents, beginning of year	31,391,987	30,108,638	1,283,349	4.3%
Cash and cash equvalents, end of year	$ 29,869,535	$ 31,391,987	$ (1,522,452)	-4.8%

Overall, there was a $9.3 million decrease in net cash used by operating activities in FY2016. This was primarily the result of decreases in cash collected for grants and contracts of $3.5 million and auxiliary enterprises of $3.4 million. Payments to suppliers were also up $4.7 million. These were offset by an increase in cash received for tuition and fees of $2.1 million.

Cash flows from noncapital financing activities increased by $3.1 million. The major reason for the change was a rise in state appropriations of $4.3 million and other nonoperating revenues of $458 thousand. This was offset by declines in cash received from federal student financial aid of $849 thousand and gifts of $789 thousand.

There was an increase in net cash for capital financing activities of $3.0 million in FY2016. The two primary factors were a decrease in cash used for the purchase of capital assets of $15.0 million and a decrease in cash received from the 21st Century Bond Program of $11.5 million.

The last major category on the statement of cash flow is investing activities. In total, net cash used for investing activities went up by $318 thousand. There was an increase in proceeds from sales and maturities of investments of $2.9 million. This was offset by an increase in the purchase of investments of $277 thousand and a reduction in investment income of $2.3 million.

CAPITAL AND DEBT ACTIVITIES

The University continues to invest in capital assets in accordance with its master plan, modernizing its current and older facilities, purchasing new equipment and building new facilities.

Capital assets, net of depreciation, increased by $17.5 million in FY2016. VSU had a $51.2 million net decrease in construction in progress primarily due to the opening of the Multipurpose Center. There was an increase in buildings, net of accumulated depreciation, of $65.6 million. Overall, buildings increased by $73.4 million, of which $70.0 million was for the Multipurpose Center. Gateway Residence Hall II also increased by $2.3 million, as did Howard Quad Residence Hall II by $726 thousand. This was offset by an increase in accumulated depreciation of $7.7 million for buildings. Infrastructure went up by $4.0 million due to the completion of a new water tower. There were also increases in land of $334 thousand and equipment of $1.3 million. Library books decreased by $110 thousand in 2016. Depreciation expense for the year totaled $10.5 million, which was up from $9.9 million in the previous year.

Proper management of University resources and the replacement and renewal of capital assets requires the prudent use of debt to finance projects. University bonds are issued pursuant to Section 9(c) of Article X of the Constitution of Virginia. These bonds are backed by the full faith, credit and taxing power of the Commonwealth. The use of debt to finance capital projects is managed in accordance with the University's debt policy.

As of June 30, 2016, the University had $103.3 million in outstanding long-term debt. This debt consists of $95.0 million of general obligation bonds, $6.5 million of notes payable, and $1.8 million of installment purchase obligations. Long-term debt decreased by $7.5 million. This is the result of making debt payments throughout the year. No new debt was issued in FY2016.

FUTURE ECONOMIC OUTLOOK:

The continued success and viability of the University first and foremost depends on its ability to recruit and retain students. A large percentage of the University's students rely on some form of financial aid such as scholarships, grants or student loans, to be able to attend. As a result of less aid being available, it is increasingly difficult for these students to be able to afford a college education. The University plans to continue its efforts towards making college affordable for its students by continuing to hold its tuition and fee increases to a minimum. The 3% tuition increase approved in FY17 is among the lowest at four-year institutions in Virginia. Furthermore, the University has the lowest tuition and mandatory E&G fees for both full-time, in-state and out-of-state undergraduate students at four-year institutions in Virginia.

The University is taking proactive steps to improve in a number of areas including: student retention, first-year experience, advising, teaching pedagogy, and technology among others. Specifically, the University has invested significant resources into the establishment of the Academic Center for Excellence (ACE). An expanded staff of full-time advisors works directly with students in this uniquely designed space to provide needed resources and guidance to students in order to assist them in attaining their academic and professional objectives. Furthermore, the University is working towards establishing a Welcome Center and a "One-Stop Shop" to streamline all onboarding processes for new students.

Public financial support is an essential revenue source of the University. However, due to uncertainties regarding the exact extent to which public support will continue to be available, the University continues to take proactive measures in searching for additional private financial support to help VSU take the next steps toward success. This additional financial assistance will help provide the competitive edge that assists in attracting quality faculty, recruiting the brightest students, and in developing mutually beneficial relationships with business and industry. Since the needs of the University change frequently, VSU will actively seek unrestricted gifts which provide the greatest flexibility in channeling resources to the areas of greatest need.

Prudent financial practices also play a key role in the continued success and viability of the University. During FY 17, the University established a $21 million target for auxiliary reserves as a key component of the president's Key Performance Indicators (KPI's). The reserve is intended to cover debt service obligations for one year, future working capital needs, reserves for renewal and replacement and reserves for major renovations. The University currently carries a level of debt that is consistent with its policies and mission.

Virginia State University
FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

As of June 30, 2016 with comparative financial information as of June 30, 2015

	2016		2015	
ASSETS & DEFERRED OUTFLOWS OF RESOURCES	Virginia State University	Component Units	Virginia State University	Component Units
Current assets:				
Cash and cash equivalents (Note 2)	$ 21,572,497	$ 4,052,762	$ 20,339,636	$ 3,954,537
Cash and cash equivalents - Securities Lending (Note 2)	112,983	-	679,690	-
Short-term investments (Note 2)	-	-	24,601	-
Accounts and loans receivable, net of allowance (Note 3)	3,482,068	784,003	3,244,725	601,630
Due from the Commonwealth (Note 3)	3,315,980	-	6,318,289	-
Due from affiliates (Note 3)	-	-	88,123	-
Prepaid expenses	2,890,545	5,635	2,064,198	6,017
Notes receivable, net of allowance (Note 3)	1,581	-	-	-
Total current assets	31,375,654	4,842,400	32,759,262	4,562,184
Noncurrent assets:				
Restricted cash and cash equivalents (Note 2)	8,297,036	2,830,260	11,052,351	3,020,394
Restricted investments (Note 2)	2,375,688	366,244	3,186,802	27,100
Endowment investments (Note 2)	28,384,142	12,518,338	27,257,148	12,455,944
State appropriation available	395,760	-	56,280	-
Notes receivable, net of allowance (Note 3)	2,015,621	-	2,018,118	-
Other long-term investments (Note 2)	2,350,327	-	3,601,717	-
Other noncurrent	-	80,150	-	85,678
Non depreciable capital assets (Note 4)	26,195,701	542,828	77,054,517	542,828
Depreciable capital assets, net (Note 4)	277,393,599	7,578,233	209,016,992	8,120,667
Total noncurrent assets	347,407,874	23,916,053	333,243,925	24,252,611
Total assets	378,783,528	28,758,453	366,003,187	28,814,795
Deferred outflows of resources: (Note 1Q)				
Pension related	6,128,485	-	5,259,879	-
Loss on refunding of debt	3,117,259	-	3,477,469	-
Total deferred outflows of resources	9,245,744	-	8,737,348	-
Total assets and deferred outflows of resources	388,029,272	28,758,453	374,740,535	28,814,795
LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Accounts payable and accrued liabilities (Note 5)	8,129,476	76,844	8,412,787	72,415
Due to federal government (Note 13)	3,765,590	-	-	-
Due to affiliates	-	-	-	88,123
Unearned revenue	2,191,942	46,324	2,711,514	53,371
Retainage payable	351,875	-	2,343,808	-
Obligations under securities lending	112,983	-	704,291	-
Deposits held in custody of others	1,347,519	53,550	1,352,988	63,625
Long-term liabilities-current portion (Notes 6 and 7)	7,522,986	850,000	7,705,960	800,000
Other current liabilities	94,659	53,645	107,748	307,834
Total current liabilities	23,517,030	1,080,363	23,339,096	1,385,368
Long-term liabilities - noncurrent (Notes 6 and 7)	162,116,121	19,382,972	165,304,014	20,488,074
Total liabilities	185,633,151	20,463,335	188,643,110	21,873,442

STATEMENT OF NET POSITION

As of June 30, 2016 with comparative financial information as of June 30, 2015 (continued)

	2016		2015	
	Virginia State University	**Component Units**	**Virginia State University**	**Component Units**
Deferred inflows of resources: (Note 1Q)				
Pension related	5,617,000	-	10,209,000	-
Gain on refunding of debt	13,828	-	18,093	-
Total deferred inflows of resources	5,630,828	-	10,227,093	-
Total liabilities and deferred inflows of resources	$ 191,263,979	$ 20,463,335	$ 198,870,203	$ 21,873,442
NET POSITION				
Net investment in capital assets	$ 209,335,911	$ (8,548,789)	$ 185,567,320	$ (8,800,827)
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	4,971,784	10,992,662	4,875,076	10,298,297
Instruction	3,253,689	-	3,251,108	-
Other	559,219	-	560,130	-
Expendable:				
Scholarships and fellowships*	27,029,947	3,162,497	20,744,750	4,451,078
Instruction	743,720	-	1,012,762	-
Loans	943,467	-	980,286	-
Capital projects	-	-	165,107	-
Other	340,725	-	325,000	-
Unrestricted*	(50,413,167)	2,688,748	(41,611,207)	992,805
Total net position	**$ 196,765,295**	**$ 8,295,118**	**$ 175,870,332**	**$ 6,941,353**

*These 2015 University amounts have been restated to conform to GASB 34 (See Note 1.P.)
The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

As of June 30, 2016 with comparative financial information as of June 30, 2015

	2016		2015	
	Virginia State University	Component Units	Virginia State University	Component Units
Operating revenues:				
Student tuition and fees (net of scholarship allowance of $12,279,937)	$ 23,908,615	$ -	$ 26,111,597	$ -
Federal grants and contracts	13,783,245	-	18,031,237	-
State and local grants and contracts	812,641	-	705,126	-
Auxiliary enterprises (net of scholarship allowance of $15,750,049)	23,773,811	-	25,106,918	-
Other operating revenues	799,385	2,837,953	1,229,134	3,498,024
Total operating revenues	63,077,697	2,837,953	71,184,012	3,498,024
Operating expenses: (Note 9)				
Instruction	37,889,098	-	38,008,115	-
Research	6,548,726	-	6,513,642	-
Public service	7,908,274	-	7,421,527	-
Academic support	5,009,174	-	5,130,314	-
Student services	3,929,499	-	4,159,884	-
Institutional support	15,460,265	1,746,924	17,451,754	2,827,549
Operation and maintenance of plant	11,690,799	-	8,081,071	-
Scholarships and fellowships	2,595,891	-	3,653,544	704,188
Depreciation	10,506,152	610,670	9,845,213	612,864
Auxiliary enterprises	28,053,956	-	27,172,736	-
Other	51,482	-	33,847	-
Total operating expenses	129,643,316	2,357,594	127,471,647	4,144,601
Operating income/(loss)	(66,565,619)	480,359	(56,287,635)	(646,577)
Nonoperating revenues/(expenses):				
State appropriations (Note 8)	45,777,710	-	41,531,909	-
Gifts	538,929	1,984,457	1,184,217	1,655,129
Investment income/(expense)	(628,955)	(39,291)	1,695,983	(150,914)
Interest on indebtedness	(3,308,339)	(800,476)	(3,507,572)	(962,857)
Loss on disposal of assets	(5,325)	-	(37,388)	-
Federal student financial aid	13,428,694	-	14,277,288	-
Other nonoperating revenues	1,384,380	17,089	736,107	18,360
Other nonoperating expenses	(530,989)	(288,373)	(341,060)	(263,761)
Net nonoperating revenues/(expenses)	56,656,105	873,406	55,539,484	295,957
Income/(loss) before other revenues	(9,909,514)	1,353,765	(748,151)	(350,620)
Other revenues/(expenses):				
Capital grants and gifts	1,111,920	-	749,270	-
State appropriations capital projects (Note 8)	341,766	-	-	-
Additions to permanent endowments	564,662	-	708,024	-
VCBA 21st Century bond reimbursement program	28,786,129	-	43,373,593	-
Special item - land conveyed to Trojan, LLC (Note 15)	-	-	(1,276,645)	-
Total other revenues/(expenses)	30,804,477	-	43,554,242	-
Increase/(decrease) in net position	20,894,963	1,353,765	42,806,091	(350,620)
Net position, beginning of year as restated (Note 1.O)	175,870,332	6,941,353	133,064,241	7,291,973
Net position, end of year	**$ 196,765,295**	**$ 8,295,118**	**$ 175,870,332**	**$ 6,941,353**

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

STATEMENT OF CASH FLOWS

As of June 30, 2016 with comparative financial information as of June 30, 2015

	2016	2015
Cash flows from operating activities:		
Tuition and fees	$ 26,712,082	$ 24,638,957
Grants and contracts	17,487,560	21,026,230
Auxiliary enterprises	22,315,361	25,700,932
Departmental sales and services, and other revenues	(340,507)	1,839,732
Payments of employees	(67,836,339)	(69,654,132)
Payments to suppliers	(40,570,908)	(35,908,062)
Payments for utilities	(7,031,464)	(6,968,457)
Payments for scholarships and fellowships	(5,847,924)	(6,164,057)
Loans issued to students	(213,023)	(578,563)
Collection of loans from students	213,939	224,668
Other payments	(276,340)	(263,950)
Net cash provided/(used) by operating activities	(55,387,563)	(46,106,702)
Cash flows from noncapital financing activities:		
State appropriations	45,779,996	41,475,629
Direct lending receipts	41,696,983	45,948,295
Direct lending disbursements	(41,696,983)	(45,948,295)
Gifts	1,103,591	1,892,241
Federal student financial aid	13,428,694	14,277,288
Other nonoperating revenue	853,390	395,047
Funds held in custody of others - receipts	4,410,646	5,001,191
Funds held in custody of others - disbursements	(4,416,115)	(5,017,107)
Net cash provided/(used) by noncapital financing activities	61,160,202	58,024,289
Cash flows from capital financing activities:		
Capital appropriations	-	404,189
Capital gifts and grants	1,111,920	1,097,340
VCBA 21st Century bond reimbursement program	31,788,438	43,239,762
Interest paid on caital debt, leases, and installments	(3,319,133)	(3,551,924)
Principal paid on capital debt, leases, and installments	(7,521,881)	(13,084,746)
Principal received on capital debt, leases, and installments	360,210	6,329,357
Purchase of capital assets	(30,021,201)	(45,056,519)
Net cash provided/(used) by capital financing activities	(7,601,647)	(10,622,541)
Cash flows from investing activities:		
Investment income	(628,955)	1,695,983
Proceeds from sales and maturities of investments	1,923,654	(996,708)
Purchase of investments	(988,143)	(710,972)
Net cash provided/(used) by investing activities	306,556	(11,697)
Net increase/(decrease) in cash	(1,522,452)	1,283,349
Cash and cash equivalents - beginning of the year	31,391,987	30,108,638
Cash and cash equivalents - end of year	**$ 29,869,535**	**$ 31,391,987**

STATEMENT OF CASH FLOWS

As of June 30, 2016 with comparative financial information as of June 30, 2015 (continued)

	2016	2015
Reconciliation of Net Operating Loss to Net cash used by Operating Activities:		
Operating income/(loss)	$ (66,565,619)	$ (56,287,635)
Adjustments to reconcile net cash used by operating activities:		
Depreciation expense	10,506,152	9,845,213
Changes in assets & deferred outflows and liabilities & deferred inflows:		
Receivables	(149,220)	1,911,990
Prepaid items	(826,347)	924,193
Other assets	-	-
Deferred outflows of resources	(868,606)	(5,259,879)
Accounts payable	(283,311)	(1,307,940)
Less: Interest payable	10,794	44,352
Due to Federal Government	3,765,590	-
Unearned revenue	(519,572)	109,848
Other liabilities	4,133,660	(5,941,949)
Net loans	916	(353,895)
Deferred inflows of resources	(4,592,000)	10,209,000
Net cash provided/(used) by operating activities	**$ (55,387,563)**	**$ (46,106,702)**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The University is a component unit of the Commonwealth of Virginia and is included in the Comprehensive Annual Financial Report (CAFR) of the Commonwealth. These basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) applicable to colleges and universities. They are prepared for and at the direction of the Commonwealth of Virginia for inclusion in the Commonwealth's CAFR, which includes all agencies, boards, commissions, and authorities associated with the Commonwealth and over which the Commonwealth exercises or has the ability to exercise oversight authority. In addition, the University has two discrete components units and a blended component unit included in the basic financial statements.

The Virginia State University Foundation (VSUF) is a legally separate discrete component unit of the University and was organized as a tax-exempt charitable and educational organization in 1968. The purpose of this foundation is to accept contributions from individual donors and to safeguard, invest, and distribute the funds as designated by the donors or the Foundation's Board of Trustees for the benefit of the University, its students, alumni, and educational community in support of the University's mission. For the year ended June 30, 2016, the VSUF distributed $751,493 to the University for both restricted and unrestricted purposes. Separate financial statements for the VSUF can be obtained by writing Virginia State University Foundation c/o Vice President of Development, Storum Hall, Post Office Box 9071 Petersburg, VA 23806.

Additionally, the Virginia State University Real Estate Foundation (VSUREF) is a legally separate, discrete component unit of the University and was organized as a tax-exempt charitable and educational organization in 2002. Operations began in August 2003. The VSUREF operates on a December 31st year end, and is incorporated into the University's June 30th year end financial statements. The purpose of the Real Estate Foundation is to construct and manage the University Apartments at Ettrick (UAE), a 504-bedroom dormitory facility for the University, in support of the University's mission. Financial statements for the VSUREF can be acquired by writing the VSU Vice President of Finance, Post Office Box 9213, Petersburg, Va. 23806.

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

During 2015, the Virginia State University Research Foundation (VSURF) commenced operations, and is included as a blended component unit in the University's financial statements. The purpose of the VSURF is to support the University's objectives for research, public service, economic and technological development. As a representative of the University, VSURF exemplifies the same spirit of entrepreneurship and focuses on the applications of engineering, science and technology to develop new ideas, methods and opportunities. In its capacity, the Foundation will provide several services related to Intellectual Property Management, Technology Transfer and Commercialization, and the Office of Sponsored Research & Programs.

The VSURF, like the University, operates on a June 30th year end, and as a blended component unit, their financial information is combined with the University's and reported in the financial statements in one column. For a copy of the VSURF financial statements, send a written request to Virginia State University Research Foundation, Post Office Box 9005, Petersburg, Va. 23806.

Because the reporting entities' financial information is combined in the financial statements, a financial summary for each entity, and in total, is shown below.

Condensed Statement of Net Position
As of June 30, 2016

	Virginia State University	VSU Research Foundation	Total
Assets:			
Current assets:	$ 30,649,193	$ 726,461	$ 31,375,654
Noncurrent assets:			
Restricted cash and cash equivalents	8,297,036	-	8,297,036
State appropriations available	395,760	-	395,760
Investments	33,110,157	-	33,110,157
Capital assets, net	303,589,300	-	303,589,300
Other	2,015,621	-	2,015,621
Total noncurrent assets	347,407,874	-	347,407,874
Deferred outflow of resources	9,245,744	-	9,245,744
Total assets & deferred outflows of resources	387,302,811	726,461	388,029,272
Liabilities:			
Current liabilities	23,487,982	29,048	23,517,030
Noncurrent liabilities	162,116,121	-	162,116,121
Deferred inflow of resources	5,630,828	-	5,630,828
Total liabilities & deferred inflows of resources	191,234,931	29,048	191,263,979
Net position:			
Net investment in capital assets	209,335,911	-	209,335,911
Restricted:			
Nonexpendable	8,784,692	-	8,784,692
Expendable	28,717,134	340,725	29,057,859
Unrestricted	(50,769,855)	356,688	(50,413,167)
Total net position	$ 196,067,882	$ 697,413	$ 196,765,295

Condensed Statement of Revenues, Expenses and Changes in Net Position As of June 30, 2016	Virginia State University	VSU Research Foundation	Total
Operating revenues	$ 62,801,062	$ 276,635	$ 63,077,697
Operating expenses	129,472,125	171,191	129,643,316
Operating income/(loss)	(66,671,063)	105,444	(66,565,619)
Nonoperating revenues/(expenses):			
State appropriations	45,777,710	-	45,777,710
Federal student financial aid	13,428,694	-	13,428,694
Other nonoperating revenues/(expenses)	(2,550,299)	-	(2,550,299)
Net nonoperating revenues/(expenses)	56,656,105	-	56,656,105
Income/(loss) before other revenues and reductions	(10,014,958)	105,444	(9,909,514)
Other revenues:			
Capital grants and gifts	1,111,920	-	1,111,920
State appropriations capital projects	341,766	-	341,766
Additions/(reductions) to permanent endowments	564,662	-	564,662
21st Century Bonds Reimbursement Program	28,786,129	-	28,786,129
Total other revenues	30,804,477	-	30,804,477
Total increase/(decrease) in net position	20,789,519	105,444	20,894,963
Net position, beginning of year	175,278,363	591,969	175,870,332
Net position, end of year	$ 196,067,882	$ 697,413	$ 196,765,295

Condensed Statement of Cash Flows As of June 30, 2016	Virginia State University	VSU Research Foundation	Total
Cash flows from:			
Operating activities	$ (55,571,568)	$ 184,005	$ (55,387,563)
Noncapital financing activities	61,160,202	-	61,160,202
Capital and related financing activities	(7,601,647)	-	(7,601,647)
Investing activities	306,556	-	306,556
Net increase/(decrease) in cash and cash equivalents	(1,706,457)	184,005	(1,522,452)
Cash and cash equivalents, beginning of year	31,262,601	129,386	31,391,987
Cash and cash equivalents, end of year	$ 29,556,144	$ 313,391	$ 29,869,535

B. Basis of Presentation

The University's accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). For the fiscal year ending June 30, 2016, three new GASB standards were issued, and the applicable requirements have been implemented during this reporting cycle.

In February 2015, the GASB released Statement 72, *Fair Value Measurement and Application*. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is required for periods beginning after June 15, 2015. On June 2, 2015, GASB 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 & 68* was published. Its primary focus is to establish accounting and financial reporting requirements for government employers that sponsor defined benefit or defined contribution pension plans that are not within the scope of GASBs 67 and 68. Also, this Statement clarifies amendments to Statements 67 and 68, and applies to all government employer pension plans.

GASB Pronouncement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued in June, 2015 and applies to FY2016. It simplifies the structure of the hierarchy of generally accepted accounting principles (GAAP). The GAAP hierarchy sets forth what constitutes GAAP for all state and local governments. This Standard establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance governmental entities must apply.

For FY15, GASB Statement 71 *Pension Transition for Contributions Made Subsequent to Measurement Date* is effective for the year ended June 30, 2015. This standard was issued to address and improve the transition provisions of GASB 68. In the year of transition to the new standards, the net pension liability is measured as of a date up to one year prior to the government's fiscal year end. As a result, the University has recognized a beginning deferred outflow of resources for pension contributions, made after the measurement date of the beginning net pension liability.

Also released for FY15, GASB 68 Accounting and Financial Reporting for Pensions sets new accounting and financial reporting requirements for government employer pensions administered through irrevocable trusts. For agencies in the Commonwealth of Virginia, with defined benefit plans, this standard replaces GASB 27 *Accounting for Pensions by State and Local Governmental Employees*, as well as the requirements of Statement No. 50 Pension Disclosures. Cost Sharing Government employers, like VSU, which sponsor defined benefit plans recognize a proportionate share of the net pension liability on the Statement of Net Position (SNP). This unfunded accrued liability is the difference between total pension liability, or actuarial accrued liability, and the fair value of the plan assets.

Regarding GASBs 68 and 71, The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 for detailed pension information related to the University.

C. 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 has been incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated as well.

D. Cash Equivalents

The University considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. Funds invested through the State Non-Arbitrage Program (SNAP) and portions of the funds invested in the State Securities Lending Program are considered cash equivalents.

E. Prepaid Expenses

Prepaid expenses represent University library books, memberships, subscriptions, postage, system maintenance agreements, service agreements and licenses that were paid in advance as of June 30, 2016.

F. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure assets, improvements other than buildings, inexhaustible works of art, intangible assets, and construction-in-progress are stated at appraised historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at fair value on the date of acquisition. Library materials are valued using purchase price for library acquisitions. Equipment is capitalized when the acquisition cost is $5,000 or greater and the estimated useful life is two years or more. Expenses for construction-in-progress are capitalized as they are incurred. Intangible assets are capitalized when the acquisition cost is $100,000 or greater. Interest expenses relating to construction are capitalized, net of interest income earned on resources set aside for this purpose. For the year ended June 30, 2016, no interest associated with construction was capitalized. Infrastructure assets are recorded at cost.

Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Buildings	30-60 years
Infrastructure assets	15-20 years
Equipment	2-10 years
Intangible assets – computer software	5-10 years
Library books	5 years
Other improvements	20 years

G. Net Position

Net investment in capital assets represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component.

Resources restricted by outside sources are distinguished from unrestricted resources allocated for specific purposes by action of the Board of Visitors. Externally restricted resources may be utilized only in accordance with the purposes established by the source of such resources and are in contrast with unrestricted resources, of which the governing board retains full control to use in achieving the institutional purpose.

Restricted net assets can be expendable or nonexpendable. Nonexpendable restricted net assets are endowments and similar type funds where the donor(s) or some other outside source has 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, which may either be expended or added to principal. Expendable restricted net assets are resources which the University is legally or contractually obligated to spend in accordance with the restrictions imposed by external parties.

Unrestricted net assets are resources derived primarily from state appropriations, sales and services of educational departments, student tuition and fees, auxiliary enterprises fees and revenues, and gifts. 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 has been 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.

H. Unearned Revenue

Unearned revenue represents revenues collected, but not earned as of June 30, 2016. This consists primarily of student tuition and fees received in advance of the academic term and advance payments from grant and contract sponsors.

I. Accrued Compensated Absences

The amount of leave earned, but not taken by 12-month faculty and salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects all unused vacation leave, overtime leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy as of June 30, 2016. The applicable share of employer-related taxes payable on eventual termination payments is also included.

J. 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 allowance; (2) federal, state, and nongovernmental grants and contracts; and (3) sales and services of auxiliary enterprises, net of scholarship allowance.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and other revenue sources that are defined as nonoperating revenues by GASB Statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis*, such as state appropriations, investment income, and federal student financial aid.

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

K. Discounts, Premiums, and Bond Issuance Costs

Bonds payable on the Statement of Net Position are reported net of related premiums and discounts, which are amortized as revenue or expense over the life of the bond. Bond issuance costs are expensed as incurred, due to the implementation of GASB Statement 65 *Items Previously Reported as Assets and Liabilities*. While prior to FY2014, issuance costs were expensed over the life of the bonds.

L. Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowance in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. The scholarship allowance is reported using the alternative method as recommended by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payment to students, excluding payments for services, on the ratio of total aid to the aid not considered third-party aid.

M. Title IV Federal Financial Assistance Programs

The University participates in the following federally funded programs: Federal Pell Grant (PELL) and Teacher Education Assistance for College and Higher Education (TEACH) Grant; Federal Supplemental Educational Opportunity Grant (SEOG); Federal Direct Subsidized and Unsubsidized; Federal Parent Loan for Undergraduate and Graduate Students (PLUS), Federal Perkins Loan and Federal College Work Study (CWS).

N. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the June 30, 2015 information should be read in conjunction with the University's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

O. Deferred Outflows and Deferred Inflows of Resources

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

For the University, gains on retirement of debt are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Each year these amounts are amortized and included as a component of interest expense based on the life of the debt. Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. In addition, employer contributions subsequent to the measurement date of the net pension liability are also reported as deferred outflows of resources.

Summarized below is the compilation of deferred outflows and inflows of resources at June 30, 2016:

At June 30, 2016	Pension Related	Gain/(Loss) on Debt Refunding	Total
Deferred outflows of resources	$ 6,128,485	$ 3,117,259	$ 9,245,744
Deferred inflows of resources	$ 5,617,000	$ 13,828	$ 5,630,828

P. Restatement of Beginning Net Position Categories

The fiscal year end 2015 net position balances for restricted expendable scholarships and fellowships, and the unrestricted categories were restated as shown below. Originally, the $3,137,828 entry was posted to reclassify the negative restricted expendable other category, due to impact of the unfunded pension liability. The negative amount was reclassified as restricted expendable scholarships and fellowships. Per GASB, all negative restricted net position amounts must be reclassified as unrestricted net position.

Net Position Category	FY15 Net Position	Restatement	FY15 Adjusted Ending Balance
Restricted for:			
Expendable:			
Scholarships and fellowships	$ 17,606,922	$ 3,137,828	$ 20,744,750
Unrestricted	$ (38,473,379)	$ (3,137,828)	$ (41,611,207)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all State funds of the University are held by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of State funds. Cash deposits held by the University are maintained in accounts that are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia*. In accordance with the GASB Statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds,* definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, and cash deposits including certificates of deposit and temporary investments with original maturities of three months or less. At June 30, 2016, the carrying amount of cash and cash equivalents was $29,982,516.

B. Investments - Credit Risk, Custodial Credit Risk, and Interest Rate Risk

Pursuant to Section 23.1-1301, *Code of Virginia*, the Board of Visitors of Virginia State University has the broad authority to manage the funds of The University. In doing so, the Board created an “Investment Policy” which governs the investment of the University’s pooled endowed funds and sets forth the responsibilities of the University, its investment advisors, and external managers. The University’s Endowment consists of gifts, Board-designated endowments, and funds connected with the Title III Endowment Challenge Grant Program. It is the intent of the Board that these funds be invested with a long-term approach aimed at generating sustainable levels of income to support the academic mission of the University. In order to do so, the University adheres to the guidelines set forth by the Uniform Prudent Management of Institutional Funds Act, *Code of Virginia* Section 64.2-1100-1108, to evaluate common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following disclosures are made in accordance with GASB Statement 40 *Deposit and Investment Risk Disclosures*. As an element of interest rate risk, this statement requires certain disclosures of investments with fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement must be disclosed. GASB Statement 40 also modifies disclosures required by GASB Statement 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.*

As of June 30, 2016, the University had the following investments:

Spider Management Group	$17,627,890
Graystone Consulting Richmond	15,482,267
Total investments	$33,110,157

The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's CAFR.

C. Fair Value Measurement

The following disclosures are made in accordance with GASB Statement 72 *Fair Value Measurement and Application*. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. Furthermore, all investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

Investments:	Not Applicable to Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value (NAV)	Credit Rating
Cash	$ 657,110	$ -	$ -	$ -	$ -	Not applicable
Stocks	-	1,541,500	-	-	-	Not applicable
ETS & CEFS	-	2,822,241	-	-	-	Not applicable
Mutual Funds	-	10,461,415	-	-	-	Not rated
Unitized Investment Pool (Spider)	-	-	-	-	17,627,890	Not rated
Total	$ 657,110	$ 14,825,156	$ -	$ -	$ 17,627,890	

The Richmond Fund creates a strategic mix of asset classes in order to preserve principal and build long-term capital. Diversification is the core tenant of the Richmond Fund, which invests across asset classes broadly categorized as public equity, private equity/venture capital, multi-strategy/credit, and real assets.

The following chart provides information on the availability of the investment funds:

Investment Manager	Redemption Frequency	Redemption Notice Period
Spider Management	Quarterly	60 days
Graystone Consulting Richmond	Monthly	1 day

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The University's does not invest directly in fixed income securities, but rather holds shares of mutual funds which target specific types of fixed income instruments. Doing so allows the University to construct a fixed-income portfolio which carries prudent levels of interest rate risk by targeting and maintaining an average duration congruent with the investment objectives of the University.

E. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Statutes authorize the investment of local funds held by the University in obligations of the Commonwealth; federal government; other states or political subdivisions thereof; Virginia political subdivisions; the International Bank for Reconstruction and Development; the Asian Development Bank; and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated Prime 1 by Moody's Investment Service or A-1 by Standard and Poor's, Incorporated. The University may also invest in overnight term or open repurchase agreements and money market funds. The University does not hold rated debt securities directly but rather constructs a balanced fixed-income mutual fund portfolio which assumes levels of credit risk appropriate with its risk and return objectives.

F. Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the endowment funds will not be able to recover the value of the investments that are in possession of an outside party. The University does not have a formal investment policy for custodial arrangements. At June 30, 2016, the University endowment funds were held at the custodial banks, the Spider Management Group, and Graystone Consulting Richmond.

G. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government or university in a single issuer. The University does not have a formal policy to reduce concentration of credit risk; however, all of the University's investments were held in various instruments and stocks and were not exposed to this risk.

H. Foreign Currency Risk

Foreign currency risk is the risk deposits or investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U. S. dollar relative to foreign currencies. As of June 30, 2016, the University has no investments or deposits exposed to foreign currency risk.

I. VSUF – Cash and Investments

The investments of the VSUF consist primarily of equity securities and mutual funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. The amount of cash and investments held by the VSUF at June 30, 2016, was $15,302,454.

At June 30 2016, the VSUF had $12,884,582 in total investments. Per GASB Statement 72 *Fair Value Measurement and Application* these investments are classified as follows: $12,749,847 as Level 1; $27,000 as Level 2; $107,735 as Level 3.

J. VSUREF - Cash and Investments

The investments of the VSUREF consist primarily of U.S. government money market funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. Cost is determined based on the initial purchase price of each individual investment. The amount of cash and investments held by the VSUREF at December 31, 2015 was $4,465,150.

At December 31, 2015, the VSUREF had ($3,482,972) related to a derivative interest rate swap agreement. Per GASB Statement 72 *Fair Value Measurement and Application* this investment is classified as Level 2.

3. ACCOUNTS AND NOTES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowance for doubtful accounts in the accompanying Statement of Net Position.

Accounts Receivable at June 30, 2016		
University:		
Student tuition and fees	$	1,175,688
Federal, state and private grants and contracts		2,501,607
Auxiliary enterprises		154,456
Third party receivables - students		163,094
Other receivables		60,485
Gross accounts receivable		4,055,330
Less: Allowance for doubtful accounts		(984,832)
Net accounts receivable		3,070,498
Research Foundation:		
Gross accounts receivable		411,570
Less: Allowance for doubtful accounts		-
Net accounts receivable		411,570
Total net accounts receivable	$	3,482,068

B. Due from the Commonwealth

Receivables due from the Commonwealth represent reimbursements due for equipment purchases made by the University under the Equipment Trust Fund and bond reimbursement programs. On a reimbursement basis, the Equipment Trust Fund program provides State-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment.

The details for the receivables due from the Commonwealth are as follows:

Due from the Commonwealth at June 30, 2016		
21st Century Bond Reimbursement - Multipurpose Center Project	$	976,701
21st Century Bond Reimbursement - Water Storage Tank and Campus Water		54,981
21st Century Bond Reimbursement - Lockett Hall		1,134,963
21st Century Bond Reimbursement - Erosion & Sediment Control		81,548
21st Century Bond Reimbursement - Maintenance Reserve		741,923
21st Century Bond Reimbursement - Gandy Hall Temporary Facility		268,246
21st Century Bond Reimbursement - Hunter McDaniel		57,618
Total due from the Commonwealth	$	3,315,980

C. Notes Receivable

Notes receivable are shown net of an allowance for doubtful accounts in the accompanying Statement of Net Position.

At June 30, 2016, notes receivable consisted of the following:

Current notes receivable:		
State student loans	$	1,581
Less: Allowance for doubtful accounts		-
Net current notes receivable		1,581
Noncurrent notes receivables:		
Federal student loans		1,955,006
Local student loans		771
Trojan Development, LLC		328,000
Less: Allowance for doubtful accounts		(268,156)
Net noncurrent notes receivables		2,015,621
Total notes receivable	$	2,017,202

4. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2016, is presented as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Nondepreciable capital assets:				
Land	$ 18,798,100	$ 333,630	$ -	$ 19,131,730
Inexhaustible works of art and historical treasures	119,000	-	-	119,000
Construction in progress	58,137,417	26,126,113	(77,318,559)	6,944,971
Total nondepreciable capital assets	77,054,517	26,459,743	(77,318,559)	26,195,701
Depreciable capital assets:				
Buildings	312,826,203	73,358,719	-	386,184,922
Equipment	35,856,149	1,447,647	(134,235)	37,169,561
Infrastructure (includes Improvements other than buildings)	19,598,463	3,959,840	-	23,558,303
Intangible Assets-Computer Software	3,878,256	-	-	3,878,256
Library books	20,709,797	121,878	(231,604)	20,600,071
Total depreciable capital assets	392,868,868	78,888,084	(365,839)	471,391,113
Less accumulated depreciation for:				
Buildings	118,386,518	7,674,126	-	126,060,644
Equipment	28,524,986	1,904,332	(128,910)	30,300,408
Infrastructure (includes Improvements				-
other than buildings)	12,998,303	609,981	-	13,608,284
Intangible Assets-Computer Software	3,772,006	106,250	-	3,878,256
Library books	20,170,063	211,463	(231,604)	20,149,922
Total accumulated depreciation	183,851,876	10,506,152	(360,514)	193,997,514
Net depreciable capital assets	209,016,992	68,381,932	(5,325)	277,393,599
Total	$ 286,071,509	$ 94,841,675	$ (77,323,884)	$ 303,589,300

Net capital assets of the VSUREF consist of $542,828 for land and $7,578,233 (net of accumulated depreciation of $7,893,042) for buildings, land improvements, and equipment as of December 31, 2015.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at June 30, 2016:

Employee salaries, wages, and fringe benefits payable	$ 3,730,386
Matured interest payable	400,191
Vendor and supplier accounts payable (VSURF $29,048)	3,998,899
Total	$ 8,129,476

6. LONG-TERM LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 7) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2016 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current	Noncurrent
Long-term debt:						
General obligations revenue bonds	$ 101,374,802	$ -	$ (6,340,413)	$ 95,034,389	$ 5,295,990	$ 89,738,399
Notes payable	7,261,958	-	(760,997)	6,500,961	679,786	5,821,175
Installment purchases	2,186,904	-	(416,207)	1,770,697	421,184	1,349,513
Total long-term debt	110,823,664	-	(7,517,617)	103,306,047	6,396,960	96,909,087
Other noncurrent liabilities:						
Net pension liability	56,254,000	4,410,000		60,664,000	-	60,664,000
Accrued compensated absences	4,304,178	2,272,052	(2,429,052)	4,147,178	1,126,026	3,021,152
Federal Perkins loan contributions	1,521,882	-	-	1,521,882	-	1,521,882
Software license agreements	106,250	-	(106,250)	-	-	-
Total other noncurrent liabilities	62,186,310	6,682,052	(2,535,302)	66,333,060	1,126,026	65,207,034
Total long-term liabilities	$ 173,009,974	$ 6,682,052	$ (10,052,919)	$ 169,639,107	$ 7,522,986	$ 162,116,121

7. LONG-TERM INDEBTEDNESS

A. Bonds Payable

The University's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. All of the bonds at 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.

A summary of future principal and interest requirement of bonds payable for fiscal year as of June 30, 2016, are as follows:

General obligation revenue bonds:	Interest Rate	Maturity	Total
Construct Two Residence Halls Series 2007B	5.0%	2017	$ 1,340,000
98 Ref of Jones Dining Hall- 2004B Ref Portion, Series 2014B	5.0%	2018	143,576
Construct Residence Halls, Series 2007A	4.0% - 4.5%	2018	195,000
VSU Const Residence Hall 2006B Refunded Portion, Series 2009D	5.0%	2022	4,965,000
VSU Construct Dining Hall Refunded Portion 2006B, Series 2009D	5.0%	2022	1,280,000
Constr Two Res Halls - 2007B Ref Portion, Series 2013B	4.0% - 4.4%	2025	11,231,552
Constr Dining Hall - 2006B Ref Portion, Series 2013B	4.0% - 4.2%	2026	1,431,242
Constr Residence Halls - 2006B Ref Portion, Series 2013B	4.0% - 4.2%	2026	5,541,181
Constr Res Halls - 2007A Ref Portion, Series 2013B	4.0% - 4.3%	2027	1,132,216
Construct Two Residence Halls-2007B Ref Portion, Series 2015B	4.7% - 5.0%	2027	4,994,735
Construct Gateway Residence Hall Phase, Series 2011A	4.2% - 4.9%	2031	28,640,000
Construct Quad Phase II, Series 2011A	4.2% - 4.9%	2031	25,035,000
Add unamortized premium (net of discount)			9,104,887
Total bonds payable			$ 95,034,389

Aggregate annual maturities of bonds payable for fiscal years after 2016 are:

Maturity	Principal	Interest	Total
2017	$ 5,295,990	$ 3,798,510	$ 9,094,500
2018	5,478,258	3,541,611	9,019,869
2019	5,549,127	3,294,621	8,843,748
2020	5,785,600	3,038,864	8,824,464
2021	6,006,350	2,789,684	8,796,034
2022 - 2026	34,158,321	9,718,331	43,876,652
2027 - 2031	23,655,856	3,135,892	26,791,748
Add unamortized premium (net of discount)	9,104,887	-	9,104,887
Total	$ 95,034,389	$ 29,317,513	$ 124,351,902

B. Notes Payable

The University entered into a loan agreement with the Department of Housing and Urban Development (HUD) in 1989 and closed the agreement in 1992 to borrow funds to repair seven dormitories. The loan is to be repaid over 30 years at three percent interest and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. In prior years, the University participated in the Virginia College Building Authority (VCBA) Pooled Bond Program to fund the renovation of Rogers Stadium and the Student Village Housing Renovation Project. At June 30, 2016, the outstanding principal balances were $940,068 for the HUD loan and $5,115,000 for the VCBA notes payable.

A summary of future principal and interest requirements of the VCBA notes and HUD loan payable as of June 30, 2016, are as follows:

Virginia College Building Authority and HUD Notes Payable:	Interest Rate	Maturity	Total
VSU Pooled Bonds - 2002A Rogers Stadium Ref Portio, Series 2007D	2.0 - 3.8%	9/1/2019	$ 1,485,000
VSU 2002A Rogers Stadium Ref Portion, Series 2010B	2.5 - 5.0%	9/1/2022	1,320,000
VSU Roger's Stadium Proj. - 2005 A Ref Portion, Series 2013A	1.5 - 4.7%	9/1/2024	1,215,000
VSU Student Village Hsg. - 2005 A Ref Portion, Series 2012A	1.5 - 4.7%	9/1/2024	630,000
VSU Pooled Bonds-Roger's Stadium-2005A, Ref Portion, Series 2014B	2.0 - 4.0%	9/1/2025	310,000
VSU Pooled Bonds-Student Village Hsg-2005A, Ref Portion.Series 2014B	2.0 - 4.0%	9/1/2025	155,000
Department of Housing and Urban Development	3.0%	2022	940,068
Add unamortized premium (net of discount)			445,893
Total notes payable			$ 6,500,961

Aggregate annual maturities of notes payable for fiscal years after 2016 are:

Maturity	Principal	Interest	Total
2017	$ 679,786	$ 251,374	$ 931,160
2018	709,314	222,385	931,699
2019	733,978	191,771	925,749
2020	768,783	160,390	929,173
2021	813,733	126,165	939,898
2022 - 2026	2,349,474	184,717	2,534,191
Add unamortized premium:	445,893	-	445,893
Total	$ 6,500,961	$ 1,136,802	$ 7,637,763

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

C. Installment Purchases

Installment purchase obligations in FY2016 consisted of the Energy Performance Leasing Program with $1,258,009 in principal remaining, and six vehicles through the Commonwealth's Master Equipment Leasing Program (MELP) with $61,552 in principal remaining. In addition, the University has outstanding principal of $451,136 through MELP for the Voiceover Internet Protocol (VoIP) telephone system.

Principal and interest payment commitments as of June 30, 2016, are as follows:

Installment purchase obligations:	**Interest Rate**	**Maturity**	**Total**
Master Equipment Leasing Program - Bus Fleet	2.0%	2017	$ 61,552
Master Equipment Leasing Program - VoIP Phone System Phase I	1.2%	2018	43,525
Master Equipment Leasing Program - VoIP Phone System Phase II	1.2%	2019	297,105
Master Equipment Leasing Program - VoIP Phone System Phase III	2.1%	2019	110,506
Energy Performance Leasing Program	1.1%	2022	1,258,009
Total installment purchase obligations			$ 1,770,697

The aggregate maturity of installment purchase obligations for fiscal years after 2016 is:

Maturity	**Principal**	**Interest**	**Total**
2017	$ 421,184	$ 20,497	$ 441,681
2018	364,050	15,614	379,664
2019	346,368	11,138	357,506
2020	210,757	6,872	217,629
2021	213,023	4,606	217,629
2022	215,315	2,315	217,630
Total	$ 1,770,697	$ 61,042	$ 1,831,739

D. Foundation Debt

The VSUREF refinanced and paid off the Series 2006 bonds and obtained $20,330,000 in Series 2008 bonds of which $16,750,000 in principal remains at December 31, 2015. The Series 2008 bonds are collateralized by the rental property and equipment. Also, the VSUREF is required to maintain a debt service reserve. The contractual interest rates are variable.

The Series 2008 bonds mature on July 1, 2031, and the VSUREF has agreed to prepayment terms of the principal to the Trustee with payments remaining due as follows:

Maturity	**Principal**
2016	$ 850,000
2017	900,000
2018	915,000
2019	960,000
2020	1,005,000
Thereafter	12,120,000
Total	$ 16,750,000

In conjunction with the refinancing of the bonds, loan costs of $124,371 were incurred and are being amortized over the life of the debt. Amortization expense for the year ended December 31, 2015 and 2014 was $5,528 and $5,528 respectively.

The VSUREF had entered into an interest rate swap agreement as part of the provisions of the Series 2006 bond agreement. When the VSUREF issued the 2008 Series bonds the original swap contract was satisfied and a new interest rate swap agreement was obtained. Per the terms of the 2008 swap agreement, the VSUREF pays a fixed rate of interest of 4.12%. The interest rate swap agreements qualify as derivative financial instruments and are used to mitigate the effect of interest rate fluctuations. The VSUREF accounts for the interest rate swaps as fair value hedges whereby other liabilities in the accompanying statements of financial position with the offsets recorded as expenses.

The fair value of these contracts was a negative $3,482,972 and $3,738,074 at December 31, 2015 and 2014 respectively. This is the amount the VSUREF would have to pay to settle the interest rate swaps as of these respective dates.

In conjunction with the bond issuance, the University signed a support agreement with the VSUREF stating that the project will be an equal part of the student housing program, provide preferential treatment to provide 95% occupancy if the debt service coverage ratio is less than 1.2 to 1, and limit additional housing projects.

8. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of a biennium.

The following is a summary of state appropriations received by the University for the year ended June 30, 2016:

Virginia State University:	
Original legislative appropriation:	
Education and general programs	$ 31,478,423
Higher education student financial assistance	7,313,234
Supplemental adjustments:	
State grants and scholarships	66,908
FY2016 central maintenance reserve distribution	341,766
VIVA interlibrary loan allocation	5,539
FY2016 central appropriation distribution	1,019,584
Capital outlay fee-FY2016	(739,233)
VCBA debt service appropriations	(108,886)
Year-end cash reversion	(42,009)
Reappropriation of FY2015 carry forward	1,899,774
	41,235,100
Cooperative Extension and Agricultural Research Services:	
Original legislative appropriation:	
Education and general programs	5,441,337
Supplemental adjustments:	
FY2016 central appropriation distribution	65,826
Year-end cash reversion	(1,073,088)
FY2015 reappropriation of carry forward	450,301
	4,884,376
Total state appropriations	$ 46,119,476

9. EXPENSES BY NATURAL CLASSIFICATION

The following table shows a classification of operating 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 & Wages	Fringe Benefits	Services & Supplies	Scholarships & Fellowships	Utilities	Depreciation	Total
Instruction	$ 21,175,286	$ 7,279,415	$ 8,496,439	$ 749,738	$ 188,220		$ 37,889,098
Research	2,992,099	910,165	2,443,601	89,938	112,923		6,548,726
Public Service	4,128,697	1,194,584	2,355,527	128,333	101,133		7,908,274
Academic Support	2,776,136	943,469	1,212,778	34,600	42,191		5,009,174
Student Services	2,488,851	951,935	430,541	8,485	49,687		3,929,499
Institutional Support	10,840,938	3,994,666	332,471		292,190		15,460,265
Operations & Maintenance of Plant	536,074	346,376	6,879,354		3,928,995		11,690,799
Scholarships & Fellowships			16,505	2,579,386			2,595,891
Depreciation						10,506,152	10,506,152
Auxiliary Enterprises	4,583,160	1,631,636	17,265,591	2,257,444	2,316,125		28,053,956
Other			51,482				51,482
Total	$ 49,521,241	$ 17,252,246	$ 39,484,289	$ 5,847,924	$ 7,031,464	$ 10,506,152	$ 129,643,316

10. COMMITMENTS

A. Construction Commitments

As of June 30, 2016, the University was a party to construction contracts totaling $134,420,362 of which $6,372,085 was still outstanding.

B. Operating Leases

In FY12, Virginia State University entered into an operating lease agreement Cameron Building, LLC. The University is leasing office space from the Cameron Building, LLC for administrative operations. The initial terms of this lease is ten years beginning August 15, 2012 through August 14, 2022. Rent payments for this lease were $242,294 in FY2016. See Note 15 Subsequent Events for additional information regarding this lease.

A second lease, with Radcliffe Warehouse, LLC is for warehouse storage. Rent payments for FY2016 were $27,000. The lease is for a period of three years beginning on July 1, 2014 and ending on June 30, 2017.

The University has a third lease with the City of Petersburg, is to lease space related to a federal grant with the Department of Agriculture. The lease began on January 1, 2016 and ends December 31, 2021. No payments were made in FY2016. For the schedule below, the total future payment amount of $1,828,821 represents obligations of the University.

For the VSU Research Foundation, there is a current lease in its second year, with the City of Petersburg. The Foundation leases administrative office space under a non-cancelable operating lease with a term of five years. For the Foundation future payments total $72,000, which is $18,000 for years' 2017 to 2020.

The schedule of combined future rental payments is as follows:

2017	$	315,003
2018		293,379
2019		298,863
2020		304,456
2021		292,161
2022-2024		396,959
Total	$	1,900,821

11. RETIREMENT PLANS

A. Virginia Retirement System – General Information about the Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 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	**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	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most

using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	using a formula. Employees are eligible for 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.	members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • 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. **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	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	**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

election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Hybrid Retirement Plan. They Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>**

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.		Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined 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.	**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.

Members are always 100% vested in the contributions that they make.		**<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 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	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.		
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 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. **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving

		employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3%	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2%	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2.

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%. **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	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	**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.

Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must	**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. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire

purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<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. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2016 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan for July 2015, 13.28% for August 2015 and 14.22% for September 2015 through June 2016. For employees in the VaLORS Retirement Plan, the contribution rate was 17.67% of covered employee compensation for July 2015, 18.34% for August 2015 and 19.00% for September 2015 through June 2016. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

The actuarial rate for the VRS State Employee Retirement Plan was 15.80% and the actuarial rate for VaLORS Retirement Plan was 21.06%. 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. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88% of the actuarial rate for the year ended June 30, 2016. Additional funding provided by the General Assembly moved the contribution rates to 90% of the actuarial rate by September 2015 and for the remainder of FY 2016. Contributions from the University to the VRS State Employee Retirement Plan were $4,951,607 and $4,509,880 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions from the University to the VaLORS Retirement Plan were $144,879 and $126,999 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, VSU reported a liability of $59,264,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,400,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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 state agency's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, VSU's proportion of the VRS State Employee Retirement Plan was 0.96796% as compared to 0.97741% at June 30, 2014. At June 30, 2015, the state agency's proportion of the VaLORS Retirement Plan was 0.19707% as compared to 0.22780% at June 30, 2014.

For the year ended June 30, 2016, the state agency recognized pension expense of $3,838,000 for the VRS State Employee Retirement Plan and $(52,000) for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, 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, 2016, Virginia State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State Employee Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 426,000	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,263,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	606,000	952,000
Employer contributions subsequent to the measurement date	4,951,607	-
Total	$ 5,983,607	$ 5,215,000

VaLORS Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 7,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	59,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	336,000
Employer contributions subsequent to the measurement date	144,879	-
Total	$ 144,879	$ 402,000

$4,951,607 for the State Retirement Plan and $144,879 for the VaLORS Plan were reported as deferred outflows of resources related to pensions resulting from VSU'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, 2017.

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:

State Retirement Plan **Year Ended June 30:**	**VaLORS Retirement Plan** **Year Ended June 30:**
2017 $(1,569,000)	2017 $(201,000)
2018 $(1,598,000)	2018 $(157,000)
2019 $(1,693,800)	2019 $(55,000)
2020 $748,000	2020 $11,000
2021 $0	2021 $0

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the

assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 5 years and females were set back 3 years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

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, 2015, 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	$ 22,521,130	$ 1,902,051
Plan Fiduciary Net Position	16,398,575	1,191,353
Employers' Net Pension Liability (Asset)	$ 6,122,555	$ 710,698
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%	62.64%

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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, 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 state agency for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Virginia State University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$85,121,000	$59,264,000	$37,581,000

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Virginia State University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	$1,904,000	$1,400,000	$986,000

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in one of two other retirement plans: 1) Fidelity Investments Institutional Services and 2) Teacher Insurance and Annuity Association/College Retirement Equity Fund. These are fixed-contribution programs where the retirement benefits received are based upon the net of employer and employee contributions, plus interest and dividends. Individual contracts issued under these plans provide full and immediate vesting of both the University and the participants' contributions.

For employees who became members of the respective plans prior to July 1, 2010, there is an employer required contribution of 10.4 percent. Annual pension costs under these plans totaled $643,747 for the year ended June 30, 2016. Contributions to these retirement programs were calculated using the base salary amount of $6,189,872.

For employees who became members of the respective plans on or after July 1, 2010, there is an employer required contribution of 8.5 percent and an employee required contribution of 5 percent. Annual pension costs under these plans totaled $147,714 for the year ended June 30, 2016. Contributions to these retirement programs were calculated using the base salary amount of $1,737,809.

C. Deferred Compensation

University employees may also voluntarily 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 matched dollar amount 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 expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was $177,863 for FY2016.

12. OTHER POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance programs, which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums for its retirees who have at least 15 years of state service and participate in the State's health plan. Information relating to these plans is available at the statewide level in the Commonwealth of Virginia's CAFR.

The University in compliance with GASB Statement No. 47 Accounting for Termination Benefits did not have any voluntary termination benefits and/or involuntary termination benefit liabilities outstanding as of June 30, 2016 to recognize in accordance with this standard.

13. CONTINGENCIES

In April 2016, the US Department of Agriculture (Agriculture) conducted a performance and administrative review of the University's National Institute of Food and Agriculture (NIFA) sponsored programs for fiscal year 2014. The review initially disallowed indirect cost recoveries of $1,255,592 that the University claimed as state matching funds.

Being unaware that it could not claim indirect cost recoveries as state matching funds, the University charged $1,439,298 and $1,070,700 as such during fiscal years 2015 and 2016, respectively. They discontinued doing so in May 2016, upon receiving the results of Agriculture's review. Since Agriculture only approved the University to replace 2014 indirect costs recoveries with qualifying educational expenses, the NIFA programs were not properly matched with state funds in fiscal years 2015 and 2016, resulting in questioned costs totaling $2,509,998.

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

14. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors, and omissions; non-performance of duty, injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The State employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management.

Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the CAFR.

15. SUBSEQUENT EVENTS

Land conveyed to Trojan, LLC:

On April 21, 2017, the VSU Board of Visitors voted to terminate the mixed use development project proposed for Chesterfield Avenue known as "Trojan Development." Plans are currently underway to dissolve the Trojan Development LLC, and the 11 parcels of land conveyed to the LLC be returned to the University in lieu of the $328,000 receivable. Included below are the original details of the project.

Pursuant to a Board of Visitors (BOV) resolution signed and dated April 29, 2014, the Virginia State University Foundation (VSUF) and the Virginia State University Real Estate Foundation (VSUREF) collectively created a joint venture entity known as the VSU Trojan Development Company, LLC, also known as the "Trojan Development Company". The purpose of this entity was to develop mixed use retail, commercial and residential development along Chesterfield Avenue adjacent to the University. In pursuit of this development and in concert with the Ettrick economic development plan of Chesterfield County, the BOV resolution authorized the conveyance of 11 parcels comprising the Chesterfield Avenue Property to the Trojan Development Company in consideration of the sum of $328,000 representing the 2014 appraised value of said property. Pursuant to the land conveyance, the properties were recorded in the name of the Trojan LLC on January 30, 2015.

Reginald F. Lewis College Business Foundation:

On December 19, 2016, the University notified the Reginald F. Lewis College Business Foundation of its intent to immediately suspend the MOU between the University and Foundation. On January 20, 2017, the Foundation formally accepted the suspension notification and has dissolved the Foundation.

Cameron Building Operating Lease:

The University entered into a lease for warehouse and office space in 2012 and since 2016, there have been issues with the habitability of the leased space. The University has subsequently vacated the premises, referred to as the Cameron Building. Genesis has obtained representation and is claiming damages of $1,500,000 (one million, five hundred thousand dollars). While, we cannot guarantee or predict the outcome of this matter, the University has very credible defenses which will be advocated.

Required Supplementary Information (RSI)

Schedule of Virginia State University's (VSU) Share of Net Pension Liability:

The schedules below are intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

Schedule of VSU's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Years Ended June 30, 2016 and 2015*

	2016	2015
VSU's Proportion of the Net Pension Liability (Asset)	0.96796%	0.97741%
VSU's Proportionate Share of the Net Pension Liability (Asset)	$ 59,264,000	$ 54,719,000
VSU's Covered-Employee Payroll (FY2015, FY2014)	$ 46,066,157	$ 46,847,249
VSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	128.65%	116.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%	74.28%

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

Schedule of VSU's Share of Net Pension Liability
VaLORS Retirement Plan
For the Years Ended June 30, 2016 and 2015*

	2016	2015
VSU's Proportion of the Net Pension Liability (Asset)	0.19707%	0.22780%
VSU's Proportionate Share of the Net Pension Liability (Asset)	$ 1,400,000	$ 1,535,000
VSU's Covered-Employee Payroll (FY2015, FY2014)	$ 852,391	$ 985,254
VSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	164.24%	155.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.62%	63.05%

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

Schedule of Employer Contributions:

The schedule below is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is shown. However, additional years will be included as they become available.

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Defiency (Excess)	Employer's Covered Employee Payroll (FY2016)	Contributions as a % of Covered Employee Payroll
2016	$4,951,607	$ 4,951,607	$ -	$ 44,324,928	11%
2015	$4,509,880	$ 4,509,880	$ -	$ 46,066,157	10%

Schedule of Employer Contributions
VaLORS Employee Retirement Plan
For the Years Ended June 30, 2015 through 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Defiency (Excess)	Employer's Covered Employee Payroll (FY2016)	Contributions as a % of Covered Employee Payroll
2016	$ 144,879	$ 144,879	$ -	$ 895,436	16%
2015	$ 126,999	$ 126,999	$ -	$ 852,391	15%

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 22, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia State 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 Virginia State University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors

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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, 2016, 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 2015 Financial Statements

As discussed in Note 1.P. of the accompanying financial statements, the fiscal year 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University's June 30, 2015, financial statements and we expressed an unmodified audit opinion on the respective financial statements in our report dated February 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived; however, it does include the necessary adjustments for the 2015 financial statements to be comparative with the 2016 financial statements as described in Note 1.P.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages two through ten, and the Schedule of Virginia State University's (VSU) Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to Required Supplementary Information on pages 53 through 55, be presented to supplement the basic financial statements. 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 June 22, 2017, on our consideration of the 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

KKH/clj

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VIRGINIA STATE UNIVERSITY ADMINISTRATIVE OFFICERS
As of June 30, 2016

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